

TESTIMONY TO THE INTERIM TAXATION COMMITTEE

Prepared March 25, 2014 by
Terry Traynor, NDACo Assistant Director
North Dakota Association of Counties

REGARDING COUNTY SOCIAL SERVICES

Chairman Cook and members of the Interim Taxation Committee – our Association was asked to provide several specific sets of information for today’s meeting. This particular piece of testimony has been prepared to respond to the following request:

1. In connection with feasibility of state assumption of social service costs, the committee asked for county-by-county social service revenue and cost analysis. The request was phrased as seeking information on all revenue streams used to fund social services costs and reporting by category of expenditures. The committee also asked for a survey of how many counties would favor or oppose state assumption of funding and operating social services at the county level. I recognize this is a lot to gather and compile..

With considerable assistance from the counties, the Department of Human Services and the Tax Department, we have prepared several schedules that will hopefully be responsive to the initial part of this request.

I first want to point out that the Department annually prepares a very detailed report of county expenditures and reimbursements that is very valuable to the counties, and may be of interest to the committee. The most recent report was completed earlier this month and I have copied only the first of the 12 pages of this report for the Committee as Attachment 1. For reference it is commonly called the “Greensheet” report, as it is printed each year on green paper for consistency.

The first three bullets of this “highlights page” are very significant. They report an overall increase of county expenditures for social services of 7.1% and an overall decrease of 3.1% in reimbursements coming from the State – resulting in a 12% increase in Net County Costs between SFY2012 and 2013. As has been pointed out previously, and as will be reflected in the following schedules, these net county costs are almost exclusively funded with property tax revenue, and as they consist of payments to the Department for grant costs set by the state and for staff costs driven by the state salary schedule, counties have little control over this increase.

Attachment 2 is my extraction of the Department's 12-page report. It compiles the county costs into four primary categories as was requested. In the first two columns you will see the county administrative costs associated with the two primary "divisions" of county social services:

- Economic Assistance (Medicaid, SNAP, TANF, Child Care Assistance, etc.), and
- Child Welfare and Aging Services

It is important to note that while the total of the two columns is an exact figure for each county's administrative costs, the allocation of these costs between the two "divisions" is based on a statewide random moment time study, validated on a statewide basis for federal reimbursement purposes.

Column "c" depicts the actual billings and payments to the Department for child welfare "grant" costs. These are primarily the county share (25% of the non-federal portion) of payments to foster families, group homes, subsidized adoption situations and contracted services to support families with children at risk of out-of-home placement. This grouping of costs was the focus of the original HB1233 from last session, and similar legislation in 2009 and 2011.

Column "d" contains all other payments made to the State based on DHS billings. This includes such things as wide area network costs to connect with Department computer systems and a portion of the administration charged for electronic benefit transfer (EBT) card issuance.

Grant charges are billed to the counties on a formula basis to avoid drastic annual swings. For the largest part they are based on youth population, taxable value, poverty rates, and past foster care placements.

The remaining columns are; a total the first four columns (e), the reimbursements received from DHS (f), and the Net County Cost total (g).

The reimbursements are largely federal funds leveraged by the counties' administrative costs related to child welfare and aging services. The federal funds leveraged by the economic assistance administration are retained by DHS in recognition of the State's assumption of the Medicaid grant costs in 1997. The reservation counties are important exceptions to this, in that they receive significant state assistance in recognition of their lack of taxable property.

Attachment 3 looks at the county revenue side and looks to the future. This schedule breaks down the “local” revenue anticipated for the CY2014 county budget year. It is taken from the counties certified mill levies and supplemented with survey data. Counties were asked to exclude anticipated DHS reimbursements for this schedule to zero-in on just what the county must raise.

Columns a, b & c are the dedicated mills levied for each county’s social service budget. The total of these (d) is multiplied by the value of a mill in that county (e) for a total of the dedicated levies in dollars (f).

As 12% of all levies were paid this year by the legislative appropriation for that purpose, column “g” shows that amount, while “h” shows the net paid by the property taxpayers of that county for these dedicated levies only. Column “i” shows the additional general funds budgeted specifically for social services. In resource counties it is probably safe to assume a fair amount of this revenue comes from coal or oil tax revenues, however in the other counties (notably the extreme case – Ramsey) we are aware that this revenue is coming primarily from the general fund mill levy.

The counties have collectively budgeted \$58.2 million in Net County Costs for CY2014 (j). As this is significantly higher than the SFY2013 report, I thought it prudent to dig a bit deeper. The factors driving the increase include:

- CY2014 actually ends 18-months after the period of the state report, so there is some time difference,
- Levies are usually set 5% above budgeted need, as allowed by statute in anticipation of unpaid taxes,
- The DHS SFY13 report has, at most, six months of the new wage increases due to the “Hay Study”, which are now incorporated into all county budgets,
- The Hay Study impacts put some budgets into a deficit situation in CY2013, causing excess levies going into CY2014,
- CY2014 will be the first full year for the new 2-year health insurance contract,
- CY2014 will be the first full year for the most recent adjustment to the NDPERS retirement contribution, and
- Many of the larger counties included at least one new FTE in anticipation of the administrative impact of expanded Medicaid.

