FISCAL IMPACT ANALYSIS FOR PERMANENT RULE
POTENTIALLY SUBSTANTIAL, BUT UNCERTAIN ECONOMIC IMPACT

Agency: Department of Health and Human Services, Division of Social Service

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Statutory Authority: G.S. § 108A-15.3A

Impact Summary: State government: Yes
Local government: Yes
Federal government: No
Private sector: Yes
Substantial impact: Potentially, but uncertain

Rule Citation: 10 A NCAC 67A.0301 Regional Department of Social Services: Financial Obligations of Counties. See proposed text in Appendix A.

I. Overview and Rational for Proposed Rule

House Bill 630 (Session Law 2017-41), *Rylan's Law/Family/Child Protection & Accountability Act* requires the Department of Health and Human Services (DHHS) to establish a regional system for supervision of county departments of social services to improve accountability and state oversight of social services programs. Specific emphasis is placed upon improving outcomes for families and children involved with child welfare services. Recent federal and statewide reviews[1] [2] have identified troubling gaps and flaws in North Carolina's child welfare system that place children's safety at risk and transforming the child welfare system is necessary to better ensure the safety, permanency, and well-being of children and families. The evaluations of the child welfare system have concluded that counties require performance improvement in the following areas:

- the ability to provide families with supports and treatment to prevent removal of children from the home. This includes having inadequate access to mental health, substance abuse and other therapeutic services to children and families involved with the child welfare system.
- Increasing efforts to achieve permanency for children either through reunification with family, legal guardianship or custody, or adoption.
- Addressing turnover, and the increasing vacancy rate of child welfare positions and specifying expectations regarding professional development, training, and performance standards.

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[1] U.S. Department of Health and Human Services Administration for Children Youth and Families. (2015). *North Carolina Child and Family Services Review - Final Report*. Retrieved from https://www2.ncdhhs.gov/dss/stats/docs/child%20welfare%20docs/NC_ACF-CB_FinalReport_020216.pdf

[2] Public Consulting Group. (2016). *North Carolina Statewide Child Protective Services Evaluation*. Retrieved from https://www2.ncdhhs.gov/dss/stats/docs/child%20welfare%20docs/NC%20Statewide%20CPS%20Evaluation%2002-26-16.pdf

Additionally, county social services agencies are facing significant resource and administration challenges in areas other than child welfare, such as public assistance and adult services, and are not meeting standards for timeliness and accuracy.

To promote accountability and increased supervision, Rylan's Law requires DHHS establish a regionally-supervised social services system whereby DHHS will have more effective oversight of social services operations and provide more targeted technical support and supervision of the provision of social services programs. This restructuring will provide regionalized support in the form of technical assistance and general supervision of clusters of counties to better assess and respond to the needs of each region. While the proposed rule does not directly address the creation of regional supervision, a rule must be developed to provide guidance for counties who may be interested in creating a regional department of social services.

Among a host of other provisions to improve child welfare and other social services programs, Rylan's Law gives counties authority to voluntarily consolidate programs or whole departments of social services. If one or more counties choose to consolidate, this option creates a regional department of social services (RDSS). Pursuant to N.C.G.S. § 108A-15.3A (a), "a regional social services department, including more than one county, may be formed upon agreement of the county boards of commissioners and, if applicable, either the county board of social services or consolidated human services board having jurisdiction over each of the counties involved."

A RDSS will be its own governmental entity and function separately from the counties. The option to create a RDSS allows counties the flexibility to combine resources to improve the provision of social services amongst more than one county. RDSS's may include all programs and services offered by the county departments of social services; or counties may combine only selected programs and services. Typical services that may be combined include (but are not limited to) child welfare, adult protective services, economic services (i.e. food and nutrition, energy programs, Work First), child support, and day care subsidies. For example, County A and County B may enter into an agreement to jointly administer adult protective services. In this merger of services, both County A and County B would need to consider certain financial implications related to the sharing of services. Another example is that County C, County D, and County E could all agree to enter into an agreement to jointly administer all of their social services programs. The proposed rule provides the minimal consideration counties should agree upon prior to the merging of services whether they are combining one service, several services, or all services by establishing a regional department of social services.

