

Testimony
Senate Bill 2004
House Appropriations Committee
Human Resources Division
Monday, March 11, 2013
North Dakota Department of Health

Good morning, Chairman Pollert and members of the Human Resources Division of the House Appropriations Committee. My name is Dr. Terry Dwelle, and I am the State Health Officer of the North Dakota Department of Health. I am here today to testify in support of Senate Bill 2004. Before we go into our budget details, we feel it is important to give you a brief overview of the department and status of health in North Dakota.

Mission

The mission of the North Dakota Department of Health is to protect and enhance the health and safety of all North Dakotans and the environment in which we live.

Department Overview

While most people know public health is important, they aren't always sure what it is or how it affects their lives. In fact, the efforts of public health touch every North Dakotan every day:

- The Department of Health's environmental scientists monitor the quality of North Dakota's air and water, ensuring that we breathe clean air, drink clean water and enjoy our beautiful environment.
- Tobacco use, unhealthy diets and poor exercise habits all contribute to chronic diseases and early death. Department of Health personnel work with local public health units and other partners across the state to promote healthy lifestyles and timely medical screenings.
- From H1N1 influenza to norovirus to tuberculosis, disease detectives from the department work hard to identify and contain disease outbreaks. Their efforts to educate the public and track down sources of illness help to protect us all.
- Department of Health personnel work to educate the public and enhance the ability of the state's public health and medical personnel to respond to emergencies such as a new influenza virus, tornadoes, fires or floods.

- Department of Health personnel travel across the state conducting inspections of nursing homes, hospitals and hospice programs in an effort to ensure that the people of North Dakota receive quality care when they are most vulnerable.
- Access to health care has become a challenge for many rural residents in North Dakota. To address this issue, the department works with communities to help them sustain and support local health-care services and attract health-care providers.

The funding and staff included in the Department of Health's budget provide the resources we need to carry out our strategic plan. As you can see, the department's strategic plan is guided by our overall mission. In order to accomplish our overall mission, we focus on the following major goals:

- Improve the health status of the people of North Dakota
- Improve access to and delivery of quality health care and wellness services
- Preserve and improve the quality of the environment
- Promote a state of emergency readiness and response

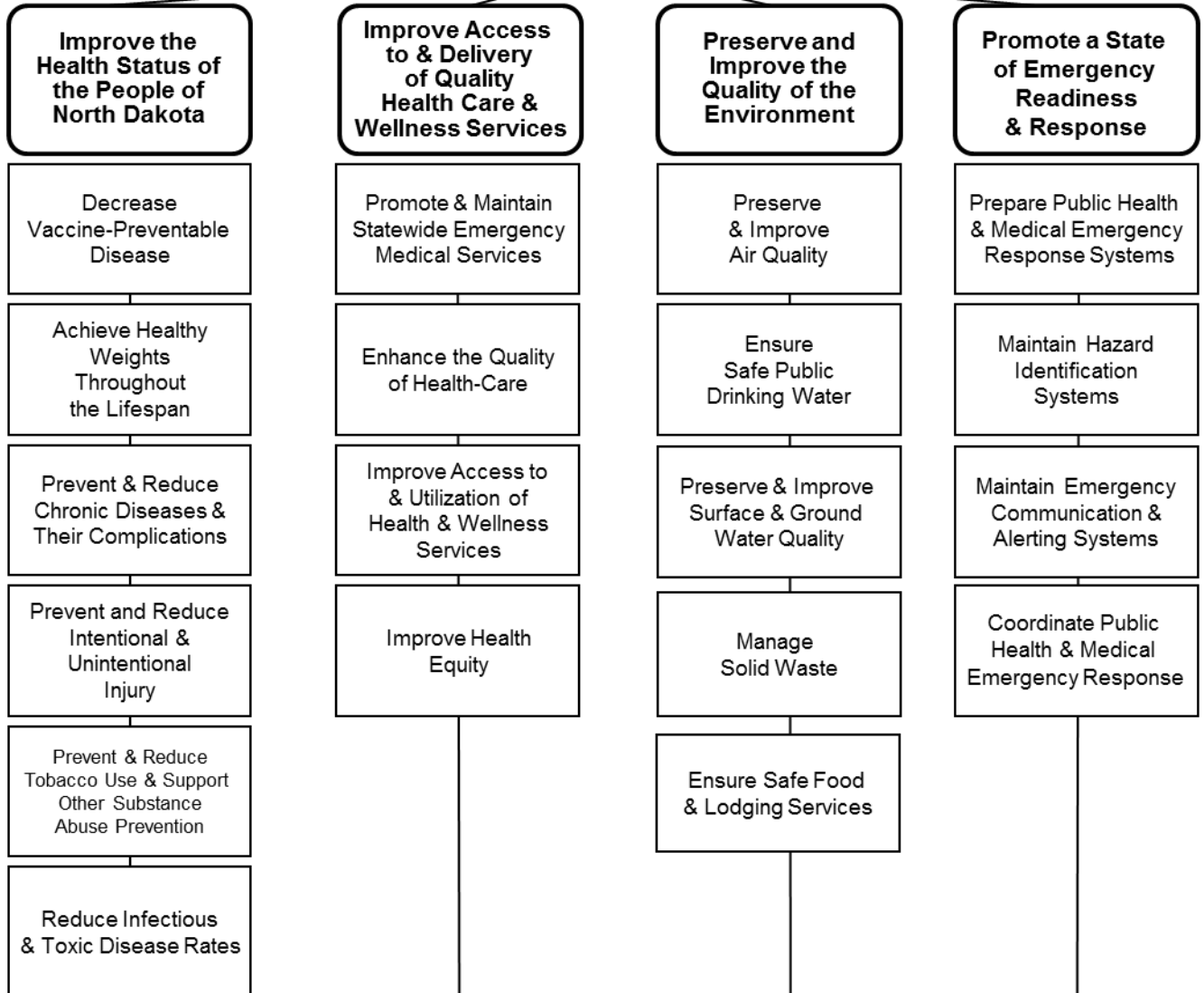
We have also incorporated cross-cutting goals, meaning they are goals that impact the department as a whole. Those deal with enhancing our capability to manage emerging activities, such as oil impact and flooding; achieving strategic outcomes using all available resources; and strengthening and sustaining stakeholder engagement and collaboration through the Healthy North Dakota Program.

Each of our goals is supported by a list of objectives and outcome performance measures to assess our progress toward our goals. In our submitted budget document, we report how we are performing on each objective. Following on the next page is the department's strategic plan detailing our goals and objectives.



Protect and Enhance the Health & Safety of All North Dakotans & the Environment in Which We Live

JUNE 22, 2012



Enhance Capabilities to Manage Challenges, Such as Oil Impact, Flooding & Other Emerging Activities

Achieve Strategic Outcomes Using All Available Resources

**Healthy North Dakota
Strengthen & Sustain Stakeholder Engagement & Collaboration**

As state health officer, I'm proud of North Dakota's public health professionals at both the state and local levels who work hard every day to safeguard the health of all North Dakotans.

The role the Department of Health and our partners take in safeguarding the health and safety of North Dakotans ties directly back to the goals indicated in our strategic plan. Let me share several examples and major accomplishments from the past couple of years. You may recognize the following examples from media coverage they received.

