

Financing County Human Services

This document is made available electronically by the Minnesota Legislative Reference Library
as part of an ongoing digital archiving project. <http://www.leg.state.mn.us/lrl/lrl.asp>

February 1987

Program Evaluation Division
Office of the Legislative Auditor
State of Minnesota

Program Evaluation Division

The Program Evaluation Division was established by the Legislature in 1975 as a center for management and policy research within the Office of the Legislative Auditor. The division's mission, as set forth in statute, is to determine the degree to which activities and programs entered into or funded by the state are accomplishing their goals and objectives and utilizing resources efficiently. Reports published by the division describe state programs, analyze management problems, evaluate outcomes, and recommend alternative means of reaching program goals. A list of past reports appears at the end of this document.

Topics for study are approved by the Legislative Audit Commission (LAC), a 16-member bipartisan oversight committee. The division's reports, however, are solely the responsibility of the Legislative Auditor and his staff. Findings, conclusions, and recommendations do not necessarily reflect the views of the LAC or any of its members.

The Office of the Legislative Auditor also includes a Financial Audit Division, which is responsible for auditing state financial activities.

Professional Staff

James Nobles, *Legislative Auditor*

Roger Brooks, *Deputy Legislative Auditor*

Joel Alter
Allan Baumgarten
Edward Burek
David Chein
Daniel Jacobson
Elliot Long
Kathleen Vanderwall
Jo Vos
Tom Walstrom
John Yunker

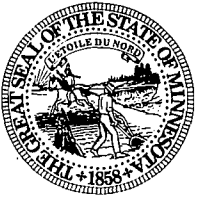
Support Staff

Jean Barnhill
Mary Moser

FINANCING COUNTY HUMAN SERVICES

February 1987

**Program Evaluation Division
Office of the Legislative Auditor
State of Minnesota**



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

February 18, 1987

Members

Legislative Audit Commission

In April 1986, the Legislative Audit Commission directed the Program Evaluation Division to study the impact of county human service spending on county property taxes. In particular, legislators were concerned with the effect of state and federally mandated programs on county tax burdens across the state.

Our report presents information on county human service spending and taxes and discusses what the state could do to reduce differences in taxes among counties.

We would like to acknowledge the cooperation of the Department of Human Services, the State Auditor's Office, the Department of Revenue, the House Research Department, and county human service departments across the state who assisted us over many months in assembling the data on which this report is based.

This study was carried out by Elliot Long (project manager) and Daniel Jacobson.

Sincerely,

A handwritten signature in black ink that reads "James R. Nobles".

James R. Nobles
Legislative Auditor

A handwritten signature in black ink that reads "Roger Brooks".

Roger Brooks
Deputy Legislative Auditor
for Program Evaluation

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	
1. COUNTY-ADMINISTERED HUMAN SERVICE PROGRAMS	1
A. Introduction	
B. Overview of Human Service Spending	
C. Methodology	
2. PER CAPITA HUMAN SERVICE SPENDING	19
A. Variation in County Human Service Spending	
B. Factors Influencing Human Service Spending	
C. Conclusions	
3. HUMAN SERVICE PROPERTY TAX BURDENS	37
A. Measures of Property Tax Burdens	
B. Human Service Property Tax Rates	
C. Income Maintenance Tax Burdens Versus Social Service Tax Burdens	
4. THE STATE'S ROLE IN FINANCING HUMAN SERVICE PROGRAMS	61
A. General Principles of Financing Human Services	
B. Income Maintenance Programs	
C. Social Services	
APPENDICES	81
STUDIES OF THE PROGRAM EVALUATION DIVISION	105

LIST OF TABLES AND FIGURES

TABLE NUMBER:	<u>Page</u>
1.1 Human Service Spending in Minnesota	5
1.2 Estimated 1985 Social Services Expenditures by Target Population and Method of Provision	7
1.3 Total Net County Spending and the Percent of Total Spending on Total Human Services, Income Maintenance Programs, and Social Services	11
1.4 Income Maintenance Spending at the Federal, State, and County Levels, State Fiscal Years 1981-1986	15
1.5 Major Social Service Aids	16
2.1 Per Capita Human Service Expenditures	20
2.2 Per Capita Human Service Expenditures	22
2.3 Factors Associated with Human Service Spending Correlation Coefficients	32
3.1 Human Service Tax Rates by Region	40
3.2 Human Service Tax Rates for Selected Counties	42
3.3 Income Maintenance Tax and Social Service Tax Per \$1,000 of Assessed Value	50
3.4 Income Maintenance Tax Rates by Region	51
3.5 Income Maintenance Tax Rates for Selected Counties	52
3.7 Social Service Tax Rates for Selected Counties	55
3.9 Social Service Spending by Counties with High Welfare Case- loads and Low Tax Capacity	59
4.1 Federal, State, and County Share of Income Maintenance Costs	63
4.2 Net County Income Maintenance Costs Per Capita	65
4.3 Effect of Increasing State Aid by \$1 Million for Each Income Maintenance Program, by Region	68
4.4 Federal and State Social Service Aid Per Capita by Region	71
4.5 Effect of Federal and State Aids on County Social Service Costs by Region	72
4.6 Trend in Title XX Allocations	74
4.7 Trend in Community Social Service Funding Allocations	75
4.8 Comparison of the 1986 CSSA Allocation with a Foundation Aid Alternative	79
FIGURE NUMBER:	
1.1 Minnesota Human Service Expenditures	6
1.2 Percent of Total Human Service Spending on Income Maintenance Benefits	6
1.3 Source of Financing for Income Maintenance Benefits	8
1.4 Source of Financing for Income Maintenance Administrative Costs	8
1.5 Social Services Financing Sources	9
1.6 Total Human Service Spending by Revenue Source	9

FIGURE NUMBER	<u>Page</u>
1.7 Net County Human Service Spending by Major Program	10
1.8 Net County Human Service Spending as a Percent of Total County Spending by Major Program Category	12
1.9 County, State and Federal Shares of Income Maintenance Costs	14
2.1 Economic Development Regions	23
2.2 Net Per Capita Human Service Spending	25
2.3 Net Per Capita Income Maintenance Spending	26
2.4 Net Per Capita Social Service Spending	27
2.5 Gross Per Capita Social Service Spending	29
2.6 Gross Social Service Spending Per Income Maintenance Recipient	30
3.1 Minnesota Regions	41
3.2 Human Service Tax Per \$1,000 of Assessed Property Value	44
3.3 Human Service Tax Per \$10,000 of Market Value, Commercial and Industrial Property	45
3.4 Human Service Tax Per \$10,000 of Market Value, Residential Property	46
3.5 Human Service Tax Per \$10,000 of Median Income, Residential Property	47
3.6 Income Maintenance Tax Per \$1,000 of Assessed Property Value	53
3.7 Social Service Tax Per \$1,000 of Assessed Property Value	56
4.1 Concentration of Income Maintenance Costs in High Tax Regions by Program	66

Executive Summary

This report examines county human service spending and its impact on county property taxes. A realistic appraisal of state and federal budgetary pressures suggests that in the future, counties may have to rely on their own revenue sources in order to finance growth in human service expenditures. Federal and state human service aids are not projected to grow significantly, if at all.

To a considerable extent, county human service spending is driven by forces beyond the control of county government. Benefits for *income maintenance* programs such as Aid to Families with Dependent Children (AFDC), Medical Assistance (MA), and General Assistance (GA) are determined at the state and national levels. Counties have more control over spending on *social services*, a diverse category of treatment and support programs aimed at troubled families, the mentally ill, chemically dependent and others. Spending on social services is strongly influenced by state and national policy, however.

Legislators and other policy-makers need to consider whether there are, or should be, significant differences across the state in human service spending and in the county property taxes that finance county human service spending. This study asks:

- What does county human service spending consist of?
- What are the important trends in human service spending and financing?
- How does human service spending vary across the state?
- What is the impact of human service spending on county property taxes?
- How do state and federal aids affect the variation in tax burdens, and what can be done to reduce variation in taxes across the state?

A. STATEWIDE SPENDING PATTERNS AND TRENDS

Human services represent a major share of county budgets and county spending net of federal and state aids. In 1985, about \$2 billion was spent on county-administered human service programs in Minnesota. Of this, \$954 million was financed from federal sources

and \$743 million from state sources. The remaining \$308 million was raised by counties, mainly through property taxes.

- While income maintenance programs such as AFDC, Medical Assistance, General Assistance, and Food Stamps account for \$1.7 of the \$2 billion, they account for only half of net county spending on human services. The other half is due to social service programs. This is because federal and state aid pays for over 90 percent of income maintenance program costs, but only 50 percent of social service costs.
- Net of human service aids, income maintenance programs accounted for about 16 percent of net county spending in 1985, and social services accounted for about 15 percent.
- Net county human service spending as a percent of total net spending grew from 27.8 percent in 1975 to 31.3 percent in 1984. However, county human service spending was higher in 1978 as a percent of total spending than it was in 1984.
- Net income maintenance spending by counties, as a percent of total net spending, declined from 25.7 percent in 1975 to 16 percent in 1984. This decline was quite sharp through 1981. Since 1981, the share of county spending has increased. Social service spending, as a share of county spending, grew from 1975 to 1978, but changed little between 1978 and 1984. Counties are concerned about the future, however, since major social service aids are projected to decline.

B. PER CAPITA COUNTY HUMAN SERVICE EXPENDITURES

Statewide, average net county spending on human services in 1984 was \$64.16 per person. Of this, \$33.35 was spent on income maintenance programs and \$30.81 on social services.

- Northeastern Minnesota and Hennepin and Ramsey counties spent more than the state average. Total net spending was \$110.78 per capita in northeastern Minnesota and \$87.52 in Hennepin and Ramsey. All other regions (but not individual counties) show total spending below the state average. Spending is relatively low in most counties south or west of the Twin Cities.

The two components of total human service spending, income maintenance and social services, do not show an identical pattern. Income maintenance spending is high in the northeastern and north central parts of the state, areas of economic distress, as well as Hennepin and Ramsey counties. Counties have little discretion over income maintenance spending, which is high where economic conditions are poor. Income maintenance costs are also high in counties containing large urban centers. Income maintenance costs per capita are low in the Twin Cities suburban counties and other fast-growing, generally prosperous counties near the Twin Cities.

Counties can exercise more control over social service expenditures. While these expenditures are relatively high in the northeast, social service spending per capita, net of state and federal aid, is below average in many counties in the north central part

of the state where income maintenance spending is high. Net social service expenditures per capita are, in fact, higher in the Twin Cities suburban counties than in most parts of the state.

The data suggest that it is in and around the urban centers located in St. Louis, Hennepin, and Ramsey counties where social services have historically been most available, and where demand for social services is highest.

C. HUMAN SERVICE PROPERTY TAX BURDENS

The central questions are:

- How do property tax burdens due to human service programs vary across the state?
- How much of this variation is due to income maintenance programs and how much is due to social service programs?
- Do counties with high income maintenance caseloads and low tax capacity spend less on social services than other counties?

To address these questions we computed county human service tax rates by dividing each county's human service expenditures by its assessed property value. Expenditures are net of federal and state human service aid to counties, and net of a proportional amount of general government aid. Property values are adjusted for differences in county assessment practices. We examined residential and commercial tax rates separately and also looked at residential taxes in relation to personal income.

Our analysis of variation in county tax rates shows:

- There is fairly wide variation in property tax burdens due to human service programs. Depending on the measure chosen, the highest regional tax is about four to five times the size of the lowest regional tax rate.
- Northeastern Minnesota, Hennepin/Ramsey, east central Minnesota, and north central Minnesota tend to have high human service tax burdens.
- From two to five counties, depending on the measure used, have human service tax burdens that exceed the state average by more than 50 percent. The counties that are this high on one or more of the measures include St. Louis, Carlton, Beltrami, Hennepin, Koochiching, and Mille Lacs.
- Counties outside the Twin Cities metropolitan area which have high overall tax burdens generally do not have high residential tax burdens in relation to personal income. Residential tax burdens tend to be lower outside the Twin Cities area because house values are much lower. For example, the human service tax per \$1,000 of assessed value in Koochiching County is 94 percent above the state average. But the tax on residential property in relation to personal income is 13 percent under the state average.

The question of whether taxes are high in high-tax areas because of income maintenance or social service expenditures can be answered as follows:

- Four regions have human service tax rates exceeding the state average. For three of these regions, the Northeast, East Central, and Hennepin/Ramsey, income maintenance and social service spending are both high. In each case income maintenance and social service programs make nearly equal contributions to the tax burden. However, the North Central Region has a high income maintenance burden but a low social service tax burden.

While income maintenance spending by counties is driven by economic conditions and state and federal requirements, counties can exercise more choice over social service expenditures. An important question is whether low tax capacity causes counties to provide an inadequate level of social services.

It is difficult or impossible to definitively answer this question because there is no accurate way to assess the general need for social services across the state. Social services are highly diverse, consisting of services aimed at the mentally retarded, mentally ill, the chemically dependent, the elderly, troubled families, and, potentially, everybody else. It is easier to measure the need for particular services than social services in general. However, even if the need for some social services is not tied closely to economic conditions, it is reasonable to assume that social service needs are higher in counties with higher-than-average public assistance caseloads.

In 1984 Minnesota had 24 counties in which the income maintenance caseload exceeded seven percent of the population. Among these counties:

- Counties with low tax capacity do not spend much less on social services than do other counties.
- The 24 counties with high welfare caseloads include the three counties with large urban centers, St. Louis, Hennepin and Ramsey. While St. Louis County's tax base per capita was substantially less than Hennepin and Ramsey, its per capita social service spending was much higher, \$129 per capita compared to \$83 for Ramsey and \$92 for Hennepin County.

Among the other counties with high welfare caseloads, the median social service spending was \$67 per capita. Thirteen of these 21 counties had low tax capacity (less than \$6000 of assessed value per capita). Of these low-tax-base counties, five spent more than \$67 per capita and seven spent less. One spent \$67. While these figures do not demonstrate that low tax capacity has no effect on social service spending, they do make the point that factors other than tax capacity have an overriding influence on social service spending levels.

D. THE STATE'S ROLE IN FINANCING HUMAN SERVICES

In 1985 the state spent over \$730 million on human service programs administered by counties. In addition, the state allocated over \$40 million in federal social service aid to counties. The state takes a major part in deciding the level and distribution of human service aid to counties. We looked at the following questions:

- What are the general principles favoring state or local financing of human services?
- How does the state's allocation of human service aids affect property tax burdens across the state?
- What are the advantages and disadvantages of alternatives to the current financing arrangement?

The benefits of public assistance are not confined to the localities where aid is given. Both the federal and state governments need to assure reasonably uniform benefits across the state and nation or there will be an incentive for public assistance clients to gravitate to where benefits are highest or easiest to obtain. On the other hand, county financing of county-administered programs fosters efficiency and accountability.

Arguments in favor of the federal and state governments assuming financial responsibility apply with considerable force in the case of income maintenance programs. The federal and state governments mandate the programs, establish eligibility standards and set benefit levels. In most states, the major income maintenance programs are directly administered by the state, and there is no county financial participation.

In Minnesota, between 1975 and 1981, the Legislature responded to concerns over property tax disparities by increasing the state's share of income maintenance costs. In 1975 the state paid 50 percent of the non-federal share of benefit costs for each major income maintenance program. Now the state's share ranges from 75 percent for General Assistance to 90 percent for Medical Assistance. Still, there are sizeable differences across counties and regions in the tax burdens induced by income maintenance programs.

- Considering differences across 14 regions, the taxes due to county income maintenance costs vary from 114 percent above the state average in northeastern Minnesota to 53 percent below the average in the Twin Cities suburban counties.

If these disparities are judged unacceptable, and a loss of incentives for efficiency in certain programs can be tolerated, we can suggest a way of spending state dollars that reduces tax differences across counties.

County costs for General Assistance, AFDC, and income maintenance administration are much more highly concentrated in regions with high tax burdens than are Medical Assistance costs. Yet counties pay only 4.7 percent of Medical Assistance benefits compared to 50 percent of administrative costs, 25 percent of General Assistance, and seven percent of AFDC benefits.

In 1985, no county had a per capita cost for Medical Assistance that was more than 33 percent above the state average. High tax regions spent about 50 percent more than low-tax regions on Medical Assistance. In contrast, high tax areas spent nearly four times as much as low tax regions on General Assistance. This difference was mostly due to the high cost of General Assistance in Hennepin and Ramsey counties and Region 3 (northeastern Minnesota).

Region 2 (north central Minnesota) spent over three times as much per capita on AFDC as the low-tax-burden regions. Overall, high-tax regions spent slightly more than twice as much on AFDC as did low-tax-burden areas.

Regions with high tax burdens spent nearly three times more on administrative costs than did low-tax areas. Administrative costs were particularly high in Hennepin and Ramsey counties and Region 3 (seven northeastern counties).

As a result:

- If the state switched some Medical Assistance aid to General Assistance, AFDC and administrative costs, property tax disparities would be reduced.
- An increase in aid for General Assistance would reduce the disparity in per capita costs between high and low tax burden areas by nearly three times as much as would the same amount of state aid for Medical Assistance. Increased aid for either AFDC or income maintenance administration would be more than twice as effective as aid for Medical Assistance in reducing tax differences.

While considering these options, it should be kept in mind that counties have greater leeway in making eligibility decisions for General Assistance than for other income maintenance programs. And, high administrative costs may reflect administrative inefficiency. In designing a state aid system for income maintenance, the state needs to consider trade-offs between equity and efficiency.

The question of what, if anything, the state should do about taxes caused by county social service spending is less clear than in the case of income maintenance programs.

- Social services are not as clearly a mandate of the state or federal government, although substantial state and federal aid is provided to counties.
- Counties have considerable choice over the level and types of social services they provide or purchase for their residents. There are substantial philosophical differences across the state over the proper role of county government in providing social services.

Nevertheless, the fact remains that there are sizeable differences across the state in social service spending and taxes.

- On a regional basis, social service taxes are 153 percent above the state average in Region 3 (northeastern Minnesota) and 59 percent under the state average in Region 1 (seven northwestern counties).
- Social service tax burdens are above average in relatively few areas--Regions 3 and 7E (northeastern and east central Minnesota, respectively) and Hennepin and Ramsey.

We examined how social service aids are distributed across the state and how they affect human service property tax burdens. In 1984, counties received \$44.9 million from the federal Title XX block grant, \$49.7 million from the Community Social Services Act (CSSA) block grant, and \$37.6 million from federal and state categorical aids.

- Regions with high income maintenance tax burdens received substantially more social service aid than did other regions. In 1984 social service aid ranged from \$52 per capita for St. Louis County to \$17 for Anoka County. The state average was \$32 per capita.

- Regions with above-average income maintenance tax burdens received an average of \$42 per capita compared to \$22 per capita received by the other regions.

In general, social service aids are high in counties with high income maintenance costs, only moderately related to social service spending, and related to tax capacity only to the extent that tax capacity is related to income maintenance burdens.

State and federal social service aids are less effective in reducing taxes for social services in high social service tax regions than in low tax regions. The four regions with the highest social service tax burdens are Region 3 (northeast), Region 7E (east central), Hennepin/Ramsey, and the Twin Cities suburban counties. All but Region 7E have high taxes primarily because of high spending rather than low property values. Thus, the fact that social service aids do not efficiently reduce variation in social service tax burdens does not necessarily mean the aid is misdirected. There are important differences between social services and income maintenance programs. Whereas the state sets eligibility standards and benefit levels for income maintenance programs, counties largely decide who to serve and how much to spend on social services.

The statutory Community Social Services Act (CSSA) block grant formula specifies that aid is to be distributed to counties according to three equally weighted factors: population, welfare caseload, and population 65 and over. Title XX funds are to be distributed as follows: two-thirds according to county welfare caseload, and one-third according to county population. The CSSA formula is currently not operational. The Title XX formula is scheduled to become fully operational by 1993.

We examined the effect on human service taxes of implementing these formulas. We found:

- Regions that would lose CSSA and Title XX aid because of implementation of the formulas are Region 3 (northeastern Minnesota) and Hennepin/Ramsey, two of the three regions with high income maintenance and social service tax burdens.
- Regions that gain the most are Regions 2 and 5 in north central Minnesota. These are the only two regions with high income maintenance and low social service tax burdens.

If the purpose of the block grants is to distribute aid on the basis of ability to pay for services, movement from the current pattern of aid distribution to the statutory formulas does not generally help areas of high social service spending and high tax burdens. However, it may be thought more important to stimulate social service spending in low spending regions. If this is taken as the objective, a categorical aid rather than a block grant approach should be considered.

The difficulty in improving upon the current aid allocation is that social services are so diverse that it is hard to see how needs can be measured by an administratively feasible system. And if aid is distributed on the basis of tax effort alone in a way similar to the school foundation aid formula, high income maintenance tax regions lose aid and low income maintenance tax regions gain aid.

A revised block grant formula might recognize that counties dominated by urban centers face a qualitatively different situation than other counties. Also, one of the formula factors now in use, population over 65 years of age, tends to cause the high tax areas to lose aid. These are good reasons to drop this factor from the CSSA formula.

The best way of addressing weaknesses in the block grant formulas may not be by major changes in the formulas, but by establishing categorical aid programs that efficiently target identified needs. This is a more efficient way of providing aid for specific purposes such as aiding the chronically mentally ill, or helping frail older people stay out of nursing homes. Then block grants can be used for the purpose to which they are best suited: distributing aid broadly to support those services that counties can best choose.

County-Administered Human Service Programs

Chapter 1

A. INTRODUCTION

This report examines county human service spending and its impact on county property taxes. In Minnesota, counties administer and help finance most human service programs that provide cash assistance, food stamps, health care and social services. The counties bear a significant financial and administrative responsibility for human service programs that are largely the creation of state and federal government.

Altogether, we estimate that spending on county-administered income maintenance and social service programs totalled about \$2 billion in Minnesota in 1985, of which the counties financed over \$300 million from their own revenue sources. Federal and state financing, while substantial, is not expected to grow as fast in the future as it has in the past. For these reasons we believe the following questions are important and timely.

- What does human service spending at various levels of government consist of?
- What are the important trends in human service spending and financing?
- How does human service spending vary across the state?
- What is the impact of human service spending on county property taxes?
- How do state and federal aids affect property tax burdens?
- What are the advantages and disadvantages of the current financing arrangement?

These and other issues are addressed in the study that follows. This chapter presents an overview of statewide human service spending and trends. Chapter 2 examines how human service spending varies across the state. Chapter 3 looks at the impact of spending on property taxes and examines the question of how human service spending varies in relation to counties' ability to finance services. Chapter 4 discusses alternatives to the present system of human service aids.

B. OVERVIEW OF HUMAN SERVICE SPENDING

This section:

- defines the human service programs and expenditures examined in this report;
- looks at recent human service spending by program; and
- examines federal, state and county financing of human services.

Human services consist of two major categories, income maintenance programs and social services.

1. Income Maintenance Programs

There are seven income maintenance programs serving persons whose eligibility is defined by financial need and other characteristics such as age or disability. These are:

- Medical Assistance or Medicaid (MA);
- General Assistance (GA);
- General Assistance Medical Care (GAMC);
- Aid to Families with Dependent Children (AFDC);
- Supplemental Security Income (SSI);
- Minnesota Supplementary Assistance (MSA); and
- Food Stamps (FS).

These programs are further described in Appendix B, but other sources should be consulted for a more complete description.¹ All are county-administered except the Supplemental Security Income program, which is administered by local Social Security offices.

Excluded from consideration in this report, and conceptually distinct from income maintenance programs, are the social insurance programs, eligibility for which is broad and based on contributions and work history. These programs include: Old Age Survivors and Disability Insurance, commonly called "Social Security;" Unemployment Compensation; and Medicare. When we discuss human service spending, we are not including services purchased with benefits derived from social insurance programs.

2. Social Services

Under the Community Social Services Act (CSSA), Minn. Stat. 256E, Minnesota operates a state-supervised, county-administered system of social services. State funds appropriated through the CSSA, the federal Title XX program, and other state and federal

¹For example, *Minnesota Welfare: A Guide for Legislators*, House Research Department, January 1985.

programs, along with substantial county revenue, are used by county human service departments to provide or purchase services.

It is not easy to offer a concise definition of social services and even more difficult to offer a definition that clearly distinguishes social services from those that many might classify as health, corrections, or educational services.

The Community Social Service Act defines social services by specifying eight target groups that counties are to explicitly plan services for:

- families with children under 18 that are experiencing child dependency, neglect, or abuse;
- pregnant adolescents, parents under 18, and their children;
- persons under the guardianship of the Commissioner of Human Services as dependent and neglected wards;
- adults who are in need of protection and vulnerable because of neglect, emotional/psychological abuse, physical or sexual abuse or exploitation, material exploitation or violation of rights;
- persons age 60 or over who are experiencing difficulty in living independently and are unable to provide for their own needs;
- acutely or chronically mentally ill or emotionally disturbed children, adolescents and adults who are unable to provide for their own needs or independently engage in ordinary community activities;
- mentally retarded persons who are unable to provide for their own needs or to independently engage in ordinary community activities;
- drug dependent and intoxicated persons and persons at risk of harm to self and others due to the ingestion of alcohol or other drugs; and
- others in need of social services in the judgment of county boards.

The state Department of Human Services (DHS) identifies 57 separate social services for which counties must report counts of persons served and expenditures. Most counties also report this information for other services as well.

Under the CSSA, counties are required to submit a biennial plan discussing how the needs of the statutory target groups are to be met in their areas, and to report data on services delivered, money spent and clients served. Counties are not required to deliver any specific social service to any particular target group, even though they must consider the needs of the target groups in their planning process. The philosophy behind the CSSA and Title XX, the major sources of state and federal social service financing, is that, within fairly broad guidelines, counties can determine and administer the mix of social services that best meets local needs and preferences.

Even a partial list of social services is lengthy. Appendix A of this report presents the list of the specific social services provided by DHS to counties. This list helps define the universe of social services as the term is to be understood throughout the state. It also provides a taxonomy of services to be used by counties in their accounting systems, and a framework for reporting social services data to DHS.

Social services on this list include: day care for adults and children, foster care, home health and homemaking services, outpatient treatment for mental illness or chemical dependency, and scores of other therapeutic and supportive services aimed at identified target groups and others in need.

3. Recent Spending Patterns

Table 1.1 and Figures 1.1 and 1.2 based on it present an overview of recent human service spending in Minnesota. As Table 1.1 shows, human service spending totalled over \$2 billion in 1985. Figure 1.1 shows the proportion of total spending directed at income maintenance benefits, income maintenance administration and social services. Clearly, income maintenance benefits account for a dominant share of human service spending by all levels of government in Minnesota. Figure 1.2 breaks out spending on income maintenance benefits for separate programs and shows that Medical Assistance is by far the largest single income maintenance program; \$985.6 million was spent on Medical Assistance benefits in 1985, 49 percent of total spending. Next is Aid to Families with Dependent Children (AFDC) benefits, which accounts for 13 percent.

Table 1.2 presents information on how social service spending is distributed across the target groups described earlier. As Table 1.2 shows, there are three target groups on which \$50 million or more was spent in 1985 (counting services provided by county staff and purchased by counties). About \$87 million was spent on services to families experiencing child dependency, neglect or abuse; nearly \$61 million was spent on the mentally ill; and about \$51 million was spent on services for the mentally retarded.

Table 1.2 also clearly shows that a substantial amount was spent on services directed at other types of clients. This is consistent with the philosophy of the block grant programs that permits local choice in spending priorities.

Of particular interest in this study is county-financed human service spending. Figures 1.3 to 1.6 (based on Table 1.1) show that county financing of human services varies depending on what program or program category is considered.

Figure 1.3 shows that counties financed about six percent of income maintenance benefits in 1985. This is the result of counties paying about 4.7 percent of the \$935 million spent on Medical Assistance benefits, about seven percent of AFDC benefits, about 25 percent of the \$80.7 million spent on General Assistance, and varying amounts of other income maintenance program costs. Altogether, county financing of income maintenance benefits totalled \$96.8 million in 1985. As Table 1.1 shows, in absolute dollars, most was spent by counties on Medical Assistance, General Assistance, and AFDC.

Income maintenance administrative costs are borne quite differently than income maintenance benefits. The share of income maintenance administrative costs borne by the federal, state and county governments is shown graphically in Figure 1.4. The county share of administrative costs is much larger than the county share of benefits, \$52.4 million out of \$119.7 million spent, or 44 percent.

Counties bear a major share of the cost of providing social services. In 1985 the county share reached 49 percent. Figure 1.5 presents a picture of how social service costs are borne by state, federal, and county governments. As we will show in a later section of this report, federal and state social service aids have leveled off in recent years, and the financial burden on counties for social services has grown.

TABLE 1.1
HUMAN SERVICE SPENDING IN MINNESOTA

Calendar Year 1985
(in thousands)

	<u>Revenue Source</u>			
	<u>Federal</u>	<u>State</u>	<u>County</u>	<u>Total</u>
INCOME MAINTENANCE BENEFITS				
Medical Assistance	\$524,594	\$414,920	\$ 46,102	\$ 985,617
General Assistance				
Medical Care	--	50,599	5,622	56,221
Emergency Assistance	3,059	305	2,753	6,119
Minnesota Supplemental Aid	--	15,060	2,658	17,717
Supplemental Security Income	61,921	--	--	61,921
Food Stamps	105,435	--	--	105,435
AFDC	143,224	108,552	19,159	270,935
General Assistance (including Work Readiness)	<u>--</u>	<u>60,221</u>	<u>20,548</u>	<u>80,769</u>
Total IM Benefits	\$838,233	\$649,657	\$ 96,842	\$1,584,734
INCOME MAINTENANCE ADMINISTRATIVE COSTS	<u>\$ 57,023</u>	<u>\$ 10,301</u>	<u>\$ 52,372</u>	<u>\$ 119,696</u>
TOTAL INCOME MAINTENANCE SPENDING	\$895,256	\$659,958	\$149,214	\$1,704,430
SOCIAL SERVICES ^a	<u>\$ 58,281</u>	<u>\$ 83,003</u>	<u>\$151,303</u>	<u>\$ 308,419</u>
TOTAL HUMAN SERVICES	\$953,537	\$742,961	\$300,517	\$2,012,849

Source: Social service data from the Department of Human Services report: *Social Services in Minnesota: 1985*. Income maintenance data from Department of Human Services Reports and Statistics and Financial Management Divisions.

^aTotal includes \$15.8 million in fees and third-party payments.