II. Summary of the Proposed Rule

Proposed Rule 10 A NCAC 67A.030 is responsive to the overarching goal of giving counties maximum flexibility to meet the administrative and programmatic needs of their social services agencies and regions. The proposed rule considers the myriad of potential options to combine county resources to improve the provision of services to citizens in their respective regions.

If counties choose to create or join a regional social services department in accordance with G.S. 108A-15.3A, the counties shall enter into a written agreement that sets forth minimum financial obligations of each county. These financial obligations are within three areas:

1) Administration of programs
2) Public assistance program costs; and
3) Recoupments subsequent to monitoring and audits

Counties currently appropriate funds within each of these three areas. In forming a regional authority as defined in the law, counties would likewise be required to appropriate funds to the regional department of social services. A plan for the appropriation of county funds for these purposes would be required for a part of regionalization.

Counties would need to consider how costs may shift as a result of regionalizing the administration of programs and services. For example, if County A and County B agree to combine one or more social services, both counties will have to agree on the how those services would be administered, identify the respective program costs and how will they be shared, and the process for recoupments that may be subject to subsequent monitoring. If any counties choose this option, there may be some state costs as illustrated throughout the Note.

Alternatives

Prior to the ratified language in Rylan's Law, the original language in SB-594 (2017) *required* counties to become part of a regional department of social services. Counties expressed significant concern about this requirement. There was considerable concern about the budgetary implications for such a drastic change to the provision of social services and the mandate for multiple counties to consolidate services into a regional department would require extensive fiscal planning and statewide organizational restructuring. Ultimately, the mandate to regionalize was removed from the legislation and the ratified text offers counties the *option* to do so, versus a legislative mandate. The broad language in the ratified version allows counties to consider whether combining resources for one or more social services program offers any fiscal, administrative, or programmatic benefits specific to their respective communities.

Another alternative to the proposed rule is allowing counties to combine some social services or create a regional department of social services without any rules or guidance. Currently, there are some counties that use interlocal agreements to combine service delivery in programs such as eligibility services for day care subsidies, child support, and services for aging adults, presumably because there is a fiscal, administrative or programmatic benefit. Currently, there are no counties that have established a regional department of social services. The development of this rule and analysis provides the minimal considerations necessary for counties who may be considering the establishment of a regional agency to identify ways to offer consistency in services to citizens within a region, and potentially identify opportunities for cost savings amongst county agencies.

Fiscal Impact Analysis

Potential benefits to counties and the populations they serve

Counties may find several benefits related to merging services, costs, and resources with another county for one or more social services for the development of a regional department of social services. Merging services or departments may generate administrative cost savings, create opportunities to expand services at lower cost, provide more flexibility to optimally distribute workload among staff, and enable new professional development and training opportunities.

The option for counties to regionalize programs may allow counties to pool resources to share the costs related to administering, monitoring and providing social services to citizens. In addition to the potential to yield costs savings to counties, other benefits of regionalizing programs amongst a cluster of counties may include wider access and greater uniformity in services for citizens within a regional area, and a more highly qualified and stable workforce which may lead to improved outcomes for children and families. For example, County C and D join together to combine child welfare services for both counties. Their hope is to eliminate staff leaving County C for slightly higher salaries at County D by offering competitive salaries for CPS social workers who will serve both counties. Both counties would also like to enhance the skills of the child welfare workforce to address similar thematic needs of children and families within their communities. Both counties have analyzed the programmatic, fiscal, and administrative needs and have identified a cost-sharing model in which each county will pay a pro-rata share of child welfare staff salaries and also share the cost of training. This promotes workforce stability which will ultimately translates to better outcomes for children and families.