- In 2012, several cases of active tuberculosis were identified in the Grand Forks area. Department of Health epidemiologists, working with Grand Forks Public Health and local health-care providers, soon found through their investigations that these cases were linked to earlier cases in the area. Extensive investigations followed, which included finding close contacts of the cases and testing those contacts. To date, 16 active cases have been identified since October of last year. Three of those cases were in school-age children. Public education and consistent messages among state and local public health, private providers, and school officials ensured that parents and community members had access to important information they needed. Early identification of this outbreak and a thorough response helped to contain any further spread of the disease, and ensured proper treatment for those already infected.
- The increase in energy development in the western part of the state has impacted many different parts of the Department of Health. Our Food and Lodging Division has seen a dramatic increase in licensing for food and housing establishments, including mobile food vendors. Our Environmental Health Section has responded to an increase in many different areas, including waste disposal, sewer-related issues, air and water quality, and emergency response to spills and other environmental incidents. Department of Health environmental inspectors are at those spills that you hear about on the news, ensuring that companies properly clean-up and restore the environment.
- Emergency Medical Services have been struggling with a shortage of volunteers and finding a way to sustain services since before the growth in population in our state. The Department of Health has played a vital role in coordination of the EMS system across the state, including providing grants and training to help sustain services at the local level. A new initiative in 2012 was a coordinated effort with the University of North Dakota that resulted in the award of a \$4.98 million grant from the Helmsley Charitable Trust. The grant will be used to launch the SIM-ND

- program, which will bring mobile simulators to the state that can travel to all areas in North Dakota and provide valuable training for EMS and emergency room workers.
- The floods of 2011 were devastating for many communities across North Dakota. Planning for a public health response started early in the year with the major concern being the Red River Valley, but as we all know, the focus later became Bismarck/Mandan and then Minot. The Department of Health worked in partnership with local public health units across the state to plan for the evacuation of medical facilities if needed. Throughout the flood response, the department played a key role in coordinating the transfer and placements of evacuees from flood-affected areas. This included helping place patients from Valley City, and the entire evacuation of Trinity Nursing Home in Minot and dialysis patients from Trinity Hospital in Minot. The Department of Health activated its Department Operations Center in March and it was still activated late into the summer. The department also assisted communities with environmental issues such as water and sewer contamination, mold, and waste disposal. Important public health information messages were disseminated through the state's joint information system focusing on topics such as proper clean-up after the flood, immunizations and safe drinking water.

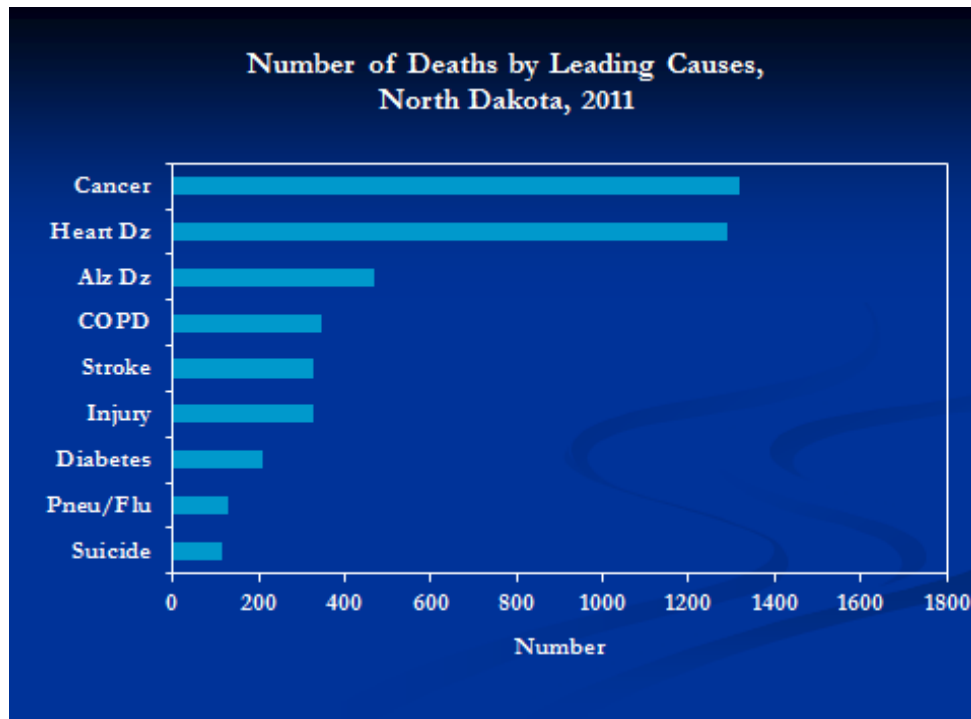
Major accomplishments include:

- Received more than 9,500 calls to the Tobacco Quitline (approximately an 18 percent increase) and achieved a 33 percent 6-month quit rate in fiscal year 2012.
- Screened 110 uninsured/underinsured North Dakotans as part of the state funded colorectal cancer screening initiative project and of those screened, 58 had polyps removed which could have progressed to colorectal cancer.
- Exceeded the *Women's Way* Program screening goal of 3,200 women, having reached and provided breast and cervical cancer screenings to more than 3,300 women.
- The Healthy North Dakota Worksite Wellness Program developed and offered 8 Gearing Up for Worksite Wellness trainings reaching 147 people representing approximately 90 businesses and organizations.
- Maintained a 90 percent or higher rate of compliance with permit requirements or standards in the air, water discharge and public water supply programs.

- Placed 18 health professionals in shortage areas around the state through the medical and dental loan repayment program.
- Achieved a 77.6 percent primary series vaccination rate for children ages 19 through 35 months compared to 71.5 percent for all of the United States.
- Investigated three foodborne outbreaks, resulting in over 100 people reporting illness.

Status of Health

Although the accomplishments are many, public health still faces many challenges. As a whole population the six most common causes of death in North Dakota are cancer, heart disease, Alzheimer’s disease, chronic obstructive pulmonary disease, stroke, and injury.



Communities are comprised of individuals across the age spectrum. The chart on the next page shows the leading causes of death in North Dakota by age. This information is important in developing appropriate health-related strategies for policymakers, clinicians and public health professionals to improve the health and wellness of all North Dakota citizens.