FIGURE 1.1
 MINNESOTA HUMAN SERVICE EXPENDITURES
 Calendar Year 1985

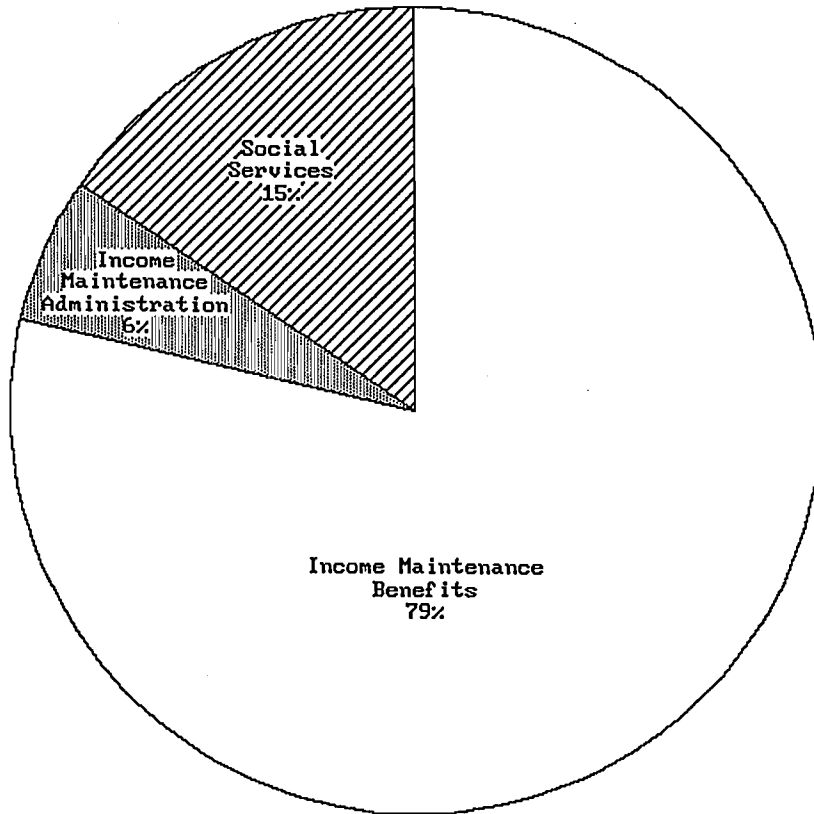
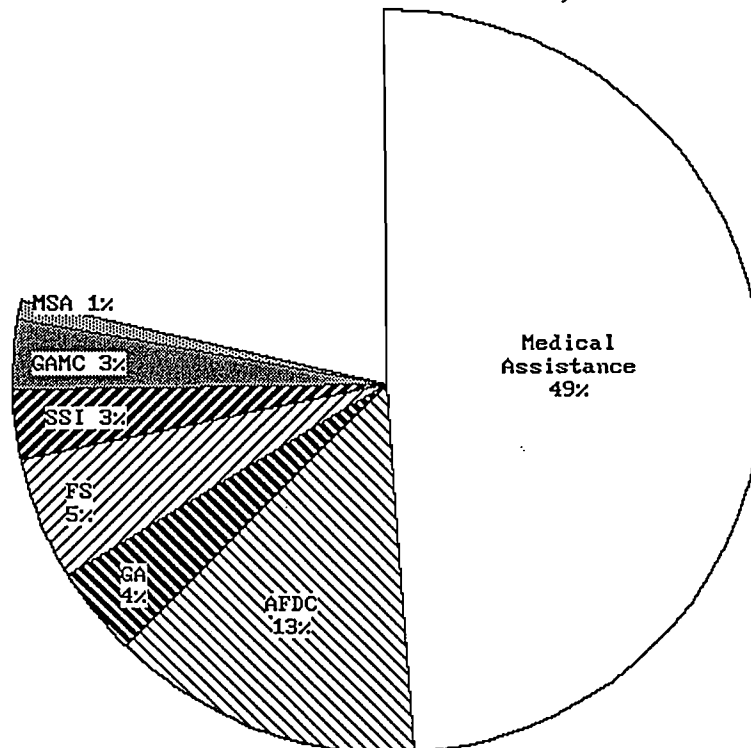


FIGURE 1.2
 PERCENT OF TOTAL HUMAN SERVICE SPENDING
 ON INCOME MAINTENANCE BENEFITS, 1985



Source: Table 1.1.

TABLE 1.2
ESTIMATED 1985 SOCIAL SERVICES EXPENDITURES
BY TARGET POPULATION AND METHOD OF PROVISION

<u>Target Population</u>	<u>Dollars Expended</u>		
	<u>By Staff</u>	<u>By Purchase</u>	<u>Total</u>
Child Dependency, Neglect, Abuse	\$ 35,709,000	\$ 51,106,000	\$ 86,815,000
Adolescent Parents	969,000	652,000	1,621,000
Dependent/Neglected State Wards	1,537,000	4,399,000	5,936,000
Vulnerable Adults	2,675,000	794,000	3,470,000
Elders at Risk	11,539,000	18,258,000	29,796,000
Mentally Ill	22,465,000	38,376,000	60,842,000
Mentally Retarded	14,545,000	35,961,000	50,507,000
Chemically Dependent	13,357,000	18,648,000	32,004,000
Other Identified Clients	<u>24,597,000</u>	<u>40,290,000</u>	<u>64,887,000</u>
 Total All Clients	 \$117,253,000	 \$189,546,000	 \$306,799,000

Source: Department of Human Services: *Social Services in Minnesota, 1985*, Draft Report.

Note: Dollars for unidentified clients are proportionately allocated to identified client categories.

To summarize, counties finance a relatively small share of the largest income maintenance programs (AFDC and Medical Assistance), a larger share of General Assistance, and a significant share of General Assistance Medical Care and Minnesota Supplemental Aid. Counties administer all income maintenance programs except Supplemental Security Income and pay a large share of administrative costs. Counties finance an even larger share of social services.

Figure 1.6 shows the federal, state, and county share of all human service spending. Again, the data on which this and the other figures are based are presented in Table 1.1. Altogether, counties financed \$300.5 million of the \$2.0 billion spent on human services in Minnesota, or 15 percent. The federal government financed 47 percent and the state 37 percent.

A summary of county human service spending is provided by Figure 1.7. County spending net of federal and state assistance goes, in order of magnitude, to social services, income maintenance benefits, and income maintenance administration. As Figure 1.7 shows, 50 percent goes to social services, 32 percent to income maintenance benefits, and 17 percent to income maintenance administration. Thus, about half of county human services spending goes for income maintenance programs, half for social services.

FIGURE 1.3
SOURCE OF FINANCING
FOR INCOME MAINTENANCE BENEFITS, 1985

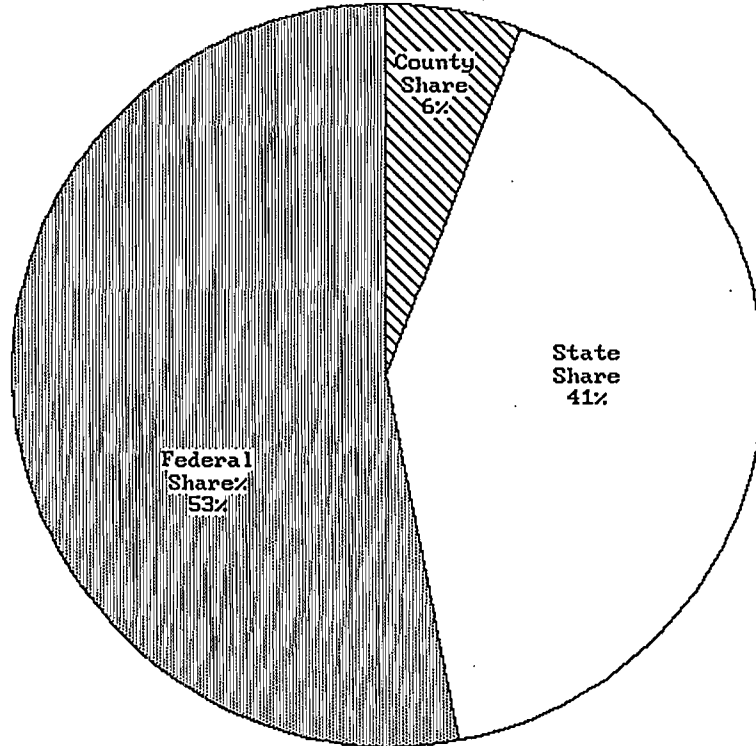
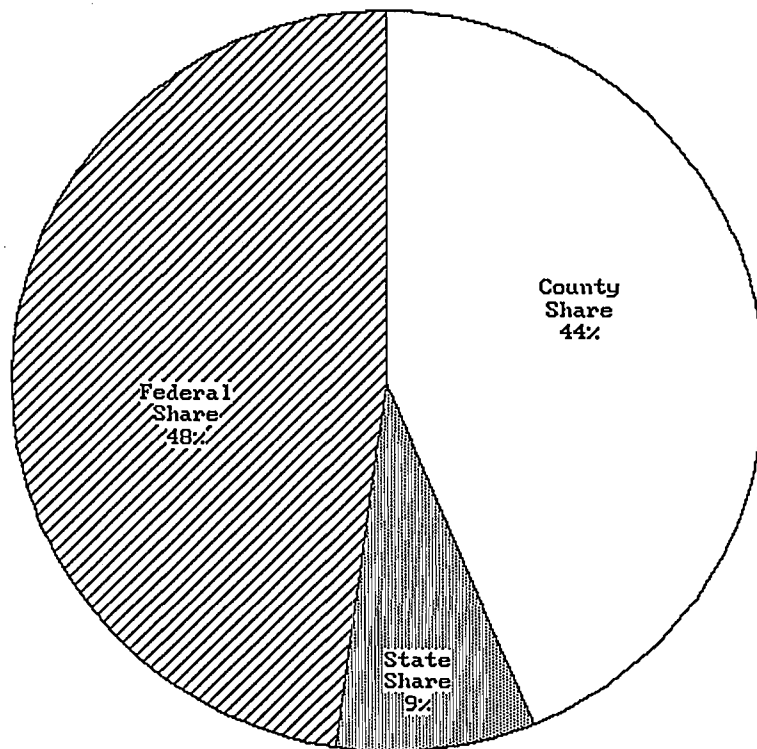


FIGURE 1.4
SOURCE OF FINANCING
FOR INCOME MAINTENANCE ADMINISTRATIVE COSTS, 1985



Source: Table 1.1.

FIGURE 1.5
SOCIAL SERVICES FINANCING SOURCES, 1985

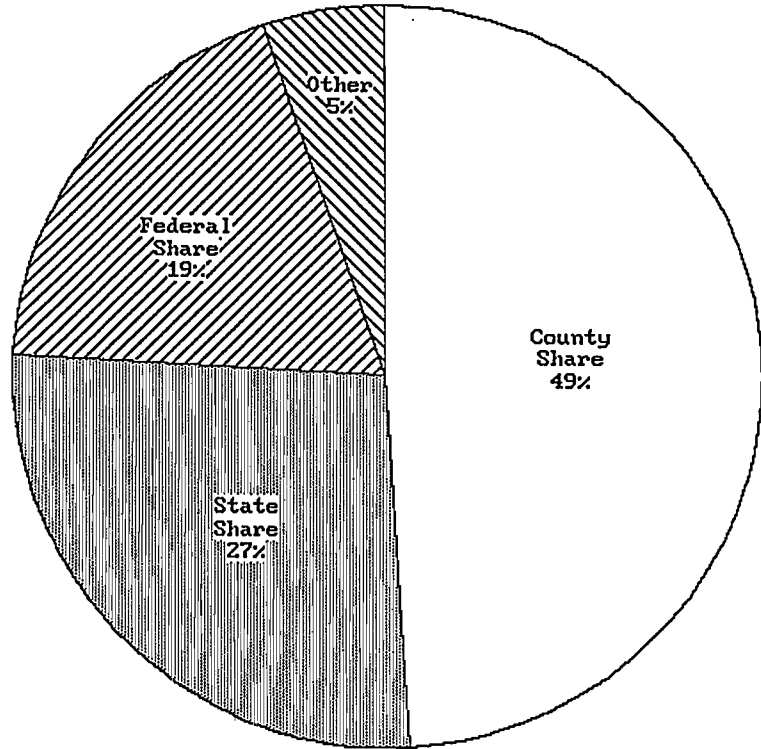
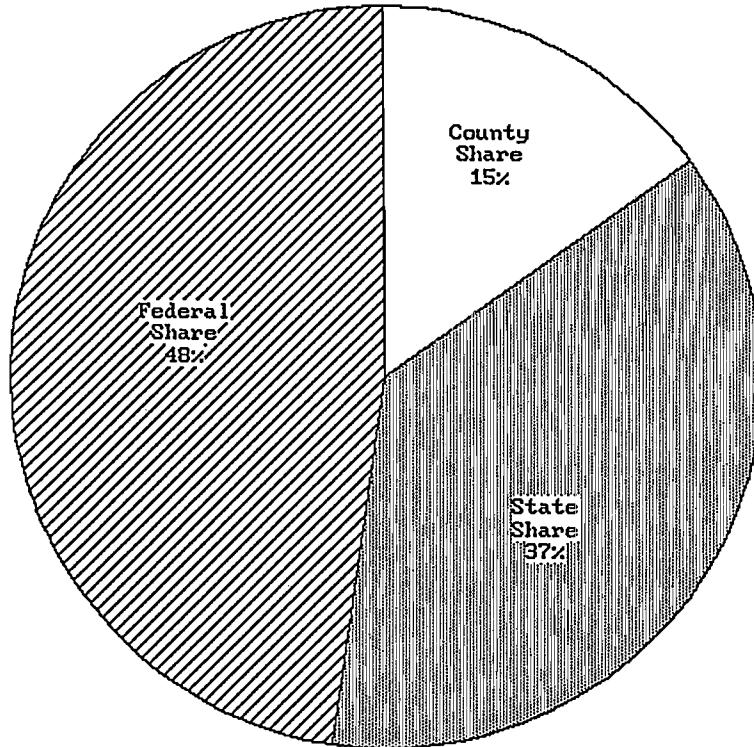
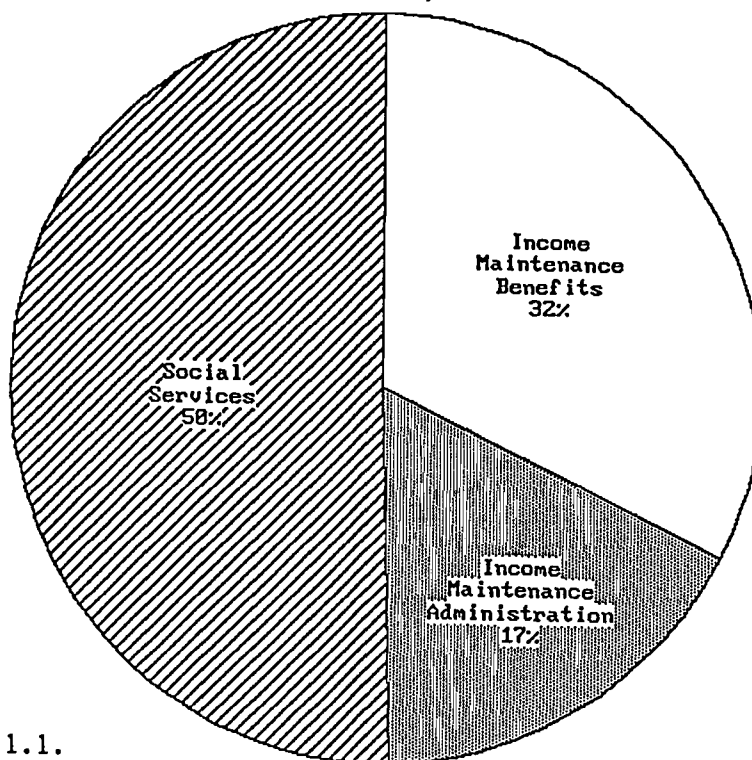


FIGURE 1.6
TOTAL HUMAN SERVICE SPENDING
BY REVENUE SOURCE, 1985



Source: Table 1.1.

FIGURE 1.7
NET COUNTY HUMAN SERVICE SPENDING
BY MAJOR PROGRAM, 1985*



Source: Table 1.1.

*County expenditures net of state and federal human service aids.

We now turn to the question of what has happened to county human services spending over time and what can be expected in the immediate future.

4. Trends in County Human Service Spending

The data in Table 1.3 and Figure 1.8 address the issue of how county human service spending has grown over the years, both in absolute terms and relative to the growth of county government spending in general. As these exhibits show:

- County spending net of special purpose intergovernmental transfers has grown from \$472 million in 1974 to \$853 million in 1984.

These numbers are net of human service and other special purpose state and federal aids for highways, public safety and other purposes. Not subtracted are Federal Revenue Sharing, Local Government Aid and property tax credits. These aids are subtracted in Chapter 3, where we discuss county property tax burdens attributable to human service spending.

- Net county human service spending as a percent of total spending grew from 27.8 percent in 1975 to 31.3 percent in 1984. County human service spending was higher, however, in 1978 as a percent of total spending than it was in 1984.
- Net income maintenance spending by counties as a percent of total county spending has declined from 25.7 percent in 1975 to 16 percent in 1984. This decline was quite sharp through 1981. Since 1981 the share of county spending on income maintenance programs has increased somewhat.

TABLE 1.3
TOTAL NET COUNTY SPENDING AND THE PERCENT OF TOTAL SPENDING ON TOTAL HUMAN SERVICES,
INCOME MAINTENANCE PROGRAMS, AND SOCIAL SERVICES

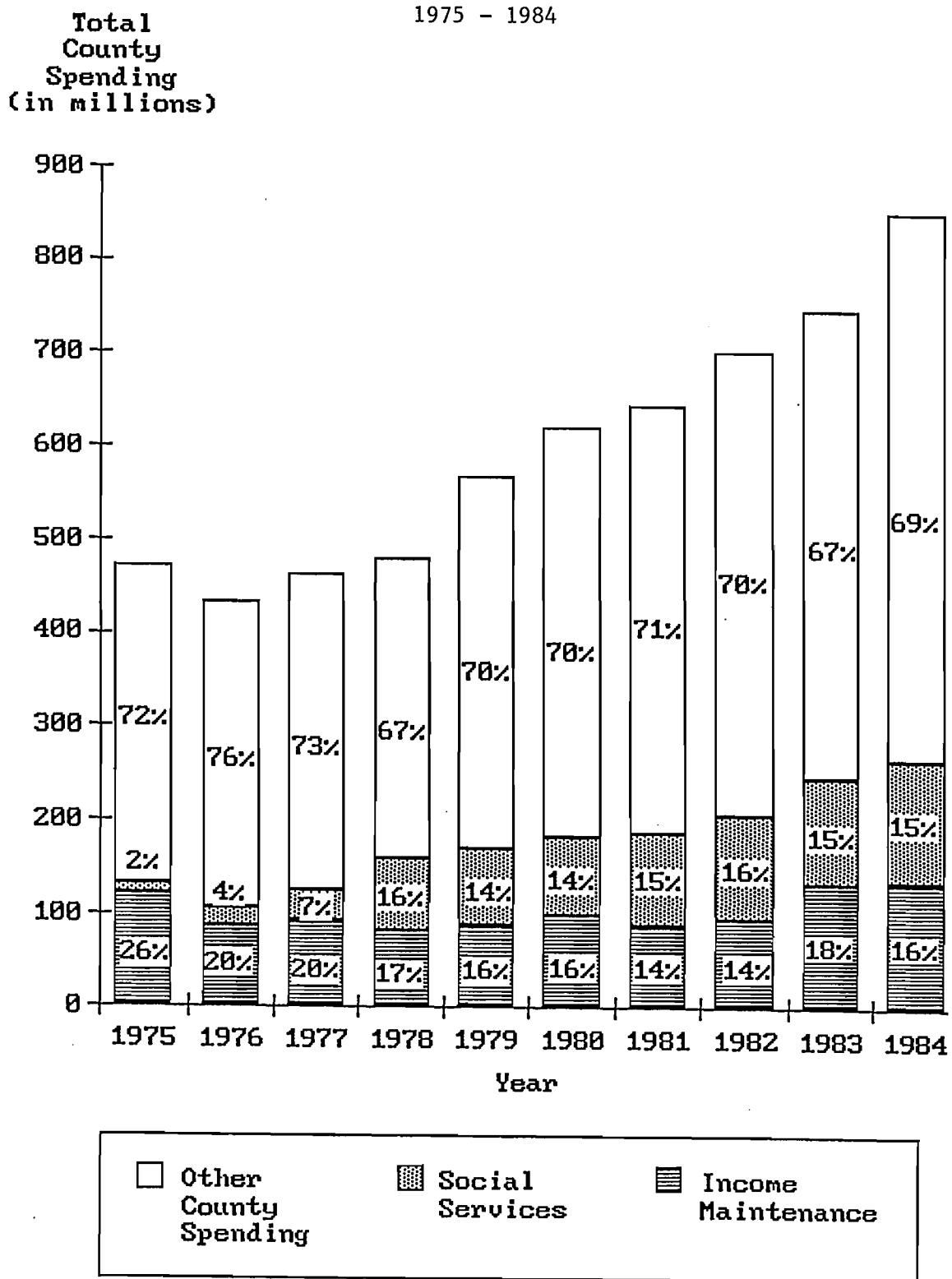
Calendar Years 1975 - 1984

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
TOTAL COUNTY SPENDING (in millions)	\$472.3	\$433.3	\$462.3	\$480.3	\$567.8	\$621.6	\$645.2	\$702.5	\$747.4	\$853.0
PERCENT OF TOTAL SPENDING ON:										
Income Maintenance Programs	25.7%	20.0%	20.0%	17.3%	15.7%	15.9%	13.6%	13.7%	17.8%	16.0%
Social Services	<u>2.1%</u>	<u>4.4%</u>	<u>6.9%</u>	<u>15.8%</u>	<u>14.4%</u>	<u>13.5%</u>	<u>15.3%</u>	<u>15.6%</u>	<u>15.4%</u>	<u>15.4%</u>
Human Services	27.8%	24.5%	26.9%	33.1%	30.1%	29.5%	28.9%	29.3%	33.2%	31.3%

Source: Income Maintenance Benefits--Department of Human Services Reports and Statistics and Financial Management Divisions, 1981-1985;
Administrative costs 1975-1980 and social services 1975-83, Department of Human Services Net Welfare Cost Reports; Social services
1984, Legislative Auditor; Total net spending, State Auditor.

FIGURE 1.8

NET COUNTY HUMAN SERVICE SPENDING
AS A PERCENT OF TOTAL COUNTY SPENDING
BY MAJOR PROGRAM CATEGORY



Source: Table 1.3.

- County social service spending shows significant growth from 1975 to 1978, but little change from 1978 to 1984. As Figure 1.8 shows, social services accounted for about 14 percent of county spending in 1978 and 15 percent in 1984.²

Thus, while county human services spending has increased in recent years, as a percent of total county spending it has not changed dramatically. County social services spending has gone up and leveled off, and county income maintenance spending has declined, then leveled off between 1975 and 1984.

County officials' concerns about pressure on their own revenue sources, on a statewide basis, appears to be based more on what has happened recently, or might happen nationally and at the state level in the future, rather than on what has happened in the period 1975 to 1984. Of course, the situation facing individual counties can differ greatly from the statewide average.

Figure 1.9 and Table 1.4 examine income maintenance spending for a later period, fiscal years 1981 through 1986. Federal income maintenance spending (benefits and administrative costs combined) were 50 percent of total income maintenance spending in 1981. In 1986 this share had declined to 48 percent. In compensation, the state share rose during the same period from 41 percent to 42 percent and the county share held steady at about nine percent. Total income maintenance spending exceeded \$1.5 billion in 1986, so even small shifts in governmental burdens represent a lot of money, and the trend, however small, is in the direction of greater state and local responsibility.

In the case of social services, the major state and federal financing sources, Community Social Services Act (CSSA) and Title XX block grants, are not projected to grow much if at all in the future. Table 1.5 presents data drawn from various sources showing actual and projected spending on CSSA and Title XX block grants. Together these sources represent about 65 percent of social service aids to counties. As Table 1.5 shows, these aids were higher in absolute dollars in the mid-1980s than they are projected to be in the future.

C. METHODOLOGY

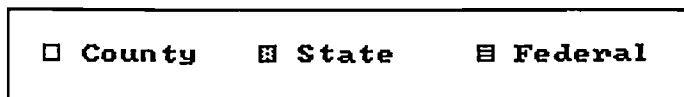
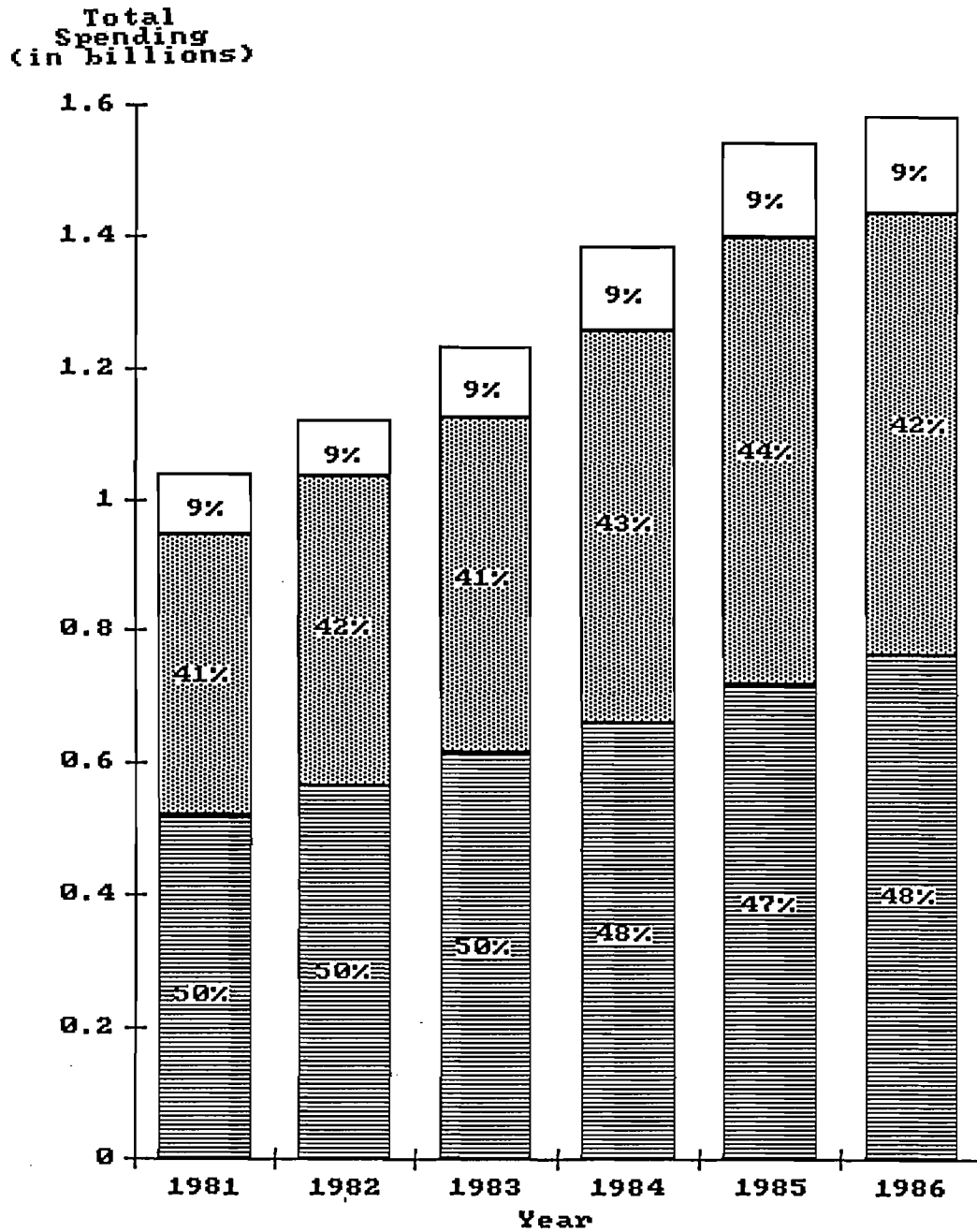
This study required reliable data on county expenditures for human services, as well as data on federal and state aids that counties receive for this purpose. In general, income maintenance program expenditure data were available from the state Department of Human Services. Since all income maintenance programs are state or federal programs, the state has long supervised the collection and reporting of financial data on these programs. The state receives federal aid for most income maintenance programs and is the fiscal agent for Medical Assistance and General Assistance Medical Care. Because of the state's central role, we relied on data from DHS' Financial Management and Reports and Statistics divisions for income maintenance programs. In general, data on income maintenance administrative costs are not as reliable as data on benefits.

²Data on county social service spending for 1975-77 are not reliable, although the direction of the trend shown in Table 1.3 is accurate.

FIGURE 1.9

COUNTY, STATE AND FEDERAL SHARES
OF INCOME MAINTENANCE COSTS

1981 - 1986



Source: Table 1.4.

TABLE 1.4

INCOME MAINTENANCE SPENDING AT THE FEDERAL, STATE, AND COUNTY LEVELS
STATE FISCAL YEARS 1981-1986
(in thousands)

	1981	1982	1983	1984	1985	1986
Income Maintenance Benefits:						
Total	\$ 961,564	\$ 1,040,268	\$ 1,140,277	\$ 1,279,115	\$ 1,429,760	\$ 1,463,432
Federal	483,456	523,942	570,012	511,698	667,252	707,245
State	411,310	453,799	502,584	586,142	665,030	661,822
County	66,798	62,528	67,680	81,274	97,479	94,365
Income Maintenance Administration:						
Total	\$ 79,356	\$ 84,294	\$ 94,584	\$ 106,215	\$ 116,526	\$ 122,865
Federal	37,710	43,096	49,116	52,908	55,215	58,831
State	15,885	16,824	5,983	6,362	12,608	12,293
County	25,762	24,374	39,485	46,945	48,703	51,741
Income Maintenance:						
Total	\$ 1,040,921	\$ 1,124,562	\$ 1,234,861	\$ 1,385,329	\$ 1,546,286	\$ 1,586,297
Federal	521,166	567,038	619,129	664,606	722,466	766,076
State	427,195	470,623	508,567	592,504	677,638	674,115
County	92,559	86,901	107,165	128,219	146,182	146,106

Source: Department of Human Services, Reports and Statistics Division.

TABLE 1.5
 MAJOR SOCIAL SERVICE AIDS
 (in thousands)

State Fiscal Years 1981 - 1988

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
CSSA Block Grants	\$39,066	\$40,713	\$34,188	\$53,770	\$50,125	\$50,447	\$48,199	\$48,199
Title XX Block Grant	\$50,607	\$40,358	\$40,707	\$47,171	\$45,870	\$45,453	\$43,105	\$43,052

Source: 1982-83, Office of the Legislative Auditor; 1984-86, Statewide Accounting System; 1987-88 budget projections.

Social services, as a category of spending, is less well defined than spending on income maintenance programs. There are inconsistencies, some explainable and some not, among sources of information on social service spending.

This report examines in closest detail expenditure data for 1984. Obviously, more recent data would have been desirable, but 1985 data on county social service expenditures are unavailable for many counties at the time this report is being written.

There are three statewide sources of information on county social service spending:

- County annual financial reports audited by the State Auditor.
- County quarterly expenditure reports sent to the state Department of Human Services (DHS) known as the "Net Welfare Cost Report".
- The DHS Community Social Services Act Services and Expenditures Report.

Each of these contains known weaknesses as a source of comparable data across the state. We compared data on social service spending from each source for each county. In cases where a discrepancy of 10 percent existed we consulted schedules of revenues and expenditures from the State Auditor's audit reports, and DHS files. When these sources failed to settle the question we interviewed county officials, typically the county director of Human Services and the accounting staff person most knowledgeable about welfare spending. We interviewed county officials to clear up other questions about county revenues and expenditures as well. Even when expenditure data from several sources were in agreement we worked to clear up these other questions. Altogether we talked to officials in close to half the counties.

Of the 85 counties and multi-county regions for which we assembled data, 16 showed a 10 percent or greater discrepancy on reported social service spending from the State Auditor

and the Net Welfare Cost Report. In cases of low discrepancy, we use the State Auditor's numbers in this study. In the other cases we used the best number supported by further investigation. For state and federal social service aid to counties, we used data from the DHS Financial Management Division and payment data from the statewide accounting system.

The three sources are supposed to yield the same numbers for many counties, and approximately the same numbers in all. By 1984 most counties used the COFARS chart of accounts which among other things set up a standardized format for reporting human services spending. By 1986 all counties were using COFARS, but in 1984 some were not.

Because a definition of social services is hard to put into words, and because of the fact that the mix of social services in one county is quite different from another, standardized reporting by counties, the State Auditor or DHS depends on a common chart of accounts and a common definition of social services. While such a system was largely in place in 1984, we encountered cases where counties used an idiosyncratic definition of social services, cases where county fiscal staff were new to the job, and cases where DHS had failed to provide clear or sufficient guidance.

The CSSA reporting framework was and still is in a process of evolution and refinement. A comparison of this source with the DHS net welfare cost reporting system in place for many years, carried out by DHS, showed numerous cases of differences in reporting and will lead to some changes in procedure within DHS.

Straightening out the data on social services took a lot of effort over many weeks. For 1984, we believe our data set is adequate for the purposes it is used: to examine statewide patterns in spending and tax effort. It is possible that we have missed significant problems with the data for some counties, however, and data by county for years prior to 1984 should be viewed with additional caution.

Per Capita Human Service Spending

Chapter 2

In the previous chapter we observed that while human service spending has increased substantially over the last ten years or so, there has been relatively little change in the percent of total county spending going to human service programs. Net human service spending was 33.1 percent of net county spending in 1978 and 31.3 percent in 1984.

This does not mean, however, that some or even many counties do not face difficulty in financing human services. This chapter examines county and regional variation in human service spending. It looks at the characteristics of high and low spending counties and examines the relationship of human service spending to several factors thought to reflect human service needs. The next chapter takes this analysis one step further and looks at county tax burdens induced by human service spending.