Regionalizing certain social services programs across multiple counties has the potential to improve outcomes for children and families in several ways. Cost sharing may allow low-resource counties to partner with one (or more) counties to expand access to services where sufficient resources are not available individually. Redistributing administrative workload and caseloads among a larger body of staff may reduce processing delays and improve the timeliness of services. Regional service delivery provides an opportunity for counties to learn best practices from one another and promote uniformity in quality and accessibility of social services.

However, the likelihood of achieving any of these benefits is highly dependent upon the individual characteristics of the counties and the specifics of their agreements. It is difficult to quantify precise areas and amounts of savings that counties may yield, given that there are differing variables related to certain programs and how counties may develop their cost-sharing plans. Because of this variability, cost savings and other benefits may be possible but careful fiscal analysis is needed from each county wishing to enter into an agreement to determine the exact costs and benefits. The major costs and the foundational variables that counties should consider if contemplating the development of a RDSS are discussed in the next section.

1. *Employ cost savings to enhance services and address staff turnover*.

Administrative costs

Administrative costs are necessary costs related to operating a department of social services office to administer services and benefits as required under the law. It is difficult to estimate potential administrative cost savings given that these costs typically vary amongst counties. Examples of administrative costs include salaries, overhead, and indirect costs, in which counties may use differing methods to calculate. Variables such as the size of the county, the number of citizens served, and the amount of county dollars spent on funding social services are examples of variables that should be considered.

Theoretically, if two or more counties combine administrative costs, there may be opportunities to reap savings. Although savings are possible, careful financial analysis is needed to ensure that counties will not incur an increase in costs. For example, if three county departments of social services decide to consolidate into one, there should be some savings on administrative costs, but because of the variables described above, there can be no guarantee. Counties may decide to use existing facilities for use within a regional system, and decisions must be made about whether the county/counties will charge rent to the RDSS for use of existing facilities. Other costs related to a RDSS may include (but are not limited to) rebranding materials, changes to signage, conducting public outreach to advise of the changes, and alterations to technology systems to ensure seamless communication amongst each location of the regional department. Depending on the needs of the region, there could also be costs from construction of a facility, new equipment and vehicles, as well as training costs. One county may realize savings but others may not. Additionally, an RDSS may incur addition costs to add internal capabilities once shared through county government such as information technology, human resources, legal services, etc. It is essential that fiscal analysis pertaining to administrative costs are detailed, and give projected annual costs, as well as breakeven analyses to determine any long-term financial benefits and costs. See the *Indirect Cost Plan* section for additional details.

Staffing

Counties may experience savings related to costs associated with personnel. For example, three county departments of social services could develop an agreement to hire one director of social services that would oversee all three agencies while maintaining existing positions of three assistant directors who would manage the onsite work that is necessary for day-to-day operations. Counties would share the cost of hiring one director to oversee all three county agencies, thus, counties may realize a savings by only paying a pro rata share of the director's salary and benefits versus the entire salary individually.

Other potential staffing benefits from the formation of a RDSS may include:

a. A reduction or shift in the caseload to worker ratio. This may result from clients' potential ability to access services at the location most convenient to them, versus a location that was previously required based on county of residence. As all cases are within NCFAST, a caseworker will be able to provide services to any individual within the agency's territory.

b. Should evaluation of staffing needs determine there is an "overage" or should staff turn-over occur, the RDSS will have the ability to assign staff according to their operational needs within the region. Specifically, staff which have program expertise may be used to provide internal trainings, and reduce the amount of time direct staff are out of the office for training.

Counties considering a RDSS should carefully evaluate staffing needs to consider the appropriate levels of staff and whether there would be any savings. Counties should also consider how merging staff may enable counties to enhance client services and, possibly yield increased efficiency in serving clients. Many counties experience significant staff turnover, especially related to child welfare services. High staff turnover rates with child welfare staff are associated with worker dissatisfaction with low salaries, lack of skilled workers, inability to meet the demands of seeing clients and completing mounting paperwork requirements, as well as delays in reunifying children with families. Counties seeking to regionalize may seek to contribute pro-rata shares of social worker salaries to cover a regional area to combine child welfare services. The RDSS may have the ability to offer higher salaries, offer more manageable caseloads, and attract top talent, which may stabilize the workforce. Having multiple counties consolidate to raise salaries and have workers cover multiple counties may ultimately improve outcomes with children and families, reduce workforce shifts in employees leaving lower-paying counties for higher-paying positions in neighboring counties, and possibly reduce costs to individual counties by sharing costs amongst a cluster of counties within a region.

