

University of Nebraska - Lincoln

DigitalCommons@University of Nebraska - Lincoln

Historical Materials from University of
Nebraska-Lincoln Extension

Extension

1984

G84-730 Financing Social Services in Nebraska (Revised December 1992)

A.L. (Roy) Frederick
University of Nebraska - Lincoln

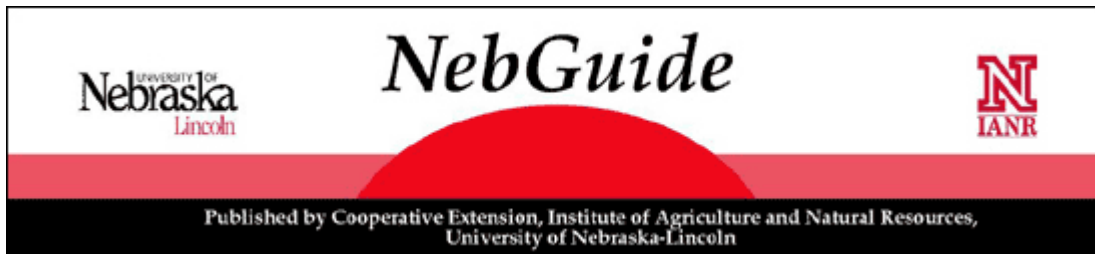
Follow this and additional works at: <https://digitalcommons.unl.edu/extensionhist>



Part of the [Agriculture Commons](#), and the [Curriculum and Instruction Commons](#)

Frederick, A.L. (Roy), "G84-730 Financing Social Services in Nebraska (Revised December 1992)" (1984).
Historical Materials from University of Nebraska-Lincoln Extension. 922.
<https://digitalcommons.unl.edu/extensionhist/922>

This Article is brought to you for free and open access by the Extension at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Historical Materials from University of Nebraska-Lincoln Extension by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.



Financing Social Services in Nebraska*

This is one of a series of NebGuides on financing state and local government. This publication focuses on social services.

A.L. (Roy) Frederick, Extension Economist -- Public Policy

Social services programs in Nebraska provide public assistance to individuals who, for reasons beyond their control, are unable to support themselves. Public assistance programs are of two broad types. The first type provides cash assistance directly to those who qualify. All other programs involve payments to vendors (providers) who, in turn, provide needed services.

Two forms of cash assistance payments are made. The first is "categorical." Such payments are directed to citizens with specific needs. A notable example is the Aid to Dependent Children (ADC) Program, which makes monthly cash distributions to needy families with dependent children. Both federal and state governments provide categorical cash assistance, often according to cost-sharing formulas. The vast majority of cash assistance is through categorical programs.

Cash assistance may also be for "general relief." As the term implies, it provides assistance to indigents outside the categorical programs. Financing comes wholly from local (county and municipal) sources.

The most noteworthy example of provider payments occurs in Medicaid, where nursing homes and physicians are compensated for providing medical services for the needy. Vendors also may be paid to provide child care, rent, food, fuel and burial services. Provider payments may be made by any level of government. In Nebraska, literally thousands of providers are under contract with the state Department of Social Services (DSS). Counties and municipalities contract with a smaller, but still significant, number of providers.

Providing for those in need has been a long-time concern of government. The Nebraska Legislature, for example, first began providing assistance to indigents during the state's territorial days. However, public assistance did not become an important commitment of the U.S. government until after the passage of the Social Security Act of 1935.

In fiscal year 1989-90 (hereafter FY 1990), direct expenditures by all levels of government on social services programs totalled \$140.7 billion (*Table I*). This amounted to about eight percent of all direct general expenditures. State and local governments together accounted for \$107.3 billion, or 76 percent

of all direct social services expenditures.

However, many of the dollars spent by state and local governments originated with the federal government. Altogether, \$60.5 billion was transferred (by intergovernmental expenditure) to the states and locals from the federal government in FY 1990. When intergovernmental expenditures are added to the \$33.4 billion of direct spending, the federal government was the source of fully two-thirds of all social services funding.

Category	Federal	State	Local	Total
	-----(\$ million)-----			
Categorical cash assistance	15,661	10,672	8,700	35,033
Other cash assistance		1,299	1,625	2,924
Vendor payments for medical care		56,225	1,150	57,375
Other vendor payments		860	474	1,334
Welfare institutions		540	283	823
Other public welfare	17,786	13,739	11,719	43,245
----TOTAL	33,447	83,336	23,951	140,734
*Excludes intergovernmental expenditures. Source: U.S. Department of Commerce, Bureau of the Census, <i>Governmental Finances in 1989-90</i> , GF/90-5, December, 1991.				

