

Pat Dalton, Legislative Analyst
296-7434

Questions may be directed either to Pat Dalton
or Karen Baker (296-8959).

1991 State Takeover of Human Services Program Costs

Beginning in calendar year 1991, the state will assume the county share of certain human services program costs. This information brief briefly describes the major points of this state financial takeover.

The state assumes the county share of program costs for most of the major human services programs.

The human services takeover includes only program costs; administration costs are still the financial responsibility of the counties. In addition, program costs are only reimbursed up to the state required level; if a county chooses to provide a higher level of benefits or services it must pay the additional cost with county funds.

The following is a list of the programs assumed by the state which are codified in M.S. 273.1398 subdivision 1, clause (1).

- Aid to Families with Dependent Children (AFDC) under M.S. 256.82, subd. 5, and 256.935, subd. 1
- Medical Assistance (MA) under M.S. 256B.041, subd. 5, and 256B.19, subd. 1
- Medical assistance related costs including medical transportation
- General Assistance Medical Care (GAMC) under M.S. 256D.03, subd. 6
- General Assistance Medical Care related costs including claims processing, and medical transportation
- General Assistance (GA) under M.S. 256D.03, subd. 2
- Work Readiness (WR) under M.S. 256D.03, subd. 2

- Work Readiness services under M.S. 256D.051
- Emergency Assistance under both AFDC and GA
- Minnesota Supplemental Aid (MSA) under M.S. 256D.36, subd.1
- Preadmission Screening and Alternative Care Grants under M.S. 256B.091
- STRIDE case management services under M.S. 256.736, subd.13

The initial cost to the state of assuming the human services program costs is paid for by reducing the county share of Homestead and Agricultural Credit Aid (HACA).

Each county's HACA payments for 1991 and future years are permanently reduced by an amount equal to its human services program costs in 1990. **Any increase in these program costs above the 1990 level is paid entirely with additional state money** -- there is no further reduction in county HACA payments. The effect of this is to freeze the county share of human services program costs at the 1990 level with the state paying for all program cost increases.

Because of a difference in the timing of fiscal years between the state and the counties, the counties have a cash shortfall equal to six months of 1990 human service costs.

County budgets are based on a calendar year (January to December) while state accounts are based on a fiscal year (July to June). The counties lose their property tax levy authority to fund human services costs at the beginning of 1991 when the state takeover occurs. However, state payments don't begin until the start of fiscal year 1992. Therefore counties must fund the six months of costs from reserves. The six month shortfall for all counties is approximately \$69.2 million.

The state will eventually reimburse the counties for one half of the cash shortfall due to the fiscal year difference. The reimbursement will occur during the last six years of a nine year transition period, from 1991 to 2000.

During the first three years of the transition period, the counties will have to pay for the first six months of program costs out of their own reserves. The state reimburses them for those six months each July. During the last six years of the transition period, the state will move the January to June payments to a monthly basis, one month at a time. Each time a month's payment is moved from the July reimbursement to the monthly payment schedule it either costs the state an extra \$11.54 million in that fiscal year or the counties have a shortfall of \$11.54 million. Each year of the six year period, the state will pay the counties an extra \$5.77 million while the counties absorb the remaining \$5.77 million loss. By 1999 the state will have paid the counties \$34.6 million, or half of the cash shortfall. Over the same period, the counties will have absorbed the remaining \$34.6 million of the shortfall through their cash reserves or their budgets.

During the first three years of transition period, 1991 through 1993, the state will make a July payment to counties to cover human services program costs for the months January through June. The state will pay counties for July through December program costs on a monthly basis.

The counties must temporarily pay for the first six months of human services program costs from their own funds each year with the state reimbursing them for these costs in July. In reality, this is not very different from the situation that counties faced before 1991. At that time counties had to fund these costs from their current cash reserves or through short term borrowing with the money being returned in July when levy payments and state aid payments arrived.

In 1994 the state begins to reimburse the county for one half of the cash shortfall due to the fiscal year difference and begins to move the January through June program cost payments to a monthly basis.

During the first year a payment is moved from the July reimbursement schedule to a monthly payment schedule, the counties will receive \$5.77 million less than they actually need to to cover that month's costs. In all subsequent years, the counties will receive a full payment for that month.

In 1994 the state will make January payments to counties equal to \$5.77 million plus any growth in the county share of January program costs since 1990. The July reimbursement will cover the months February through June. Again, July through December costs will be paid on a monthly basis. In 1995, the state will make a **full January payment** and a February payment equal to \$5.77 million plus the increase in February program costs since 1990. The July reimbursement will cover March through June. This pattern will continue every year until the year 2000 at which time the state will be paying counties for human services program costs on a monthly basis.

Beginning in the year 2000, the state will reimburse counties on a monthly basis for human services program costs.

By the first of each month the state will pay an amount equal to the estimated amount that each county will need to pay human services program costs in that month. Like the current state payments for human services programs, reconciliation between estimated payments and actual payments will be at the end of the fiscal year.

JAN 17 1991