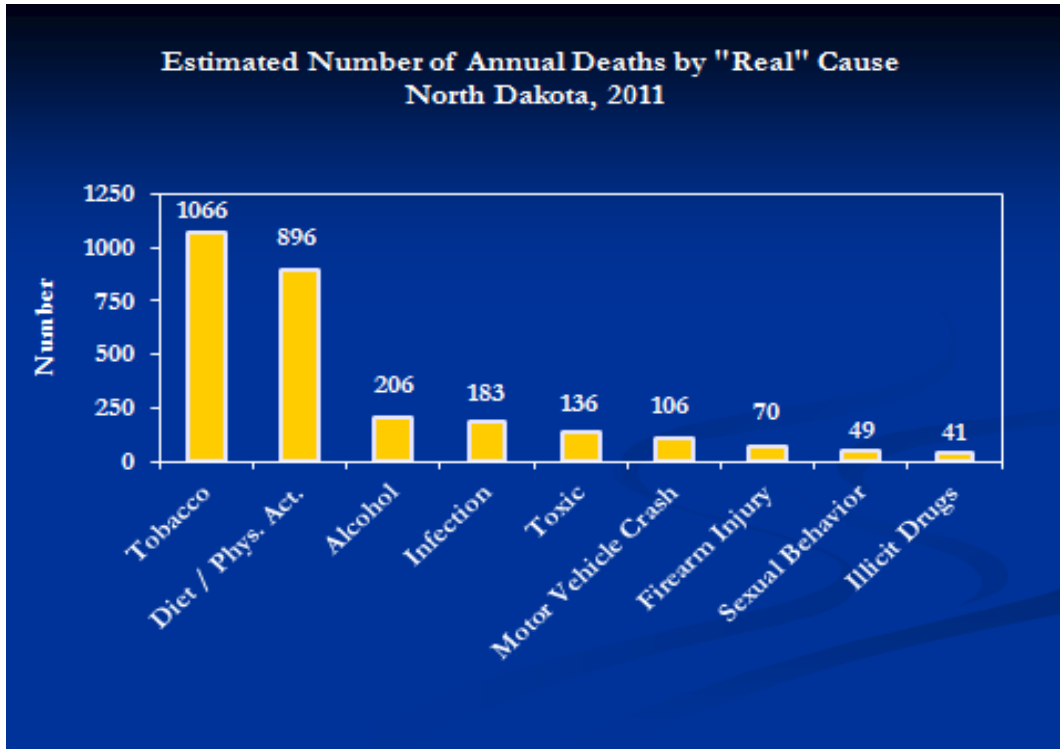
Unintentional injury accounts for the greatest number of deaths to people between the ages of 1 and 44. Suicide is the number two cause of death between the ages of 15 and 34. The diseases listed on the first graph, heart disease and cancer, don't become common killers until the middle of life raising to the number one and two slots at 45 years and older.

Leading Causes of Death by Age North Dakota, 2010-2011

<1	1 to 4	5 to 9	10 to 14	15 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65+
Anomaly 24	Unint. Injury 6	Unint. Injury 7	Unint. Injury 4	Unint. Injury 81	Unint. Injury 70	Unint. Injury 65	Cancer 168	Cancer 385	Heart 2243
SIDS 16	Anomaly 3	Cancer 2	Cancer 2	Suicide 46	Suicide 29	Heart 42	Heart 115	Heart 239	Cancer 1983
Prematurity 15	Cancer 2	Anomaly 1	Anomaly 2	Cancer 6	Heart 10	Cancer 40	Unint. Injury 75	Diabetes 62	Alzheimer's 883
Comp Preg 8			Pneu/Influ 1	Heart 3	Cancer 9	Suicide 34	Cirrhosis 48	COPD 58	Stroke 641
Resp NB 4				Diabetes 1	Cirrhosis 4	Cirrhosis 23	Suicide 45	Unint. Injury 57	COPD 630
Unint. Injury 3				Stroke 1	COPD 3	Diabetes 4	Diabetes 21	Cirrhosis 42	Diabetes 320

Public Health and Risk Factors

Public Health's primary mission is the prevention of the risk factors and behaviors that cause death and disease in North Dakota across the whole age spectrum of the whole population. Clinical colleagues are primarily trained to diagnose and treat individuals with disease and in clinical settings are valuable partners with public health to encourage health and wellness behaviors of individual patients and families. The next slide shows the underlying risk factors that lead to disease in North Dakota. As you can see, tobacco remains the number one risk factor associated with various cancers and cardiovascular disease followed closely by poor diets and lack of physical activity, which are associated with diabetes, heart disease, stroke and some cancer.



We heard from Governor Dalrymple in his state of the state address that economic development, education and infrastructure continue to be major strategic goals for this administration. I would like to briefly discuss how the Department of Health supports some of those strategic goals.

A major strategy of the Department of Health to change risky behaviors is to focus on comprehensive wellness at worksites and schools, with schools being viewed as a specialized workplace. Comprehensive worksite wellness has been shown to decrease health-care costs by 26 percent, decrease workers' compensation expenses by 32 percent, decrease absenteeism by 26 percent and decrease presenteeism. Presenteeism is when workers or students are present, but due to illness or a medical condition, are not able to be truly attentive and productive. For every dollar invested in comprehensive worksite wellness, there is a \$5.81 return for the workplace.

If we can change risky behaviors in worksites and schools in North Dakota, we will impact a significant portion of our population. Consistent messages for parents at their workplaces and for students in schools will reinforce and encourage healthy behaviors in our society. Healthy students are in a better position to learn, which will positively impact their lives, including their ability to find adequate employment in the workforce.

Health is much broader than just the physical absence of disease. It also includes the emotional, social, spiritual and economic well-being of individuals and families. We have an incredibly bright economic future in this state. We must provide the necessary infrastructure to adequately support the well-being of families and communities as they stretch with economic development. These infrastructure challenges include energy development in the west, flooding in the Devils Lake basin and the almost yearly spring flood challenges impacting not only the Red River Valley but almost every corner of the state. Many sections of the Department of Health are actively engaged in these infrastructure issues, including Environmental Health, which is charged with protecting the environment through permitting, monitoring, and emergency response when needed; and the Division of Food and Lodging, which is working hard to make sure that lodging facilities and food establishments are following correct procedures and regulations. We look forward to working with you during this session as we seek solutions to these infrastructure challenges.

Conclusion

We were faced with several budget challenges when we came to the 62nd Legislative Assembly. We had lost federal funding in some key programmatic areas – emergency medical services and suicide prevention. We also experienced falling tobacco settlement dollars to fund programs. Because you appropriated state general funding for key initiatives, some that lost their existing funding source, we were able to:

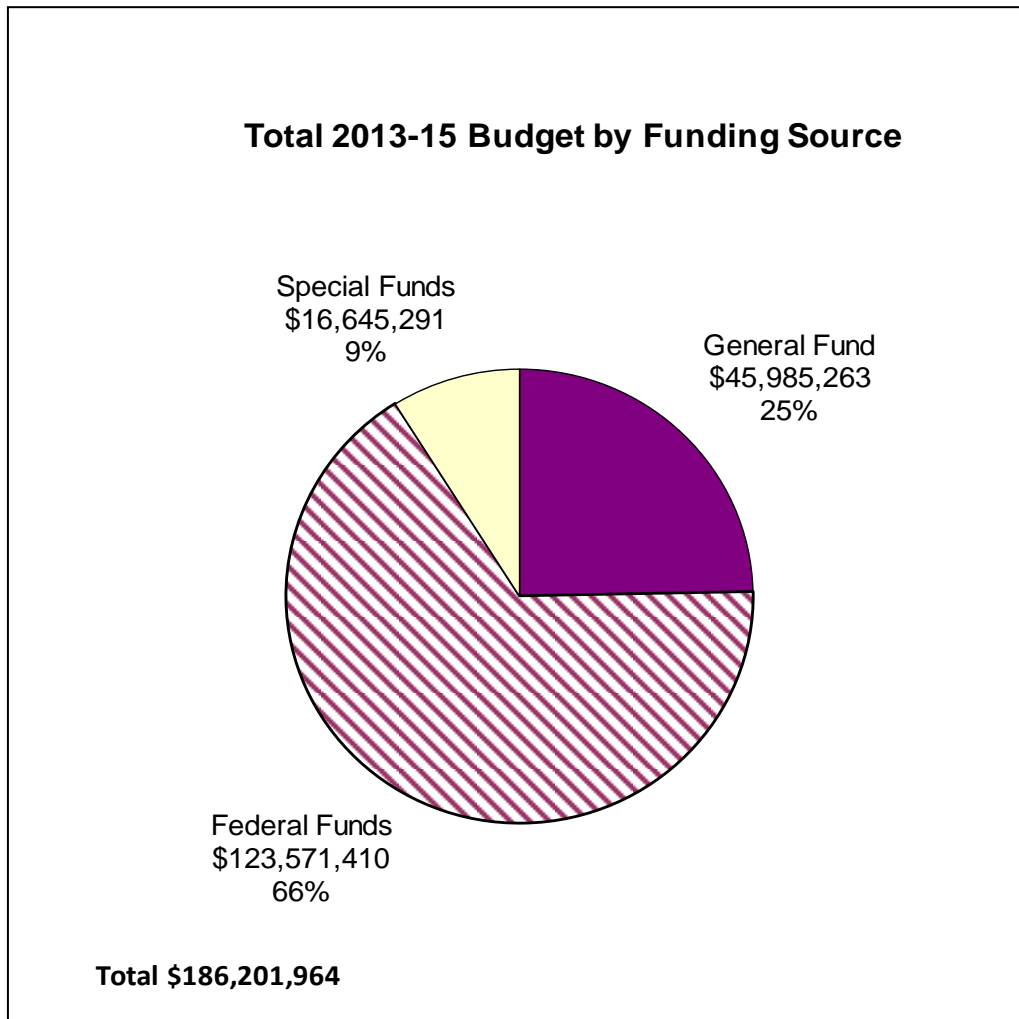
- Administer \$3 million in new EMS grants to North Dakota communities.
- Provide suicide prevention funding for 31 projects across the state.
- Approve loan repayments to 6 new physicians, 6 new mid-level practitioners, 6 new dentists, and 6 new veterinarians practicing in North Dakota.
- Continue screening additional women for breast and cervical cancer.
- Continue the stroke registry and stroke system of care.
- Protect children and parents by providing supervised visitation and safe visitation exchange of children by and between parents in situations involving domestic violence, dating violence, child abuse, sexual assault, or stalking.
- Provide universal vaccinations at our local public health units.
- Grant additional funding to local public health units for public health activities.
- Take legal action against the federal government regarding the Regional Haze Program for air quality standards.

I wanted to take the opportunity to thank you for seeing the importance of these projects and approving funding for them.

I'd like to ask Arvy Smith to continue with information about the budget of the Department of Health. Several other members of the department's staff also are here to respond to any questions you might have.

Budget Overview

Chairman Pollert and members of the committee, I am Arvy Smith, Deputy State Health Officer for the Department of Health. The total budget for the North Dakota Department of Health recommended by the governor for the 2013-15 biennium and included in Senate Bill 2004 is \$186,201,964.



The recommended general fund budget is \$45,985,263 (25%) of the executive budget. That is equivalent to \$33 per capita per year. Federal funds are recommended at \$123,571,410 (66%), and special funds at \$16,645,291 (9%).

A comparison by funding source and FTE of the department’s 2011-13 appropriation, the 2013-15 base budget request (which is the legislative appropriation adjusted for one-time expenses, economic stimulus funding, the salary equity adjustment and other items), and the 2013-15 executive recommendation as presented in Senate Bill 2004 is as follows:

	2011-13 Legislative Appropriation	2013-15 Base Budget Request	SB 2004 2013-15 Executive Rec	Inc/(Dec) Leg App to Exec Rec
General	33,878,151	33,577,062	45,985,263	12,107,112
Federal	126,288,123	120,831,913	123,571,410	(2,716,713)
Special	34,660,630	16,245,645	16,645,291	(18,015,339)
Total	194,826,904	170,654,620	186,201,964	(8,624,940)
FTEs	344.00	344.00	354.00	10.00

There are several changes to general funding which will be discussed in detail later. Federal funding decreased largely due to the completion of economic stimulus and arsenic trioxide projects, and reductions in the Environmental Protection Agency (EPA) grants and in public health preparedness funding, offset by some grant increases. The significant special fund decrease is the result of removing excess authority for the universal vaccine program, which was defeated last legislative session. FTE increases are largely related to oil impact. Additional detail will be provided regarding budget changes later in my testimony.

The department pursues its goals and objectives through seven departmental sections – Community Health, Emergency Preparedness and Response, Health Resources, Medical Services, Special Populations, Environmental Health and Administrative Support. Each section is composed of several divisions that house the individual programs in place to carry out the work of the section. A copy of our organizational chart can be found at Appendix A. Prepared comments describing all of the sections, divisions and programs are available upon request.

The Community Health and the Environmental Health sections make up 62 percent of our total budget. The Environmental Health section employs almost

half of our employees. Our administrative overhead is only 3.3 percent of our total budget.

A comparison of our overhead rates for the last several biennia is as follows:

<u>2005-07</u>	<u>2007-09</u>	<u>2009-11</u>	<u>2011-13</u>	<u>2013-15</u>
3.23%	2.22%	2.11%	2.60%	3.30%

Our overhead costs to administer around 100 different programs have remained low. The increase is mainly due to the decrease in total funding.

Our goals also are pursued through a network of 28 local public health units and many other local entities that provide a varying array of public health services. Some of the local public health units are multi-county, some are city/county and others are single-county health units. Other local entities providing public health services include domestic violence entities, family planning entities, Women, Infant and Children (WIC) sites and natural resource entities. Grants and contracts amounting to \$76 million or 41 percent of our budget are passed through to the local public health units and other local entities to provide public health services. Approximately \$21.8 million goes to local public health units, and \$23.4 million goes to other local entities. The remaining \$30.8 million goes to state agencies, medical providers, tribal units and various other entities.

Budget By Line Item

The executive budget for the Department of Health by line item is as follows:

	2011-13 Legislative Appropriation	SB 2004 2013-15 Executive Rec	Percent of Budget
Salaries and Wages	49,351,659	58,149,478	31.2%
Operating Expenses	50,272,030	38,152,557	20.5%
Capital Assets	1,998,073	2,224,288	1.2%
Grants	58,528,038	57,316,529	30.8%
Tobacco Prevention & Control	6,162,396	5,544,251	3.0%
WIC Food Payments	24,158,109	24,659,861	13.2%
Contingency Appropriation - EPA Federal Stimulus	864,371	0	0.0%
Funds	3,492,228	155,000	0.1%
Total	194,826,904	186,201,964	100%

Salaries and Wages

Salaries and wages make up \$58,149,478 or 31 percent of our budget. The majority of the increase to the salaries line item is the recommended salary package, the amount necessary to continue the second year of the 2011-13 biennium 3 percent increase and the new FTE related to oil impact.

Salary levels have been a major issue for the Department of Health (DoH).