Professional Development

Regionalization offers counties opportunities to merge resources for staff training and professional development. Counties may develop uniformity and efficiency in the trainings offered. For example, Counties A, B, and C may choose to develop 3 FTE positions for training related to Child Welfare, Adult Services, and Economic Services. The positions could identify training needs amongst the region and provide targeted support to help the region better serve clients and meet performance measures. Counties A, B, and C could develop a plan to contribute pro-rata shares to fund these positions. This will ensure that the workforce development needs identified are specific to this region and responsive to any trends or patterns. Additionally, if a county within a region has more highly skilled employees, other counties may negotiate cross-county training opportunities to better support staff and promote professional development.

Counties that do not have existing training resources may experience an increase in costs related to the development of a new position, even if the costs are shared amongst other counties. However, counties may reap potential benefits of reducing turnover given that employees will have the skills needed to perform their work and may ultimately stay longer.

2. *Share staffing resources and optimize workload to improve timeliness of services and address staff turnover*

Potential cost sharing examples related to front-line employees may include:

- Sharing of after-hours staff needed to respond child welfare or adult protective services emergencies. This may be particularly useful when county staff work in County A but may be a resident of neighboring County B, where he/she may be more available to cover a rural or sparsely populated area for County B.
- Developing agreements between counties that may allow sharing of staff when vacancies occur that impact the ability to serve clients. For example, there could be 2 vacancies for Food and Nutrition Services (FNS) in County A. County A may find it difficult to adhere to timeliness and accuracy standards related to processing FNS applications. County B has a reduction in the number of applications in their county. County A and County B have an agreement to assist each other during times of staffing crises. Pursuant to their agreement, County B will “loan” an employee to County A for three weeks until new hires are onboarded or until the large influx of applications ceases. An agreement as illustrated above demonstrates one way that counties can develop an agreement to share human resources to best serve citizens and meet required performance agreements during a staffing crisis.
- Developing an agreement to share staff resources to help with specific caseload reduction activities or to assist with direct client contacts.

3. *Expand access to services at lower cost*

Share costs of expansion

Opportunities to partner with other counties to negotiate rates or offer cross-county services may be beneficial for smaller or rural counties that may not have resources to provide enhanced services to their own citizens. For example, County A has a robust free-clinic program, but neighboring County B has limited medical services in their county. In a regionalized model, County A and

County B could enter a contract whereby County A agrees to serve citizens from County B for a pre-negotiated rate. This could possibly be helpful for rural areas without extensive medical, mental health, or substance abuse treatment resources. Smaller satellite locations could also be considered so that citizens on the borders of Counties A and B could be serviced by one regional entity, while each county funds their respective pro-rata share. This option may increase access to services by citizens in both counties, with potential cost-sharing savings.

Serve clients across county lines

The formation of a RDSS may improve citizens' access to public assistance programs. A RDSS may have the capacity to serve clients from several counties at one location, which may offer increased convenience to some clients. NC FAST has also provided the technological infrastructure to access county records statewide, and across county lines. With staff in each office of a RDSS having this access, individuals within the service area will be afforded the opportunity to enter the office which is geographically closer to them. In addition to providing ease of access to current recipients, by providing access to services based on the "closest office" agencies may see an increase in the number of qualified individuals receiving services.

4. *Costs to Counties and Important Fiscal Considerations*

In order to allow counties maximum flexibility, an exhaustive list of how services may be combined, and their potential costs cannot be quantified because of numerous variables involved. A qualitative analysis, specific to the counties considering combining services, program or departments is most beneficial in helping counties understand the fiscal considerations necessary should they desire to create a RDSS, and how those considerations could affect the costs and benefits of regionalization in each unique context.