The Structure of Nebraska's Social Services System

The Nebraska Department of Social Services, an executive agency of state government, has had primary responsibility for administering social services programs in Nebraska since 1983. Local "human services" programs supplement the basic state-administered programs. For example, county government may contract to provide medical care for indigents not eligible for Medicaid.

Prior to 1983, the roles of state and local government were largely reversed. County boards, sitting as Boards of Public Welfare, administered most programs locally. What was then called the Nebraska Department of Public Welfare served in a supportive role to the counties.

For purposes of delivering social services programs to clients, the DSS has organized the state into eight districts. Local administrative offices operate in conjunction with district offices, thereby making programs available locally to most citizens of the state.

In 1991, over 200,000 Nebraskans were served by the DSS through three primary program divisions: Public Assistance and Food Programs; Medical Services; and Human Services. A fourth program division, Enforcement Services, focuses on child support enforcement and also provides for evaluation and review of all programs across the agency.

Public Assistance and Food Programs

The purpose of public assistance and food programs is to provide at least a minimum level of subsistence--food, shelter and clothing--for those in need. Among the "big ticket" items in this category

are the ADC program, Food Stamps, and the State Supplement to the federally administered Supplemental Security Income (SSI) program for aged, blind, and/or disabled persons.

The ADC program provides financial assistance to families with little or no income and minor dependent children. To be eligible, a child must be deprived of parental support because at least one parent is deceased, disabled, unemployed, underemployed, or, as in the majority of cases, absent from the child's home. In FY 1991, a monthly average of 15,541 families (45,617 persons) were assisted through this program. Average payment per family per month was \$330.73. The total cost for the year was \$61.7 million, with the federal government assuming approximately 62 percent of the cost and the state the remainder.

A Job Support program is closely associated with ADC. It offers education and training to adults in families receiving ADC, the goal of which is to obtain appropriate employment for such adults. Child care funds also are provided for parents in the Job Support program and for those in transition to employment who no longer qualify for ADC. In FY 1991, federal and state funding for Job Support was \$2.5 million; for regular and transitional child care, \$7.5 million.

The Food Stamp program is intended to raise the level of nutrition for those whose income is below a designated level. It does so by providing low income people with coupons redeemable for food at retail outlets. Eligibility is determined by a combination of factors, including income and assets. Food Stamp benefits are funded entirely by the federal government, although the state shares in 50 percent of the administrative costs. In FY 1991 an average of 97,674 persons received Food Stamps monthly. The total value of Food Stamps distributed during the year was \$64.4 million.

The State Supplement to Supplementary Security Income (SSI) is funded from the state General Fund. Its purpose is to bring the income of eligible persons (aged, blind and physically or mentally disabled) up to the need standards of Nebraska, which are higher than for the federal SSI program. Because state and federal eligibility standards differ, some people receive State Supplement benefits but not SSI. In FY 1991, the monthly standard of need was \$276 plus a housing allowance of up to \$155. Total State Supplement payments were \$5.5 million, with average monthly cases of 6,581.

Other public assistance programs include the Low-Income Home Energy Assistance Program (federal funding to help pay utility bills, at a cost of \$11.7 million in FY 1991); the Refugee Resettlement Program (also federally funded at a cost of \$520,000 in FY 1991); the State Disability Program for those with a disability expected to last at least six months but less than 12 months (state funded at a cost of \$406,000 in 1991); and emergency assistance in the form of grocery vouchers or direct payments to landlords or utility companies for needy families with minor children (\$1.1 million, equally split between federal and state government).

The DSS also has administrative responsibility for the Food Distribution Program, which provides USDA-designated commodities for school hot lunches, etc. In addition, the Special Commodity Distribution Program occasionally provides surplus commodities to entities such as food banks, or through mass distribution.

Medical Services

More than half of the expenditures by the Department of Social Services are for medical services, in particular, Medicaid. Like many other social services programs, Medicaid funding comes from both the federal and state government.

Medicaid is a comprehensive medical assistance program, initiated by passage of Title XIX of the Social Security Act in 1965. It provides medical services to those who receive cash assistance through ADC, SSI or the State Supplement programs. In addition, people whose incomes are sufficient to cover their living expenses except for medical care may receive Medicaid coverage if they meet certain eligibility criteria.