- DoH turnover rate is over 10 percent and we continue to face recruitment and retention issues for certain positions, particularly while North Dakota's economy is so strong.
- DoH employee salaries are not equitable with other North Dakota state agency employee salaries for similar jobs in comparable classifications. Based on our review and on materials from Human Resources Management Services, salaries for 47 percent of our employees are more than 10 percent below the average for like classifications in other state agencies. Salaries for 13 percent of our employees are more than 20 percent below the average for like classifications in other state agencies. Many of these employees have been with the department 20 to 30 years.
- Currently 65 percent of our employees are in the 1st or lowest quartile; only 6 percent are in the 3rd or 4th (highest) quartile. Fifty-five (55) percent of the employees in the 1st quartile have over five years of experience and we have five-year employees whose salaries are no more than new hires.
- Many DoH employees classified as environmental engineers, epidemiologists, chemists and human service program administrators are paid significantly less than their counterparts in other states.

The governor included \$4,451,685 in our budget to address equity concerns and to allow performance increases. When final deliberations are made regarding the employee salary package, we ask that consideration be given and funding provided for equal pay for equal work among state agencies.

Operating Expenses

Our operating budget of \$38,152,557 makes up 21 percent of our budget. The decrease in the operating budget is a result of removal of the excess spending authority for universal vaccine mentioned earlier, offset by some increases in contracts, travel and other expenses.

Capital Assets

Capital assets of \$2,224,288 make up only 1 percent of our total budget. The bond payment on our laboratory, the state morgue and a storage building, and equipment more than \$5,000 make up a majority of this line item. The increase is related to several pieces of laboratory equipment for oil impact and a digital x-ray machine for the morgue.

Grants

Grants, which are provided to many local entities across the state, are at \$57,316,529 and make up 31 percent of our budget. The majority of grants are in the Community Health, Emergency Preparedness and Response, and Environmental Health Sections. At a departmental level, grants are down slightly but this is the net result of several increases and decreases that will be explained later in the testimony.

Special Line Items

There are three special line items included in the executive recommendation. Tobacco Prevention and Control is at \$5,544,251, down by 10 percent due to decreased federal and tobacco settlement funding available.

Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Food Payments make up \$24,659,861 or 13 percent of our budget. This is only a 2 percent increase. This line item includes only the actual food payments. Administration by the local WIC sites is included in the grants line item.

The third special line item is for federal economic stimulus funds. In the current biennium, we had \$3,492,228 budgeted for economic stimulus projects. In the 2013-15 biennium only \$155,000 remains in the budget to complete two economic stimulus projects, most of that for immunization interoperability.

2013-15 Budget

The 2013-15 executive budget will allow the department to meet public health goals in several additional areas.

Energy Development \$3,336,094 (9 FTE)

Significant increases in workload have resulted from the increased energy development in the western part of the state. Many of the caseloads for inspection, monitoring, complaint investigation and enforcement activities to minimize the environmental impact and protect the public from environmental

hazards have skyrocketed. There have been 230 new food and lodging establishments inspected and licensed during the first 18 months of the current biennium and 120 more are awaiting licensure once construction is complete. In the 2009-11 biennium we licensed 3,300 facilities and in 2011-13 we are expecting to license 3,750. Due to the large increase in population, local public health units in the west are also seeing increased workloads for public health nursing in areas such as vaccinations, infectious disease, and communicable disease. Environmental impacts to local public health units include on-site sewage treatment permitting, septic tank hauler permitting, non-community water inspections, sewage dumping, and waste burning. Staff retention in this environment at existing wages is also a challenge for LPHUs.

To address this need, the governor’s budget provides funding as follows:

DoH Environmental Health

9 FTE	\$1,277,131
Associated operating expenses	\$602,963
Equipment	\$272,000
Local Public Health	<u>\$1,184,000</u>
Total	\$3,336,094 (\$2,945,604 general)

At the close of my testimony we will present you with additional details on the environmental activity in the western part of the state.

LPHU Universal Vaccine \$1,000,000

In order to provide the local public health units the ability to universally provide vaccines to children (any vaccine, any place) the department was provided \$1.5 million general funding and was able to access a little over \$2 million in federal vaccine. A federal ruling no longer allows the federal vaccine to be used for insured children, so that left a gap in our ability to maintain universal vaccination at LPHUs. We requested and the governor approved \$1 million in general funding to purchase vaccine and continue LPHU universal vaccination.

Legal Fees \$500,000

To continue the legal action against the U.S. Environmental Protection Agency (EPA) regarding the Regional Haze air quality Program, the executive budget provided \$500,000 general funding.

Medical Examiner Services \$640,000

From 2004 to 2012, the number of autopsies performed by the Medical Examiner’s Office has steadily increased by 87 percent, from 196 to 367.

Accreditation standards indicate that one forensic examiner should perform only 225 to 250 autopsies per year. To address this, the governor recommended \$640,000 to contract with University of North Dakota Medical School to perform all autopsies for selected counties on the eastern part of the state that total approximately 160 per year. This arrangement will also be helpful to provide back-up for when the state medical examiner is not available or has too many cases.

Loan Repayment Programs \$585,000

Again, because of projected reduced tobacco settlement revenue, we were unable to fully fund the loan repayments in the base budget. In order to fund three new professionals per year in each of the loan repayment programs (dental, medical, mid-level, and veterinarian) we requested, and the governor approved, general funding of \$585,000. We provided sufficient funding in the base budget to pay for all contracts entered into during the current biennium.

Local Public Health State Aid \$750,000

In order to support local public health units in their capacity to 1) protect against and respond to environmental hazards and 2) to continue to function at current capacity in light of decreasing federal pass through funding from the state, due to hold even or slightly decreasing federal funding, the governor approved an increase of \$750,000 to local public health state aid. This funding is to be distributed to only those local public health units that are not receiving the oil impact funding.

Community Paramedic /STEMI \$276,600 (1 FTE)

The concept of community paramedics is to use portions of the Emergency Medical Services (EMS) workforce to address community health and medical needs that communities currently do not have the resources to address. The program would build on existing skill sets to deliver primary care services such as assessments, chronic disease management, blood draws, diagnostic cardiac monitoring, fall prevention, medication reconciliation and other services in a highly mobile environment. These services could be delivered in many environments such as homes, schools and places of employment where they are currently not available. The 2011 Legislative Assembly appropriated \$600,000 of general funds to assist with a match for a Helmsley Foundation grant, in which The Midwest Affiliate of the American Heart Association secured \$7.1 million in funding to implement Mission: Lifeline, a community-based initiative aimed at improving the system of care for heart attack patients, throughout North Dakota. The initiative is being conducted over a three-year

period to implement STEMI (ST-Elevation Myocardial Infarction) statewide. The STEMI coordinator would continue the work that has been accomplished by the implementation phase of this project to ensure the statewide STEMI system continues. Of the \$276,600 budgeted, \$135,000 is for salaries and \$141,600 is for training.

Emergency Medical Services Assistance Fund \$2,350,000

In the current biennium we had \$4,150,000 available for rural EMS assistance and staffing grants. We received grant applications for this assistance totaling \$7,365,000. Rural ambulance services are experiencing a shrinking volunteer workforce, increased populations, increases in severity of patients, increases in uncompensated care and increases in the cost of equipment. Since there is no mandate for EMS in the state, there is no one entity charged with the financial support of ambulance services. Most ambulance services do not generate enough revenue to cover expenses. The governor added \$2,350,000 for a total of \$6,400,000 in grants to rural ambulance services.