Counties planning to establish a RDSS must consider how client services will be delivered, fiscal aspects, personnel and management, and physical space requirements. Fiscal aspects vary significantly depending on the details of how a plan will be implemented. The following are primary fiscal considerations that counties should discuss if they are interested in creating a RDSS.

A. Indirect Costs

An indirect cost (for purposes of this discussion) is one that is incurred by the general county government for the common benefit of the DSS as well as for other activities carried out by the county. Examples of such joint-benefit costs include: finance department operations including accounts payable, payroll, and purchasing functions; operation, and maintenance of county government buildings; motor pool operations, information technology, and legal and human resource functions. These costs are also known as "central supporting services costs," and to claim reimbursement for them, a county must prepare a cost allocation plan. A county government would need to decide whether it would continue to contribute financial support to a RDSS and file a Cost Allocation Plan. The plan would identify whether the county would contribute such support and charge a RDSS for these services; or if the RDSS would support these functions internally and potentially develop their own plan.

Counties interested in developing a RDSS are strongly encouraged to consult the Fiscal Control Act to identify the rules pertaining to financial operations of this new entity.

B. Audits

The RDSS would be a standalone local governmental entity, required to meet all single audit and programmatic monitoring requirements. Programmatic and Fiscal audits, as well as monitoring would still be conducted in accordance with related policies and procedures. A plan to manage corrections and paybacks would need to be made, addressing the responsible party, either county government or RDSS (depending on program configuration). Each RDSS would need to budget for the expense of audits from private contractors, however, counties would see a decrease in costs due to a decrease in auditable programs.

C. Finance

If county departments of social services regionalize, a plan for how each county will be required to share the match for the federal and state share of funding would be required. The Regional Department of Social Services will be its own separate local governmental entity with its own administrative, fiscal and programmatic responsibilities. In addition, the new entity will need funding to pay staff, benefits, programmatic cost and operational cost. As with the current process, local costs are first paid, then reimbursed by the state in arrears. A RDSS will have to determine staff needed, fiscal space, office equipment, benefit packages, programmatic cost, insurance and other costs. How each county financially supports the RDSS should be determined in the planning process between counties. Various computer systems will have to be modified to cover reporting and tracking if programs and services are regionalized. In the planning process, counties will have to decide organizational structure, budgetary requirements, physical placement of staff and space required. The RDSS will have to monitor its budgets for expenditures and revenues. Each capped funding allocation has a different formula based on individual county demographics. In a regional system, the State would need to determine if new allocation formulas are needed.

The structure of the entity will drive what types of training and oversite are needed for fiscal, program, and monitoring supports to the regional entity. There is not likely to be a significant impact on state and federal fiscal allocations to the new entity; however, a process would need to be established. The regional entity must operate within the parameters of current state and federal statutory administrative and programmatic requirements.

D. Public Assistance Programs

Costs for public assistance programs fall within two categories: 1) benefits or 2) administrative. Benefits are based on client eligibility criteria and individual client benefits will not be impacted by the creation of a RDSS. Many public assistance programs are entitlements. In addition to child welfare services (i.e. foster care and adoption subsidy payments), Public Assistance Programs that may be folded in to a RDSS include but are not limited to: Food & Nutritional Services (FNS), Energy Programs (CRISIS & LIHEAP), Medicaid, Work First, Child Support, and Child Care Subsidies. The formation of a RDSS is not likely to cause an increase in eligibility of services, rather, there may be a shift in where citizens access services and some locations within a regional system may serve more clients than others.