A. VARIATION IN COUNTY HUMAN SERVICE SPENDING

Table 2.1 presents data on county per capita human service spending for each county in the state. The definition of each column of Table 2.1 is presented in the notes to Table 2.2.

As Table 2.1 shows, average county spending on human services was \$64.16 per person in 1984. Of this, \$33.35 was spent on income maintenance programs and \$30.81 was spent on social services.

Some counties spent considerably more per capita on human services than the statewide average. Counties in Table 2.1 are ranked in descending order of their total per capita human service expenditures (shown in Column 1) and as Table 2.1 shows, St. Louis County heads this list. St. Louis County spent \$127.10 per person in 1984 on human services, about twice the statewide average. Hennepin and Ramsey counties are also near the top of the list of counties presented in Table 2.1. Net human service spending was \$91.67 in Hennepin and \$78.89 in Ramsey in 1984.

Table 2.2 provides data for each of the regions shown in Figure 2.1. As Table 2.2 shows, Region 3 (Northeastern Minnesota) and Hennepin/Ramsey show per capita spending higher than the statewide average. Total per capita spending was \$110.78 in Region 3 and \$87.52 in Hennepin/Ramsey. All other regions' spending was below the statewide average of \$64.16.

TABLE 2.1
PER CAPITA HUMAN SERVICE EXPENDITURES

1984

County	Population 1984	County Net Expenditures Per Capita			Social Services Gross Expenditures	
		(1) Total	(2) Income Maintenance	(3) Social Service	(4) Per Capita	(5) Per Income Maintenance Recipient
STATE AVERAGE	4,161,464	\$ 64.16	\$33.35	\$30.81	\$ 65.80	\$1,026.98
St. Louis	212,214	127.10	58.99	68.11	128.97	1,100.37
Carlton	28,575	94.81	52.42	42.39	84.51	826.38
Hennepin	947,786	91.67	44.31	47.37	91.65	1,300.89
Itasca	44,573	85.22	36.60	48.62	84.22	779.60
Cook	4,321	84.31	34.06	50.24	80.27	1,318.78
Cass	21,368	83.95	57.62	26.32	77.26	551.89
Ramsey	456,022	78.89	48.77	30.11	83.07	998.03
Koochiching	16,867	72.79	38.20	34.59	81.34	850.50
Millie Lacs	18,507	70.34	33.46	36.88	72.47	839.90
Aitkin	13,428	70.33	42.39	27.94	67.25	646.21
Pine	20,742	69.18	38.31	30.87	72.91	722.58
Big Stone	8,088	69.07	34.25	34.82	58.94	932.62
Mower	39,624	64.15	27.00	37.16	72.32	1,081.94
Lake	11,913	62.96	47.67	15.29	66.84	803.63
Beltrami	33,465	62.75	38.73	24.02	78.06	618.20
Isanti	25,618	62.05	25.42	36.63	63.21	973.45
Mahnomen	5,614	61.74	37.67	24.07	63.77	529.55
Freeborn	35,275	61.00	27.51	33.50	66.44	1,191.35
Becker	31,354	59.48	36.31	23.17	55.09	649.78
Clearwater	9,156	58.88	51.53	7.35	53.56	368.10
Cottonwood	13,948	58.66	31.95	26.71	54.79	1,087.99
Wilkin	8,337	57.31	34.90	22.41	44.68	774.37
Chippewa	15,015	56.37	26.16	30.22	60.42	1,430.81
Scott	49,671	56.00	18.80	37.19	65.42	2,316.04
Hubbard	15,424	53.38	36.80	16.58	46.07	434.27
Polk	34,520	52.62	33.64	18.98	52.76	618.87
Crow Wing	42,535	52.41	42.28	10.13	45.98	461.72
Dakota	211,927	51.91	14.53	37.37	56.08	1,835.30
Yellow Medicine	12,974	51.73	27.75	23.98	51.84	1,029.92
Olmsted	96,816	51.68	24.55	27.13	54.01	1,429.80
Rice	47,247	50.81	21.56	29.25	52.28	1,059.19
Chisago	27,926	50.79	25.56	25.23	45.06	866.57
Todd	25,973	48.62	30.20	18.42	44.51	552.41
Traverse	5,343	48.03	27.40	20.63	47.30	898.86
Carver	39,890	47.86	17.82	30.04	54.78	2,386.64
Lake of the Woods	3,901	47.83	33.88	13.95	43.27	735.18
Kandiyohi	39,708	47.26	27.12	20.14	56.57	855.62
Norman	9,472	47.08	30.02	17.06	42.46	842.73
Clay	49,865	46.81	25.07	21.75	42.14	756.35

Table 2.1, Continued

County	Population 1984	County Net Expenditures Per Capita		Social Services Gross Expenditures		
		(1) Total	(2) Income Maintenance	(3) Social Service	(4) Per Capita	(5) Per Income Maintenance Recipient
Wadena	13,935	45.96	36.38	9.57	41.87	386.23
Waseca	18,659	45.28	22.65	22.63	45.59	925.15
Renville	19,620	45.08	25.74	19.35	40.16	1,033.74
Kanabec	12,403	45.08	30.99	14.09	45.45	616.75
Washington	123,071	44.72	15.21	29.51	48.24	1,575.89
Jackson	13,569	44.25	26.00	18.25	42.51	804.44
Douglas	29,802	43.99	25.20	18.79	43.47	843.55
McLeod	30,233	43.58	21.15	22.43	42.80	1,161.62
Sherburne	33,603	43.59	20.40	22.99	43.78	886.64
Redwood	18,853	43.14	25.58	17.56	47.13	983.61
Kittson	6,846	42.71	36.04	6.67	33.68	608.40
Region 8N*	45,391	42.67	22.81	19.86	44.60	872.03
Goodhue	39,674	42.44	23.01	19.43	42.60	898.64
Morrison	30,019	41.32	27.28	14.04	44.58	565.84
Wabasha	19,359	40.88	21.76	19.11	41.66	807.74
Pennington	14,041	40.60	31.55	9.04	39.17	550.24
Sibley	15,655	40.58	21.33	19.26	38.89	990.60
Swift	12,746	40.26	26.89	13.37	43.92	729.60
Red Lake	5,239	39.64	31.72	7.92	32.16	601.18
Steele	30,527	39.62	16.79	22.83	48.97	1,479.04
Pope	11,957	39.55	23.16	16.38	41.45	742.98
Nobles	21,908	39.19	20.84	18.34	51.88	1,102.54
Benton	26,704	38.81	26.99	11.82	31.48	536.80
Marshall	12,775	38.68	25.95	12.73	33.45	780.97
Pipestone	11,400	37.78	24.25	13.54	38.33	743.04
Brown	28,469	37.70	21.54	16.17	42.19	1,002.05
Dodge	15,184	36.75	20.84	15.91	38.32	858.91
LeSueur	23,471	36.54	25.15	11.39	41.28	812.25
Blue Earth	52,964	35.71	26.34	9.36	41.01	722.57
FMW*	55,485	35.70	25.99	9.71	35.87	736.47
Stevens	11,288	35.65	20.19	15.46	42.67	1,055.30
Winona	46,853	35.63	21.46	14.17	46.04	935.86
Grant	7,282	34.91	22.03	12.88	37.38	713.61
Wright	62,496	34.44	18.19	16.25	37.12	807.88
Lac Qui Parle	10,409	34.19	18.32	15.87	36.95	1,001.60
Rock	10,738	34.01	15.16	18.85	42.62	1,307.08
Meeker	21,065	33.83	24.29	9.54	30.77	589.87
Nicollet	28,064	32.59	18.74	13.85	33.48	934.36
Otter Tail	55,132	31.28	22.74	8.55	36.45	646.34
Anoka	210,889	30.54	18.13	12.42	32.43	809.95
Stearns	114,585	30.08	20.00	10.08	29.15	679.09
Roseau	13,324	29.69	25.01	4.69	29.88	586.59
Houston	19,067	28.77	21.26	7.50	28.18	609.94
Fillmore	21,708	28.38	23.19	5.19	25.70	474.87

*Region 8N consists of Lincoln, Lyon and Murray Counties. FMW consists of Faribault, Martin, and Watonwan Counties.

TABLE 2.2
PER CAPITA HUMAN SERVICE EXPENDITURES
1984

Region	Population 1984	County Net Expenditures Per Capita			Social Services Gross Expenditures	
		(1) Total	(2) Income Maintenance	(3) Social Service	(4) Per Capita	(5) Per Income Maintenance Recipient
STATE AVERAGE	4,161,464	\$ 64.16	\$33.35	\$30.81	\$ 65.80	\$1,026.98
Region 3	331,891	110.78	52.96	57.82	111.35	1,002.21
Hennepin-Ramsey	1,403,808	87.52	45.76	41.76	88.87	1,191.13
Region 7E	105,196	59.92	30.07	29.86	59.84	815.47
Region 2	67,560	59.14	39.65	19.49	64.24	535.83
Region 5	133,830	53.55	38.41	15.14	49.95	506.56
Region 6W	59,232	49.72	26.39	23.33	50.66	1,017.42
Region 10	411,334	46.62	23.13	23.49	50.41	1,061.48
Region 1	96,217	43.88	30.83	13.04	41.55	634.11
Region 11 Suburban	635,448	43.49	16.40	27.09	47.36	1,432.77
Region 6E	110,626	43.31	24.71	18.61	44.98	888.58
Region 4	210,360	43.25	26.13	17.13	42.82	729.51
Region 8	135,807	42.29	23.06	19.23	46.28	950.38
Region 9	222,767	36.80	23.90	12.91	39.19	820.65
Region 7W	237,388	34.09	20.36	13.73	33.58	723.70

LEGEND FOR TABLES 2.1 AND 2.2:

1. Total Net County Human Services Expenditures Per Capita. This column, the sum of columns 2 and 3, represents county per capita human services spending net of state and federal human service aids, but not net of federal revenue sharing or state general purpose local government aid or property tax credits.
2. Total Income Maintenance Spending Per Capita. This measure includes all county expenditures on income maintenance benefits and administration. See Chapter 1 for a description of individual income maintenance programs.
3. Social Service Expenditures Per Capita. See Chapter 1 for a description of social service expenditures.
4. Gross Social Service Expenditures Per Capita. This measure represents total county social service expenditures, including county spending of state and federal social service aids.
5. Gross Social Service Expenditures Per Income Maintenance Recipient. This measure is based on the same spending data as column 4 divided by an unduplicated count of income maintenance program participants.

FIGURE 2.1

ECONOMIC DEVELOPMENT REGIONS

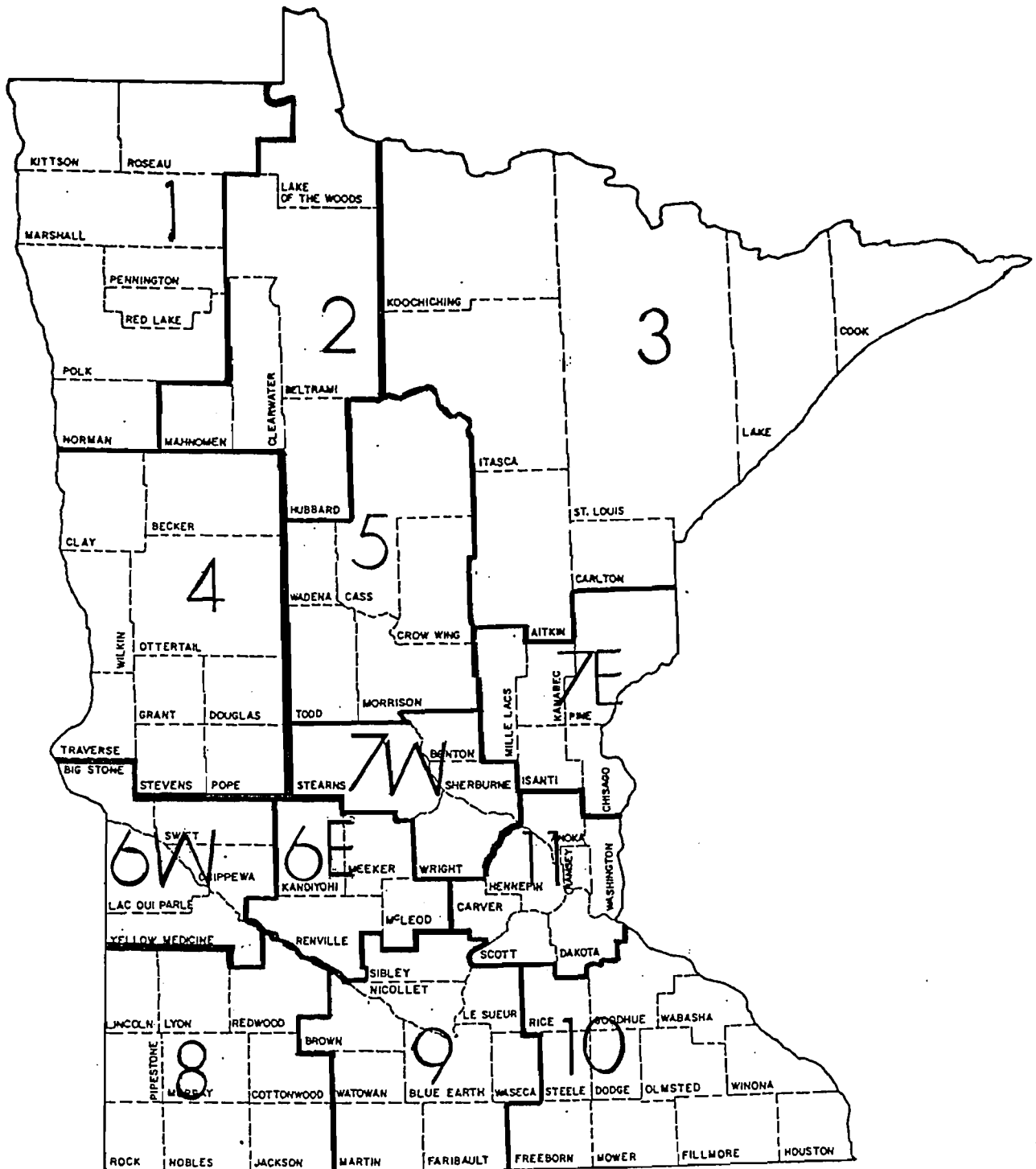


Figure 2.2 presents a map showing how county human service spending varies across the state.

- On a regional basis, human service spending is highest in the northeastern and north central areas of the state. As noted, spending is considerably higher than the statewide average in Hennepin and Ramsey Counties. Spending is relatively low in most counties south and/or west of the Twin Cities.

One generalization that can be made from the data presented to this point is that human service spending tends to be quite high in the three counties containing large urban centers. Spending is also relatively high in some, but not all, counties containing smaller urban centers. Spending is high in Koochiching County, which contains International Falls. Spending is below the statewide average, but still higher than in most counties, in Freeborn, Mower, Olmsted, and Clay counties in which are located the cities of Albert Lea, Austin, Rochester, and Moorhead, respectively. Spending is relatively low, however, in Stearns County, containing much of St. Cloud and Blue Earth County, which contains Mankato.

Human services spending consists of two components, income maintenance and social services. Per capita income maintenance spending is shown in Figure 2.3 and per capita social service spending in Figure 2.4.

Income maintenance spending is high in northeastern and north central counties as well as in Hennepin and Ramsey. Statewide, as Table 2.1 shows, \$33.35 was spent per person on income maintenance programs (benefits plus administrative costs) in 1984, but \$58.99 was spent in St. Louis County. Ramsey County was fifth highest at \$48.77 per capita in 1984 and Hennepin County seventh at \$44.31.

Figure 2.3 shows how income maintenance spending varies around the state. The Twin Cities' suburban counties and other fast-growing counties near the Twin Cities metropolitan area have especially low income maintenance costs. Counties in the northeastern and north central part of the state have relatively high costs.

As we saw in Chapter 1, social services account for about half of county human service spending. Counties have more control over whether and at what level to finance various social services than they have over income maintenance programs. Eligibility for income maintenance benefits is basically a matter of federal and state policy.

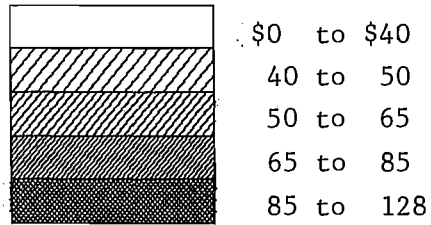
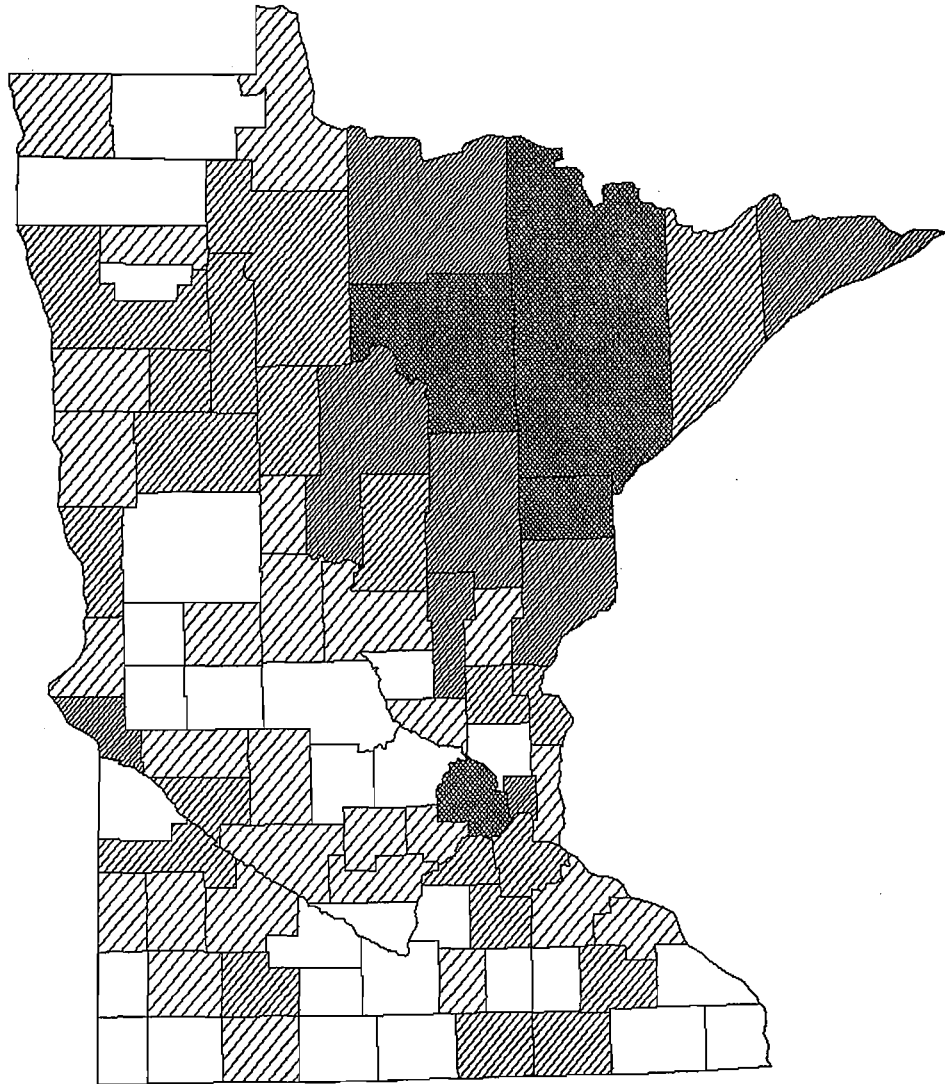
Figure 2.4 presents a view of how net social service spending varies across the state. Statewide, \$31.39 was spent by counties on social service per person in 1984, net of state and federal social service aids. As Figure 2.4 shows, net social service spending was relatively high in the northeast, but below average in many north central counties where income maintenance spending is high. Social service spending per capita is high in Hennepin and Ramsey counties, and higher in the Twin City suburbs than in a number of other regions.

Figure 2.1 presents a map that defines 14 regional county groups that correspond to the region numbers on Table 2.2. Region 3, consisting of seven northeastern counties, has net social service spending of \$57.82. Hennepin and Ramsey spent \$41.76, and Region 7E, also in the northeastern part of the state, spent \$29.86 per person on social services. But Region 2 in the north central area spent only \$19.49 per person and Region 5, south of Region 2, spent \$15.14 on social services. Region 5 and Region 2, therefore, spent a considerably smaller share of local revenue on social services than the statewide

FIGURE 2.2

NET PER CAPITA HUMAN SERVICE SPENDING

1984

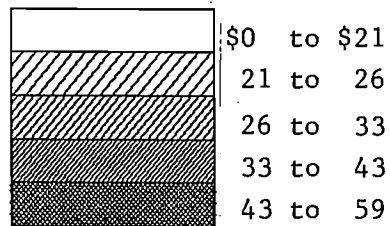
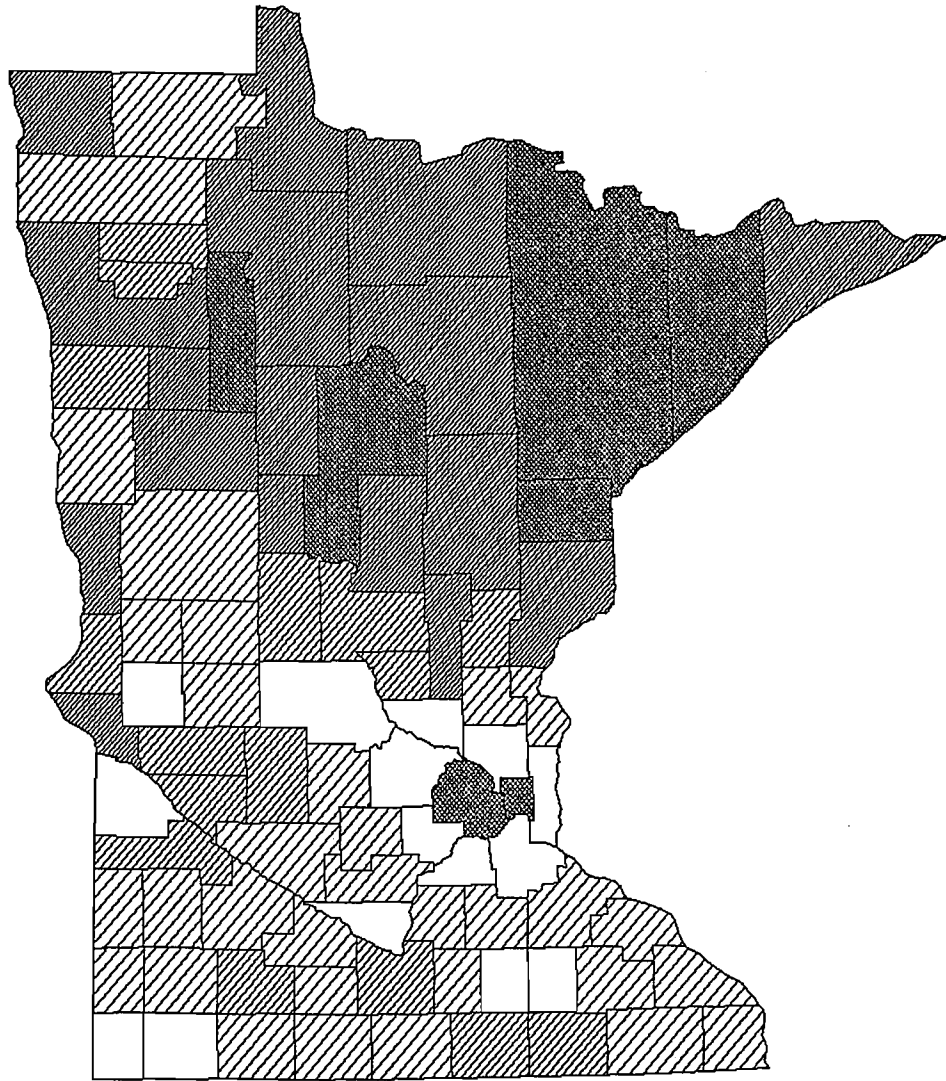


Source: Table 2.1.

FIGURE 2.3

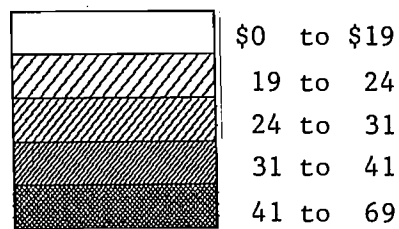
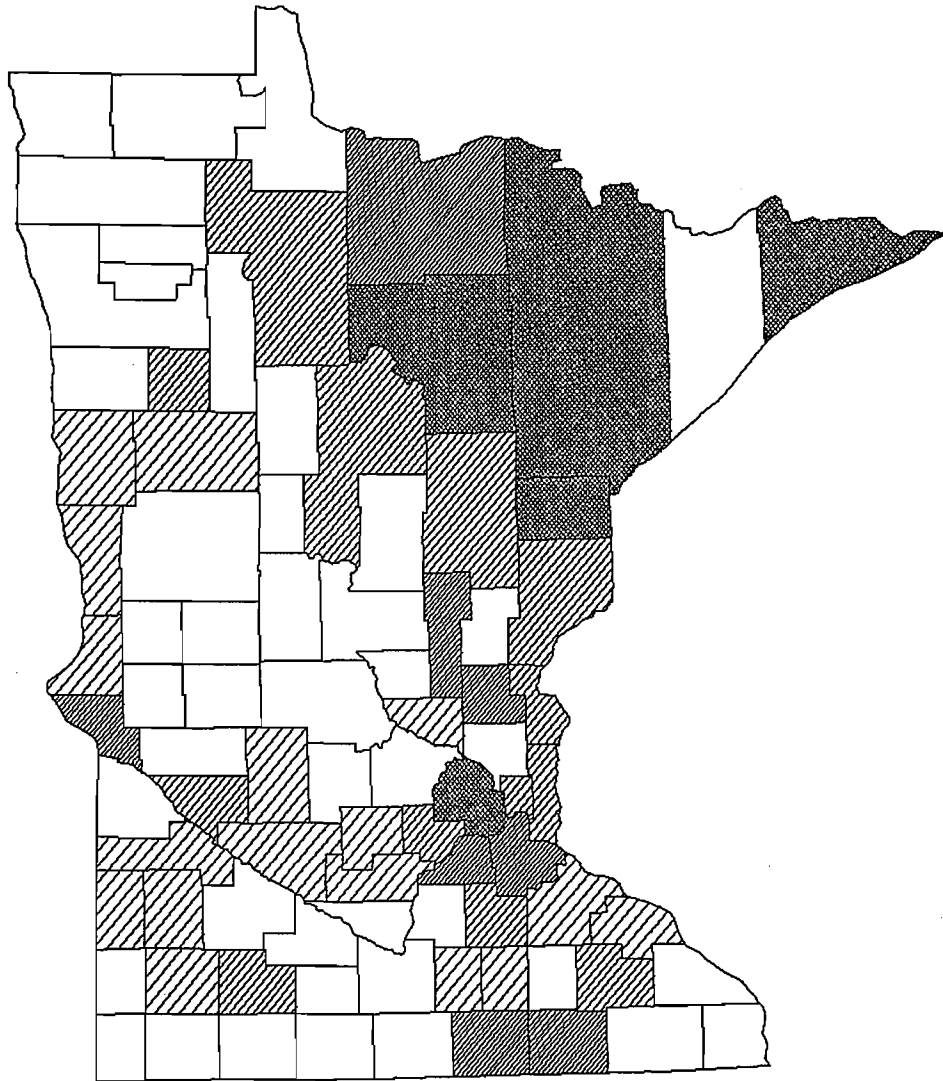
NET PER CAPITA INCOME MAINTENANCE SPENDING

1984



Source: Table 2.1.

FIGURE 2.4
NET PER CAPITA SOCIAL SERVICE SPENDING
1984



Source: Table 2.1.

average, although they spent more on income maintenance programs than the statewide average.

The local share of income maintenance program costs is largely determined by a formula and is proportionately the same across the state. In the case of social services, however, state and federal aid is targeted in a general way to areas of high historic spending and high current need.

Figure 2.5 and Tables 2.1 and 2.2 present data on gross social service spending per capita, that is, spending by counties of county, state, and federal revenues combined. Figure 2.4, by comparison, presents data on per capita county social service expenditures net of state and federal aids. As Table 2.1 shows, \$65.80 was spent per person on social services statewide. Once again spending is considerably higher in St. Louis County than elsewhere, \$128.97 per capita. And as Figure 2.5 shows, spending is relatively high in the Northeast and in Hennepin and Ramsey counties. Spending is above average in many north central counties as well.

Arguably, social service needs are high where income maintenance costs are high because many social service programs are aimed at families and individuals facing economic need. Some social service programs are specifically aimed at keeping people off public assistance programs such as AFDC and Medical Assistance. To the extent that state and federal social service aid is targeted to high-need areas (and assuming that spending reflects service needs) gross social service spending should be high in the same areas where income maintenance spending is high. As a generalization, gross social service spending per capita is, in fact, patterned across counties very much like income maintenance spending, that is, Figure 2.5 (gross social service spending) resembles Figure 2.2 (net income maintenance spending).

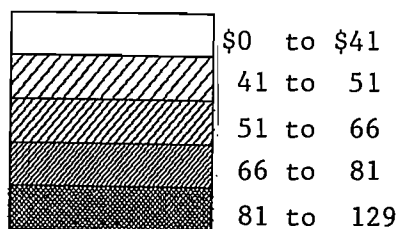
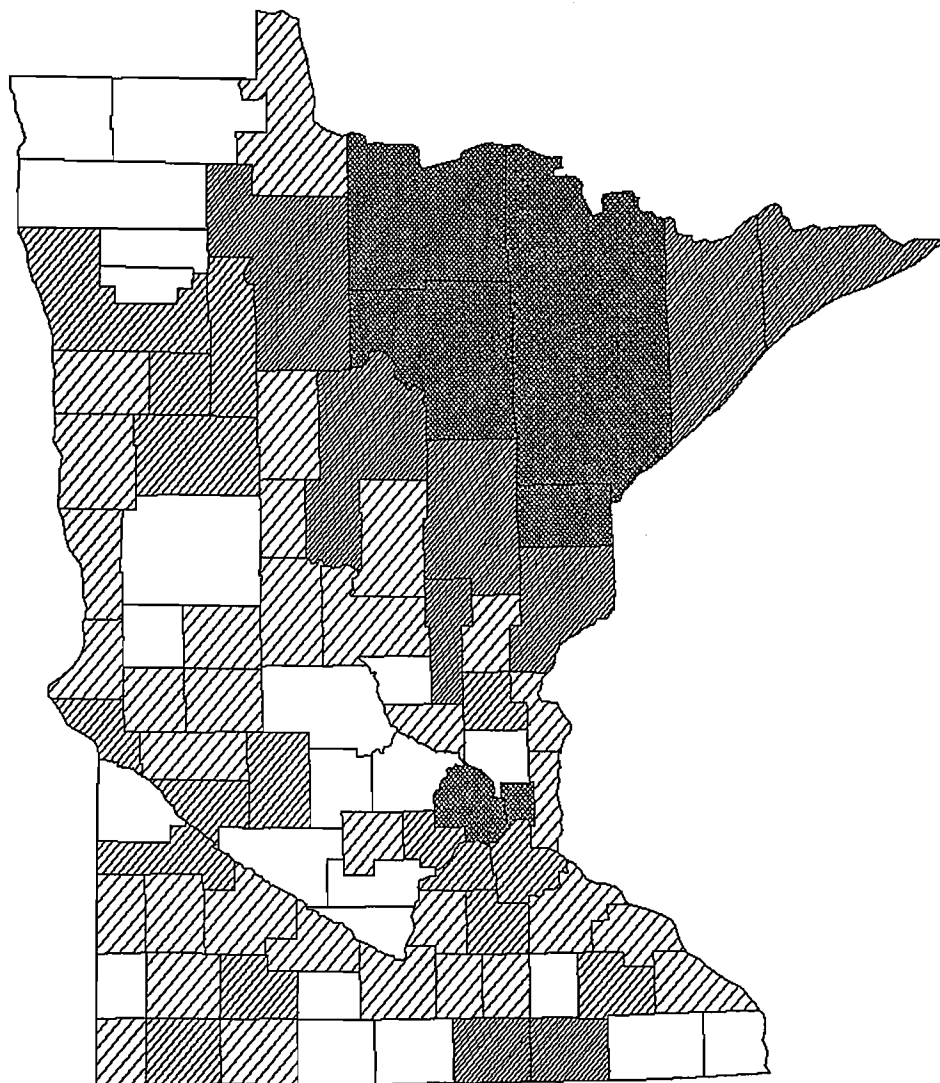
A final view of social service spending is presented in Figure 2.6 (based on data in Table 2.1) which shows gross social service spending per income maintenance program recipient. Social service spending in this figure includes state, federal and county revenues. The number of income maintenance program recipients is possibly a better measure than population of a county's social service needs. Figure 2.6 shows that, per income maintenance program recipient, St. Louis County and most counties in the Twin Cities area spend relatively high amounts. For example, while the statewide average gross social service expenditure per income maintenance recipient is \$1,026.98, Hennepin and Ramsey spend \$1,191.13 and the Twin City suburban region (consisting of the five counties surrounding Hennepin and Ramsey) spends \$1,432.77. Region 3, Northeastern Minnesota, spent \$1,002.21, about the state average. Worth noting is the fact that a block of counties in the north central part of the state spends less as a region than any other. Region 5, in fact, spent \$506.56 per income maintenance recipient.