In FY 1991 the Medicaid program in Nebraska made direct payments to health care providers totaling \$366.5 million. Expenditures were more than twice as high as in FY 1986, when the outlay was \$179.1 million. During the five-year period, the average number of persons served monthly by the program went from 46,035 to 63,154. However, the number of people eligible for Medicaid was even higher, at 141,544 (about nine percent of the state's population) in FY 1991.

Both federally mandated services and certain optional state services are provided under Medicaid. The ten mandatory services cover, for example, hospital and nursing home care. Prescription drugs and dental care are among the 24 optional services provided in Nebraska. While the state does not provide for seven optional services, Nebraska is still one of the more generous providers of such services. Only 17 states provide more optional services. Nearly half of the Medicaid budget goes for nursing home care for the elderly and the disabled. About 70 percent of those receiving nursing home benefits are 75 years of age or older.

Waivers may be granted by the federal government to allow the states to purchase (with federal matching funds) certain alternative services within the Medicaid program. For example, the federal government has permitted Nebraska to provide alternatives to institutionalized care provided by nursing homes. Three Medicaid home- and community-based waivers are available. One waiver provides services to adults with mental retardation, another provides services to aged adults and disabled children and adults, and another is for children with mental retardation or other developmental disabilities.

Medicaid was funded in FY 1991 on the basis of a 62.7 percent federal and a 37.3 percent state match. In FY 1992, the match was 64.5 percent federal, 35.5 percent state. However, based on formula funding, the federal share dropped in FY 1993 to 61.3 percent. Thus, the state assumed an additional 3.2 percent of the cost of the program in FY 1993.

Two other programs offer medical assistance to specified groups of people through a range of services identical to those provided by Medicaid. State disability, a state-funded program, provided \$2.1 million in FY 1991 to those with a disability expected to last at least six months, but less than 12 months. The Refugee Resettlement Program spent \$342,345 in federal funds to buy medical services for qualified refugees.

Finally, the Medically Handicapped Children's Program provides medical assistance to qualifying children primarily through traveling clinics of medical specialists. Eligibility criteria are different from Medicaid. Total FY 1991 expenditures were \$1.8 million.

Human Services

Human services programs serve the same two broad population groups identified above: children and families; and the aged and disabled. Much of the federal funding for human services programs is through a block grant provided for in Title XX of the Social Security Act. Some state funds supplement the block grant.

Title XX services for children and families may include child care; homemaker and family support

services; and transportation services. Their common purpose is to help low-income families achieve and maintain financial independence and a healthy home environment. Services may be provided not only to low-income families but to families where child abuse and/or neglect have occurred. In FY 1991, Title XX services for children and families were provided to 15,752 persons in Nebraska at a cost of \$7.7 million.

For the aged and disabled, Title XX funding provides an array of services intended to help them continue to live healthy, independent lives in their own homes. Services made available include chore services (housekeeping, laundry, snow removal, etc.); homemaker services (meal preparation, budgeting, etc.); delivered and congregate meals; transportation (for community services); adult day care and respite care. In FY 1991, Title XX services were purchased for 9,535 elderly persons and adults with disabilities at a cost of \$5.8 million. Almost half of this total went for chore services.

The DSS also uses Title XX funds to assist community-based mental retardation programs. In FY 1991, \$3.5 million went for this purpose.

Community Services Block Grant funds provide another source of funding for those in need. Funds are channeled through local nonprofit organizations. In FY 1991, federal funding for this program amounted to \$2.5 million.

Other human services programs provide for a range of services including child protection, adoption, care for wards of the state, licensing of child care and foster homes, and care for victims of domestic abuse.

Revenues for Social Services in Nebraska

FY 1993 appropriations for the Nebraska Department of Social Services totaled \$711.6 million. This compared to \$301.1 million for FY 1983, or \$318.4 million after adjustment for counties' share of Medicaid paid in FY 1983 but not in FY 1993. Thus, after adjustment, appropriations increased 124 percent during the ten-year period. On an inflation-adjusted basis, the increase was about 84 percent.

Of the total DSS budget for FY 1993, about 61 percent (\$435.6 million) came from the federal government. Federal grants have been an important source of social services programming for many years, typically accounting for 50 to 65 percent of the total. Much of the impetus for federal funding has been to provide some equality among states in services provided for needy citizens.

Virtually all the remaining DSS funding comes from the state General Fund. In FY 1993, this amounted to \$275.5 million, up from \$94 million in FY 1983. State takeover of county contributions to Medicaid accounted for almost \$90 million of the state General Fund appropriations in FY 1993. Inflation, some expansion in services offered, and increased numbers of eligible and participating clients also pushed funding requirements higher.