Food and Lodging Licensing Management System \$110,000

The current food and lodging licensing management system is 20 years old and does not have current electronic capabilities such as inspection scheduling, filing and reporting, credit card payment for annual license fees, and reporting to the general public. Recent audits have suggested that we make inspection results available and accessible to the general public. One-time funding is provided to develop a new system.

Colorectal Cancer Screening \$125,000

The department currently has a colorectal cancer screening project funded at \$477,600. With this project, our goal is to screen 230 clients during the biennium. Since November, 58 of the 110 individuals screened have had polyps removed, which are the precursor to colorectal cancer. The additional funding would allow us to screen approximately 90 individuals and potentially prevent 36 colorectal cancer cases.

Federal Funding Issues

As indicated earlier, two-thirds of the funding for the Department of Health budget comes from the federal government. The department receives around 80 different federal grants from four major federal agencies: Department of Agriculture, Department of Justice, Environmental Protection Agency (EPA), and the Department of Health and Human Services, which includes the Centers

for Disease Control and Prevention (CDC), Health Resources Services Administration (HRSA), and Centers for Medicaid and Medicare (CMS). In addition, we receive state agency pass through funding from the Department of Transportation and Department of Education. Most of the federal grants our department receives are for specific purposes, while a few are block grants where we have some flexibility as to which services we provide, within certain parameters.

With the uncertainty of the federal funding at the time our budget was prepared, we budgeted federal revenue at hold even levels, unless we were certain otherwise. For example, there are a few grants that either ended or were already scheduled for cuts, like emergency preparedness funding. Those were reflected at the lower levels in our budget.

Now that sequestration is in place, we are being told that cuts will be coming and the cuts to federal programs will be across the board, by line item, with no discretion. This means there is no ability to protect high-priority programs and take bigger cuts in less painful areas. The timing of the cuts means that the cut must be absorbed into the last seven months of the grant period, which turns a 5 percent cut into an effective 9 percent cut for those last seven months. Finally, we do not know what portion of the cuts the federal agency will endure and how much they will pass on to the state agencies.

We are starting to receive letters from federal agencies that cuts will be coming, but the amounts are not yet certain. We are being told by some agencies that some grants may be reduced in scope, delayed, or canceled.

Following are some examples of possible impacts:

- Since Medicaid is exempt and Medicare will have only a 2 percent cut, we expect the Health Resources Section, which includes the hospital and nursing home certification program, to receive a 2 to 3 percent reduction. We are being told that CMS will try to absorb as much of the cuts as possible.
- We expect around \$1.25 million in cuts to our environmental programs. We expect that this will mean fewer dollars granted out to various environmental projects.
- CDC is indicating that they will be passing along a higher portion of the cuts to the state agencies and that we could expect 8 to 12 percent cuts. Where there is discretion, they intend to hit direct care services harder,

- affecting tuberculosis and sexually transmitted disease programs, immunizations, medical screenings and other direct care.
- If HRSA applies the same philosophy to the Maternal and Child Health (MCH) Block Grant regarding direct services, Children's Special Health Services could be greatly impacted. In addition, less funding would be available for other MCH programs such as oral health, school health, maternal/infant health, nutrition services and injury prevention. Family planning services and reimbursement for HIV services and drugs would also be impacted.
 - The Women, Infants and Children (WIC) food program is funded through the Department of Agriculture. At this time we expect to be able to absorb cuts without reducing services to children due to the availability of previous year carryover and spending less than awarded.
 - Department of Justice provides funding for violence against women programs. We would expect less funding to local entities for these programs.

There continue to be many unknowns, including what the federal legal definition of a "line item" is, so it is difficult to identify cuts and impacts with any certainty. However, we expect funding cuts to occur and with the continuing resolution and debt ceiling limit looming, we expect cuts to continue into 2014 and beyond. We recognize that we will have to make adjustments to our budget, operations and possibly staffing as the federal funding picture becomes clearer.

Senate Changes to SB 2004

Funding of \$41,766 was added to the salaries and wages line item with \$22,554 from the general fund to correct the calculation error in the executive compensation package.

Funding of \$160,200 from the general fund was added to the grants line item to provide follow-up colorectal cancer screenings for individuals where a follow-up screening is indicated. This provides a total of \$762,800 for the colorectal screening initiative. Legislative intent was added to allow that the cost of recommended follow-up screenings not exceed \$1,800 per screening.

A section was added to SB 2004 to repeal Section 23-46-05 prohibiting the Department of Health from distributing more than \$1,250,000 during the first

year of the biennium for state financial assistance for emergency medical services.

Funding of \$383,000 from the tobacco prevention and control trust fund was added for stroke system of care, for a total of \$856,324 with \$473,324 from the general fund.

Performance Audit Findings

As requested in House Bill 1004 from the 62nd Legislative Assembly, I will review the findings from the performance audit conducted during the interim and our actions to address the recommendations. The performance audit conducted by CliftonLarsonAllen LLP (CLA) included three audit recommendations classified as high risk.

Whistleblower Protection Policy

CLA recommended that the department include a whistleblower protection policy in our personnel policy manual and communicate the policy and methods to report suspicious or unethical behaviors to all employees. In February 2012, a major rewrite of the Department's Personnel Policy Manual had already begun and a whistleblower protection policy and other rules related to reporting fraud and abuse were included. The Department will provide education to all staff on the updated Personnel Policy Manual.

Developmental Trainings for Program Managers and Division Directors

CLA recommended that the department research developmental trainings applicable for program managers and division directors and include training requirements in the department's personnel policy manual. The Department requires all managers to have, at a minimum, the Supervisory Management Development training provided by Human Resources Management Services with Office of Management and Budget either prior to, or shortly after moving into any management position. The Department will add this requirement to the Personnel Policy Manual. In addition, the Department has begun researching additional public health management training strategies for all section chiefs, division directors, and program managers and aspiring managers

Federal Grant Transfers

CLA recommended the department implement procedures to centrally track and monitor transfers of expenditures within the same grant or to another grant. This included the reason for the transfer, documented approval of the transfer, and