The second part of the Committee's request was to report on the counties' support or opposition for the "*state assumption of funding and operating social services at the county level.*" Let me begin by presenting the formal position statement adopted by both the North Dakota County Commissioners Association and the North Dakota Association of Counties at their respective annual meetings prior to the last legislative session.

2012-03. Human Service Financing. County social service agencies provide a large array of services to the citizens of North Dakota as a "designee" of the Department of Human Services (DHS) – most often with reimbursement well below the cost of service delivery. County property taxes now support over \$42 million per year in State and federally mandated human service costs. Additionally, state and federal regulations regarding employee compensation and staffing ratios rapidly and continually increase these mandated costs; while state legislative and administrative decisions increase county program expenditures. Counties firmly support the continuation of the local delivery of human services; however the property tax burden of these services must be lessened. This Association supports legislative action to increase state reimbursements to counties and/or shift specific human service costs to state funding, thereby reducing property taxes. Specifically, this Association requests that 100% of the salaries and benefits of county social service employees be paid by state government.

It is very clear that county officials are unified in the strong support for shifting the funding for this service area to sources other than property taxes. County officials, and particularly county commissioners, recognize that should the state choose to fully fund social service delivery, it is inevitable that the state will require greater control over its administration. Commissioners recognize this, and while they don't believe that is necessarily a negative, those from the more rural counties in particular, are deeply concerned with the maintenance of swift access to time-dependent services such as child abuse investigations, emergency foster care placements, elderly assistance, etc. These services are critical to the safety of their citizens as well as the other county officials (sheriff, state's attorneys, and public health) with which local social workers must interface.

The complete transfer of the funding responsibilities of county social services could repeal four separate levy authorities, and eliminate over \$50 million in property taxes each year. It should be noted that county officials believe that this can be accomplished in phases, allowing for proper planning while minimizing the state budgetary impacts initially.

Mr. Chairman and committee members, it is our hope that this information is helpful to the committee and responsive to its request.

SFY2013 Expenditure & Reimbursement Report Highlights

- \$4,536,734 or 7.1% Increase on Total Expenditures between 2012-2013
The increase is due to inflationary & salary increases
- \$(590,782) or 3.1% Decrease on Total Reimbursements between 2012-2013
The decrease is due to Indian County allocation; SNAP Incentive Bonus; and billings for Aging Services; WrapAround & Parent Aid Services.
- \$5,127,516 or 12% Increase in Net County costs between 2012-2013
- \$2,864,634 or 8.7% Increase of Total Child Welfare & Aging Expenditures between 2012-2013
- \$(357,622) or 2.3% Decrease of Child Welfare & Aging Administrative Reimbursements between 2012-2013 is due to WrapAround & Parent Aid Services.
- 43% of Reimbursement for total Child Welfare & Aging Expenditures in SFY13
44% Reimbursement when CWCA & Value of Space is included. SFY12 was 48% CW/Aging and 50% with CWCA & Value of Space. Besides the specific changes noted above RMTS hits also have an effect on the percentage of expenditures and reimbursements between 2012-2013 (attached).

Attachment 2

County Social Services Board Expenditures, Reimbursements and Other Revenues For State fiscal year July 1, 2012 through June 30, 2013