The state's fiscal report for the DSS does not include funds that local (county and municipal) governments raised and administered locally. Bureau of Census data imply that local funding amounted to about \$30 million in FY 1990.

Expenditures for Social Services in Nebraska

In FY 1991, the DSS reported total disbursements of \$579.9 million. Actual program costs amounted to \$499.6 million. The remainder, \$80.2 million, went for program administration and services provided directly by DSS staff.

Expenditures for social services have grown consistently since 1950 on both a nominal and inflation-adjusted basis (*Table II*). While increased expenditures in recent years have garnered the attention of policymakers and the public, relative expenditure growth was greater in the late 1960s and 1970s than in the period since 1980. The beginning of Medicaid followed by the Title XX programs detailed above all contributed to the spending spurt of the earlier era.

While social services expenditures have grown rapidly in Nebraska, they continue to be less than the national average, both per capita and per \$1,000 of personal income (*Table III*). However, expenditures are higher than in all adjacent states except Iowa. This is a significant change from the early 1980s when Nebraska's social services expenditures were lower than in all adjacent states except South Dakota.

Table II. State expenditures for social services, Nebraska, selected years.			
Year	Total expenditures^a	Relative increase from preceding year in table	
		Expenditures	Price level^b
	(\$ million)	-----percent-----	
1950	18.6		
1966	35.1	89	43
1980	213.5	508	132
1991	579.9	172	61

^aExpenditures do not include value of Food Stamps, which are totally federally funded. In FY 1991, Food Stamps were valued at \$64.4 million.

^bPrice level increase as measured by the Gross Domestic Product deflator.

Source: State of Nebraska, Department of Administrative Services, Annual Fiscal Report, selected years; Nebraska Department of Social Services, Annual Report, 1991.

Table III. Expenditures by state and local governments for social services (public welfare) programs, Nebraska and adjacent states, FY 1990.		
	Expenditures per capita	Expenditures per \$1,000 personal income
Nebraska	\$333.81	\$21.17
Colorado	311.63	17.63
Iowa	431.75	27.26
Kansas	305.90	18.29
Missouri	281.17	17.12
South Dakota	282.05	20.06
Wyoming	240.77	15.88
Seven State Average	312.44	19.63
U.S. Average	431.37	24.56

Source: U.S. Department of Commerce, Bureau of the Census. *Governmental Finances: 1989-90*, GF/90-5, December, 1991.

Issues in Financing Social Services

Two continuing public policy issues related to social services expenditures are 1) what level of services should be provided, and 2) how should services be funded.

Many social services programs are designed to be counter-cyclical. That is, they provide a safety net to individuals and families when the economy is doing poorly. Unfortunately, when the economy is in recession, tax revenues, which are needed to pay for services, tend to fall. Thus, the level of services provided invariably involves a compromise between demonstrated needs and the ability to pay for them.

During the 1960s and 1970s, the federal government took the lead in funding social services, with Titles XIX and XX of the Social Security Act being notable examples. The rationale was that only the federal government could provide program equity among states.

Beginning in the early 1980s, federal budget concerns began to raise questions about future funding levels. In some cases, e.g., Food Stamps, eligibility standards were tightened and operational details modified to improve efficiency.

However, in the case of other programs, notably Medicaid, costs have continued to grow rapidly for a number of reasons. For one thing, about twice as many Nebraskans are eligible for Medicaid now as in 1980. Second, the state may be forced--by legal action--to increase payments to certain vendors, particularly hospitals. Third, the overall cost of medical services continues to increase faster than the general inflation rate.

All this raises important questions that face state policymakers: Should Medicaid continue to be funded at the current services level, even at the expense of other worthwhile state programs? In the event it is necessary to eliminate some Medicaid options, which specific ones should be targeted? In order to accommodate increased numbers of Medicaid participants, should the level of services be reduced for all participants? An unlikely solution would be to require counties to again assume partial funding responsibility, given the Nebraska Legislature's recent disposition to move in the opposite direction.

*Assistance from the Nebraska Department of Social Services, especially Jerry Bahr, in the preparation of this NebGuide is gratefully acknowledged.

File G730 under: GENERAL AGRICULTURE

D-4, Finances

Revised December 1992; 5,000 printed.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Elbert C. Dickey, Director of Cooperative Extension, University of Nebraska, Institute of Agriculture and Natural Resources.

University of Nebraska Cooperative Extension educational programs abide with the non-discrimination policies of the University of Nebraska-Lincoln and the United States Department of Agriculture.