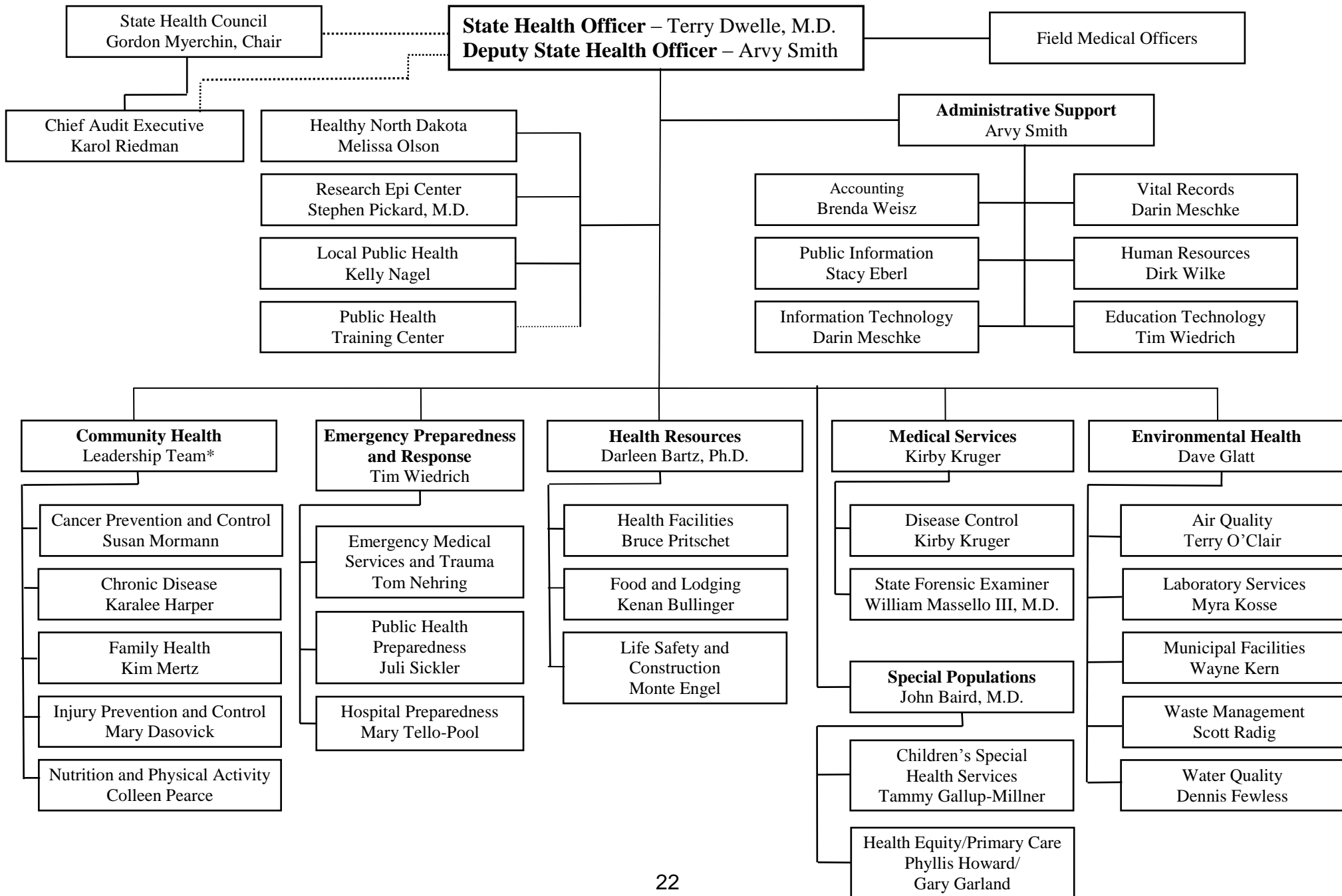
that transfers be made on a timely basis. The Department will establish policy to require documentation of the reason and approval in writing for any transfers between grants. In addition, the Department will establish a process to monitor and track the allowable budget flexibility between line items within a grant. Federally grants are typically awarded on a yearly basis; hence transfers of expenditures between line items within a grant and between grants can occur throughout the grant cycle and are allowable up to 90 days after the close of the grant period. Although “best practice” for the private sector may be that adjustments be made within 90 days for quarterly reporting purposes, this is not relevant to federal grants management as financial reporting is typically done on an annual basis.

Conclusion

The budget before you for the Department of Health addresses many important community public health needs. It provides much needed funding to deal with impacts of energy development in the west, it provides much needed medical resources in the form of professional loan repayments and emergency medical services grants, and by providing additional resources to the local public health units, it allows us to systematically work together to meet our public health goals.

Chairman Pollert, members of the Committee, this concludes the department’s testimony on Senate Bill 2004. I will now invite Dave Glatt, Environmental Health Section Chief, to present to you a report regarding the environmental impacts in the western part of the state. After that our staff and I are available to respond to any questions you may have.

**North Dakota Department of Health
Organizational Chart
January 2013**



*The five division directors share responsibility for management of the Community Health Section.

Testimony
Senate Bill 2004
Monday, March 11, 2013
North Dakota Department of Health

Good morning Chairman Pollert and members of the House Appropriations Committee. My name is David Glatt, Section Chief of the North Dakota Department of Health Environmental Health Section. The Environmental Health Section is responsible for the implementation of many of the environmental protection programs in the State of North Dakota protecting our air, water and land resources. I am here to provide background information regarding the budget request to fund an additional 9 FTEs in the Environmental Health Section to address the workload increase associated with the recent oilfield development in northwest North Dakota. The request identified in the Governor's budget is for a total of \$2,012,031 of general and special funds.

To assist in my presentation, I have provided you with a document titled "Oilfield Impacts and the North Dakota Department of Health Environmental Health Section" updated January 2013. The document briefly identifies the responsibilities of the Environmental Health Section; Impacts of Oil Growth; and Assistance Needed to Meet Increased Workload. I will refer to the document and relevant information as I discuss the workload impacts on each of the Divisions in the Section.

Division of Air Quality – (Requested 1.0 FTE – Environmental Scientist)

The Division of Air Quality (AQ) implements the Clean Air Act (CAA), indoor air, radiation control, lead, radon, asbestos and air quality monitoring programs. Technical staff ensure protection of our air quality and public health through permit review, inspections, compliance outreach, enforcement, complaint investigations and monitoring activities. The development of oil resources in North Dakota has resulted in significant workload increases in many areas, resulting in delays in permit approvals, less frequent inspections at specific locations, and requiring additional monitoring activities. Some of the workload increases have been identified as follows:

- **Increase in Air Quality Industrial Construction Permits: (Page 6, Figure 2)** The number of industrial construction permits has increased from a historical annual average of 20 per year to over 90 per year in 2012. These permit requests, typically associated with new or expanded industrial or energy generation facilities, require a technical review of the proposed facility, evaluation of its potential impact on

air quality and a technical evaluation of proposed emission controls. These activities are followed by a public comment period and department response. Upon construction completion, these sites are required to be routinely inspected for compliance with permit conditions.

- **Increase in new Air Quality Well Permit Registrations: (Page 7, Figure 3)** Each oil well that is drilled is considered a potential source of air emissions that are controlled through regulations implemented by AQ. Since 2008, the number of wells regulated under the CAA has increased from approximately 3,000 to over 6,000 in 2012. This number is expected to continue to increase in the future. AQ routinely inspects select wells for compliance with the CAA and permit conditions. With the increased drilling activity, the Department of Health has also seen an increase in the use of radioactive material, which requires strict regulation and monitoring.
- **Response to Complaints:** Increased public concern over potential degradation in air quality due to the generation of dust, emissions from drilling activities and increased road traffic has required additional attention from AQ personnel.

It is for the reasons identified above that the department has requested 1.0 FTE to address continued and increasing workload in AQ.

Division of Laboratory Services – 1.0 FTE Administrative Assistant/Lab Tech

The Division of Laboratory Services provides chemical and microbiological analytical support to the department's regulatory programs, during emergency events, and for other public/private needs. Data is used to determine regulatory compliance, environmental quality, identify unknown chemicals in the environment, as well as identify potential issues with individual and community health. Oilfield development has resulted in the overall increase in the number and complexity of samples being submitted for analysis. The laboratory has observed a workload increase in the following areas:

- **Clinics and Hospital Testing: (Page 8, Figure 4)** Combined private and public tests have increased the last 5 years due to demand from medical providers in western North Dakota and Bismarck. Although the laboratory has experienced a decrease in some testing (i.e., HIV

testing due to the use of field testing), increased sample loads have been observed in other areas of the laboratory.