The Twin Cities suburbs are an area of economic prosperity, population growth, and expanding economic base. The population of these counties is relatively young, and these counties can and do spend more on social services per income maintenance program recipient than counties in the north central part of the state that tend to be areas of lower economic prosperity, slow or no growth, and an aging population.

FIGURE 2.5

GROSS PER CAPITA SOCIAL SERVICE SPENDING

1984

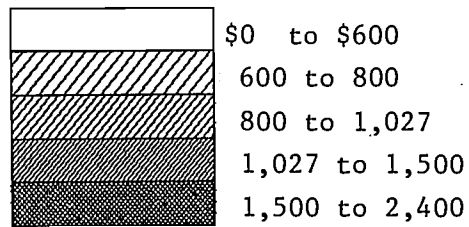
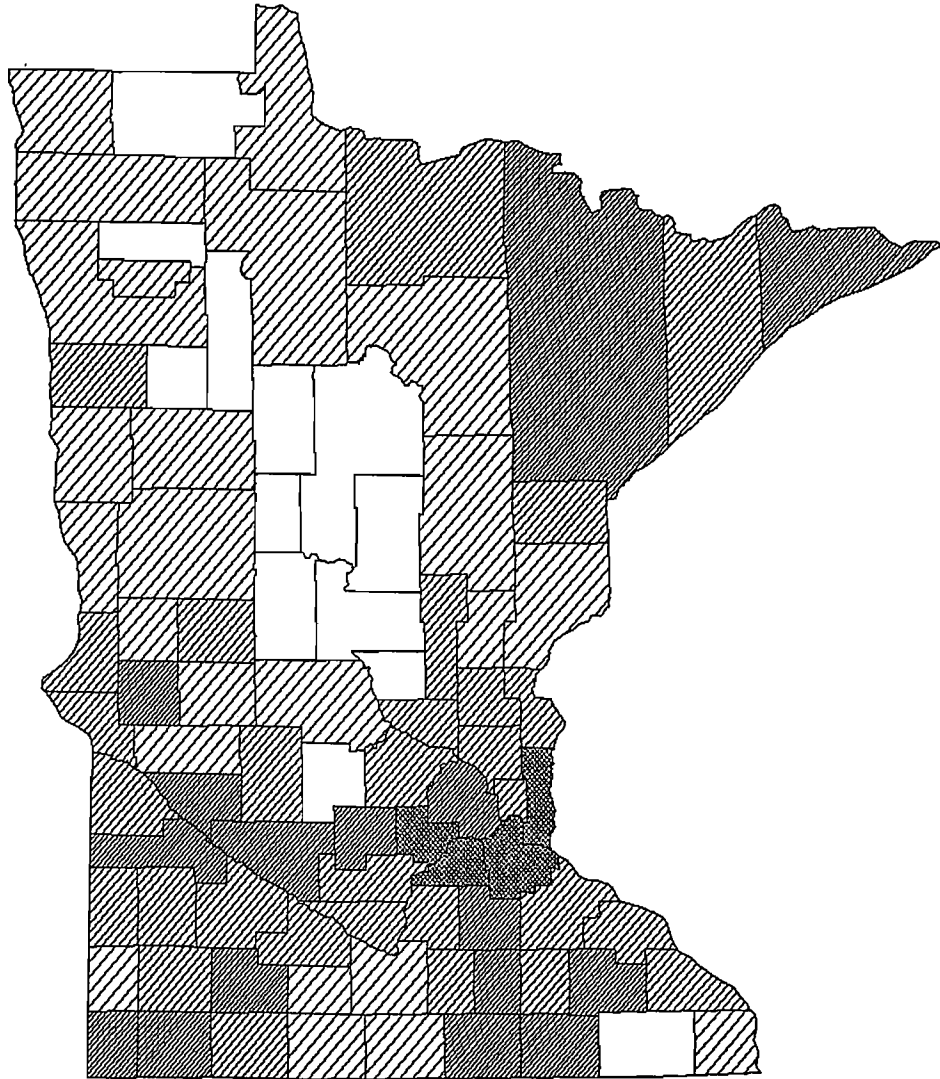


Source: Table 2.1

FIGURE 2.6

GROSS SOCIAL SERVICE SPENDING
PER INCOME MAINTENANCE RECIPIENT

1984



Source: Table 2.1.

B. FACTORS INFLUENCING HUMAN SERVICE SPENDING

In this section we present a tentative analysis of several factors influencing the pattern of human service spending in Minnesota. We believe the data just presented on human service spending across the state fill an important information gap for analysts and policy-makers. Prior to the study reported here, comparable data on county human service spending were unavailable. Given this important deficit we have focused on building a reliable data base and, later, examining some basic policy choices. As a result of these priorities, our efforts to explain variation in human service spending across the state are quite rudimentary and leave a lot to be accomplished in subsequent studies.

Human service spending across the state is theoretically related to variation in the need and preference for services, and the ability to pay for services. A very simple formulation would state that human service needs are high where welfare caseloads are high, where economic conditions are poor, and where vulnerable populations are concentrated. Given similar needs, areas of high economic resources should be able and willing to spend more than areas where it is more difficult to raise revenue. Finally, counties have little choice on how much to spend on AFDC, Medical Assistance, and other income maintenance programs. Their share of the cost of these programs is largely set by formula. But, as a matter of policy, counties have more choice about social services and, according to DHS and county officials with whom we spoke during the course of the study, there are major philosophical differences across the state concerning what is the appropriate governmental role in financing social services. Without question, part of the difference in spending among counties is due to differences in preference for publicly provided social services.

We examined a number of factors commonly thought to be associated with human service spending and its major components in an effort to understand the spending patterns presented in this chapter. These include:

- county unemployment;
- county median income;
- population 65 years of age and older; and
- welfare caseload.

Table 2.3 presents a matrix of correlation coefficients of these variables with each other and with the measures of human service spending presented in Tables 2.1 and 2.2 and Figures 2.1 through 2.5:

- total net county human service spending;
- net county income maintenance spending;
- net county social service spending; and
- gross county social service spending.

TABLE 2.3

FACTORS ASSOCIATED WITH HUMAN SERVICE SPENDING
CORRELATION COEFFICIENTS

	Unemployment	Median Income	Population 65+	Welfare Caseload	Total Human Service Expenditures	Net Income Maintenance Expenditures	Net Social Service Expenditures	Gross Social Service Expenditures
Unemployment	--	-.50	.35	.64	.28	.61	-.08	.16
Median Income	--	--	-.81	-.33	.16	-.22	.42	.23
Population 65+	--	--	--	.22	.01	.27	-.21	-.07
Welfare Caseload	--	--	--	--	.63	.85	.24	.57
Total Human Service Expenditures	--	--	--	--	--	.77	.85	.95
Net Income Maintenance Expenditures	--	--	--	--	--	--	.33	.64
Net Social Service Expenditures	--	--	--	--	--	--	--	.88
Gross Social Service Expenditures	--	--	--	--	--	--	--	--

Source: Table 2.1.

A correlation coefficient (the symbol for which is r) can range between -1.0 and 1.0 . Correlation coefficients express the degree to which one variable is associated with another. A correlation coefficient of -1.0 or 1.0 would mean that one variable is entirely predictable from knowledge of another. The square of each coefficient represents the proportion of variation in one measure accounted for by another. A correlation of $.5$ means that 25 percent of the variation in one factor is statistically explained by another.

The correlation coefficients in Table 2.3 offer some support for common-sense thinking about human service spending plus some insight that contradicts commonly accepted wisdom.

- Table 2.3 shows there is a moderately strong relationship ($r = .61$) between county income maintenance spending and the county unemployment rate, but no relationship between unemployment and social service spending.

The relationship between a measure of economic well-being (unemployment) and per capita income maintenance spending conforms to common-sense understanding of the relationship between public assistance and economic conditions. But neither gross nor net social service spending is related significantly to unemployment. Unlike income maintenance benefits, which are established in a generally uniform fashion by state and federal law, social services spending is positively associated with county median income, a measure of a county's ability to finance public services, and a measure that is negatively associated with a county's unemployment rate.

- Thus Table 2.2 shows a minor negative relationship ($r = -.22$) between median income and net income maintenance spending and a moderate positive relationship ($r = .42$) between income and net social service spending.

Counties raise revenue almost exclusively through the property tax; therefore, median income is not a direct measure of a county's ability to finance social services. Our analysis of the relationship between human service spending and county taxes and property wealth appears in the next chapter.

The data in Table 2.3 show, as expected:

- A strong positive relationship ($r = .85$) between welfare caseload and income maintenance spending. There is also a moderately strong correlation ($r = .57$) between the size of a county's welfare caseload and gross social service spending and a weaker relationship ($r = .24$) between welfare caseload and net social service spending.

Since income maintenance costs are directly driven by the number of people receiving income maintenance benefits, it is not surprising to see a strong statistical relationship across counties between the size of a county's welfare caseload and income maintenance spending. Since many social service programs are aimed at individuals and families who are economically disadvantaged, it is to be expected that most social service costs will be higher in areas of relatively high welfare dependency, although, as we have noted earlier, there are clearly other factors influencing social service spending. Demand for social services such as those aimed at the mentally retarded or chemically dependent is probably not tied closely to economic conditions.

One other finding from Table 2.2 deserves mention:

- The relative size of a county's population over 65 years of age is correlated positively with income maintenance spending ($r = .27$), correlated negatively ($r = -.21$) with net social service spending, and is uncorrelated with human services spending as a whole.

The elderly are commonly thought to be a population in need of social services and without the economic means to obtain needed services. One of the three statutory factors by which Community Social Services Act grants are to be distributed to the counties is the relative size of their over-65 populations.¹

As a broad generalization, however, the population over 65 is more affluent than the population under 65 years of age. In recent years, increased Social Security and retirement benefits have caused a reversal of the historical relationship between age and economic status. And, as Table 2.3 shows, there is a negative relationship between the size of a county's elderly population and per capita social service spending.

The mild positive relationship between the size of the elderly population and income maintenance spending is undoubtedly due to those income maintenance programs, Medical Assistance and Minnesota Supplemental Aid, whose benefits are largely directed at assisting the elderly.

Pre-admission screening/alternative care grants represent a rapidly growing area of state social service spending. This program is designed to control nursing home costs by providing home-based services to frail older people, thus allowing them to avoid more expensive and less desirable nursing home care. Aside from this service category, it is difficult to see how the population over 65 is disproportionately in need of publicly provided social services. As we will see in Chapter 4, and as the data in Table 2.3 also suggest, including the population over 65 as a factor in distributing major social service aid does not result in targeting state funds to counties with high social service costs.

C. CONCLUSIONS

There are significant differences across the state in per capita human service spending. This is partly due to differences in county welfare caseloads and economic conditions. Income maintenance spending, in fact, follows common-sense understanding of the relationship of economic conditions to public assistance expenditures with one qualification: urban centers are both a locus of relative economic prosperity, and places where clients of public assistance programs tend to be concentrated.

Spending on social services might be expected to follow a similar pattern. Certainly many social service programs are aimed at families and individuals who lack the economic resources to privately purchase the services they need. But, county social service spending buys a different mix of services in different counties, including some kinds of services that are not closely related to variation in economic conditions.

¹Actual CSSA distributions are not made on the basis of the statutory formula due to other provisions that preserve the historic flow of state aid.

We have not offered a complete explanation in this report of why social service spending varies across the state the way it does, but one point is clear: Social service spending is generally highest in counties containing a large urban center. Net of federal and state aid, social service spending is also high in the Twin Cities suburban counties. We conclude that it is in these areas, compared to largely rural counties, that social service providers are disproportionately located and (possibly because of differences between urban and rural values) demand for social services is relatively high. It may well be the case people in rural areas are both less able (because of availability) and less willing (because of values) to obtain publicly supported social services. Whether substantial differences in spending across counties are appropriate or not will be discussed further in the next two chapters, but there is ultimately no technical answer to this question.

Human Service Property Tax Burdens

Chapter 3

In Chapter 1, we showed that counties spend a large portion of their budgets on human service programs. Counties finance their share of the cost of these programs primarily with property tax revenue. However, some counties may lack the property wealth or taxpayer income to finance human service programs, particularly if they have high welfare caseloads. The financial burden on counties is a state concern because state and federal policies largely determine the cost of many human service programs and because the state is interested in the level of service provided by the county programs. In this chapter, we address the following questions:

- How do property tax burdens for human service programs vary across the state? How much of this variation is due to income maintenance programs and how much to social service programs?
- To what extent can high property tax burdens due to social service programs be explained by low property wealth?
- Do counties with high income maintenance caseloads and low tax capacity spend less on social services than other counties?

A. MEASURES OF PROPERTY TAX BURDENS

Counties finance human service programs with a variety of revenue sources, including federal and state revenues specifically tied to human service programs, property tax revenues, and general purpose revenues. General purpose revenues include federal revenue sharing funds, local government aids, taconite aids, and property tax credits such as the homestead credit and the taconite homestead credit.

To determine the human service share of the property tax, we took county human service expenditures, subtracted the federal and state human service aids, and then subtracted the human service share of the general purpose revenues. In formula form, this is:

$$\begin{array}{l} \text{Human Service} \\ \text{Property Tax} \end{array} = \begin{array}{l} \text{Human Service Expenditures} \\ - \text{Federal and State Aid and Miscellaneous Revenue} \\ - \text{Human Service Share of General Purpose Revenue} \end{array}$$

Since general purpose revenues can be used to help finance any county function, we calculated the human service share as equal to the human service proportion of the total county budget.

The "human service property tax" calculated in this way differs from the commonly used human service tax levy in several ways. First, tax levies are based on gross property taxes and thus do not include deductions for property tax credits. In addition, while federal revenue sharing, local government aids, and taconite aids are deducted before determining the county's overall tax levy, most counties do not allocate those aids to the human service budget. As a result, comparing human service tax levies among counties may be misleading because some counties receive substantially more general purpose revenues than others.

Furthermore, county tax levies may differ from actual costs because of two factors. First, county tax levies are based on budgets set before the year begins. Second, counties may increase their fund balances to protect themselves from delays in receiving federal or state grants. These factors could also make tax levy comparisons among counties misleading.

In this chapter, we compare property tax burdens among counties in four ways:

- Property tax as a fraction of property's assessed value.
- Commercial/industrial property tax as a fraction of market value.
- Residential property tax as a fraction of market value.
- Residential property tax as a fraction of personal income.

While the first three measures use property value as an indicator of a county's ability to pay, the fourth measure uses personal income. Tax rates based on property value are often used to compare property tax burdens because a county's ability to finance human service programs depends largely on its property tax base. A county with high property wealth per capita can usually afford to spend more per capita on human services than a county with low property tax wealth.

For residential property, tax rates based on personal income are another way to compare property tax burdens across the state. This indicator may be useful because residential property wealth by itself may be a misleading indicator of county residents' ability to pay. For example, consider two counties which have equivalent average incomes but one county has substantially higher housing prices than the other. The county with high housing prices could have substantially greater property wealth even though its residents are no better off financially than residents of the other county. In this situation, income may be a better ability-to-pay indicator than property value.

We present three tax rates based on property value because, in Minnesota, tax burdens vary greatly by type of property. One reason for this variation is that different types of property are assessed at different percentages of market value in order to calculate the tax. For example, residential homestead property is assessed at 18 percent of the first \$64,000 in market value and 29 percent of the market value over that. Thus, if a home has an estimated market value of \$74,000, its assessed value would be \$14,420. This assessed value is used by tax jurisdictions to determine the property tax. In contrast, commercial and industrial property is assessed at 28 percent of the first \$60,000 in market value and 43 percent of the value over that.

Another reason that tax burdens vary is that Minnesota provides direct property tax credits to certain classes of property, particularly residential homesteads and agricultural property. Residential homesteads receive a credit equal to 54 percent of the tax on the first \$67,000 of market value, up to a maximum credit of \$700. In taconite mining areas of Minnesota, residential homesteads receive a taconite homestead credit in addition to the regular homestead credit. The taconite homestead credit is financed with taconite production taxes paid in lieu of property taxes.

B. HUMAN SERVICE PROPERTY TAX RATES

The tax rates in this chapter are based on property values and credits for tax year 1986, the most recent year for which equalized property values were available.¹ Because property values have declined substantially in rural Minnesota, it is important to use the most recent property values even though 1986 human service spending data are not yet available.

Table 3.1 presents human service property tax rates by region. The map in Figure 3.1 shows where the regions are located. Collectively, these data show:

- For each of the four measures shown, there is wide variation in property tax burdens due to human service programs. The highest regional tax rate is from four to five times as large as the lowest regional tax rate.
- Region 3 (northeastern Minnesota), Hennepin and Ramsey counties, Region 7E (east central Minnesota), and Region 2 (north central Minnesota) tend to have high human service tax burdens.
- From two to five counties, depending on the measure used, have human service tax burdens that exceed the state average by more than 50 percent. Those counties are St. Louis, Carlton, Beltrami, Hennepin, Koochiching, and Mille Lacs.
- Counties outside the Twin Cities metropolitan area which have high overall tax burdens usually do not have high residential tax burdens. Residential tax burdens tend to be lower outside the Twin Cities area because house values are much lower.

Figures 3.2 through 3.5 contain maps illustrating the variation in property tax burdens.

¹We assumed that counties received no funds from federal revenue sharing. The federal government terminated this program effective October 1, 1986.

TABLE 3.1
HUMAN SERVICE TAX RATES BY REGION
TAX YEAR 1986

Based on 1984 Spending Levels

	<u>Human Service Tax</u>			
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		<u>Average Tax Per \$10,000 of Median Income</u>
	<u>All Property</u>	<u>Commercial¹</u>	<u>Residential²</u>	<u>Residential²</u>
STATE TOTAL	\$ 6.36	\$29.42	\$ 9.18	\$21.77
Region 3	14.82	69.98	13.37	20.94
Region 2	8.50	34.02	9.97	24.41
Region 7E	8.11	34.83	10.58	23.98
Hennepin-Ramsey	7.74	37.40	13.16	32.40
Region 5	6.25	23.41	7.43	20.02
Region 10	5.02	19.96	6.22	13.48
Region 4	4.71	18.97	5.17	12.30
Region 6W	4.67	16.99	4.53	8.37
Region 6E	4.33	16.50	4.32	10.08
Region 1	4.20	16.56	4.19	8.15
Region 11 Suburban	4.16	18.91	6.70	15.67
Region 7W	3.95	16.23	5.03	11.51
Region 8	3.94	14.38	3.68	7.58
Region 9	3.68	13.91	3.58	8.20

Note: Regions are ranked according to tax per \$1,000 of assessed value.

¹Includes industrial property.

²Non-agricultural residential homesteads only.

FIGURE 3.1

MINNESOTA REGIONS

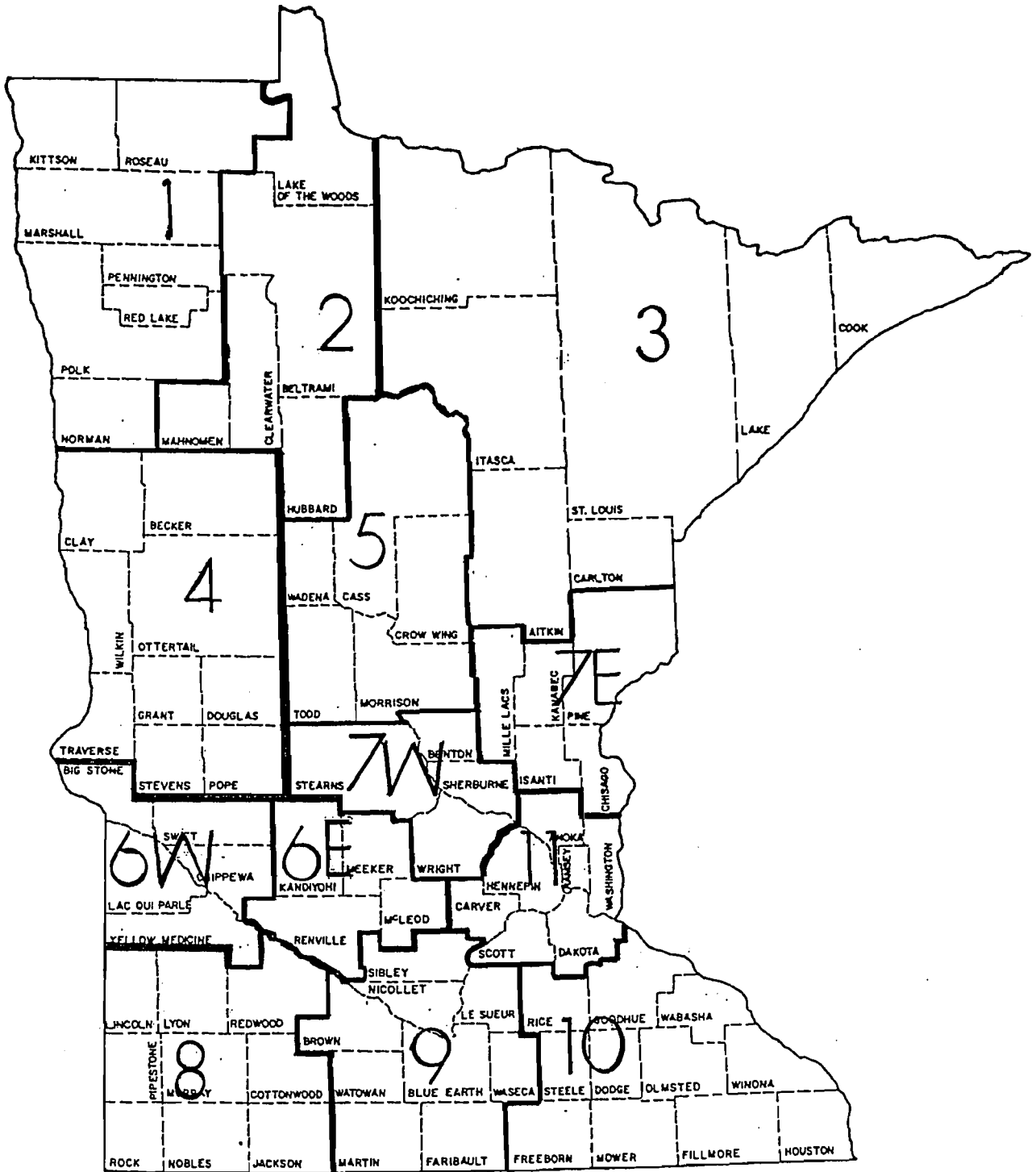


TABLE 3.2
HUMAN SERVICE TAX RATES FOR SELECTED COUNTIES
TAX YEAR 1986

Based on 1984 Spending Levels

	<u>Human Service Tax</u>			<u>Average Tax Per \$10,000 of Median Income</u>
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		
	<u>All Property</u>	<u>Commercial¹</u>	<u>Residential²</u>	
STATE TOTAL	\$ 6.36	\$ 29.42	\$ 9.18	\$21.77
St. Louis	19.74	102.54	21.26	31.52
Carlton	13.67	66.47	15.43	24.14
Koochiching	12.32	46.33	16.10	18.96
Beltrami	11.34	49.45	13.90	32.86
Mille Lacs	9.94	48.49	12.23	27.05
Pine	9.08	36.72	10.17	22.73
Isanti	8.98	35.55	13.37	28.30
Big Stone	8.91	30.67	9.28	15.70
Clearwater	8.85	32.06	7.86	18.88
Wadena	8.63	38.84	9.81	20.76
Itasca	8.05	33.39	4.42	8.31
Ramsey	7.91	37.99	12.60	29.85
Cass	7.89	18.51	8.99	29.04
Lake	7.72	26.06	5.60	7.24
Hennepin	7.68	37.13	13.39	33.45
Becker	7.67	31.79	9.01	23.36
Todd	7.61	27.89	8.77	20.48
Mower	7.27	31.12	8.71	15.68
Mahnomen	7.19	27.68	7.79	18.51
Rice	7.11	39.25	8.69	19.76
Freeborn	6.63	26.98	6.72	12.99
Kanabec	6.56	32.37	7.71	16.82
Aitkin	6.49	25.62	1.74	5.26

Note: Counties are ranked according to tax per \$1,000 of assessed value.

¹Includes industrial property.

²Non-agricultural residential homesteads only.

1. Property Tax as a Fraction of Assessed Value

A tax rate that is useful for comparing property tax burdens across counties is the net property tax (after credits) divided by the county's assessed value. The assessed value we used is adjusted by the Minnesota Department of Revenue to correct for underestimates or overestimates of property value.²

Column 1 of Table 3.1 shows that Region 3 (northeastern Minnesota) had the highest human service tax as a fraction of assessed value. Region 3's human service tax was \$14.82 per \$1,000 of assessed value, more than twice as large as the statewide average of \$6.36. Region 7E, Region 2 (both of which border Region 3) and Hennepin/Ramsey also had above-average human service tax rates, ranging from \$7.74 to \$8.50 per \$1,000 of assessed value.

Counties with high human service tax rates are presented in Table 3.2. St. Louis and Carlton counties have rates that are more than twice the state average. St. Louis County's tax rate was about eight times as high as the lowest rate. Appendix C shows tax rates for all counties.

2. Commercial/Industrial Versus Residential Tax Rates

The effective tax rate is the property tax (after credits) as a fraction of market value. The effective tax rate is useful for measuring property tax burdens on specific classes of property. The rates are based on market values adjusted by the Department of Revenue to correct for local biases in estimating market value. These adjustments are important because some counties estimate market values more accurately than others do.

Table 3.1 shows that the human service effective tax rate for commercial and industrial property was highest in Region 3 (northeastern Minnesota). Region 3's commercial tax was \$70 per \$10,000 of market value, more than twice as high as the statewide average of \$29 and about five times as much as the lowest regional rates. Other regions whose commercial tax rates exceeded the state average include Hennepin/Ramsey, Region 7E (east central Minnesota) and Region 2 (north central Minnesota).

The county with the highest human service tax burden on commercial property was St. Louis County. Its tax rate was \$103 per \$10,000 of market value, more than three times the state average. Other counties with high commercial tax rates are shown in Table 3.2.

In contrast to commercial property, northeast Minnesota's human service tax burden for residential property was not very high. Region 3's residential tax rate as a fraction of market value was only two percent higher than Hennepin/Ramsey's tax rate. The difference between commercial and residential tax burdens is especially noteworthy when we measure residential taxes as a fraction of personal income. While Region 3's commercial tax burden was more than twice as high as the state average, its residential tax as a fraction of income was slightly less than the state average. Hennepin/Ramsey's human service

²The assessed values are also adjusted for contributions and distributions under the fiscal disparities law. Furthermore, they exclude assessed value captured by tax increment financing districts since counties do not receive tax revenue raised by this captured assessed value. These adjustments are necessary to obtain the actual property value which provides tax revenue for county governments.