Administrative costs for counties seeking to create a RDSS cannot be quantified due to the varying operational structures in individual county social service agencies. Presuming 100% of each participating county’s current budgeted administrative costs would be assumed by the newly formed RDSS, and the federal and state financial participation will be unchanged. Should the RDSS’ budgeted administrative costs increase, the federal and state financial participation in uncapped funds (Medicaid, FNS, Child Support, IV-E, State Foster Care & Adoption Assistance) would increase as would the RDSS's share. Non-Title IV-E funded Child Welfare services, E&T, TANF and Daycare programs are capped allocated funds. As with all other capped funds, counties currently administer these programs with the understanding that once their allocation is expended, the cost of administering these programs and services become 100% county funded. This means each county would need to provide a pro-rate share to the RDSS or combined service/program. As with any social services agency, unforeseen expenses may arise during the year. Provided those costs are allowable expenditures, they would be submitted as any other cost and reimbursement would be received based on available funding.

Counties electing to form a RDSS must perform an analysis to determine the over-all financial impact when including direct and indirect county administrative costs currently captured within the Indirect Cost Plan (IDC). Presuming 100% of each participating county's current IDC costs are assumed by the RDSS, the Federal and State financial participation in administrative costs would remain unchanged as these are within their existing budget of expenditures to submit for Federal and State Financial Participation.

The Division of Social Services Controller's Office and Information Technology Department will have to determine the scope of programming changes required in state systems for the agency to obtain their data. Programming costs related to these changes are variable, and a specific cost is unascertainable.

E. Personnel

A Regional Department of Social Services is an individual governmental entity that will have the sole responsibility for all personnel operations. This includes salaries, benefits, job classifications and qualifications within state parameters and disciplinary actions. Counties considering the development of a RDSS are strongly encouraged to consult N.C.G.S. § 126 State Human Resources Act, as well as other statutes and rules related to personnel requirements that would impact the new entity.

The Office of State Human Resources (OSHR) offers consultation and other services to all local governments. Services include job description templates, candidate qualification profiles, position classification approval, as well as specialized human resources trainings.

Areas where the RDSS may require additional assistance may include the development of their own personnel policies, and salary plan. This may be accomplished by the RDSS Board through collaboration with each participating county's human resources department as well as OSHR staff.

F. Other Related Issues

Regionalization of county departments of Social Services requires a collaborative review of existing individual county budget and human resource structures. A thorough review must be coordinated between all potential county participants examining the possibilities to combine into one regional entity.

DSS budgeting is very complex due to various funding sources and indirect cost planning. How each region decides to set up the organizational structure will directly impact costs. Changes to how the indirect cost plan is completed for the regional entity will have certain financial implications. These implications with both budget and indirect cost, will be evaluated as each regional model is created and implemented. Potential for cost shifting up or down will be directly impacted by the parameters agreed upon between the individual counties interested in regionalizing.

An evaluation of personnel duties, deployment cost and process, and organizational structure is critical as there is significant variation in how counties staff and fund social services staff. This is inclusive of salary ranges, benefits, and personnel policies which often differ between individual counties. Staffing needs will shift depending on the approach each entity adopts. For example, existing direct program staffing may remain constant within the individual counties but changes may be needed at the supervisory and administrative levels. Each regional entity should consider communication processes and how to most effectively streamline information sharing and decision-making processes.

Costs to State Government

a. Changes to IT Infrastructure and Internal Processes

   Local IT infrastructure may need to be augmented. State systems including NC FAST and NC CORELS might require modifications for tracking and reporting related to creation of a RDSS. The state will need to decide how to manage data from a newly created entity. The costs related to these changes are unascertainable at this time, given the variation between technological capacity and support amongst counties statewide. Staffing and Technical Assistance

b. Staffing and Technical Assistance

   Local staffing needs for direct services, administration, training and oversight are not quantifiable as the intent is to give counties maximum flexibility to meet the administrative and programmatic needs of their social services agencies and regions. State staff will have to determine needs based on new organizational structure and location of staff, after implementation. State staffing resources across multiple functional areas might be taxed to support potential increases in the volume of requests related to establishing a RDSS. These requests may be related to guidance needed for fiscal, administrative, and technological support related to the creation and ongoing needs of a RDSS. If multiple clusters of counties are interested in creating a RDSS, this could place a burden on state resources to provide the technical assistance needed, since there is a plethora of highly individualized variables that counties must consider for reorganization of local operations.

c. Impacts on State Funds and Federal Funding Processes

   Many of the programs impacted by the creation of a RDSS are public assistance programs which may receive both state and federal funds. The state would determine a process to allocate any state and federal funds to a regional entity as opposed to single a single county. The formation of a RDSS is not likely to cause an increase in eligibility of services supported by state and federal funds; rather, there may be a shift in where citizens access services and some locations within a regional system may serve more clients than others.