- **Increase in Chemical Analysis for Oilfield-related Compounds:** Chemical Analysis for oilfield-related compounds has increased in response to accidental spills, investigations into illegal dumping, citizen complaint investigations and assessment of overall environmental quality. Many of the chemical analyses require the development of new analytical methods, increased handling, tracking and chemist expertise.

Due to the increasing number and complexity of analytical requests due to oilfield development, the Division of Laboratory Services is requesting 1.0 FTE. The FTE will assist in sample log in, and sample preparation to assist in sample analyses.

Division of Municipal Services – 2.0 FTE Env. Engineers and 1.0 FTE Env. Scientist

The Division of Municipal Facilities (MF) is responsible for the implementation and enforcement of the Safe Drinking Water Act (SDWA), review of new construction for public health and safety, and operation of the State Revolving Loan funds for water and wastewater facilities. Municipal Facilities has seen a significant workload due to oilfield development in the following areas:

- **Increase in Public Water Systems (Page 10, Figure 6)** A significant increase in the number of public water supply systems has occurred in 2011 and 2012, where 94 percent of the increase is associated with systems being constructed in the oil-impacted counties.
- **Increase in SDWA Violations (Page 10, Figure 7)** Since 2010, SDWA violations have increased approximately 33 percent statewide, with a majority of the increase due to violations located in oil-impacted counties. Violations in the oil-impacted counties have almost doubled since 2010.
- **Non-Community Public Water System Inspections (Page 10, Figure 8)** Due to the increase in overall workload and the need to prioritize available resources to more pressing public health needs, some local public health units have had to decrease the number of non-community inspections. This has required MF to increase inspection activities in some areas.

- **Decrease in Operator Certification – Water Distribution (Page 11, Figure 9)** Operational knowledge and certification is essential for operators of public drinking water supply systems to ensure public safety and compliance with SDWA requirements. Due to pressures of higher paying jobs in the oilfield, the number of certified operators has been decreasing since 2010. This requires that the department increase its compliance outreach, operator training, enforcement and troubleshooting activities in the oil-impacted counties to reduce the number of SDWA violations and increase public health protection.

- **Increase in Plans and Specification Approvals (Page 11, Figure 10)** All plans and specifications for new public water supply and wastewater systems must be reviewed and approved by MF prior to construction. Plans are reviewed for compliance with design standards and overall public/health safety. In addition to the number of plan review/approval requests doubling in the last two years, they have become more complicated due to the type of treatment and the large number of out-of-state consulting firms. Out-of-state firms are typically not familiar with North Dakota design standards and climate, necessitating considerable oversight by MF staff.

- **Increase in State Revolving Loan Fund (SRF) Use (Page 12, Figure 11)** MF evaluates infrastructure proposals for water and wastewater for potential participation in the SRF loan program. Proposals identified for participation are provided low interest loans to assist in their construction. Since 2010, MF has experienced a significant increase in water and wastewater infrastructure requests. The division not only evaluates proposals, but must also inspect and track all construction activities to ensure the proper use of loan funds.

For the reasons identified above resulting in significant workload increases in compliance outreach, enforcement, technical engineering review and complaint investigations, MF has requested 2.0 Env. Engineers and 1.0 Env. Scientist.

Division of Waste Management – 1.0 Env. Scientist

The Division of Waste Management (WM) is responsible for the implementation of programs designed to ensure the proper handling and disposal of municipal, industrial and hazardous wastes. In addition, they regulate the storage of petroleum products through the Underground Storage Tank Program and implement remediation activities for abandoned properties

with environmental contamination. Oilfield activity has significantly increased the workload on WM from facilities directly operated by oilfield-related businesses to peripheral businesses supporting the increasing population. Workload increases have been observed in the following areas:

- **Increase in Waste Management Activities: (Page 12-13, Figures 12 through 15)** These figures indicate an increase in the number of Large Quantity Waste Generators, number of municipal and special waste landfills, new or expanded underground storage tank (UST) facilities and new waste transporter permits from 2009 to December 2012. Increasing special waste landfill proposals, which require technical review and appropriate approvals; increased number of facilities requiring inspection and potential enforcement; identification of new waste streams requiring regulation; updating of existing regulations; compliance outreach for municipal/special waste landfills; and complaint investigations have all increased resulting in diminished regulatory oversight and the potential for decreased compliance.

For the reasons identified above, the Division of Waste Management has requested 1.0 FTE Environmental Scientist to address waste issues in the oil-impacted counties.

Division of Water Quality – 3.0 FTE Env. Scientists

The Division of Water Quality (WQ) is responsible for the implementation of the Clean Water Act, which includes the NPDES (or wastewater treatment/discharge), TMDL (total maximum daily load) and Storm water programs, the Underground Injection Control Program, Septic Tank Pumper Licensing, 319 Non Point Program, Ground Water Quality Monitoring, Oil Spill Remediation, responding to citizen complaints, and ambient Water Quality Monitoring. The development of the North Dakota oilfield has resulted in a significant workload increase affecting all areas of the Division of Water Quality. Some of the areas that have seen significant impacts include:

- **Spill Reporting and Spill Response (Page 14, Figures 16 and 17)** The number of reported accidental, intentional and unknown spills has almost tripled since 2009. The majority of reported spills are associated with oilfield development and typically include crude oil, oilfield brine, chemicals associated with well development and septic wastes. A significant number of the spills require department personnel to evaluate for water quality, public health and domestic

livestock impacts. Several spills require extensive remediation necessitating department involvement and oversight taking several months or longer to complete. Spill reports are received daily.

- **Increase in NDPDES Permit Workload (Page 15, Figure 18)** The North Dakota Pollution Discharge Elimination System program in part includes regulation of municipal, large private and industrial wastewater discharges, septic tank waste, storm water runoff and dewatering permits. This program is designed to allow appropriate development through the safe handling and treatment of wastewater. The department has observed an overall 31 percent increase in permit requests from 2011 to 2012. These requests require technical review of the treatment technologies, ability of the environment to assimilate treated wastewater, and follow up inspection/compliance review.
- **Ambient Water Quality Monitoring.** The increased industrialization and urbanization in the oil-impacted counties has elevated concern regarding potential impacts on surface and ground water quality. The department is looking to expand environmental monitoring activities to identify overall water quality trends and potential impacts. This will require increasing the number of sample locations, sample collections and chemical parameters analyzed.
- **Increasing Enforcement Activities:** Over the past two years, the department has seen a significant increase in environmental regulation and enforcement. This has included increased complexity and number of field investigations, coordination with federal agencies investigating criminal activities, investigating citizen complaints, initiation of formal enforcement and collection of penalties.

Oilfield development has resulted in significant impacts on all programs designed to protect and maintain environmental quality in North Dakota. The Governor's request for an additional 9.0 FTE will assist the Department of Health in addressing these impacts and increasing our response to public concerns.

This concludes my testimony and I will answer any questions you may have regarding this matter.