FIGURE 3.2

HUMAN SERVICE TAX PER \$1,000 OF ASSESSED PROPERTY VALUE
TAX YEAR 1986

Based on 1984 Spending Levels

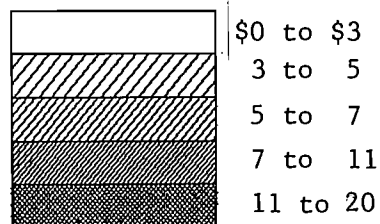
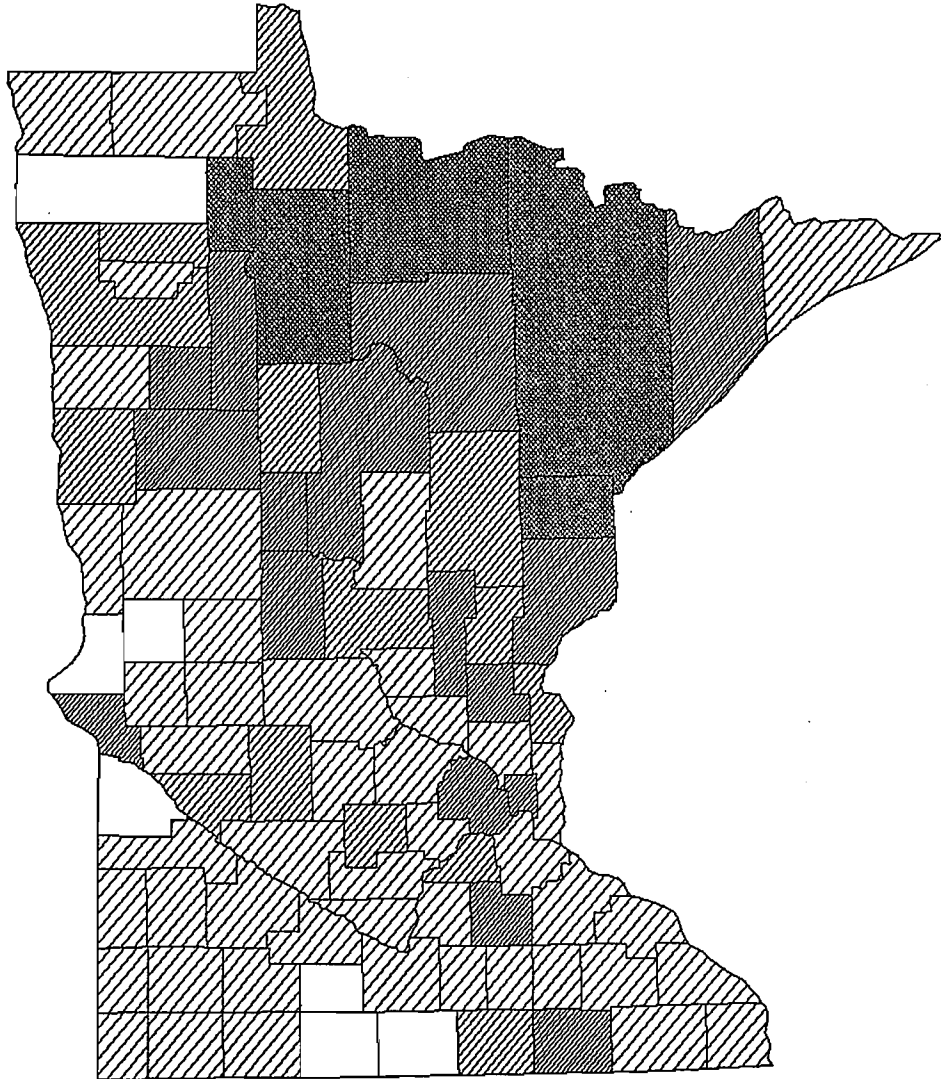


FIGURE 3.3

HUMAN SERVICE TAX PER \$10,000 OF MARKET VALUE
COMMERCIAL AND INDUSTRIAL PROPERTY
TAX YEAR 1986

Based on 1984 Spending Levels

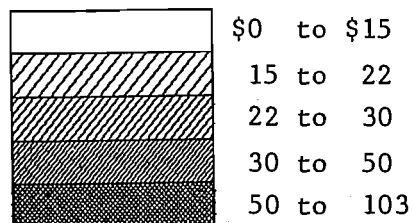
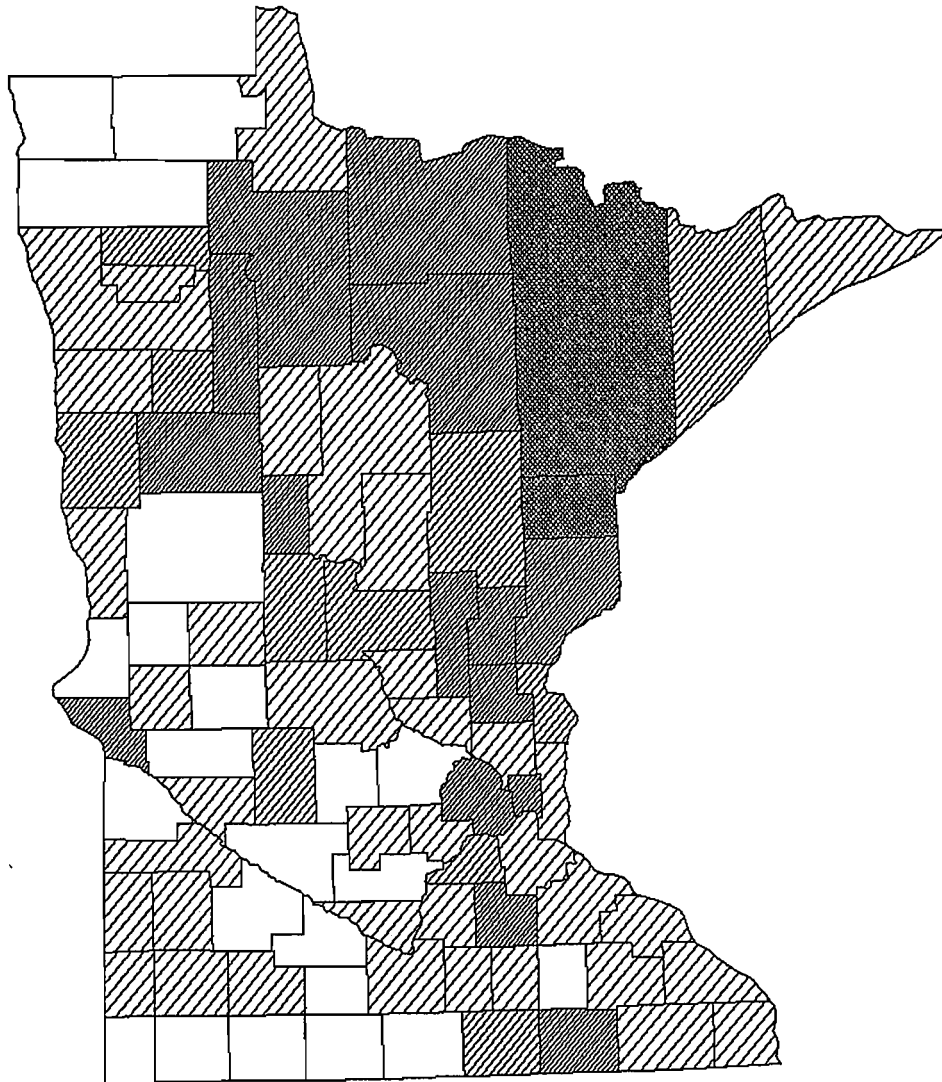
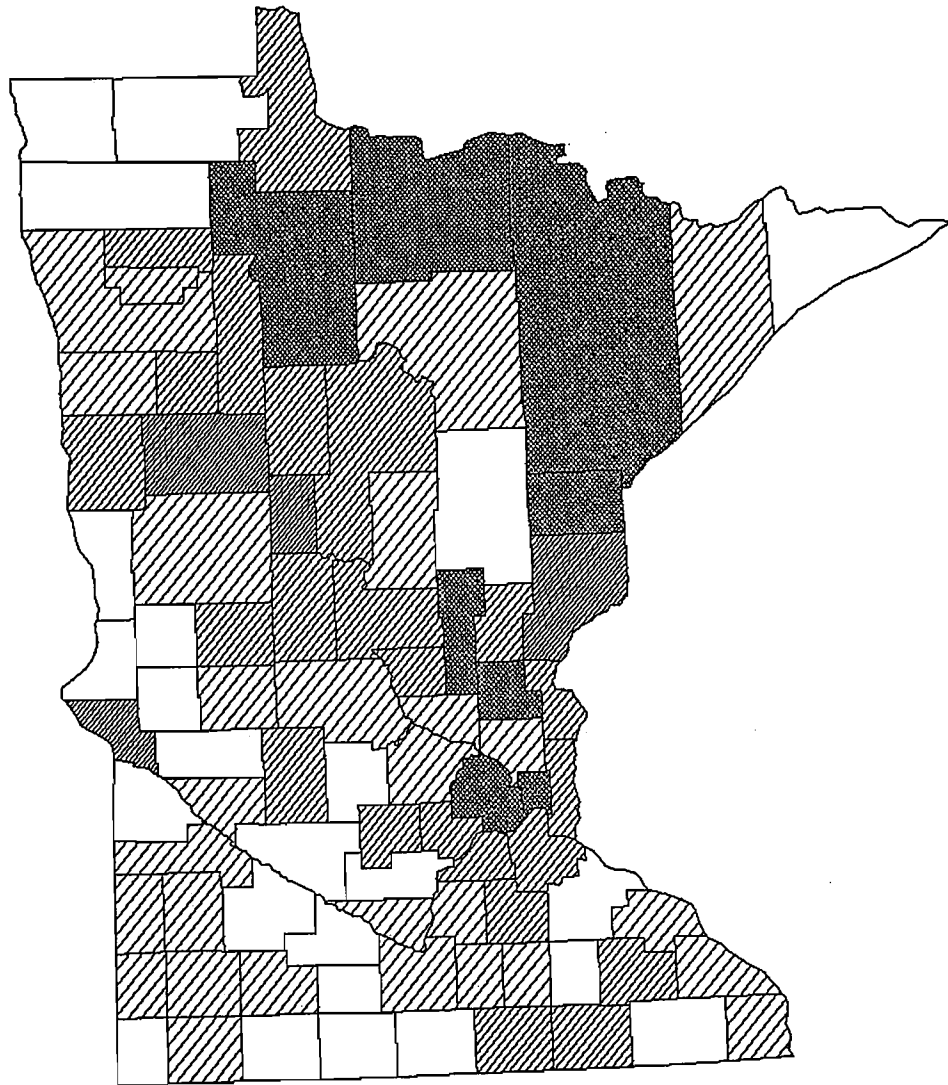


FIGURE 3.4

HUMAN SERVICE TAX PER \$10,000 OF MARKET VALUE
RESIDENTIAL PROPERTY
TAX YEAR 1986

Based on 1984 Spending Levels

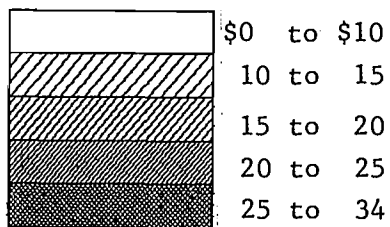
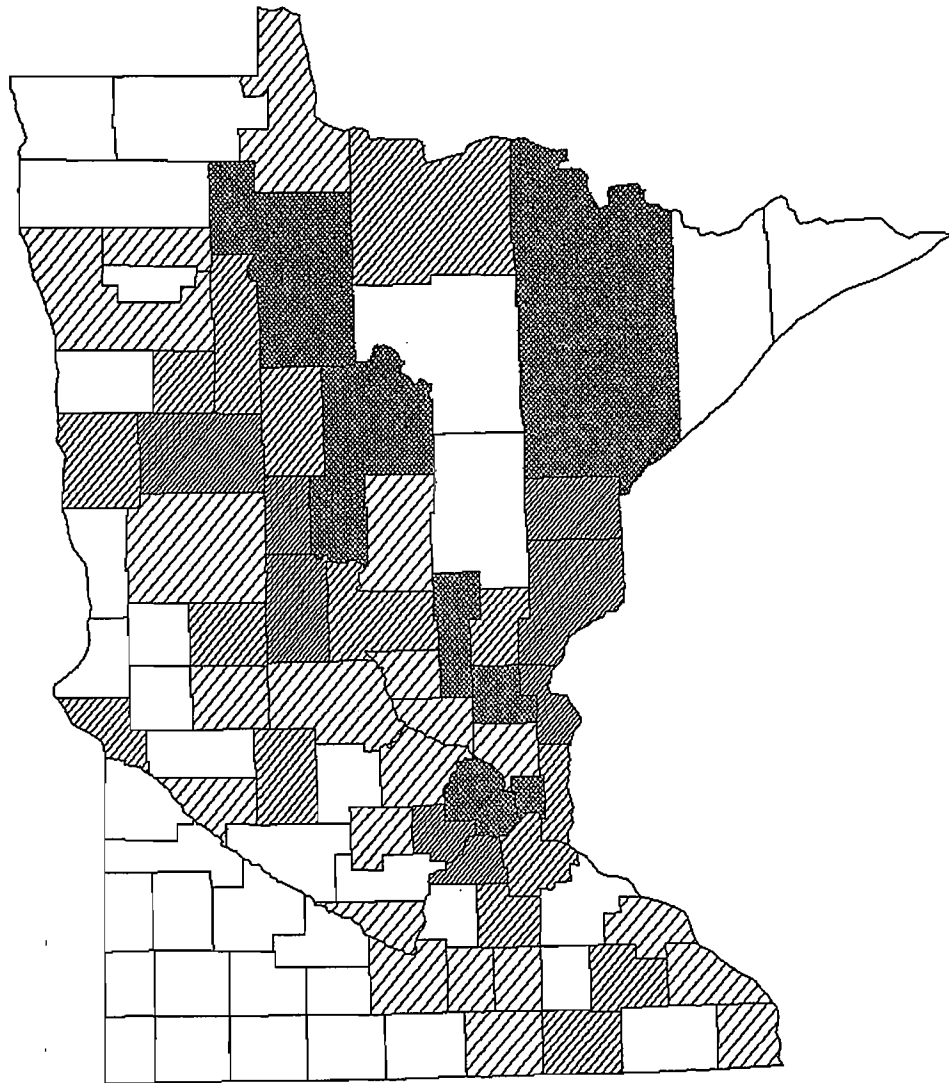


White	\$0 to \$4
Diagonal lines (top-left to bottom-right)	4 to 6
Diagonal lines (bottom-left to top-right)	6 to 9
Horizontal lines	9 to 12
Dark stippled	12 to 22

FIGURE 3.5

HUMAN SERVICE TAX PER \$10,000 OF MEDIAN INCOME
RESIDENTIAL PROPERTY
TAX YEAR 1986

Based on 1984 Spending Levels



tax on residential property was \$32 per \$10,000 of median income, 33 percent higher than the second highest regional rate.

Many counties outside the Twin Cities area have lower residential than commercial tax rankings because they have lower house values than the Twin Cities area. For example, the average market value of homes in Hennepin and Ramsey County was \$78,883, almost twice as high as Region 3's average of \$39,740.

Under Minnesota's property tax system, owners of high value homes pay substantially higher tax rates (as a percent of market value) than do owners of low value homes. One reason that owners of high value homes pay higher tax rates is that the homestead credit does not reimburse them for the full 54 percent of the gross property tax as it does for owners of low value homes. Another reason is that high value homes are assessed at a higher rate than low value homes.

Residential taxes are especially low compared to commercial taxes in counties that receive substantial amounts of taconite homestead credit. This credit reduces residential property taxes in taconite mining areas but does not reduce taxes for other types of property. Counties that receive significant amounts of taconite homestead credit include Cook, Itasca, Lake, Aitkin, St. Louis, and Crow Wing.

C. INCOME MAINTENANCE TAX BURDENS VERSUS SOCIAL SERVICE TAX BURDENS

As we discussed in Chapter 1, a wide variety of programs affect county human service tax burdens. The federal or state government mandates most income maintenance programs and largely determines their cost. For this reason, we believe the Legislature should examine the tax disparities caused by income maintenance programs.

Whether the Legislature should review tax disparities for social services is more debatable, since social service spending is a matter of local discretion and some people argue that the state should not be concerned about property tax burdens that result from local spending decisions. However, the federal and state governments encourage counties to serve certain target groups and in some cases the courts require counties to provide services. Whether social service tax disparities should be a state concern depends largely on the extent to which they result from differences in need or in tax capacity rather than differences in spending preferences.

Our ability to resolve this issue is limited by the fact that there is no way to precisely measure need for the broad range of programs included under the social services category. As a result, it is difficult to determine precise causes for spending differences. However, we can examine the extent to which social service tax disparities result from variation in tax capacity.

In the remainder of this section, we examine the extent to which human service tax disparities are due to income maintenance programs and to social service programs. Next, we examine income maintenance tax rates and social service tax rates based on the four tax burden measures used earlier in the chapter. Then we look at whether high social service tax burdens can be explained by high per capita spending or by low tax capacity. Finally, we examine how social service spending by counties with high income maintenance tax burdens or low tax capacity compares with social service spending by other counties.

1. Income Maintenance and Social Service Tax Rates

Table 3.3 presents income maintenance tax rates and social service tax rates for 1984 by region. The rates are based on net taxes per \$1,000 of assessed value.

As Table 3.3 shows, four regions have human service tax rates that exceed the state average. For three of these regions, income maintenance spending and social service spending are both responsible for the high tax burden. For the fourth region, income maintenance spending alone is responsible.

- Region 3 (northeastern Minnesota), Region 7E (east central Minnesota), and Hennepin/Ramsey tend to have high income maintenance tax burdens and high social service tax burdens. For all of these regions, income maintenance programs and social service programs make nearly equal contributions to the tax burden.
- Region 2 (north central Minnesota) has a high income maintenance tax burden but a low burden for social services.

Region 3 (northeast Minnesota) had the highest tax rates for both types of programs. Its income maintenance tax rate of \$7.08 and its social service tax rate of \$7.73 were more than twice the state average. As a result, social service spending explains about 55 percent of Region 3's deviation from the state's average tax rate for human services. Similarly, Table 3.3 shows that social service programs explain about half of the high human service taxes in Hennepin/Ramsey and Region 7E.

Region 2 had the second highest income maintenance tax rate, but had a below average rate for social services. The former rate was 72 percent above the state average but the latter was 8 percent below the average. Thus, Region 2's high human service tax rate is explained by its high income maintenance tax rate.

a. Income Maintenance Tax Burdens

Table 3.4 summarizes income maintenance tax rates by region for each of the four tax burden measures presented earlier in this chapter. The regions which tend to have high tax burdens are the four regions which have high human service tax burdens (Regions 2, 3, 7E, and Hennepin/Ramsey) and Region 5. Geographically, these regions represent the north-eastern and north central part of Minnesota and the metropolitan area. As with human service tax rates, the regional tax rankings vary by the measure used. While Region 3 has the highest income maintenance tax rate as a fraction of assessed value and as a fraction of commercial market value, Hennepin/Ramsey has the highest income maintenance tax rate on residential property. Counties with high income maintenance tax rates are listed in Table 3.5. The map in Figure 3.6 illustrates the geographic variation in tax rates based on assessed value. Appendix C presents tax rates for all counties. It also shows regional and county tax rates based on 1985 income maintenance benefit costs.

TABLE 3.3

INCOME MAINTENANCE TAX AND SOCIAL SERVICE TAX PER \$1,000 OF ASSESSED VALUE
TAX YEAR 1986

Based on 1984 Spending Levels

	Tax Per \$1,000 of Assessed Value			Deviation From State Average			Percent of Deviation		
	Human Service	Income Maintenance	Social Service	Human Service	Income Maintenance	Social Service	Income Maintenance	Social Service	
STATE TOTAL	\$ 6.36	\$3.31	\$3.05						
Region 3	14.82	7.08	7.73	\$8.46	\$3.78	\$4.68	44.7%	55.3%	
Region 2	8.50	5.70	2.80	2.14	2.39	(0.25)	111.8	-11.8	
Region 7E	8.11	4.07	4.04	1.75	0.76	0.99	43.6	56.4	
Hennepin-Ramsey	7.74	4.05	3.69	1.38	0.74	0.64	53.6	46.4	
Region 5	6.25	4.48	1.77	(0.11)	1.17	(1.29)			
Region 10	5.02	2.49	2.53	(1.34)	(0.82)	(0.53)	60.9	39.1	
Region 4	4.71	2.84	1.86	(1.65)	(0.46)	(1.19)	28.0	72.0	
Region 6W	4.67	2.48	2.19	(1.69)	(0.83)	(0.86)	49.0	51.0	
Region 6E	4.33	2.47	1.86	(2.03)	(0.84)	(1.19)	41.2	58.8	
Region 1	4.20	2.95	1.25	(2.16)	(0.36)	(1.81)	16.6	83.4	
Region 11 Suburban	4.16	1.57	2.59	(2.20)	(1.74)	(0.46)	79.1	20.9	
Region 8	3.99	2.20	1.79	(2.37)	(1.11)	(1.26)	46.7	53.3	
Region 7W	3.95	2.36	1.59	(2.41)	(0.95)	(1.46)	39.3	60.7	
Region 9	3.68	2.39	1.29	(2.68)	(0.92)	(1.76)	34.2	65.8	

TABLE 3.4
INCOME MAINTENANCE TAX RATES BY REGION
TAX YEAR 1986

Based on 1984 Spending Levels

	<u>Income Maintenance Tax:</u>			
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		<u>Average Tax Per \$10,000 of Median Income</u>
	<u>All Property</u>	<u>Commercial¹</u>	<u>Residential²</u>	<u>Residential²</u>
STATE TOTAL	\$3.31	\$15.29	\$4.77	\$11.31
Region 3	7.08	33.46	6.39	10.01
Region 2	5.70	22.81	6.69	16.37
Region 5	4.48	16.79	5.33	14.36
Region 7E	4.07	17.47	5.31	12.03
Hennepin-Ramsey	4.05	19.55	6.88	16.94
Region 1	2.95	11.63	2.94	5.73
Region 4	2.84	11.46	3.13	7.43
Region 10	2.49	9.90	3.09	6.69
Region 6W	2.48	9.02	2.41	4.44
Region 6E	2.47	9.41	2.46	5.75
Region 9	2.39	9.04	2.32	5.33
Region 7W	2.36	9.69	3.00	6.88
Region 8	2.15	7.84	2.01	4.13
Region 11 Suburban	1.57	7.13	2.53	5.91

Note: Regions are ranked according to tax per \$1,000 of assessed value.

¹Includes industrial property.

²Non-agricultural residential homesteads only.

TABLE 3.5
INCOME MAINTENANCE TAX RATES FOR SELECTED COUNTIES
TAX YEAR 1986

Based on 1984 Spending Levels

	<u>Income Maintenance Tax:</u>			
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		<u>Average Tax Per \$10,000 of Median Income</u>
	<u>All Property</u>	<u>Commercial¹</u>	<u>Residential²</u>	<u>Residential²</u>
STATE TOTAL	\$3.31	\$15.29	\$4.77	\$11.31
St. Louis	9.16	47.60	9.87	14.63
Clearwater	7.75	28.06	6.88	16.52
Carlton	7.56	36.76	8.53	13.35
Beltrami	7.00	30.52	8.58	20.28
Wadena	6.84	30.75	7.77	16.43
Koochiching	6.47	24.31	8.45	9.95
Lake	5.85	19.73	4.24	5.48
Cass	5.42	12.70	6.17	19.93
Pine	5.03	20.34	5.63	12.59
Ramsey	4.89	23.49	7.79	18.46
Todd	4.73	17.33	5.45	12.72
Mille Lacs	4.73	23.06	5.82	12.87
Becker	4.68	19.41	5.50	14.26
Kanabec	4.51	22.25	5.30	11.56
Big Stone	4.42	15.21	4.60	7.78
Mahnomen	4.39	16.89	4.75	11.29
Pennington	4.34	18.71	4.96	10.20
Lake of the Woods	4.18	13.08	4.85	9.90
Hubbard	3.98	14.71	4.56	11.62
Crow Wing	3.91	16.11	4.48	11.48
Aitkin	3.91	15.44	1.05	3.17
Morrison	3.84	17.11	4.57	12.28
Hennepin	3.71	17.94	6.47	16.17
Isanti	3.68	14.57	5.48	11.59
Red Lake	3.62	12.81	3.27	6.07
Itasca	3.46	14.34	1.90	3.57

Note: Counties are ranked according to tax per \$1,000 of assessed value.

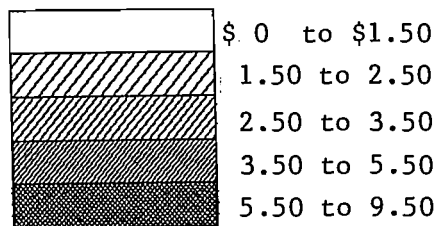
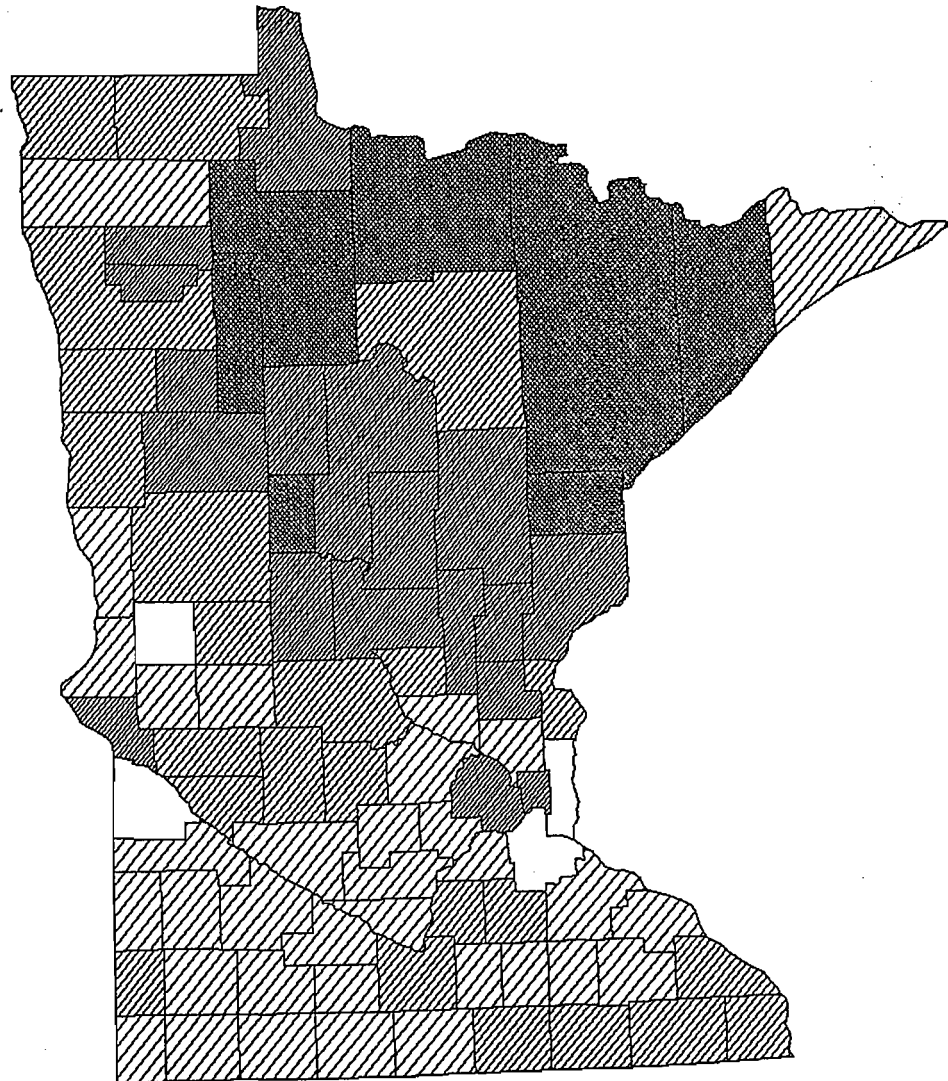
¹Includes industrial property.

²Non-agricultural residential homesteads only.

FIGURE 3.6

INCOME MAINTENANCE TAX PER \$1,000 OF ASSESSED PROPERTY VALUE
TAX YEAR 1986

Based on 1984 Spending Levels



b. Social Service Tax Burdens

Table 3.6 presents social service tax rates by region based on the four measures. The regions which tend to have high social service tax burdens are Region 3, Region 7E, and Hennepin/Ramsey. While the two north central regions (Regions 2 and 5) have high income maintenance tax burdens, they do not have high taxes for social services.

Counties with high social service tax rates are shown in Table 3.7. St. Louis County stands out as the county with the highest social service tax burden (except for residential tax as a fraction of income, where it ranks third highest). Based on tax as a fraction of assessed value, four out of the six highest ranking counties are from north-east Minnesota. Counties with above average tax rates include one county from western Minnesota (Big Stone), three counties from southeast Minnesota (Mower, Rice, and Freeborn), and two suburban counties (Scott and Dakota). The map in Figure 3.7 illustrates the geographic variation in social service tax as a fraction of assessed value.

TABLE 3.6
SOCIAL SERVICE TAX RATES BY REGION
TAX YEAR 1986
Based on 1984 Spending Levels

	<u>Social Service Tax:</u>			
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		<u>Average Tax Per \$10,000 of Median Income</u>
	<u>All Property</u>	<u>Commercial¹</u>	<u>Residential²</u>	<u>Residential²</u>
STATE TOTAL	\$3.05	\$14.13	\$4.41	\$10.45
Region 3	7.73	36.52	6.98	10.93
Region 7E	4.04	17.35	5.27	11.95
Hennepin-Ramsey	3.69	17.84	6.28	15.46
Region 2	2.80	11.21	3.29	8.04
Region 11 Suburban	2.59	11.78	4.18	9.76
Region 10	2.53	10.06	3.13	6.79
Region 6W	2.19	7.97	2.13	3.93
Region 4	1.86	7.51	2.05	4.87
Region 6E	1.86	7.09	1.86	4.33
Region 8	1.79	6.54	1.67	3.45
Region 5	1.77	6.62	2.10	5.66
Region 7W	1.59	6.53	2.02	4.64
Region 9	1.29	4.88	1.26	2.88
Region 1	1.25	4.93	1.25	2.42

Note: Regions are ranked according to tax per \$1,000 of assessed value.

¹Includes industrial property.

²Non-agricultural residential homesteads only.

TABLE 3.7
 SOCIAL SERVICE TAX RATES FOR SELECTED COUNTIES
 TAX YEAR 1986

Based on 1984 Spending Levels

	<u>Social Service Tax:</u>			
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		<u>Average Tax Per \$10,000 of Median Income</u>
	<u>All Property</u>	<u>Commercial¹</u>	<u>Residential²</u>	<u>Residential²</u>
STATE TOTAL	\$ 3.05	\$14.13	\$ 4.41	\$10.45
St. Louis	10.58	54.95	11.39	16.89
Carlton	6.11	29.72	6.90	10.79
Koochiching	5.85	22.01	7.65	9.01
Isanti	5.30	20.99	7.89	16.71
Mille Lacs	5.21	25.42	6.41	14.18
Itasca	4.59	19.05	2.52	4.74
Big Stone	4.49	15.46	4.68	7.91
Beltrami	4.34	18.93	5.32	12.58
Mower	4.21	18.02	5.05	9.08
Rice	4.09	22.59	5.00	11.37
Pine	4.05	16.39	4.54	10.14
Hennepin	3.97	19.18	6.92	17.28
Freeborn	3.64	14.81	3.69	7.13
Scott	3.47	15.32	5.48	14.12
Dakota	3.16	13.92	5.31	12.82
Chisago	3.13	12.94	4.35	10.32
Chippewa	3.02	8.64	2.93	5.45
Ramsey	3.02	14.50	4.81	11.39
Becker	2.99	12.38	3.51	9.10
Cook	2.96	11.76	1.88	4.93
Carver	2.95	12.65	4.98	13.94
Todd	2.88	10.56	3.32	7.76
Mahnomen	2.80	10.79	3.04	7.22
Washington	2.79	12.88	4.61	10.96
Clay	2.76	12.35	3.33	7.35

Note: Counties are ranked according to tax per \$1,000 of assessed value.

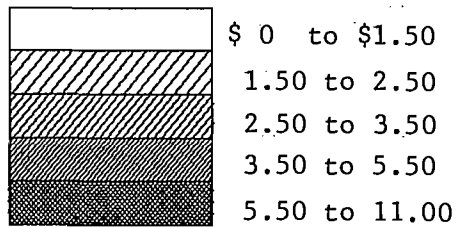
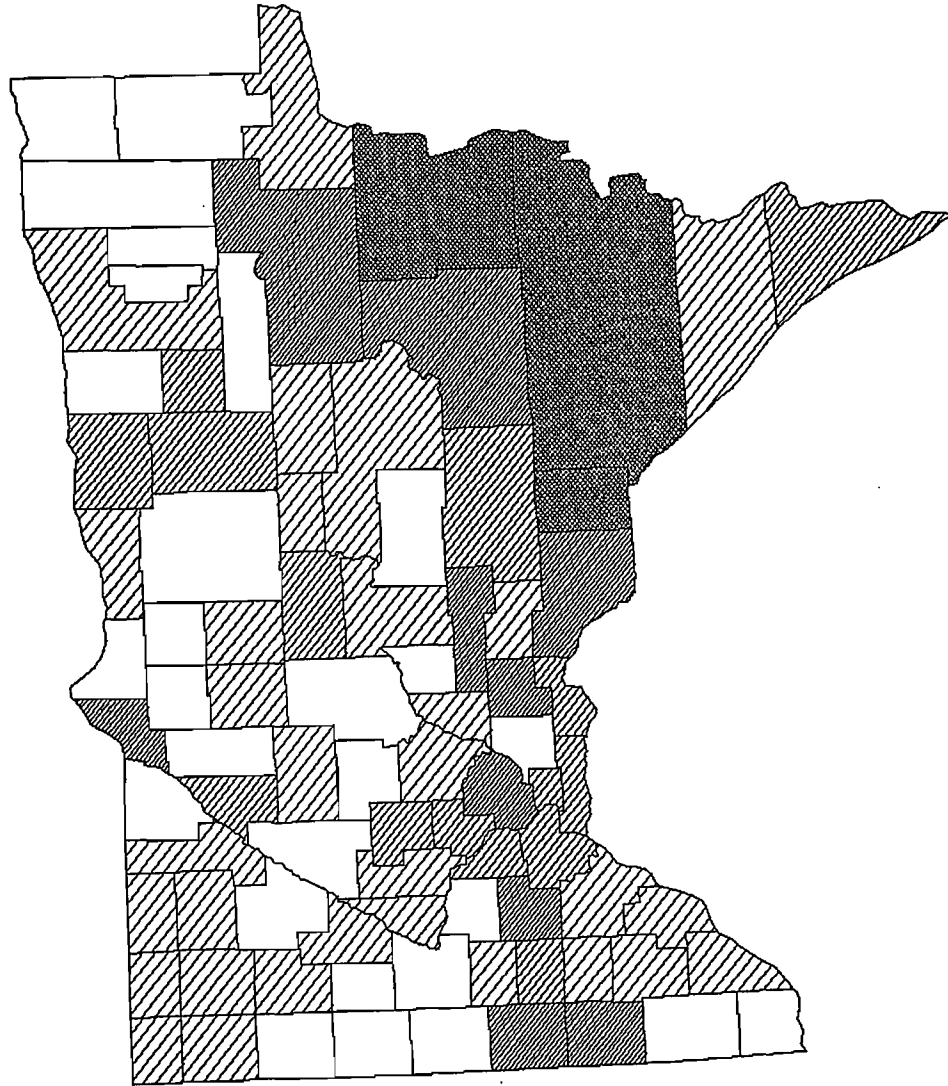
¹Includes industrial property.

²Non-agricultural residential homesteads only.

FIGURE 3.7

SOCIAL SERVICE TAX PER \$1,000 OF ASSESSED PROPERTY VALUE
TAX YEAR 1986

Based on 1984 Spending Levels



2. Social Service Tax Burdens: A Matter of High Spending or Low Tax Capacity?

As we showed in the previous section, three regions have high social service tax burdens--Region 3, Region 7E, and Hennepin/Ramsey. It is difficult to assess whether the high tax burdens are a state problem because county-by-county data on the need for social services in Minnesota are scarce. Nevertheless, in this section, we present comparative data on social service spending, tax capacity, and various indicators of need.

