

SB 2124
DHS FISCAL GUIDANCE

REVISED JUNE 27TH, 2019

Overview

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Authority

Levy Authority

Does the county have levy authority to provide human services?

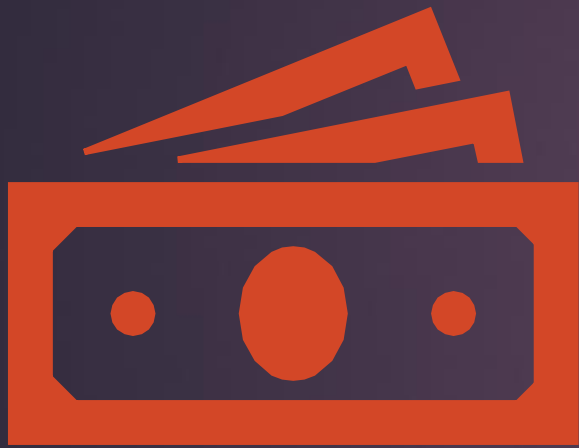
No, the county does not have the ability to levy for social services/human services as the authority was removed in section 139 of SB 2124.

However, the county will have levy authority to support the county share of indirect costs.



Spending Authority from Human Services Fund

- ▶ Per SB 2124 50-35-06.2, the county **may not transfer** any funds from the service area human services fund until January 1, 2020, unless approved by the department.
- ▶ The Department intention is to support normal business activities such as but not limited to:
 - ▶ Current salary and benefits of Social Service Employees
 - ▶ Social Service Employee transportation and travel costs
 - ▶ 2019 indirect costs under current methodology
 - ▶ 2019 indirect costs formula payment
 - ▶ Direct Client Services
 - ▶ Social Service Employee basic consumables.
- ▶ A county will need to seek specific approval for the following:
 - ▶ Permanent salary increases, one time increases, and equity adjustments for employees
 - ▶ Transfers to the general fund
 - ▶ Large one-time expenditures (10,000 or more)



Budgeting

Formula Payment Budget

- ▶ In regards to the county share of indirect costs, it is the Department's position is that the county share of indirect costs will need to be budgeted for and mil levies will need to cover the costs in accordance with N.D.C.C. § 57-15-31.1.
- ▶ In accordance with SB 2124, the county share of indirect costs should be the only costs for the delivery of human services that will need to be covered by mil levies by the county
- ▶ The Department suggests that counties list out/publish social services/human service zone in the budget line for consideration in October by the county commissioners with a statement that formula payments will be received by the county on or before December 16, 2019 in accordance with N.D.C.C. § 50-35-03.
- ▶ The Department's position is that this statement along with N.D.C.C. §§ 57-15-31.1 and 50-35-04 would permit the auditors to process the human service zone's expenses beginning on 1/1/20. If there is still a concern that additional public notice and action by the county commissioners need to occur, public notice of a special meeting could be arranged before December 16th for a meeting to occur between December 16 to December 31.

Human Service Zone Human Services Fund

- ▶ A fund shall be created and to be known as the Human Service Zone Human Services Fund.
- ▶ Counties in a zone will transfer any remaining dollars from the Human Service Fund to the Human Service Zone Human Service Fund
- ▶ Host county will receive all formula payments from the department
 - ▶ Host county will disburse indirect costs based on agreement/plan
- ▶ There should not be any other existing funds that were levied for social services. If a county currently has this situation please contact the department for further instruction.

Budgeting and Future Cashflows

- ▶ In CY 2020 the department will implement regular expenditure monthly reporting in order to generate quarterly cash flows
- ▶ The department with the assistance of county auditors will generate a standard chart of accounts within the Human Service Zone Human Services Fund.
- ▶ Pros:
 - ▶ If successful this should eliminate the SFN 119 that is currently manually compiled within the 43 counties.
 - ▶ Will give the department and Human Service Zones insight to future direct service need and ability to shift funding statewide.

Indirect Costs

Definition

SB 2124 defines "indirect costs" as salaries, benefits and operating costs incurred in providing those goods and services to support human services that are generally available for the common benefit of multiple county agencies. These costs include legal representation; facilities and related costs, such as utilities and maintenance; administrative support including payroll, accounting, banking, and coordination; information technology support and equipment; and miscellaneous goods and services, such as transportation, supplies, insurance coverage, phone and mail services.

Payment Responsibility

County Responsibility

The county share of the indirect costs must be paid through the county general fund, as per engrossed SB 2124, page 4, section 2, subsection 2b.

Department Responsibility

The department will continue to reimburse counties for a share of their indirect costs based on a formula and historical amounts.

- ▶ Reimbursement for indirect costs may not be less than 2018 amount paid unless a savings is identified.
- ▶ Additionally, the counties of the human service zone must continue to participate in the cost allocation plan for indirect costs, as per engrossed SB 2124, page 42, section 65, subsection 1.

What is considered an indirect cost?

- ▶ legal representation;
- ▶ facilities and related costs, such as utilities and maintenance;
- ▶ administrative support including payroll, accounting, banking, and coordination;
- ▶ information technology support and equipment;
- ▶ and miscellaneous goods and services, such as transportation, supplies, insurance coverage, phone and mail services.

What is not considered an indirect cost?

- ▶ Human Service Zone employee salaries and benefits
- ▶ Human Service Zone employee travel (i.e., lodging, meals, personal vehicle mileage)
- ▶ Direct client services (e.g., transportation to an appointment)
- ▶ Human Service Zone employee professional development (i.e., training/conferences)
- ▶ Human Service Zone employee basic, consumable office supplies (e.g., pens and paper clips)
- ▶ Human Service Zone employee new staff workstations (note: counties must continue to provide for staff to utilize existing equipment without charge, and additional purchases would be made on normal replacement schedules)

Example of Indirect Costs Transitioning

Type of Expense	2019	2020
Social Service Staff Salary & Fringe Benefits	Direct	Direct
Indigent Burials	County General Fund	Direct
Other Program Costs	Direct	Direct
Copier Lease/Maintenance/Supplies	Direct	Indirect
Dedicated Assistant State's Attorney	Direct	Indirect
Copier Paper, Printing, Postage	Direct	Indirect
Phone System Costs	Direct	Indirect
Individual Cell Phone Contracts	Direct	Direct
Travel Reimbursed to Employees	Direct	Direct
Travel Paid to Vendors (Airfare)	Direct	Direct
Building Use	Indirect	Indirect
Building Utilities and Maintenance	Direct	Indirect
Equipment Use	Indirect	Indirect
Insurance	Indirect	Indirect
Auditor/Treasurer/Commission	Indirect	Indirect
IT Support/Data Processing	Indirect	Indirect
State's Attorney (Not Dedicated)	Indirect	Indirect

Indirect Costs Formula calculation

The department in collaboration with county auditors will provide the formula amount.

1. 25% of the Social Service CWCA submitted in 2018 by Abacus
2. Plus Indirect costs that were direct billed or direct expensed to be shifted to the social service fund that cannot be direct expense or direct billed to the human service zone human service fund
 - a) Up to the actual 2018 expense amount
 - ▶ County auditors will need to provide the department with these amounts with supporting 2018 general ledger.
 - b) Any amount above the 2018 will need to be paid by the county utilizing general fund dollars.
3. Plus indirect costs shifting local county to the host county
 - a) E.g. auditor allocated indirect costs
 - b) The department may assist the county in identifying these amounts
 - c) Must be included in agreement and plan.

Handouts

1. Fiscal FAQ
2. CY 2020 Indirect Cost Formula Calculation Template
3. 2018 and 2019 Indirect Cost Formula Calculation
4. Compensation Guidelines