III. Summary/ Overall Fiscal Impact

House Bill 630 (Session Law 2017-41), *Rylan's Law/Family/Child Protection & Accountability Act* requires the Department of Health and Human Services (DHHS) to establish a system of regional supervision to improve accountability and state oversight of social services programs and improving outcomes for families and children involved with child welfare services. Under this statute, counties also have the option to form regional departments of social services to increase opportunities to combine resources to enhance service consistency, availability and quality to citizens across the state. The language of this rule is intentionally broad to allow counties maximum flexibility in meeting the unique needs of the communities they serve. At this time, no county has formally expressed interest in creating a RDSS, however, there have been broader anecdotal discussions for the overall planning processes of provisions related to Rylan's Law.

Any two or more counties considering the possibility of creating a RDSS must explore how costs may shift because of combining the administrative and programmatic costs of services. Counties must agree on how those services would be administered, the related program costs and how they will be shared, and the process for recoupments that may be subject to subsequent monitoring. The examples of cost considerations in this document are not intended to be all inclusive. Depending on the individual existing county structures, combining services or forming a RDSS may entail grant funding and private funding streams needing consideration in addition to the federal, state and local funding allocations.

Benefits to counties may be realized in several different ways. Each county researching the possibility of creating a RDSS must take in to consideration administrative and personnel cost. It is difficult to estimate cost savings because of variables such as size of the county, the number of citizens serviced, and the amount of county dollars spent on the funding of services prior to merging. Depending on the organizational structure of a proposed RDSS, there may be benefits to cost sharing of staff resources, and increased staff development and training but this must be evaluated by each county considering creating a RDSS.

Due to the complexities of DSS structures and budgeting processes, it is difficult to quantify impacts from both the fiscal and programmatic perspectives. The intent of this rule is to give counties the greatest flexibility to form a RDSS, and there are many variables to consider in how counties develop their regional plans. Impacts to local governments will be seen in how administrative, fiscal, and programmatic functions may be shifted amongst counties choosing to create a RDSS. There are potential operational cost impacts based on location, structure and programmatic design. The state will be impacted by the need to establish processes to interface with the newly formed entity. The private sector will experience changes in working with a newly formed entity, and citizens may be impacted by the need to visit a new location for services. RDSS's may see a shift of eligible beneficiaries increase or decrease since they will have more locations in which they may obtain services; however, an overall increase in eligibility for programs and services supported by state and federal funds is not anticipated.

Ultimately, the goal of regionalizing services is to offer more uniformity and accessibility of services to citizens and to yield potential cost savings to counties that may explore this option. Whether the option to combine or regionalize services will lead to improved outcomes for children and families, as well as the scope of these potential benefits, is highly uncertain. The effect on outcomes will be dependent upon whether the savings to counties outweigh the additional costs in each unique circumstance, the number of counties that choose to combine services or departments, and how participating counties choose to reinvest their resources.

APPENDIX: Proposed Rule Text

10A NCAC 67A.0301 is proposed for adoption as follows:

10A NCAC 67A.0301 REGIONAL DEPARTMENTS OF SOCIAL SERVICES FINANCIAL OBLIGATIONS OF COUNTIES

Counties creating or joining a regional social services department pursuant to G.S. 108A-15.7, shall enter into a written agreement that sets forth, at a minimum, the following financial obligations and the amount or method in which each county will appropriate funds to the regional social services department for:

(1) the administration of programs of social services and public assistance;

(2) the county share of public assistance program costs;

(3) any recoupments following fiscal or program monitoring or audit findings.

Authority G.S. 108A-15.7; 143B-153(9).