Table 3.8 compares the social service spending and tax capacity of these three regions with statewide per capita averages. The tax burden and tax capacity data presented in this table are based on the assessed value measure which is adjusted by the Department of Revenue's sales ratios. We found:

- The high social service tax burden in Region 3 (northeastern Minnesota) is due to high spending and low tax capacity.
- Hennepin and Ramsey counties have high social service tax burdens because of high per capita spending rates. In contrast, Region 7E (east central Minnesota) has a high social service tax burden primarily because of low tax capacity.

TABLE 3.8

SOCIAL SERVICE SPENDING AND TAX CAPACITY FOR REGIONS WITH HIGH SOCIAL SERVICE TAX BURDENS

	Social Service Tax Per \$1,000 of Assessed Value	Social Service Spending Per Capita		Adjusted Assessed Value Per Capita
		Gross	Net ¹	
STATE TOTAL	\$3.05	\$ 65.80	\$30.81	\$7,766
Region 3	7.73	111.35	57.82	4,762
Region 7E	4.04	59.84	29.86	5,232
Hennepin-Ramsey	3.69	88.87	41.76	9,390

¹After federal and state social service aids.

Low tax capacity helps explain the high social service tax burdens for Region 3 and Region 7E. In fact, Region 7E has a high social service tax burden even though its social service spending is about eight percent below the state average. This is largely due to the region's low assessed value of \$5,232 per capita, about 33 per cent below the state average.

Region 3 also has low tax capacity, but counties in this region spend more per capita on social services than do counties in any other region. Both the gross and net social service spending for Region 3 were nearly twice as high as the state average. Thus, both

low tax capacity and high per capita spending explain Region 3's high social service tax burden.

Region 3's high social service spending may be caused by several factors. Nearly 12 percent of the region's population was on welfare, almost twice as high as the state average of 6.8 percent. Its unemployment rate was about 11 percent, substantially higher than the state average of 6.3 percent. It contains the state's second largest urban center, which may attract people needing social services. As a result of these factors, we believe that Region 3 has more social service needs than the average region. But, as we indicate in Chapter 2, it is difficult to measure how much Region 3's social service needs exceed the needs of other regions. For example, consider how Region 3 compares with the regions with the second and third highest social service spending rates--Hennepin/Ramsey and Region 2 (north central Minnesota). In 1984, Region 3 spent about \$111 per capita, compared to \$89 for Hennepin/Ramsey and \$64 for Region 2.

Based on welfare caseload alone, one would expect Regions 2 and 3 to have similar needs since the welfare caseload is about twelve percent in both regions. Since Region 2 lacks large urban centers, it probably needs less government-provided service than Region 3 does. However, it is doubtful whether this alone can explain the fact that Region 3 spends nearly twice as much as Region 2 on social services.

In 1984, Hennepin/Ramsey's welfare caseload was 7.9 percent, higher than the state average but considerably less than the rates for Regions 2 and 3. In addition, Hennepin/Ramsey does not face the problems associated with a depressed economy that Region 3 faces. However, Hennepin/Ramsey contains a much larger urban center than does Region 3.

To illustrate how spending levels can affect tax burdens, we calculated what the tax rate of Region 3 (the highest spending region) would be if its gross social service spending were the same as that of Hennepin/Ramsey (the second-highest spending region). In this case, Region 3's social service tax as a fraction of assessed value would exceed the state average by 64 percent instead of by 153 percent. Similarly, Region 3's social service tax on residential property (as a fraction of income) would be about 32 percent below the state average instead of nearly equal to the state average.

3. Social Service Spending by Counties with Low Tax Capacity

So far in this chapter, we have focused on the concern over high tax burdens due to human service programs. Another concern is that counties with high income maintenance caseloads and low tax capacity may not provide an adequate level of social services. We cannot definitively determine whether counties adequately fund social services because it is not possible to specify what level of services should be provided. Nevertheless, we can examine whether counties with low tax capacity tend to spend less on social services than other counties do.

In Chapter 2, we found that a county tends to spend more on social services if a high percentage of its population receives income maintenance assistance or if the county contains a large urban center. As a result, it could be misleading to compare social service spending among counties unless we take these two factors into account. In 1984, Minnesota had 24 counties in which income maintenance recipients exceeded seven percent of the population. Among those counties:

- Counties with low tax capacity do not spend much less on social services than other counties do.

The 24 counties with large welfare caseloads included the three with the largest urban centers--Hennepin, Ramsey, and St. Louis counties. While St. Louis County's tax base per capita was substantially less than that of Hennepin and Ramsey counties, its per capita social service spending was much higher than theirs. St. Louis County's assessed value per capita was \$4,783, compared to \$8,181 for Ramsey County and \$9,590 for Hennepin County. But St. Louis County's social service spending (\$129 per capita) was much higher than that of Ramsey County (\$83 per capita) and Hennepin County (\$92 per capita).

Among the other counties with a high percentage of welfare recipients, the median social service spending was \$67 per capita. Thirteen of those counties had low tax capacity (less than \$6,500 assessed value per capita). Among the low-tax-base counties, five

TABLE 3.9
SOCIAL SERVICE SPENDING BY COUNTIES
WITH HIGH WELFARE CASELOADS AND LOW TAX CAPACITY
1984

	Social Service Spending Per Capita		Assessed Value Per Capita Tax Year 1984 ^a	Income Maintenance Recipients Percent of Population
	Gross	Net		
STATE AVERAGE	\$66	\$31	\$8,041	6.4%
STATE MEDIAN	45	19	8,181	5.3
MEDIAN FOR COUNTIES WITH HIGH WELFARE CASELOADS	67	--	--	--
Carlton	85	42	5,359	10.2
Koochiching	81	35	5,035	9.6
Beltrami	78	24	4,330	12.6
Pine	73	31	5,915	10.1
Mille Lacs	72	37	5,020	8.6
Lake	67	15	4,600	8.3
Isanti	63	37	4,352	6.5
Clearwater	54	7	5,039	14.5
Morrison	45	14	4,987	7.9
Kanabec	45	14	4,921	7.4
Todd	45	18	4,697	8.1
Wadena	42	10	4,243	10.8
Pennington	39	9	5,864	7.1

^aAdjusted for sales ratios calculated by Department of Revenue.

spent more than \$67 per capita on social services and seven spent less than \$67 per capita. One county spent \$67 per capita. The thirteen counties are listed in Table 3.9. Four of the seven low-spending counties are in the two north central regions (Regions 2 and 5), and the other three are nearby.

These results do not conclusively demonstrate whether a county's tax capacity significantly affects its spending for social service. It is plausible that low tax capacity may be one reason some counties have low spending rates. But, the fact that five counties with low tax capacity spend more than the median for social services indicates that factors other than tax capacity often have the most influence on social service spending.

The State's Role in Financing Human Service Programs

Chapter 4

In 1985, the state spent over \$730 million on human service programs administered by counties. In addition, the state allocated over \$40 million in federal social service aid to counties. Thus, the state plays a major role in financing county human service programs. In this chapter, we ask:

- What are the general principles favoring state or local financing of human service programs?
- How does the state's allocation of human service aids affect the distribution of property tax burdens across the state?
- What are the advantages and disadvantages of alternatives to the current financing arrangement?

We divide the chapter into three parts. The first part discusses some general principles favoring state or local financing of human services. The second part examines the state's role in financing income maintenance programs. The third part covers social service programs.

A. GENERAL PRINCIPLES OF FINANCING HUMAN SERVICES

It is widely agreed that human service programs should primarily be the responsibility of the federal and state levels of government. This point of view has both philosophical and practical support.

- The basic requirements of food, shelter, and health care are akin to a right of citizenship. Not many Americans would willingly deny these requirements to citizens in need, although there is growing sentiment in favor of providing public assistance on condition of reciprocal acceptance of other obligations.
- If public assistance benefits vary too much across the country, there will be an incentive for public assistance clients to move to places where benefits are highest or easiest to obtain.

It is a practical matter, then, that the federal government should provide major human services financing.

- For the same reason, the state has to provide financing of reasonably uniform benefits where the federal government leaves off. Also, state and federal revenue sources are more diverse and more progressive than local sources, as a means of financing public assistance.
- The benefits of public assistance are not confined to the localities in which aid is given, but spill over to benefit the state and nation as a whole.

The points in favor of a local role in financing human services are that some services are optional and a matter of local preference rather than a matter of state or national entitlement. Local financial participation fosters accountability in programs that are almost entirely locally administered. In summary, it is easy to define a sound basis for major state financing of human services to supplement the federal support as well as some basis for local financing.

B. INCOME MAINTENANCE PROGRAMS

In Minnesota, income maintenance programs are financed by the federal, state, and county governments. For each program, the federal government determines the percentage that it will pay and the state determines how the remainder will be split between the state and county governments. Table 4.1 shows how the federal, state, and county shares, and the resulting county costs, vary by program.

Most of the county income maintenance cost is due to three programs--Medical Assistance, Aid to Families with Dependent Children, and General Assistance. Collectively, these programs account for about \$115 million out of the total county income maintenance cost of \$141 million. Counties also spent about \$10 million to administer the Food Stamp Program. Thus, if the state were to significantly reduce property tax disparities due to income maintenance programs, it would have to focus on these four programs.

Under a system that reimburses counties for a percentage of their expenditures, the state can influence tax disparities in two ways. First, it can change the overall amount of aid given to counties for income maintenance programs. The tax disparities presented in Tables 3.4 and 3.5 could be reduced by increasing state aid or eliminated by the state assuming the entire county share. The second way the state can influence tax disparities is by allocating aid differently among programs. The costs of some income maintenance programs vary among counties more than those of other programs. The state can target aid more effectively if it assumes a greater share of costs for programs whose costs are more concentrated in high-tax-burden areas.

In this section, we examine the advantages and disadvantages of increasing state aid and then discuss how well state aid reduces county property tax disparities.

1. Advantages and Disadvantages of Increasing State Aid

When designing a reimbursement system for income maintenance programs, the state faces issues of equity, efficiency, and accountability. As we showed in Chapter 3, human

TABLE 4.1

FEDERAL, STATE, AND COUNTY SHARE OF INCOME MAINTENANCE COSTS

1985

	<u>Share of Costs</u>			<u>County Cost (in 000s)</u>
	<u>Federal</u>	<u>State</u>	<u>County</u>	
BENEFIT COSTS				
Medical Assistance	52.9%	42.4%	4.7%	\$46,102
AFDC	52.9	40.1	7.1	19,159
General Assistance/Work Readiness	--	75.0	25.0	19,826
General Assistance Medical Care	--	90.0	10.0	5,640
Food Stamps	100.0	--	--	--
Minnesota Supplemental Aid	--	85.0	15.0	2,658
Emergency Assistance	50.0	5.0	45.0	2,744
ADMINISTRATIVE COSTS				
Medical Assistance	50.0%	--	50.0%	\$10,855
AFDC	50.0	--	50.0	10,581
General Assistance/Work Readiness	--	--	100.0	12,685
General Assistance Medical Care	--	--	100.0	
Food Stamps	50.0	--	50.0	10,006
Minnesota Supplemental Aid	--	--	100.0	2,824

¹The data exclude expenditures not eligible for federal or state reimbursement.

²Administrative data exclude state administrative aid of \$2.0 million in 1985. Counties could use this aid for any of the above programs.

service tax disparities would be significantly reduced if county income maintenance costs were reduced. The arguments in favor of the federal and state governments assuming responsibility for human service programs particularly apply to income maintenance programs. The federal and state governments mandate all the major income maintenance programs, establish eligibility standards, and set benefit levels. Also, the federal and state governments can influence the economic conditions which affect welfare incidence much more than can county governments. Between 1975 and 1981, the Legislature responded to concerns over county property tax disparities by increasing the state's share of income maintenance costs. In 1975, the state paid 50 percent of the non-federal share of benefit costs for each of the major income maintenance programs. Now the state's share ranges from 75 percent for General Assistance to 90 percent of the non-federal share for Medical Assistance.

An argument for local financing of income maintenance programs is that counties would administer the programs more efficiently if they shared the costs. While the federal and state governments establish straightforward eligibility criteria for most income

maintenance programs, counties must make eligibility decisions based on criteria that are much less straightforward under the General Assistance and Work Readiness programs. For example, eligibility criteria for the General Assistance program include such factors as whether potential recipients are functionally illiterate, borderline mentally retarded, or have substantial barriers to employment. Furthermore, unlike the AFDC and Food Stamp programs, there is no state quality control program for General Assistance or Work Readiness.

Counties also control administrative expenses. Some of the variation in administrative costs across the state is due to differences in wages across the state, but some is undoubtedly due to differences in administrative efficiency.

Another argument for local financing of income maintenance programs is that it creates an incentive for counties to provide services that would effectively reduce the overall cost of human service programs. In Minnesota, social service programs and job training programs are decentralized and often give counties considerable discretion over who receives services. If counties paid part of the cost of income maintenance programs, they would have more incentive to effectively target job services towards welfare recipients or potential recipients.

Unfortunately, there is little empirical evidence on how the size of the county share affects the efficiency of human service programs. In any case, the Legislature should consider these concerns along with the property tax disparities presented in Chapter 3 before deciding whether to increase state aid for income maintenance programs.

There is no obvious answer to the problem of how to assume a greater share of benefit or administration costs without removing some incentive for efficiency that currently exists. In most states, administration of income maintenance programs is under the direct control of local offices of the state human services department. However, this would be a difficult change to make in Minnesota even if it were judged desirable.

2. Targeting State Income Maintenance Aid

The county share of income maintenance costs varies from program to program. Whereas counties pay only 4.7 percent of Medical Assistance benefits and only 7 percent of AFDC benefits, they pay 25 percent of General Assistance benefits. They pay even larger shares of administrative costs--100 percent for General Assistance, General Assistance Medical Care and Minnesota Supplemental Aid, and 50 percent for Medical Assistance, AFDC, and Food Stamps.

To determine how well the state targets its income maintenance aids, we examined the extent to which each program's costs are concentrated in regions which have high tax burdens due to income maintenance programs. Then we examined whether the variation in county share among programs makes sense in light of these results. Table 4.2 and Figure 4.1 show how per capita costs vary among regions for each income maintenance program. We found:

- County costs for General Assistance, AFDC, and income maintenance administration are much more highly concentrated in high tax regions than are their Medical Assistance costs. Yet counties must pay only 4.7 percent of Medical Assistance costs, compared to over 50 percent of administrative costs, 25 percent of General Assistance costs, and 7 percent of AFDC costs.

TABLE 4.2

NET COUNTY INCOME MAINTENANCE COSTS PER CAPITA
BY PROGRAM AND REGION

1985

	Income Maintenance Benefit Costs Per Capita							Administrative Costs ⁴	Total
	Medical Assistance	General Assistance ¹	AFDC	GAMC ²	Emergency Assistance	MSA ³			
STATE TOTAL	\$11.00	\$4.73	\$4.57	\$1.35	\$0.65	\$0.63	\$10.31	\$33.24	
HIGH TAX REGIONS⁵									
Region 3	13.78	9.97	8.04	1.80	0.52	1.27	16.09	51.47	
Hennepin-Ramsey	13.48	7.65	5.84	2.29	1.26	0.89	16.04	47.45	
Region 2	13.27	5.99	9.28	1.35	0.74	0.48	13.52	44.62	
Region 5	13.43	5.05	6.55	1.29	0.32	0.66	10.46	37.75	
Region 7E	10.64	3.20	4.65	0.86	0.33	0.41	10.45	30.53	
LOW TAX REGIONS⁵									
Region 1	14.34	2.02	4.15	1.11	0.27	0.71	7.82	30.42	
Region 4	11.51	2.53	3.82	0.97	0.17	0.57	6.13	25.70	
Region 6W	13.48	1.60	2.49	0.63	0.07	0.39	6.43	25.09	
Region 6E	10.49	2.56	3.16	0.68	0.43	0.50	5.68	23.50	
Region 8	9.97	2.22	3.04	0.62	0.29	0.31	6.52	22.96	
Region 9	9.81	2.57	2.96	0.54	0.23	0.39	6.38	22.88	
Region 10	9.60	2.57	2.84	0.73	0.21	0.51	5.22	21.69	
Region 7W	7.67	1.92	3.14	0.67	0.34	0.29	5.12	19.15	
Region 11 Suburban	5.45	1.22	2.39	0.54	0.43	0.22	4.68	14.94	
High Tax Regions ⁵	13.37	7.56	6.28	2.04	1.02	0.89	15.31	46.48	
Low Tax Regions ⁵	8.71	2.01	2.92	0.68	0.31	0.38	5.51	20.52	

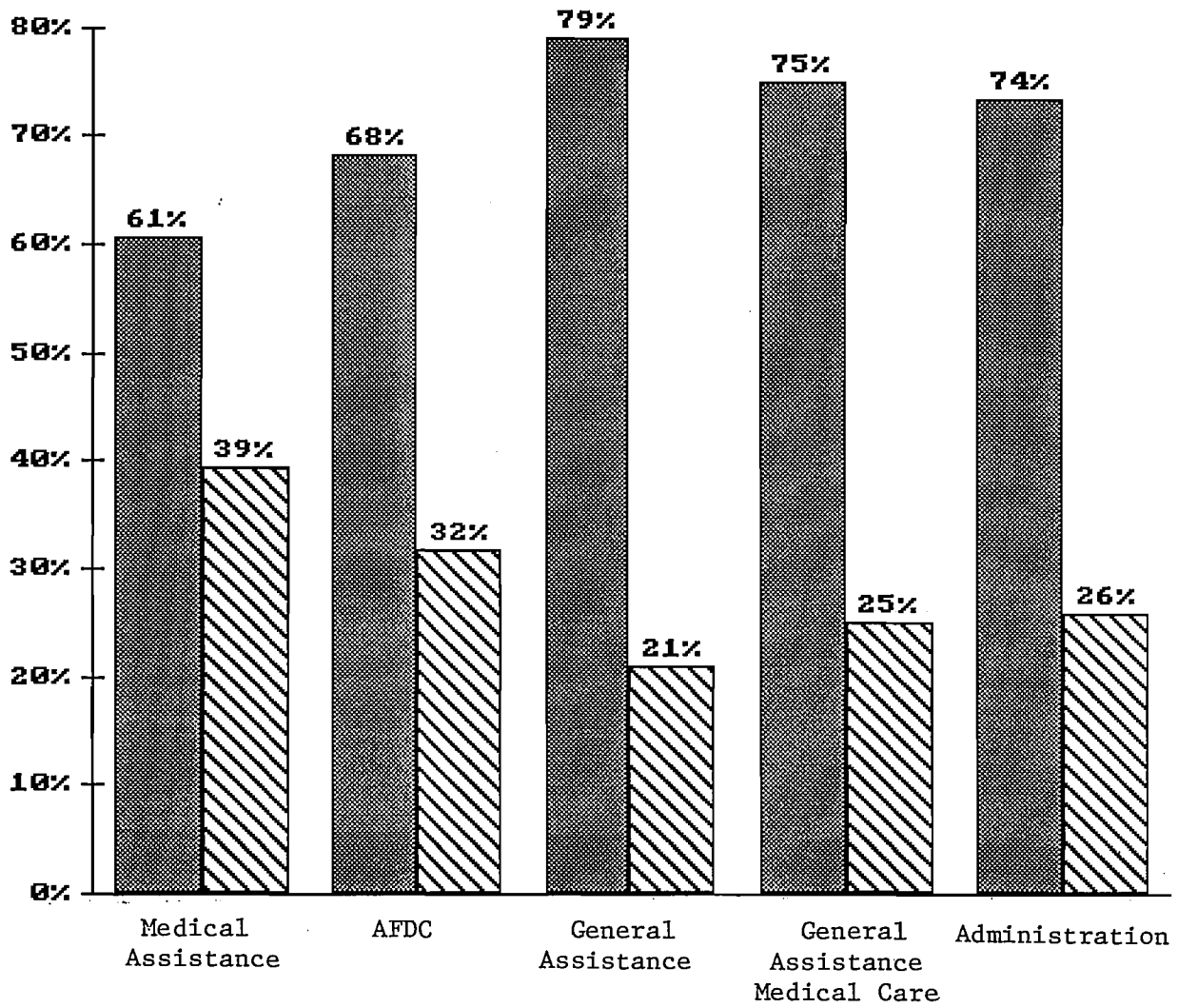
Note: Regions ranked according to cost per capita.

¹ Includes Work Readiness.² General Assistance Medical Care.³ Minnesota Supplemental Aid.⁴ Administrative costs in 1984. They exclude administrative costs for child support enforcement.⁵ High tax regions have above average property tax rates (based on assessed value) due to income maintenance programs. Low tax regions have below average property tax rates.

FIGURE 4.1

CONCENTRATION OF INCOME MAINTENANCE COSTS
IN HIGH TAX REGIONS BY PROGRAM

1985



- Percentage of cost paid by high tax burden regions, adjusted for population (Regions 2, 3, 5, 7E, and Hennepin/Ramsey)
- ▨ Percentage of cost paid by low tax regions, adjusted for population

Medical Assistance costs are more evenly distributed across the state than are costs for other income maintenance programs. In 1985, no region had a per capita cost for this program that was more than 33 percent above the state average cost. Regions that had high property taxes due to income maintenance programs spent \$13.37 per capita, about 22 percent higher than the state average and about 54 percent higher than the rate for low-tax regions.

In contrast, high-tax regions spent nearly four times as much as low-tax regions on General Assistance. This difference was mostly due to the high cost of General Assistance in Hennepin and Ramsey counties and Region 3 (northeastern Minnesota).

Region 2 (north central Minnesota) spent more than three times as much per capita on Aid to Families with Dependent Children as the low-tax regions did. Overall, high-tax regions spent slightly more than twice as much per capita on AFDC as did the low-tax regions.

Regions with high tax burdens spent nearly three times more per capita on administrative costs than did their low-tax counterparts. Administrative costs per capita were particularly high in Hennepin/Ramsey and Region 3.

These results show that state aid for income maintenance programs is not targeted at the programs whose costs are most highly concentrated in high-tax regions. This does not mean that state aid for income maintenance increases county property tax disparities. Indeed, state aid significantly reduces property tax disparities among counties. Since counties with high tax burdens tend to spend more per capita than low-tax counties for every income maintenance program, state aid for each of these programs reduces property tax disparities.

However, we conclude:

- State aid for General Assistance, administrative costs, and AFDC more effectively reduces property tax disparities than does state aid for Medical Assistance.

As a result, if the state switched some Medical Assistance aid to other programs, it would reduce property tax disparities due to income maintenance programs. Alternatively, additional aid targeted at General Assistance, AFDC, and administrative costs would reduce tax disparities substantially more than would additional Medical Assistance aid.

Table 4.3 summarizes how well state aid for different programs reduces the difference in net county cost between high-tax and low-tax regions. The last row in Table 4.3 shows that \$1 million in state aid for General Assistance would reduce the difference in net cost per 1,000 persons between high-tax and low-tax regions by about \$280, nearly three times as much as the same amount of state aid for Medical Assistance would. Similarly, compared to Medical Assistance, state aid for AFDC would be nearly twice as effective and state administrative aid would be more than twice as effective.

In summary, when the Legislature designs a state aid system for income maintenance, it faces tradeoffs between equity and efficiency. We found that the state can more effectively reduce tax disparities by targeting state aid at General Assistance costs and administrative costs. However, counties probably have more control over those costs than they do over other income maintenance costs. As a result, the potential loss in efficiency needs to be considered as well as the gain in equity. Unfortunately, there is

TABLE 4.3
EFFECT OF INCREASING STATE AID BY \$1 MILLION FOR EACH INCOME
MAINTENANCE PROGRAM, BY REGION

1985

	Reduction in Net County Cost Per 1000 Persons						Administrative Costs ⁴
	Medical Assistance	General Assistance ¹	AFDC	GAMC ²	Emergency Assistance	MSA ³	
STATE TOTAL	\$238	\$238	\$238	\$238	\$238	\$238	\$238
HIGH TAX REGIONS⁵							
Region 3	299	503	420	319	189	477	372
Hennepin-Ramsey	292	386	305	406	460	334	371
Region 2	288	302	484	239	268	181	313
Region 5	291	255	342	228	117	248	242
Region 7E	231	161	242	152	119	153	242
LOW TAX REGIONS⁵							
Region 1	311	102	216	197	99	267	181
Region 4	250	127	199	171	63	216	142
Region 6W	292	81	130	111	27	147	149
Region 6E	228	129	165	121	157	188	131
Region 8	216	112	159	110	104	115	151
Region 9	213	130	154	96	84	146	148
Region 10	208	130	148	130	76	193	121
Region 7W	166	97	164	120	123	109	118
Region 11 Suburban	118	62	125	96	158	83	108
High Tax Regions ⁵	290	381	328	362	371	336	354
Low Tax Regions ⁵	189	101	152	120	111	144	127
Difference	\$101	\$280	\$176	\$242	\$259	\$192	\$227

Note: Regions ranked according to cost per capita.

¹Includes Work Readiness.

²General Assistance Medical Care.

³Minnesota Supplemental Aid.

⁴Administrative costs in 1984. They exclude administrative costs for child support enforcement.

⁵High tax regions have above average property tax rates (based on assessed value) due to income maintenance programs. Low tax regions have below average property tax rates.

little empirical evidence on whether additional state aid for these programs would cause any significant problems.

C. SOCIAL SERVICES

In 1985, Minnesota counties spent about \$308 million to provide or purchase social services. Financing for these services included about \$58 million in federal funds, about \$83 million in state funds, and \$16 million in fees and third-party payments. The major state and federal funding sources for social services are the state's Community Social Services Act (CSSA) block grant and the federal Title XX block grant. Together, these two block grants provide about two-thirds of state and federal social service aid to counties. In 1985, the CSSA block grant provided \$51.4 million to counties and the Title XX block grant provided \$44.6 million. Title XX is a federal program, but the state decides whether and how to allocate these funds to counties. Thus, the state has the key role in allocating both federal and state social service aid to counties.

In this section, we discuss some principles of state financing of social services. We then examine the distribution of social service aids and how it affects property tax burdens. Finally, we discuss the advantages and disadvantages of the current financing arrangement and alternatives to that arrangement.

1. Principles of Social Service Financing

There are several reasons for the state to be involved in financing social services. Many people believe the state has an obligation to help ensure that needy individuals receive necessary services regardless of where they live. State aid can encourage counties to meet these needs. In addition, the state's best economic interests may be served by providing social services instead of more expensive institutionalized care or income support. Another reason for state assistance is that social service needs vary across the state and often counties have little control over the conditions which affect those needs. Finally, counties vary in their capacity to finance social services. State aid for social services may help alleviate high local tax burdens.

However, there are important differences between social services and income maintenance programs that affect how the state finances these programs. Whereas the state sets eligibility standards and benefit levels for income maintenance programs, counties decide who to serve and how much to spend on social services. The state requires counties to meet planning and reporting standards under the Community Social Services Act. But counties decide the mix and content of services as well as how much is spent. Counties may provide services that are not necessary by some state standard, though they may benefit the people in the local community. For this reason, neither the state nor the federal government makes an open-ended guarantee to reimburse a fixed percentage of total county social service costs.

Instead, the federal and Minnesota state governments use a combination of (1) categorical aids designed to promote specific federal and state objectives and (2) block grants designed to allow local flexibility. Under a block grant approach, aid can be distributed on the basis of indicators of need or ability to pay. Some limitations of this approach are that actual needs are difficult to measure and providing aid does not guarantee that any particular need will be met.

2. Distribution of Social Service Aids

In 1984, counties received \$44.9 million from the federal Title XX block grant, \$49.7 million from the CSSA block grant, and \$34.2 million from federal and state categorical aids. The state distributes funds from the two block grants partly on the basis of historical aid allocations and partly on the basis of formulas specified in state law. The Title XX formula allocates one-third of the funds according to population and two-thirds according to welfare caseload. The CSSA formula allocates one-third of the funds according to population, one-third according to the number of income maintenance recipients, and one-third according to the number of individuals 65 years and older.

Under current state law, Title XX allocations will be based entirely on the formula by 1993, but it is not clear when CSSA allocations will be based on the formula. Each year, Title XX allocations move closer to the formula allocation, but CSSA allocations do not, unless the state increases them. Because the state has not recently increased the CSSA allocation for counties, the formula has never been operational to a significant degree.

In this section, we examine how social service aids are distributed across the state and how they affect human service property tax burdens. First, we examine social service aids given in 1984. Then we look at how Title XX and CSSA allocations changed between 1984 and 1986 and how they would change if the formula were fully implemented.

a. Distribution of Social Service Aid in 1984

Table 4.4 presents social service aids per capita by region for 1984. These data show:

- Regions with high property tax burdens attributable to income maintenance costs received substantially more social service aid than other regions. This is true for the Title XX block grant, the CSSA block grant, and categorical aids.

In 1984, social service aid ranged from a high of \$52 per capita for St. Louis County to a low of \$17 for Anoka County. The statewide average was \$32. The five regions with high property tax burdens for income maintenance received an average of \$42 per capita, nearly twice as much as the average amount (\$22) received by other regions. Compared to low-tax regions, high-tax regions received 1.56 times as much CSSA aid per capita, 2.09 times as much Title XX aid, and 2.07 times as much categorical aid.

Federal and state social service aid is also related to county social service spending, but not as much as it is related to county income maintenance burdens. For example, consider the two regions which have the highest income maintenance burdens in the state-- Regions 2 and 3 (north central and northeastern Minnesota, respectively). As Table 4.5 shows, Region 3 spends 65 percent more on social services than Region 2 does, but it receives only 6 percent more social service aid. Region 5 (also in north central Minnesota) has the third highest income maintenance tax burden. While it spends 23 percent less on social services than average, it receives slightly more social service aid than average.

In general, federal and state aid tends to pay a high percentage of social service costs if a county has high income maintenance burdens and moderate social service spending. Federal and state aid paid slightly more than 68 percent of the social service cost in Region 2 and Region 5, considerably more than the statewide average of 51 percent. Partly as a result of this aid, these two regions with high property tax burdens for income maintenance had low social service tax burdens.

TABLE 4.4

FEDERAL AND STATE SOCIAL SERVICE AID PER CAPITA BY REGION

1984

	<u>1984 Population</u>	<u>CSSA</u>	<u>Title XX</u>	<u>Categorical Aid</u>	<u>Total</u>
STATE TOTAL	4,161,464	\$11.95	\$10.79	\$ 9.04	\$31.78
HIGH INCOME MAINTENANCE TAX BURDEN REGIONS:					
Region 3	331,891	\$16.74	\$15.72	\$14.05	\$46.52
Region 2	67,560	12.17	13.11	18.44	43.72
Region 5	133,830	11.46	11.56	10.32	33.34
Hennepin-Ramsey	1,403,808	14.83	15.16	12.23	42.22
Region 7E	105,196	10.79	10.12	8.56	29.47
LOW INCOME MAINTENANCE TAX BURDEN REGIONS:					
Region 1	96,217	10.81	9.67	7.11	27.60
Region 4	210,360	10.10	8.05	5.85	24.00
Region 10	411,334	9.88	7.33	8.69	25.89
Region 7W	237,388	8.58	6.19	4.15	18.91
Region 6W	59,232	11.92	9.21	3.59	24.73
Region 6E	110,626	10.29	7.23	8.18	25.70
Region 9	222,767	10.74	7.53	5.52	23.79
Region 8	135,807	10.82	8.48	5.89	25.19
Region 11 Suburban	635,448	7.68	5.68	4.25	17.61
High Tax Region	2,042,285	\$14.63	\$14.69	\$12.41	\$41.73
Low Tax Region	2,119,179	\$ 9.37	\$ 7.03	\$ 5.81	\$22.21

TABLE 4.5
EFFECT OF FEDERAL AND STATE AIDS ON COUNTY
SOCIAL SERVICE COSTS BY REGION

1984

	<u>Per Capita Costs</u>			
	<u>Gross Cost^a</u>	<u>Federal and State Aids</u>	<u>Net Cost</u>	<u>Percent Reduction</u>
STATE TOTAL	\$ 62.60	\$31.78	\$31.39	50.8%
HIGH INCOME MAINTENANCE TAX BURDEN REGIONS:				
Region 3	\$104.36	\$46.51	\$57.85	44.6%
Region 2	63.21	43.72	19.49	69.2
Region 5	48.48	33.34	15.14	68.8
Hennepin-Ramsey	83.98	42.22	41.76	50.3
Region 7E	59.33	29.47	29.86	49.7
LOW INCOME MAINTENANCE TAX BURDEN REGIONS:				
Region 1	\$ 40.65	\$27.60	\$13.05	67.9%
Region 4	41.13	24.00	17.13	58.4
Region 10	49.38	25.89	23.49	52.4
Region 7W	32.64	18.91	13.73	57.9
Region 6W	48.06	24.73	23.33	51.5
Region 6E	44.30	25.70	18.61	58.0
Region 9	36.69	23.79	12.91	64.8
Region 8	44.42	25.19	19.23	56.7
Region 11 Suburban	44.71	17.61	27.09	39.4
High Tax Regions	\$ 83.01	\$41.73	\$41.28	50.3%
Low Tax Regions	42.94	22.21	20.73	51.7

^aGross cost after third-party payments and other miscellaneous revenues.

In contrast, federal and state aid tend to pay a low percentage of social service costs if a county with a high income maintenance burden also has high social service spending. Region 3 receives more aid per capita than any other county, but because its social service spending exceeds that of all other regions by a large amount, federal and state aid reduce its social service cost by only 45 percent, the second lowest percentage. Similarly, Hennepin and Ramsey counties receive more aid per capita than other counties, but federal and state aid pay just 50 percent of their social service cost, slightly less than the state average. As a result, these two regions have high social service tax burdens.

Because counties with low tax capacity tend to have high income maintenance burdens, they tend to receive more federal and state social service aid than other counties. The three regions with the lowest tax capacity are Regions 2, 3, and 7E, all of which have higher than average income maintenance burdens. While federal and state social service aids are based partly on welfare caseload, they are not based on tax capacity. To illustrate this point, consider Region 1 and Region 7E (northwestern and east central Minnesota, respectively), two regions with similar income maintenance costs, but different tax capacities. Both regions spent between \$30 and \$31 per capita on income maintenance, slightly less than the state average. And both regions had income maintenance caseloads that were slightly higher than the state average. Yet, Region 7E received only seven percent more aid per capita even though Region 7E's tax capacity was much lower and its social service spending was much higher. Whereas Region 7E's adjusted assessed value per capita was \$5,187 for tax year 1984, the lowest in the state, Region 1's corresponding value was \$9,566, which is above the state average. As a result, Region 7E had a high social service tax burden in 1984 while Region 1 had a low tax burden.

In summary, federal and state social service aids in 1984 tended to be higher in counties with high income maintenance costs, only moderately related to gross social service spending, and related to tax capacity only to the extent that tax capacity is related to income maintenance burdens. As a result, these aids tend to be targeted towards counties whose high tax burdens result from high income maintenance caseloads but not consistently towards counties whose high tax burdens result from low tax capacity.

b. Trends in Title XX and CSSA Block Grant Allocations

In this section we examine how the distribution of the two large social service block grants has changed between 1984 and 1986 and how it might change in the future if the current statutory formulas are fully implemented. Tables 4.6 and 4.7 summarize these changes for Title XX and CSSA allocations. They show:

- Regions which would lose CSSA and Title XX allocations because of the formula would be Region 3 (northeastern Minnesota) and Hennepin/Ramsey, two of the three regions with high income maintenance burdens and high social service tax burdens.
- Regions which gain the most per capita because of the formula are Regions 2 and 5 in north central Minnesota. These are the only two regions with high income maintenance burdens and low social service tax burdens.

If the CSSA formula were implemented, Hennepin/Ramsey would lose 16 percent of its CSSA allocations and Northeast Minnesota would lose six percent. Compared to the 1984 Title XX allocation, Hennepin/Ramsey would lose 23 percent under the Title XX formula and

TABLE 4.6
TREND IN TITLE XX ALLOCATIONS
FEDERAL FISCAL YEARS 1984, 1986, AND TITLE XX FORMULA

	<u>Per Capita Allocation</u>			<u>Difference Between Formula Allocation and FY 1984 Allocation</u>	
	<u>FY 1984</u>	<u>FY 1986</u>	<u>Title XX Formula</u>	<u>Amount Per Capita</u>	<u>Percent</u>
STATE TOTAL	\$10.29	\$10.29	\$10.29	--	--
HIGH INCOME MAINTENANCE TAX BURDEN REGIONS:					
Region 3	\$15.13	\$14.56	\$14.67	(\$0.46)	(3.0)%
Region 2	12.20	13.63	15.25	3.05	25.0
Region 5	10.73	12.10	13.72	2.99	27.8
Hennepin-Ramsey	14.80	13.19	11.38	(3.42)	(23.1)
Region 7E	9.40	10.51	11.17	1.77	18.8
LOW INCOME MAINTENANCE TAX BURDEN REGIONS:					
Region 1	8.95	10.22	11.13	2.18	24.4
Region 4	7.41	8.70	10.28	2.87	38.7
Region 10	6.77	7.82	8.98	2.21	32.6
Region 7W	5.69	6.74	8.27	2.58	45.3
Region 6W	8.57	9.51	9.77	1.20	14.0
Region 6E	6.64	7.90	9.39	2.75	41.4
Region 9	6.98	7.91	8.78	1.80	25.8
Region 8	7.89	8.74	9.13	1.24	15.7
Region 11 Suburban	5.26	5.98	6.66	1.39	26.5
High Tax Regions	\$14.22	\$13.22	\$12.18	(\$2.04)	(14.3)%
Low Tax Regions	\$ 6.50	\$ 7.46	\$ 8.46	\$1.96	30.2%

Note: The Title XX allocation was \$44,783,265 for federal FY 1984 and \$42,812,386 for federal FY 1986, a difference of 4.6%. To make these allocations comparable, we divided the FY 1984 allocation by 1.046.

TABLE 4.7

TREND IN COMMUNITY SOCIAL SERVICE FUNDING ALLOCATIONS
1984, 1986, AND CSSA FORMULA

	<u>Per Capita Allocations</u>			<u>Difference Between CSSA Formula Allocation and 1986 Allocation</u>	
	<u>1984</u>	<u>1986</u>	<u>CSSA Formula</u>	<u>Amount Per Capita</u>	<u>Percent</u>
STATE TOTAL	\$11.95	\$11.76	\$11.76	\$0.00	
HIGH INCOME MAINTENANCE TAX BURDEN REGIONS:					
Region 3	\$16.74	\$16.51	\$15.58	(\$0.93)	(5.6%)
Region 2	12.17	11.98	15.46	3.48	29.0
Region 5	11.46	11.27	15.08	3.81	33.8
Hennepin-Ramsey	14.83	14.65	12.31	(2.34)	(16.0)
Region 7E	10.79	10.74	12.65	1.91	17.8
LOW INCOME MAINTENANCE TAX BURDEN REGIONS:					
Region 1	10.81	10.61	12.76	2.14	20.3
Region 4	10.10	9.84	12.15	2.30	23.5
Region 10	9.88	9.70	11.02	1.32	13.6
Region 7W	8.58	8.33	9.96	1.63	19.6
Region 6W	11.92	11.72	12.69	0.97	8.3
Region 6E	10.29	10.03	11.76	1.72	17.2
Region 9	10.74	10.37	11.50	1.13	10.9
Region 8	10.82	10.66	12.09	1.43	13.4
Region 11 Suburban	7.68	7.58	8.09	0.52	6.7
High Tax Regions	\$14.63	\$14.44	\$13.15	(\$1.29)	(8.8)
Low Tax Regions	\$ 9.37	\$ 9.17	\$10.42	\$1.25	13.3

Region 3 would lose three percent. All other regions would gain by moving toward the CSSA and Title XX formulas.

3. Block Grant Formula Factors

As we have argued earlier, as a matter of principle, social service aid should be distributed on the basis of need for services or ability to pay for services. The mechanism for distributing aid should also be understandable by the Legislature and the public, and easy to administer. Finally, local financial participation should be required as a condition for receiving aid.

The preceding analysis suggests that movement from the current pattern of aid distribution to the statutory formula for CSSA and Title XX does not generally help areas of high social service tax burdens.

It is therefore worthwhile to look at the formula factors more closely to see if a better formulation is possible. The existing CSSA and Title XX formulas have the virtue of simplicity. The formula factors for Title XX consist of population and the size of each county's welfare caseload. Two-thirds of Title XX aid is distributed according to caseload, and one-third according to population. The CSSA formula consists of three factors, each determining one-third of the aid distribution: population, welfare caseload, and population over 65 years of age.

a. Population

Obviously the size of a county's population reflects need for social services. Everyone is a potential client for one or another of the social services commonly supported by counties across the state.

b. Welfare Caseload

Many social services are aimed at clients experiencing economic adversity, some of whom would require more expensive public assistance without day care, counseling, treatment for emotional illness or chemical dependency, or other social services. Counties with proportionately large welfare caseloads, by this argument, are also counties with relatively high social service needs.

c. Population 65 and Older

The relative size of the elderly population in each county is part of the CSSA formula but not the Title XX formula. It is not obvious why a county's population over 65 reflects a general need for social services. As a group, people over 65 are more affluent than the general population. Also, the poverty rate among children is much higher than the poverty rate among the elderly. There are natural dependencies associated with aging that do cause older people to need services. Of special significance is the state's interest in keeping frail older people out of nursing homes, if home or community-based services can substitute for more expensive and less desirable nursing home care.

But the state has a major categorical aid program that pays 90 percent or more of the cost of these alternative care services, and the Department of Human Services budget for the coming biennium proposes substantial increases in funding for these services.

The target groups defined by CSSA mostly consist of children, adolescents, and families troubled by abuse, neglect, mental illness, or mental retardation. Other target populations such as the chemically dependent are not likely to be disproportionately elderly. Social service spending is, in fact, targeted on problems of youth rather than age.

Thus, we find it difficult on a conceptual basis to see the reason to include population over 65 as a formula factor. As a practical matter, inclusion of this factor directs aid away from Twin Cities metropolitan area and St. Louis County, compared to a formula that consists only of population and welfare caseload. These are areas of high social service spending and high tax effort.

4. Alternative Approaches to Distributing Social Service Aid

Are there other formula factors that could better distribute aid toward areas of high needs or high taxes, the measurement of which would be acceptably simple? Our study did not set out to answer this question, but our data suggest that the social service burdens of counties with large urban centers are qualitatively different from those of other counties, partly because of a concentration of public assistance clients and partly because of other factors associated with their urban character. All kinds of services are more available in urban centers than elsewhere. Social services should follow this pattern and urban areas should attract people who need social services. Possibly there are differences between urban and rural populations in how strongly traditional norms of self-reliance and self-sufficiency are held. If popular wisdom is to be believed, family and kinship connections are stronger in rural Minnesota and help is not as often sought outside the family or immediate community. This, of course, does not mean that there are not significant number of people in rural Minnesota who, by some standard, need social services--only that holding need constant, demand for publicly supported services is higher in urban areas.

a. Targeting Aid According To Tax Effort

Given the problems just enumerated in measuring needs, we considered the option of distributing aid on the basis of tax burden rather than any refined measure of need. We considered a foundation aid approach similar to that used in Minnesota and other states to provide operating funds to school districts. Under this approach, counties would be required to impose a mandatory levy. They would be paid a per capita amount by the state to make up the difference between the amount yielded by the mandatory levy, and a guaranteed per capita amount of state aid. Refinements of this pure approach could be considered also.

A generic formula would be:

$$\text{State aid per person} = \text{Foundation aid per person} - \text{MR} \times \text{AV per person}$$

MR = Mandatory Mill Rate

AV = Equalized Assessed Value

Distributing major state social service aid in this manner would tend to equalize the local tax effort necessary to achieve a certain level of spending.

While it is appealing in many ways, this approach has drawbacks:

- Localities clearly differ in preferences, needs, and demand for social services.
- Property wealth per capita is not a totally suitable indication of local ability to finance public services because of tax credits, and because of wide variation across the state in the cost of residential real estate.
- There are also major differences in the cost of providing services across the state.

The objective of equalizing the tax burden necessary to finance a given level of spending is appealing. The actual result of distributing the CSSA block grant in this fashion may not be viewed so favorably, however.

Table 4.8 compares the per capita distribution of CSSA aid in 1986 with the pattern that would result if the same money were distributed by a foundation aid formula.³ As Table 4.8 shows, aid would decline by 36 percent in the Hennepin/Ramsey region under the foundation aid approach. Aid would also decline slightly in Region 3 (northeast Minnesota) and two other regions. Aid would increase substantially in the Twin Cities suburban counties and several other regions. Region 7E is the only region whose high social service tax burden would be reduced.

In general, under this alternative, aid would decline in regions with high human service tax burdens and increase in areas with low human service tax burdens. This presumably is not a desired result.

A comparison (not shown) of the foundation aid alternative with the distribution that would occur under the statutory CSSA formula (rather than actual 1986 CSSA aid) likewise shows that high human service tax areas would lose aid and low tax areas would gain, although by lesser amounts.

We conclude that, whatever its attraction, substitution of a foundation aid approach that uses tax effort as the sole criterion does not necessarily yield a better result than the current approach to distributing aid. Human service tax inequalities would be aggravated.

b. Categorical Aid

So far, we have reviewed two generic approaches to distributing social service aid. The first targets aid on the basis of measures of need, the second targets aid on the basis of tax capacity. Refinements or a combination of these approaches may conceivably solve the problems we see with the pure versions of either.

A third approach, categorical aid, is used now to distribute about a third of state and federal social service aid. Proposals to spend some part of aid currently distributed through block grants on other programs are frequently discussed. Table B.1 in Appendix B lists social service categorical aid programs. Some of these are sizeable: one that is

³The computational formula used to generate the data in Table 4.8 is:

$$\text{County Allocation} = [(\text{State Allocation} \times 2) / \text{State Population}] \times \text{County Population} \\ - \text{County Adjusted Assessed Value} \times (\text{State Allocation} / \text{State Assessed Value}).$$

TABLE 4.8
COMPARISON OF THE 1986 CSSA ALLOCATION
WITH A FOUNDATION AID ALTERNATIVE

	<u>1984 Population</u>	<u>1986 CSSA Allocation</u>	<u>Foundation Aid Alternative^a</u>	<u>Change</u>	<u>Percent Change</u>
STATE TOTAL	4,161,464	\$11.76	\$11.76	\$0.00	
Region 1	96,217	10.61	10.98	0.37	3.4%
Region 2	67,560	11.98	15.43	3.45	28.8
Region 3	331,891	16.51	16.29	(0.22)	- 1.3
Region 4	210,360	9.84	13.16	3.31	33.7
Region 5	133,830	11.27	13.93	2.66	23.6
Region 6W	59,232	11.72	10.87	(0.85)	- 7.3
Region 6E	110,626	10.03	12.29	2.26	22.5
Region 7W	237,388	8.33	13.71	5.38	64.6
Region 7E	105,196	10.74	15.58	4.84	45.1
Region 8	135,807	10.66	10.65	(0.02)	- 0.1
Region 9	222,767	10.37	11.87	1.50	14.5
Region 10	411,334	9.70	13.06	3.36	34.7
Region 11 Suburban Hennepin/Ramsey	635,448 1,403,808	7.58 14.65	11.52 9.34	3.94 (5.31)	52.0 -36.3
High Income Maintenance Tax Region	2,042,285	\$14.44	\$11.29	(\$3.15)	-21.8%
Low Income Maintenance Tax Region	2,119,179	\$ 9.17	\$12.20	\$3.03	33.1%

^aUsing 1986 assessed property values.

rapidly growing is the pre-admission screening/alternative care grant program aimed at substituting social services for more expensive institutional care. The Governor's mental health initiative is another example of providing aid to targeted groups, with more detailed state requirements than exist under the block grant approach.

Only in passing have we examined how the distribution of individual categorical aid affects county taxes or responds to the distribution of service needs. The subject is raised primarily to offer a needed perspective on the question of evaluating the efficiency of block grants in meeting needs or achieving equity. Categorical aid can target resources more efficiently than any block grant formula, because categorical aid can be targeted to specific needs and services. Also, the task of measuring specific needs is simpler than measuring needs in general. Needs can be defined, also, by state policy. What is an acceptable condition one year can be defined as unacceptable the next, and a high priority for state action. Therefore, the best way of addressing

weaknesses in block grant formulas may not be by seeking perfection in the formulas, but by establishing categorical aid programs for well-defined reasons using existing or new funding resources. Block grants can then be used for the purpose to which they are best suited: distributing aid broadly to support services that counties are best able to choose.

APPENDICES

	<u>Page</u>
APPENDIX A: SOCIAL SERVICES AND DOLLARS EXPENDED	83
APPENDIX B: HUMAN SERVICES PROGRAMS: FURTHER DETAIL	85
APPENDIX C:	
Table C.1 Human Service Tax Rates by County	93
Table C.2 Income Maintenance Tax Rates by County	95
Table C.3 Social Service Tax Rates by County	97
Table C.4 Income Maintenance Tax Rates by Region Based on 1985 Benefit Costs	99
Table C.5 Income Maintenance Tax Rates by County Based on 1985 Benefit Costs	101
Table C.6 Income Maintenance Tax Rates by County Ranked by Tax per \$1,000 of Assessed Value	103

APPENDIX A

SOCIAL SERVICES AND DOLLARS EXPENDED

1985

<u>Service</u>	<u>Total Dollars Expended</u>
Adoption	\$ 164,482
Aftercare	161,067
Assessment	1,134,094
Case Management	4,298,961
Chemotherapy	10,016
Counseling/Fam. and Ind.	5,400,621
Day Treatment-MI	227,340
Day Activity Centers	1,417,623
Day Care - Adults	127,674
Day Care - Children	12,467,735
Educational Assistance	115,850
Emergency Placement	2,362
Detox	20,756
Child Shelter	771,840
Adult Shelter	56,931
Crisis Home - MI	3,703
Employability	335,911
Work Activity	93,925
Sheltered Employment	173,368
Family Planning	89,811
Foster Care - Adults	186,399
Foster Care - Children	3,869,548
Chore Servies	1,204,289
Home Health Aid	322,972
Home Management	1,091,587
Housing	302,287
Money Management	184,997
Personal Care	140,830
Information and Referral	571,456
Legal	58,324
Congregate Meals	139
Home-Delivered Meals	20,747
Outpatient Treatment - CD	17,926
Protection - Adults	344,003
Protection - Children	2,270,817

Appendix A, Continued

<u>Service</u>	<u>Total Dollars Expended</u>
Residential (Other)	109,377
State Hospital Residential	45,799
CD Primary/MI Intensive	151,175
Board & Lodging (MR-MI-CD)	76,457
Semi-Independent Living Facilities-Emotionally Handicapped Children	261,061
Half-Way House (CD-MI)	1,753,037
Extended Care (CD-MI)	107,103
Correctional Facilities for Children	306,162
Community Residential Facilities for MR	1,059,057
Respite Care	2,343,968
Screening	116,433
Social & Recreational	205,591
Transportation	58,987
In-Home Family Support-MR	555,522
Support Living Arrangements Adults - MR	37,882
Support Living Arrangements Children - MR	45,095
Minor Physical Adaptation-MR	926
Supplies and Equipment	1,655
Community Education	7,132
Consultation	55,569
Planning & Residential Development	231,386
All Other Services	590,087
	<u>159,864</u>
All Services	\$46,749,716

Source: Department of Social Services, *Social Services in Minnesota 1985*, Draft Report, November 1986.

APPENDIX B

HUMAN SERVICES PROGRAMS: FURTHER DETAIL

The summary of income maintenance and social service spending at various levels of government presented in this report is the net result of spending on many separate programs and services, each with its own financing formula. There is no avoiding the fact that human service financing is complex. There are seven major income maintenance programs, and while social service financing is dominated by two large block grant programs, significant social service financing is provided through other state and federal programs. This appendix discusses income maintenance and social service programs and financing in greater detail.

A. INCOME MAINTENANCE PROGRAMS

1. Medical Assistance

Medical Assistance (MA) also called Medicaid, pays for the health care of persons eligible because of low income or through eligibility for other public assistance programs. Medical Assistance is the single largest income maintenance program in terms of expenditures, about half of which go to pay for care in nursing homes. As Table 1.1 in Chapter 1 shows, \$986 million was spent on Medicaid benefits in 1985. In Minnesota, counties pay 10 percent of the non-federal share of Medicaid benefits, which works out to be about 4.7 percent of total benefit costs in 1985. The federal share for 1985 was about 53.4 percent, and the state share 41.9 percent. Minnesota is one of about seven states with a significant county financial responsibility for Medical Assistance benefits. In addition, counties pay about \$10.9 million in Medical Assistance administrative costs.¹

2. Aid to Families with Dependent Children

Second among income maintenance programs in order of total expenditures is Aid to Families with Dependent Children. AFDC is a federal-state program that provides cash assistance to families in need.

Total AFDC spending in 1985, as shown in Table 1.1, was \$271 million, of which the state's share was \$109 million and the county share \$19 million. The county share of AFDC was 6.99 percent in 1985. About \$10.6 million of the \$52 million county share of income maintenance administrative costs can be attributed to AFDC. Minnesota is one of about 16 states with county financing of AFDC benefit or administrative costs.

3. Food Stamps

In order of annual expenditures, the food stamp program is third in size. Food stamps assist households which qualify on the basis of income and resource limits. Benefits are

¹Administrative cost data are not highly accurate for separate income maintenance programs and only the total for all programs is shown on Table 1.1.

paid entirely by the federal government, and as Table 1.1 shows, food stamp expenditures totalled \$105 million in 1985 in Minnesota.

The food stamp program is administered by counties under the supervision of the state Department of Human Services, thus counties bear a significant part of the cost of delivering food stamps to eligible households. About \$10 million of the \$52 million county share of income maintenance administration cost can be attributed to this program.

4. General Assistance

General Assistance (GA) is a state program that provides cash assistance to persons who are not eligible for federal assistance programs such as AFDC but who are unable to provide for themselves. Qualification for GA is based on income and resource limits set by the state. Unless exempted because of age, illness, or certified unemployability, GA recipients must register for employment services and accept a suitable job.

As shown in Table 1.1, General Assistance (including Work Readiness program costs) totalled \$80.8 million in 1985. Although GA benefits are far smaller than those paid through AFDC or Medical Assistance, the state and county costs are considerable since the program is paid for entirely by state and local government. The county share of GA benefits is \$20.5 million, slightly higher than the county share of AFDC benefits.

Persons otherwise eligible for General Assistance are entitled to Emergency Assistance grants for a period not to exceed 30 days. As Table 1.1 shows, aid through this program totalled \$6.1 million in 1985, of which \$3.1 million was financed by the federal government, \$2.7 million by counties, and \$305,000 by the state.

5. General Assistance Medical Care

General Assistance Medical Care (GAMC) pays for the health care of General Assistance recipients and certain others who meet income and resource eligibility standards. GA is administered by county human service departments.

As Table 1.1 shows, spending on GAMC totalled \$56.2 million in 1985 of which \$50.6 million was paid by the state and \$5.6 million was paid by the counties.

6. Supplemental Security Income

Supplemental Security Income (SSI) is a federal program that provides cash assistance to needy aged, blind, and disabled persons. SSI benefits, entirely federally financed as shown in Table 1.1, totalled \$61.9 million in 1985. SSI is administered by local social security offices, not county human service departments. Thus, neither the state nor counties bear any part of the cost of SSI. This program is included in Table 1.1, for the sake of a complete enumeration of income maintenance spending. The SSI program is not otherwise material to this study of county human service spending.

7. Minnesota Supplemental Aid

Minnesota Supplemental Aid (MSA) is a program, required by Congress, to supplement benefits paid under the federal Supplemental Security Income program to eligible aged,

blind, and disabled persons. Counties administer MSA under the supervision of the state Department of Human Services. As Table 1.1 shows, MSA benefits totalled \$17.7 million in 1985, of which \$15.0 million was financed by the state and \$2.7 million by the counties.

B. SOCIAL SERVICES

This section presents additional information on social service spending and revenue sources. As we noted earlier, social services account for over 50 percent of county human service spending net of federal and state aids. We also described the eight target groups specified by the Community Social Services Act. It is these target groups, along with the taxonomy of services presented in Appendix A, that defines what social services are, and permits comparable data to be assembled by county.

Table B.1 presents data on state and federal social service grants to counties. These numbers represent expenditures made in state fiscal years 1984 through 1986. The following sections briefly describe each program.

TABLE B.1
STATE AND FEDERAL SOCIAL SERVICE GRANTS TO COUNTIES
State Fiscal Years 1984 - 1986
(in thousands)

	<u>FY1984</u>	<u>FY1985</u>	<u>FY1986</u>
State Grants:			
CSSA	\$53,770	\$49,326	\$50,448
Permanency Planning	3,178	3,267	4,078
Mental Health:			
Rule 12	4,772	6,104	8,201
Rule 14	2,571	2,749	2,941
Mental Retardation:			
SILS	2,231	2,593	2,592
Family Subsidy	556	556	705
Sliding Fee Day Care	791	2,238	2,960
General Indian Relief	1,239	1,239	1,239
Pre-admission/Alternative Care	--	7,352	12,604
Red Lake Indians ^a	--	389	389
Equalization Aid ^a	1,423	1,423	1,423
Federal Grants:			
Title XX	47,171	45,871	45,453
Permanency Planning (IV-E-IV-B)	7,379	8,232	10,590
Pre-admission/Alternative Care	--	1,171	2,221
Mental Health/Chemical Dependency			
Block Grants	1,313	1,288	1,538
WIN	1,498	1,348	1,500

Source: Statewide Accounting System.

^aThese funds can be used for income maintenance expenses also.

1. Community Social Service Block Grants

The Community Social Services Act (Ch. 256E) was enacted in 1979, replacing a number of categorical aid programs funding community mental health centers, detoxification centers, halfway houses, day activity centers, and other services and programs. Table B.1 presents data on CSSA grants to counties in recent years. In fiscal year 1986, CSSA grants to counties totalled \$50.4 million. The statutory CSSA aid formula is simple: one-third of the allocation to counties is to be based on population, one-third on welfare caseload, and one-third on the population over 65 years of age. Counties are required to match CSSA grants with property tax revenue. Since 1980, only a few counties have failed to fully match state grants, thus invoking an aid reduction. The CSSA allocation has never been made on the basis of the statutory formula, however. Statutory provisions have guaranteed substantial continuation of the pattern of aid distribution in place prior to enactment of the CSSA.

2. Federal Social Services Block Grant Program (Title XX)

The federal government finances about 19 percent of total social services spending, primarily through the Title XX block grant program. In 1986 the statewide total for Title XX was \$45.5 million. Table B.1 shows Title XX totals for the period 1984 through 1987.

States can choose whether and how to distribute Title XX funds to local governments. Minnesota's formula for distributing Title XX funds appears in M.S. 256E.07 and differs somewhat from the CSSA formula: two-thirds shall be allocated on the basis of the annual average unduplicated caseload for the AFDC, MA, GA, SSI, and MSA programs, and one-third shall be allocated on the basis of population. However, 1985 through 1993 is a phase-in period during which the amounts determined by the formula are adjusted so that individual counties get close to the amount they got in previous years.

3. Permanency Planning for Children

The 1985 Legislature enacted the Permanency Planning Grants to Counties Act (Ch. 256F) designed to promote permanent placement of children in natural or adoptive families.

This program incorporates and consolidates aid formerly provided to counties through the Title IV-E Foster Care, Children Under State Guardianship and Title I-B Child Welfare programs.

It is easiest to view the permanency planning effort as consisting of state and federal grants to counties. The state program consists of the state share of Title IV-E aid plus what used to be called the Children Under State Guardianship Program. As Table B.1 shows, state permanency planning grants totalled \$3.1 million in 1984, and \$4.1 million in 1986.

Federal permanency planning grants encompass the federal share of the Title IV-E foster care program plus the federal IV-B program designed to provide aid for administrative costs, outreach and program development, not for day care, foster care or adoptive assistance. Federal IV-B funds are allocated to counties on the basis of population under 18 years of age. Title IV-E federal and state aid reimburse counties for foster care.

4. Adult Mental Illness Residential Grants (Rule 12)

The purpose of the Adult Mental Illness Residential Grant program initiated in 1981 is to help ensure that residential facilities for adult mentally ill persons can meet and maintain compliance with licensing standards. The program provides grants to counties, requiring a 25 percent local match, to be used to finance service expenditures (not capital investment or room and board). DHS recommends that this grant program be folded into the Community Social Service Block Grant program starting in 1987.

Table B.1 presents data on state aid to counties through this program and shows that aid totalled \$8.2 million in 1986, up from \$4.8 million in 1984.

Grants are awarded to counties on the basis of a program plan and budget developed by counties seeking funding. The concept of the program is that eventually all Rule 36 facilities will be able to meet appropriate licensure standards.

5. Chronic Mental Illness Grants (Rule 14)

This program, first funded in 1981, provides aid to counties to help them provide or purchase services aimed at helping chronic mentally ill adults to remain and function independently in the community. State grants can finance up to 90 percent of each county's costs. If not extended, this program is set to expire in 1987. In 1984, 20 counties received grants. Table 1.4 shows that Rule 14 grants grew from \$2.6 million in 1984 to \$2.9 million in 1986.

6. Federal Alcohol, Drug Abuse, and Mental Health Services Block Grant

This federal block grant supports various treatment, research and prevention services at the state and local levels. Aid to counties totalled \$1.5 million in 1986. About 70 percent of the grant goes to support chemical dependency treatment, prevention, after care, and education.

Thirty percent of the federal Alcohol, Drug Abuse, and Mental Health Block Grant supports community mental health services.

Federal requirements obligate the state to fund certain programs and activities: out-patient counseling, emergency services, screening prior to state hospital admission, day treatment, and consultative education services.

7. Mental Retardation Semi-independent Living Services (SILS)

The SILS grant program, authorized in 1983 by M.S. 252.275, provides funds to train mentally retarded people in skills necessary for independent or semi-independent living arrangements. The program is targeted to those living or at risk of placement in intermediate care (ICF/MR) facilities. Beds freed in ICF/MR facilities can then be used to serve persons placed from a state hospital. State funding may reimburse 95 percent but not less than 80 percent of a county's costs.

SILS services include training, counseling, instruction, supervision, and other services. The counties are eligible to apply for SILS grants, and may provide services

directly or contract with private vendors. Grants are awarded on the basis of criteria relating to the effectiveness of avoiding expensive, institutional care for mentally retarded persons.

Table B.1 presents recent data on state financing of SILS, and shows that state aid to counties totalled \$2.6 million in 1986.

8. Mental Retardation Family Subsidy

This program provides funds to counties to reimburse families with mentally retarded children up to \$250 per month for medical costs, education, baby sitting, respite care, special equipment, transportation, or other services and equipment needed in order for the child to remain in or return to his natural or adoptive home.

Parents of mentally retarded children apply for this subsidy through their county human services agency. In 1984, about 200 families received aid during the course of the year, and 40 counties participated in the program. About 120 families were on waiting lists. Table B.1 shows total state assistance to counties for 1986 of \$705,000.

9. Sliding Fee Day Care

The sliding fee day care program, authorized by M.S. 245.84, is intended to provide aid to counties for day care services to families needing child care because of employment or job training. To qualify, families must have an income of less than 90 percent of the state median. As Table B.1 shows, sliding fee day care grants grew from \$791,000 in 1984 to \$2.96 million in 1986. In 1985, the Legislature added \$1.5 million to this program, which started as a pilot project in 1979. About half the aid is allocated for the Twin Cities area, and half for the balance of the state.

10. General Relief--Indians

As authorized by M.S. 245.76, the state reimburses counties (and other local units of government) for up to 75 percent of the costs of relief and related services to Indians to the extent that state funds are available. The actual level of reimbursement has been 33 percent. Funding through this program has historically been used by 24 counties to subsidize the costs of foster care of Indian children. As Table B.1 shows, about \$1.2 million was provided by the state in fiscal years 1984 through 1986.

A separate statutory provision provides for reimbursement for all welfare costs expended by a county for services to Red Lake Band Indians on the Red Lake Indian Reservation. Table B.1 shows that this aid totalled \$389,000 in 1986.

11. Pre-Admission Screening/Alternative Care Costs

The purpose of the pre-admission screening program is to divert frail elderly people from nursing homes if they can be supported with in-home or community-based services. Those eligible must be 65 years of age or older and eligible or soon to be eligible for Medical Assistance.

Screening is funded on a per capita basis by Medical Assistance and pre-admission screening grant funds are paid to county human service agencies. Alternative Care Grants are allocated to counties once a plan has been approved by DHS. Payment to counties for alternative care services is made via the normal Medicaid reimbursement system. Services covered are homemaker, home health aid, adult day care, foster care, respite care, personal care, and case management. The 1986 Legislature enacted a provision by which nursing homes pay for pre-admission screening and include the costs in their rate for the following year. Also, one-half the funds for alternative care are now allocated to counties on the basis of population over 65 years of age and half according to Medicaid enrollments.

Alternative Care Grants have grown rapidly and are projected to grow in the future. Alternative care is a key part of Minnesota's effort to control public assistance costs by restricting the supply of nursing home beds.

Table B.1 shows that state Alternative Care Grants have grown to \$12.6 million in 1986. Less than \$1 million was spent in 1983; less than \$4 million in 1984. DHS' budget proposal recommends spending \$32 million in FY 1989. Federal aid covers a share of Alternative Care costs. Federal aid totalled \$2.2 million in 1986.

12. Work Incentive Program

The Work Incentive Program (WIN) is designed to assist AFDC recipients to enter the job market. This federally financed program pays for child care, transportation aid, client assessment, and counseling. Federal aid to counties totalled \$1.5 million in 1986.

13. Equalization Aid

The equalization aid program, authorized by Minn. Stat. 245.74, is designed to distribute aid to counties on the basis of their per capita welfare costs, welfare recipient rate, per capita income, and per capita assessed value.

The purpose of the program is to aid counties that are distressed owing to their relative position on these measures. In the period 1983 to 1986, \$1.4 million per year has been distributed through the program. Equalization Aid has gone to eight to 12 counties during the period 1983 to 1986. In 1986 aid ranged from \$46,000 to \$523,000 in the 10 counties receiving aid in 1986. Obviously, funding through this program means that only a few counties can be materially helped. Equalization Aid can be used to defray either social service or income maintenance program costs.

TABLE C.1
HUMAN SERVICE TAX RATES BY COUNTY
TAX YEAR 1986

Based on 1984 Spending Levels

	<u>Human Service Tax</u>			<u>Average Tax Per \$10,000 of Median Income</u>
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	
STATE TOTAL	\$6.36	\$29.43	\$9.18	\$21.77
Aitkin	6.49	25.62	1.74	5.26
Anoka	3.44	16.70	5.03	10.60
Becker	7.67	31.79	9.01	23.36
Beltrami	11.34	49.45	13.90	32.86
Benton	4.75	18.25	6.28	14.51
Big Stone	8.91	30.67	9.28	15.70
Blue Earth	3.95	18.09	4.58	11.05
Brown	3.77	14.35	3.89	8.73
Carlton	13.67	66.47	15.43	24.14
Carver	4.69	20.15	7.94	22.21
Cass	7.89	18.51	8.99	29.04
Chippewa	5.64	16.12	5.46	10.17
Chisago	6.29	26.04	8.75	20.77
Clay	5.95	26.61	7.17	15.84
Clearwater	8.85	32.06	7.86	18.88
Cook	4.97	19.74	3.16	8.28
Cottonwood	4.57	17.35	4.10	7.71
Crow Wing	4.85	19.97	5.55	14.23
Dakota	4.38	19.33	7.38	17.81
Dodge	3.86	13.48	3.74	7.53
Douglas	4.82	18.91	6.33	17.64
Fillmore	3.54	16.34	3.58	7.69
Freeborn	6.63	26.98	6.72	12.99
Goodhue	3.49	15.02	3.90	8.80
Grant	2.34	12.94	2.46	4.67
Hennepin	7.68	37.13	13.39	33.45
Houston	3.95	15.36	4.81	11.02
Hubbard	5.77	21.34	6.61	16.86
Isanti	8.98	35.55	13.37	28.30
Itasca	8.05	33.39	4.42	8.31
Jackson	3.51	10.45	3.13	6.30
Kanabec	6.56	32.37	7.71	16.82
Kandiyohi	5.48	23.02	6.41	16.43
Kittson	3.12	10.30	2.66	3.92
Koochiching	12.32	46.33	16.10	18.96
Lac Qui Parle	2.60	13.41	2.71	5.22
Lake	7.72	26.06	5.60	7.24

Table C.1 Continued

COUNTY	Human Service Tax			Average Tax Per \$10,000 of Median Income
	Per \$1,000 of Assessed Value	Per \$10,000 of Market Value		
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	<u>Residential</u>
Lake of the Woods	5.90	18.47	6.84	13.97
LeSueur	4.19	15.96	4.23	9.58
McLeod	5.02	18.18	6.14	13.47
Mahnomen	7.19	27.68	7.79	18.51
Marshall	2.79	11.14	2.90	6.23
Meeker	3.55	12.76	3.74	8.77
Mille Lacs	9.94	48.49	12.23	27.05
Morrison	5.82	25.92	6.92	18.61
Mower	7.27	31.12	8.71	15.68
Nicollet	3.98	16.21	4.44	11.17
Nobles	4.13	14.49	4.57	9.36
Norman	3.95	15.58	4.15	6.72
Olmsted	4.67	18.33	8.01	17.37
Ottertail	3.70	14.27	4.10	10.26
Pennington	5.58	24.07	6.38	13.12
Pine	9.08	36.72	10.17	22.73
Pipestone	4.86	20.15	4.93	9.84
Polk	5.11	20.25	5.57	10.64
Pope	3.77	13.57	4.05	10.66
Ramsey	7.91	37.99	12.60	29.85
Red Lake	4.52	16.01	4.08	7.58
Redwood	3.09	11.16	3.09	6.09
Renville	3.01	11.21	2.82	5.82
Rice	7.11	39.25	8.69	19.76
Rock	3.45	14.92	3.27	7.13
Roseau	3.29	13.15	3.18	6.69
St. Louis	19.74	102.54	21.26	31.52
Scott	5.22	23.07	8.25	21.25
Sherburne	4.04	15.90	4.85	10.42
Sibley	3.84	12.71	3.35	8.04
Stearns	4.03	17.78	5.20	12.10
Steele	4.35	16.61	5.10	10.88
Stevens	3.29	15.45	3.70	6.53
Swift	3.98	13.73	3.88	7.12
Todd	7.61	27.89	8.77	20.48
Traverse	2.99	9.37	2.94	4.31
Wabasha	4.61	20.64	5.09	11.02
Wadena	8.63	38.84	9.81	20.76
Waseca	4.34	16.06	4.48	10.15
Washington	4.23	19.52	6.99	16.61
Wilkin	4.02	16.06	3.78	6.07
Winona	4.88	20.96	5.92	13.08
Wright	3.52	13.19	4.65	10.69
Yellow Medicine	4.35	16.93	4.31	8.12
Farib.-Martin-Watowan	2.99	8.94	2.71	5.54
Lincoln-Lyon-Murray	4.39	16.61	4.18	9.04

TABLE C.2

INCOME MAINTENANCE TAX RATES BY COUNTY
TAX YEAR 1986

Based on 1984 Spending Levels

	<u>Income Maintenance Tax</u>			<u>Average Tax Per \$10,000 of Median Income</u>
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	
STATE TOTAL	\$3.31	\$15.30	\$4.77	\$11.32
Aitkin	3.91	15.44	1.05	3.17
Anoka	2.04	9.91	2.98	6.29
Becker	4.68	19.41	5.50	14.26
Beltrami	7.00	30.52	8.58	20.28
Benton	3.30	12.70	4.37	10.09
Big Stone	4.42	15.21	4.60	7.78
Blue Earth	2.91	13.34	3.38	8.15
Brown	2.15	8.20	2.22	4.99
Carlton	7.56	36.76	8.53	13.35
Carver	1.75	7.50	2.96	8.27
Cass	5.42	12.70	6.17	19.93
Chippewa	2.62	7.48	2.53	4.72
Chisago	3.17	13.10	4.40	10.45
Clay	3.19	14.25	3.84	8.48
Clearwater	7.75	28.06	6.88	16.52
Cook	2.01	7.97	1.28	3.34
Cottonwood	2.49	9.45	2.23	4.20
Crow Wing	3.91	16.11	4.48	11.48
Dakota	1.23	5.41	2.07	4.99
Dodge	2.19	7.64	2.12	4.27
Douglas	2.76	10.84	3.63	10.11
Fillmore	2.89	13.35	2.92	6.29
Freeborn	2.99	12.16	3.03	5.86
Goodhue	1.89	8.14	2.12	4.77
Grant	1.48	8.16	1.55	2.95
Hennepin	3.71	17.94	6.47	16.17
Houston	2.92	11.35	3.56	8.14
Hubbard	3.98	14.71	4.56	11.62
Isanti	3.68	14.57	5.48	11.59
Itasca	3.46	14.34	1.90	3.57
Jackson	2.06	6.14	1.84	3.70
Kanabec	4.51	22.25	5.30	11.56
Kandiyohi	3.14	13.21	3.68	9.43
Kittson	2.63	8.69	2.24	3.31
Koochiching	6.47	24.31	8.45	9.95
Lac Qui Parle	1.39	7.19	1.45	2.80
Lake	5.85	19.73	4.24	5.48

Table C.2 Continued

	<u>Income Maintenance Tax</u>			<u>Average Tax Per \$10,000 of Median Income</u>
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	
Lake of the Woods	\$4.18	\$13.08	\$4.85	\$ 9.90
LeSueur	2.88	10.99	2.91	6.60
McLeod	2.44	8.82	2.98	6.54
Mahnomen	4.39	16.89	4.75	11.29
Marshall	1.87	7.47	1.94	4.18
Meeker	2.55	9.16	2.68	6.30
Mille Lacs	4.73	23.06	5.82	12.87
Morrison	3.84	17.11	4.57	12.28
Mower	3.06	13.09	3.67	6.60
Nicollet	2.29	9.32	2.55	6.42
Nobles	2.20	7.70	2.43	4.98
Norman	2.52	9.93	2.65	4.29
Olmsted	2.22	8.71	3.81	8.25
Ottertail	2.69	10.37	2.98	7.46
Pennington	4.34	18.71	4.96	10.20
Pine	5.03	20.34	5.63	12.59
Pipestone	3.12	12.93	3.16	6.32
Polk	3.27	12.95	3.56	6.80
Pope	2.21	7.95	2.37	6.25
Ramsey	4.89	23.49	7.79	18.46
Red Lake	3.62	12.81	3.27	6.07
Redwood	1.83	6.62	1.83	3.61
Renville	1.72	6.40	1.61	3.32
Rice	3.02	16.65	3.69	8.38
Rock	1.54	6.65	1.46	3.18
Roseau	2.77	11.07	2.68	5.63
St. Louis	9.16	47.60	9.87	14.63
Scott	1.75	7.75	2.77	7.14
Sherburne	1.90	7.47	2.28	4.90
Sibley	2.02	6.68	1.76	4.23
Stearns	2.68	11.82	3.45	8.04
Steele	1.84	7.04	2.16	4.61
Stevens	1.86	8.75	2.09	3.70
Swift	2.66	9.17	2.59	4.75
Todd	4.73	17.33	5.45	12.72
Traverse	1.71	5.35	1.68	2.46
Wabasha	2.46	10.99	2.71	5.87
Wadena	6.84	30.75	7.77	16.43
Waseca	2.17	8.03	2.24	5.08
Washington	1.44	6.64	2.38	5.65
Wilkin	2.45	9.78	2.30	3.70
Winona	2.94	12.62	3.56	7.88
Wright	1.86	6.97	2.45	5.65
Yellow Medicine	2.33	9.08	2.31	4.36
Farib.-Martin-Watowan	2.18	6.51	1.97	4.03
Lincoln-Lyon-Murray	2.35	8.88	2.23	4.83

TABLE C.3

SOCIAL SERVICE TAX RATES BY COUNTY
TAX YEAR 1986

Based on 1984 Spending Levels

	<u>Social Service Tax</u>			<u>Average Tax Per \$10,000 of Median Income</u>
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	
STATE TOTAL	\$3.05	\$14.13	\$4.41	\$10.45
Aitkin	2.58	10.18	0.69	2.09
Anoka	1.40	6.79	2.04	4.31
Becker	2.99	12.38	3.51	9.10
Beltrami	4.34	18.93	5.32	12.58
Benton	1.45	5.56	1.91	4.42
Big Stone	4.49	15.46	4.68	7.91
Blue Earth	1.04	4.74	1.20	2.90
Brown	1.62	6.15	1.67	3.74
Carlton	6.11	29.72	6.90	10.79
Carver	2.95	12.65	4.98	13.94
Cass	2.47	5.80	2.82	9.11
Chippewa	3.02	8.64	2.93	5.45
Chisago	3.13	12.94	4.35	10.32
Clay	2.76	12.35	3.33	7.35
Clearwater	1.10	4.00	0.98	2.36
Cook	2.96	11.76	1.88	4.93
Cottonwood	2.08	7.90	1.86	3.51
Crow Wing	0.94	3.86	1.07	2.75
Dakota	3.16	13.92	5.31	12.82
Dodge	1.67	5.83	1.62	3.26
Douglas	2.06	8.08	2.70	7.54
Fillmore	0.65	2.99	0.65	1.41
Freeborn	3.64	14.81	3.69	7.13
Goodhue	1.60	6.88	1.79	4.03
Grant	0.86	4.77	0.91	1.72
Hennepin	3.97	19.18	6.92	17.28
Houston	1.03	4.01	1.26	2.87
Hubbard	1.79	6.63	2.05	5.24
Isanti	5.30	20.99	7.89	16.71
Itasca	4.59	19.05	2.52	4.74
Jackson	1.45	4.31	1.29	2.60
Kanabec	2.05	10.11	2.41	5.26
Kandiyohi	2.33	9.81	2.73	7.00
Kittson	0.49	1.61	0.41	0.61
Koochiching	5.85	22.01	7.65	9.01
Lac Qui Parle	1.21	6.22	1.26	2.42
Lake	1.88	6.33	1.36	1.76

Table C.3 Continued

	<u>Social Service Tax</u>			<u>Average Tax Per \$10,000 of Median Income</u>
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	
Lake of the Woods	\$1.72	\$ 5.38	\$2.00	\$ 4.07
LeSueur	1.31	4.97	1.32	2.99
McLeod	2.59	9.35	3.16	6.93
Mahnomen	2.80	10.79	3.04	7.22
Marshall	0.92	3.66	0.95	2.05
Meeker	1.00	3.60	1.05	2.47
Mille Lacs	5.21	25.42	6.41	14.18
Morrison	1.98	8.81	2.35	6.32
Mower	4.21	18.02	5.05	9.08
Nicollet	1.69	6.89	1.89	4.75
Nobles	1.93	6.78	2.14	4.38
Norman	1.43	5.64	1.50	2.44
Olmsted	2.45	9.62	4.20	9.12
Ottertail	1.01	3.90	1.12	2.80
Pennington	1.24	5.36	1.42	2.92
Pine	4.05	16.39	4.54	10.14
Pipestone	1.74	7.22	1.77	3.53
Polk	1.84	7.31	2.01	3.84
Pope	1.56	5.62	1.68	4.42
Ramsey	3.02	14.50	4.81	11.39
Red Lake	0.90	3.20	0.82	1.52
Redwood	1.26	4.54	1.26	2.48
Renville	1.29	4.81	1.21	2.50
Rice	4.09	22.59	5.00	11.37
Rock	1.91	8.27	1.81	3.95
Roseau	0.52	2.08	0.50	1.06
St. Louis	10.58	54.95	11.39	16.89
Scott	3.47	15.32	5.48	14.12
Sherburne	2.14	8.42	2.57	5.52
Sibley	1.82	6.03	1.59	3.82
Stearns	1.35	5.96	1.74	4.06
Steele	2.50	9.57	2.94	6.27
Stevens	1.43	6.70	1.60	2.83
Swift	1.32	4.56	1.29	2.36
Todd	2.88	10.56	3.32	7.76
Traverse	1.28	4.03	1.26	1.85
Wabasha	2.16	9.65	2.38	5.15
Wadena	1.80	8.09	2.04	4.32
Waseca	2.17	8.02	2.24	5.07
Washington	2.79	12.88	4.61	10.96
Wilkin	1.57	6.28	1.48	2.37
Winona	1.94	8.33	2.35	5.20
Wright	1.66	6.22	2.19	5.05
Yellow Medicine	2.02	7.85	2.00	3.76
Farib.-Martin-Watowan	0.81	2.43	0.74	1.51
Lincoln-Lyon-Murray	2.05	7.73	1.94	4.21

TABLE C.4

INCOME MAINTENANCE TAX RATES BY REGION
TAX YEAR 1986

Based on 1985 Benefit Costs and 1984 Administrative Costs

	<u>Income Maintenance Tax</u>			
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		<u>Average Tax Per \$10,000 of Median Income</u>
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	<u>Residential</u>
STATE TOTAL	\$3.52	\$16.26	\$5.07	\$12.03
Region 3	7.17	33.88	6.47	10.14
Region 2	6.11	24.44	7.16	17.54
Region 5	4.71	17.63	5.59	15.08
Hennepin-Ramsey	4.38	21.17	7.45	18.35
Region 7E	4.23	18.15	5.52	12.50
Region 1	3.15	12.44	3.15	6.12
Region 4	3.10	12.48	3.40	8.09
Region 6E	2.71	10.32	2.70	6.31
Region 10	2.65	10.55	3.29	7.12
Region 6W	2.63	9.57	2.56	4.72
Region 9	2.53	9.56	2.46	5.63
Region 7W	2.47	10.15	3.14	7.20
Region 8	2.37	8.64	2.21	4.55
Region 11 suburban	1.59	7.24	2.57	6.00

Note: The data include 1984 county General Relief costs.

TABLE C.5

INCOME MAINTENANCE TAX RATES BY COUNTY
TAX YEAR 1986

Based on 1985 Benefit Costs and 1984 Administrative Costs

	<u>Income Maintenance Tax</u>			Average Tax Per \$10,000 of Median Income
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	
STATE TOTAL	\$3.52	\$16.26	\$5.07	\$12.03
St. Louis	9.07	47.15	9.78	14.49
Clearwater	8.29	30.02	7.36	17.68
Carlton	7.81	37.97	8.81	13.79
Beltrami	7.51	32.73	9.20	21.75
Wadena	7.06	31.74	8.02	16.97
Koochiching	6.97	26.21	9.11	10.73
Lake	6.20	20.93	4.50	5.82
Cass	5.79	13.57	6.59	21.29
Mahnomen	5.21	20.07	5.65	13.42
Pine	5.21	21.05	5.83	13.03
Ramsey	5.16	24.77	8.22	19.46
Becker	5.08	21.07	5.97	15.48
Mille Lacs	5.03	24.52	6.19	13.68
Kanabec	4.95	24.42	5.81	12.69
Todd	4.82	17.67	5.56	12.97
Pennington	4.53	19.53	5.18	10.65
Lake of the Woods	4.49	14.05	5.21	10.63
Big Stone	4.37	15.05	4.55	7.70
Morrison	4.11	18.31	4.89	13.14
Crow Wing	4.09	16.86	4.69	12.02
Hubbard	4.08	15.10	4.68	11.93
Hennepin	4.07	19.70	7.11	17.75
Aitkin	3.93	15.53	1.05	3.19
Itasca	3.87	16.05	2.12	4.00
Isanti	3.79	15.03	5.65	11.96
Red Lake	3.71	13.13	3.35	6.22
Polk	3.64	14.40	3.96	7.57
Kandiyohi	3.63	15.24	4.24	10.88
Clay	3.52	15.75	4.25	9.38
Benton	3.52	13.53	4.65	10.75
Mower	3.33	14.25	3.99	7.18
Rice	3.22	17.78	3.94	8.95
Pipestone	3.20	13.28	3.25	6.49
Blue Earth	3.17	14.54	3.68	8.88
Chisago	3.15	13.05	4.38	10.41
Winona	3.09	13.27	3.75	8.28
Houston	3.09	12.02	3.77	8.62

Table C.5 Continued

	<u>Income Maintenance Tax</u>			Average Tax Per \$10,000 of Median Income
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	<u>Residential</u>
Fillmore	\$3.08	\$14.19	\$3.11	\$ 6.68
Freeborn	3.07	12.49	3.11	6.01
Ottertail	3.00	11.56	3.32	8.31
LeSueur	2.99	11.39	3.02	6.84
Douglas	2.96	11.62	3.89	10.84
Chippewa	2.90	8.28	2.81	5.23
Swift	2.89	9.97	2.81	5.17
Roseau	2.85	11.40	2.76	5.80
Stearns	2.85	12.59	3.68	8.57
Kittson	2.73	9.03	2.33	3.44
Norman	2.70	10.65	2.84	4.60
Cottonwood	2.68	10.18	2.40	4.52
Meeker	2.66	9.55	2.80	6.57
Wabasha	2.63	11.78	2.90	6.29
McLeod	2.63	9.51	3.21	7.05
Wilkin	2.57	10.27	2.42	3.88
Lincoln-Lyon-Murray	2.54	9.59	2.41	5.22
Nobles	2.49	8.75	2.76	5.65
Pope	2.47	8.89	2.65	6.98
Yellow Medicine	2.43	9.44	2.40	4.53
Dodge	2.42	8.45	2.35	4.72
Nicollet	2.42	9.86	2.70	6.79
Olmsted	2.37	9.33	4.07	8.84
Farib.-Martin-Watowan	2.35	7.02	2.13	4.35
Waseca	2.27	8.41	2.34	5.31
Jackson	2.16	6.42	1.92	3.88
Brown	2.12	8.06	2.19	4.90
Anoka	2.07	10.05	3.02	6.38
Sibley	2.06	6.80	1.79	4.30
Cook	2.04	8.11	1.30	3.40
Steele	1.99	7.62	2.34	4.99
Goodhue	1.99	8.56	2.22	5.01
Stevens	1.94	9.10	2.18	3.85
Sherburne	1.94	7.63	2.33	5.00
Marshall	1.93	7.71	2.01	4.32
Redwood	1.90	6.87	1.90	3.75
Wright	1.89	7.07	2.49	5.73
Renville	1.81	6.73	1.69	3.50
Carver	1.78	7.66	3.02	8.44
Scott	1.73	7.66	2.74	7.05
Traverse	1.72	5.39	1.69	2.48
Rock	1.69	7.33	1.60	3.50
Grant	1.52	8.41	1.60	3.03
Washington	1.50	6.92	2.47	5.89
Lac Qui Parle	1.49	7.69	1.55	3.00
Dakota	1.24	5.47	2.09	5.04

TABLE C.6

INCOME MAINTENANCE TAX RATES BY COUNTY
TAX YEAR 1986

Based on 1985 Benefit Costs and 1984 Administrative Costs

	<u>Income Maintenance Tax</u>			Average Tax Per \$10,000 of Median Income
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	
STATE TOTAL	\$3.52	\$16.26	\$5.07	\$12.03
Aitkin	3.93	15.53	1.05	3.19
Anoka	2.07	10.05	3.02	6.38
Becker	5.08	21.07	5.97	15.48
Beltrami	7.51	32.73	9.20	21.75
Benton	3.52	13.53	4.65	10.75
Big Stone	4.37	15.05	4.55	7.70
Blue Earth	3.17	14.54	3.68	8.88
Brown	2.12	8.06	2.19	4.90
Carlton	7.81	37.97	8.81	13.79
Carver	1.78	7.66	3.02	8.44
Cass	5.79	13.57	6.59	21.29
Chippewa	2.90	8.28	2.81	5.23
Chisago	3.15	13.05	4.38	10.41
Clay	3.52	15.75	4.25	9.38
Clearwater	8.29	30.02	7.36	17.68
Cook	2.04	8.11	1.30	3.40
Cottonwood	2.68	10.18	2.40	4.52
Crow Wing	4.09	16.86	4.69	12.02
Dakota	1.24	5.47	2.09	5.04
Dodge	2.42	8.45	2.35	4.72
Douglas	2.96	11.62	3.89	10.84
Fillmore	3.08	14.19	3.11	6.68
Freeborn	3.07	12.49	3.11	6.01
Goodhue	1.99	8.56	2.22	5.01
Grant	1.52	8.41	1.60	3.03
Hennepin	4.07	19.70	7.11	17.75
Houston	3.09	12.02	3.77	8.62
Hubbard	4.08	15.10	4.68	11.93
Isanti	3.79	15.03	5.65	11.96
Itasca	3.87	16.05	2.12	4.00
Jackson	2.16	6.42	1.92	3.88
Kanabec	4.95	24.42	5.81	12.69
Kandiyohi	3.63	15.24	4.24	10.88
Kittson	2.73	9.03	2.33	3.44
Koochiching	6.97	26.21	9.11	10.73
Lac Qui Parle	1.49	7.69	1.55	3.00
Lake	6.20	20.93	4.50	5.82

Table C.6 Continued

	<u>Income Maintenance Tax</u>			Average Tax Per \$10,000 of Median Income
	<u>Per \$1,000 of Assessed Value</u>	<u>Per \$10,000 of Market Value</u>		
	<u>All Property</u>	<u>Commercial</u>	<u>Residential</u>	<u>Residential</u>
Lake of the Woods	4.49	14.05	5.21	10.63
LeSueur	2.99	11.39	3.02	6.84
McLeod	2.63	9.51	3.21	7.05
Mahnomen	5.21	20.07	5.65	13.42
Marshall	1.93	7.71	2.01	4.32
Meeker	2.66	9.55	2.80	6.57
Mille Lacs	5.03	24.52	6.19	13.68
Morrison	4.11	18.31	4.89	13.14
Mower	3.33	14.25	3.99	7.18
Nicollet	2.42	9.86	2.70	6.79
Nobles	2.49	8.75	2.76	5.65
Norman	2.70	10.65	2.84	4.60
Olmsted	2.37	9.33	4.07	8.84
Ottertail	3.00	11.56	3.32	8.31
Pennington	4.53	19.53	5.18	10.65
Pine	5.21	21.05	5.83	13.03
Pipestone	3.20	13.28	3.25	6.49
Polk	3.64	14.40	3.96	7.57
Pope	2.47	8.89	2.65	6.98
Ramsey	5.16	24.77	8.22	19.46
Red Lake	3.71	13.13	3.35	6.22
Redwood	1.90	6.87	1.90	3.75
Renville	1.81	6.73	1.69	3.50
Rice	3.22	17.78	3.94	8.95
Rock	1.69	7.33	1.60	3.50
Roseau	2.85	11.40	2.76	5.80
St. Louis	9.07	47.15	9.78	14.49
Scott	1.73	7.66	2.74	7.05
Sherburne	1.94	7.63	2.33	5.00
Sibley	2.06	6.80	1.79	4.30
Stearns	2.85	12.59	3.68	8.57
Steele	1.99	7.62	2.34	4.99
Stevens	1.94	9.10	2.18	3.85
Swift	2.89	9.97	2.81	5.17
Todd	4.82	17.67	5.56	12.97
Traverse	1.72	5.39	1.69	2.48
Wabasha	2.63	11.78	2.90	6.29
Wadena	7.06	31.74	8.02	16.97
Waseca	2.27	8.41	2.34	5.31
Washington	1.50	6.92	2.47	5.89
Wilkin	2.57	10.27	2.42	3.88
Winona	3.09	13.27	3.75	8.28
Wright	1.89	7.07	2.49	5.73
Yellow Medicine	2.43	9.44	2.40	4.53
Farib.-Martin-Watowan	2.35	7.02	2.13	4.35
Lincoln-Lyon-Murray	2.54	9.59	2.41	5.22

STUDIES OF THE PROGRAM EVALUATION DIVISION

Evaluation reports can be obtained free of charge from the Program Evaluation Division, 122 Veterans Service Building, Saint Paul, Minnesota 55155, 612/296-4708.

- 77-01 *Regulation and Control of Human Service Facilities*, February 1977
- 77-02 *Minnesota Housing Finance Agency*, April 1977
- 77-03 *Federal Aids Coordination*, September 1977
- 78-01 *Unemployment Compensation*, February 1978
- 78-02 *State Board of Investment: Investment Performance*, February 1978
- 78-03 *Department of Revenue: Assessment/Sales Ratio Studies*, May 1978
- 78-04 *Department of Personnel*, August 1978
- 79-01 *State-sponsored Chemical Dependency Programs*, February 1979
- 79-02 *Minnesota's Agricultural Commodities Promotion Councils*, March 1979
- 79-03 *Liquor Control*, April 1979
- 79-04 *Department of Public Service*, April 1979
- 79-05 *Department of Economic Security, Preliminary Report*, May 1979
- 79-06 *Nursing Home Rates*, May 1979
- 79-07 *Department of Personnel: Follow-up Study*, June 1979
- 80-01 *Board of Electricity*, January 1980
- 80-02 *Twin Cities Metropolitan Transit Commission*, February 1980
- 80-03 *Information Services Bureau*, February 1980
- 80-04 *Department of Economic Security*, February 1980
- 80-05 *Statewide Bicycle Registration Program*, November 1980
- 80-06 *State Arts Board: Individual Artists Grants Program*, November 1980
- 81-01 *Department of Human Rights*, January 1981
- 81-02 *Hospital Regulation*, February 1981
- 81-03 *Department of Public Welfare's Regulation of Residential Facilities for the Mentally Ill*, February 1981
- 81-04 *State Designer Selection Board*, February 1981
- 81-05 *Corporate Income Tax Processing*, March 1981
- 81-06 *Computer Support for Tax Processing*, April 1981
- 81-07 *State-sponsored Chemical Dependency Programs: Follow-up Study*, April 1981
- 81-08 *Construction Cost Overrun at the Minnesota Correctional Facility - Oak Park Heights*, April 1981
- 81-09 *Individual Income Tax Processing and Auditing*, July 1981
- 81-10 *State Office Space Management and Leasing*, November 1981
- 82-01 *Procurement Set-Asides*, February 1982
- 82-02 *State Timber Sales*, February 1982
- 82-03 *Department of Education Information System,** March 1982
- 82-04 *State Purchasing*, April 1982
- 82-05 *Fire Safety in Residential Facilities for Disabled Persons*, June 1982
- 82-06 *State Mineral Leasing*, June 1982
- 83-01 *Direct Property Tax Relief Programs*, February 1983
- 83-02 *Post-Secondary Vocational Education at Minnesota's Area Vocational-Technical Institutes,** February 1983
- 83-03 *Community Residential Programs for Mentally Retarded Persons,** February 1983
- 83-04 *State Land Acquisition and Disposal*, March 1983
- 83-05 *The State Land Exchange Program*, July 1983
- 83-06 *Department of Human Rights: Follow-up Study*, August 1983

- 84-01 *Minnesota Braille and Sight-Saving School and Minnesota School for the Deaf,** January 1984
- 84-02 *The Administration of Minnesota's Medical Assistance Program,* March 1984
- 84-03 *Special Education,** February 1984
- 84-04 *Sheltered Employment Programs,** February 1984
- 84-05 *State Human Service Block Grants,* June 1984
- 85-01 *Energy Assistance and Weatherization,* January 1985
- 85-02 *Highway Maintenance,* January 1985
- 85-03 *Metropolitan Council,* January 1985
- 85-04 *Economic Development,* March 1985
- 85-05 *Post Secondary Vocational Education: Follow-Up Study,* March 1985
- 85-06 *County State Aid Highway System,* April 1985
- 85-07 *Procurement Set-Asides: Follow-Up Study,* April 1985
- 86-01 *Insurance Regulation,* January 1986
- 86-02 *Tax Increment Financing,* January 1986
- 86-03 *Fish Management,* February 1986
- 86-04 *Deinstitutionalization of Mentally Ill People,* February 1986
- 86-05 *Deinstitutionalization of Mentally Retarded People,* February 1986
- 86-06 *Public Employee Pensions,* May 1986
- 87-01 *Aid to Families with Dependent Children,* January 1987
- 87-02 *Water Quality Monitoring,* February 1987
- 87-03 *Financing County Human Services,* February 1987
- Minnesota Employment and Training Programs (in progress)*

*These reports are also available through the U.S. Department of Education ERIC Clearinghouse.