| | Econ. Assist. Administration * | Child Welfare & Aging Admin * | Child Welfare Billings from DHS | Other DHS Billings ** | Gross Total County Costs | Reimbursements & Other Revenues | Net County Costs |
|-----------------------|-----------------------------------|----------------------------------|------------------------------------|--------------------------|-----------------------------|------------------------------------|---------------------|
| | a. 'Greensheet' P3 | b. Calculated | c. 'Greensheet' P7 | d. Calculated | e. 'Greensheet' P1 | f. 'Greensheet' P1 | g. 'Greensheet' P1 |
| Statwide Total | 24,912,726 | 34,935,239 | 7,378,333 | 1,055,726 | 68,282,024 | 18,728,757 | 49,553,267 |
| Adams | 139,862 | 268,934 | 25,994 | 1,537 | 436,327 | 99,967 | 336,360 |
| Barnes | 472,071 | 597,525 | 126,633 | 9,845 | 1,206,074 | 226,554 | 979,520 |
| Benson | 563,931 | 252,266 | 37,022 | 4,956 | 858,175 | 688,753 | 169,422 |
| Billings | Combined with Golden Valley | | | - | | | - |
| Bottineau | 299,750 | 394,219 | 59,936 | 7,260 | 761,165 | 169,074 | 592,091 |
| Bowman | 165,988 | 289,303 | 39,080 | 2,601 | 496,972 | 65,311 | 431,661 |
| Burke | 124,319 | 112,132 | 15,975 | 1,463 | 253,889 | 36,728 | 217,161 |
| Burleigh | 2,328,919 | 3,192,443 | 852,473 | 120,533 | 6,494,368 | 1,687,617 | 4,806,751 |
| Cass | 4,001,722 | 6,323,288 | 1,734,945 | 248,231 | 12,308,186 | 3,217,670 | 9,090,516 |
| Cavalier | 282,084 | 347,840 | 37,285 | 13,994 | 681,203 | 201,896 | 479,307 |
| Dickey | 220,799 | 458,837 | 61,912 | 8,907 | 750,455 | 234,565 | 515,890 |
| Divide | 95,986 | 317,781 | 20,930 | 3,154 | 437,851 | 81,736 | 356,115 |
| Dunn | 163,147 | 313,752 | 25,226 | 2,033 | 504,158 | 135,278 | 368,880 |
| Eddy | 124,036 | 136,001 | 24,675 | 4,238 | 288,950 | 41,650 | 247,300 |
| Emmons | 125,818 | 93,038 | 27,266 | 2,228 | 248,350 | 40,674 | 207,676 |
| Foster | 116,631 | 231,191 | 42,921 | 5,139 | 395,882 | 56,626 | 339,256 |
| Golden Valley | 131,998 | 181,540 | 26,511 | 4,437 | 344,486 | 62,696 | 281,790 |
| Grand Forks | 2,184,598 | 3,505,862 | 881,752 | 141,002 | 6,713,214 | 1,692,366 | 5,020,848 |
| Grant | 106,471 | 116,067 | 32,754 | 2,767 | 258,059 | 37,789 | 220,270 |
| Griggs | 176,508 | 142,396 | 18,496 | 2,430 | 339,830 | 59,667 | 280,163 |
| Hettinger | 160,561 | 229,482 | 24,588 | 2,278 | 416,909 | 106,070 | 310,839 |
| Kidder | 123,077 | 91,526 | 16,348 | 1,730 | 232,681 | 24,797 | 207,884 |
| LaMoure | 76,058 | 123,950 | 40,165 | 2,273 | 242,446 | 47,272 | 195,174 |
| Logan | 90,662 | 88,122 | 13,162 | 1,268 | 193,214 | 35,589 | 157,625 |
| McHenry | 181,236 | 320,853 | 55,092 | 6,318 | 563,499 | 146,783 | 416,716 |
| McIntosh | 168,075 | 76,067 | 33,997 | 2,508 | 280,647 | 31,235 | 249,412 |
| McKenzie | 287,148 | 539,491 | 50,795 | 13,490 | 890,924 | 318,630 | 572,294 |
| McLean/Central Dak. | 852,756 | 1,168,922 | 158,085 | 17,990 | 2,197,753 | 436,584 | 1,761,169 |
| Mercer | Part of Central Dakota District | | | - | | | - |
| Morton | 1,090,098 | 1,039,505 | 307,376 | 35,663 | 2,472,642 | 581,688 | 1,890,954 |
| Mountrail | 437,707 | 741,829 | 65,486 | 16,401 | 1,261,423 | 587,174 | 674,249 |
| Nelson | 157,123 | 133,597 | 26,234 | 3,561 | 320,515 | 46,538 | 273,977 |
| Oliver | Part of Central Dakota District | | | - | | | - |
| Pembina | 347,602 | 402,206 | 76,535 | 5,458 | 831,801 | 163,070 | 668,731 |
| Pierce | 159,407 | 242,896 | 39,015 | 3,164 | 444,482 | 125,281 | 319,201 |
| Ramsey/Lakes Dist. | 675,198 | 1,059,447 | 223,829 | 17,775 | 1,976,249 | 464,458 | 1,511,791 |
| Ransom | 137,680 | 198,947 | 47,469 | 4,378 | 388,474 | 91,130 | 297,344 |
| Renville | 94,493 | 205,032 | 20,134 | 1,282 | 320,941 | 131,772 | 189,169 |
| Richland | 396,064 | 883,318 | 166,143 | 19,124 | 1,464,649 | 453,025 | 1,011,624 |
| Rolette | 1,049,152 | 499,036 | 73,490 | 11,105 | 1,632,783 | 1,310,182 | 322,601 |
| Sargent | 110,392 | 187,094 | 35,245 | 17,995 | 350,726 | 141,517 | 209,209 |
| Sheridan | Part of Central Dakota District | | | - | | | - |
| Sioux | 430,930 | 156,700 | 13,273 | 2,233 | 603,136 | 444,174 | 158,962 |
| Slope | Combined with Bowman | | | - | | | - |
| Stark | 950,082 | 1,563,855 | 303,427 | 82,468 | 2,899,832 | 1,014,189 | 1,885,643 |
| Steele | 134,301 | 135,333 | 19,210 | 1,257 | 290,101 | 30,104 | 259,997 |
| Stutsman | 1,016,474 | 1,142,441 | 209,484 | 39,208 | 2,407,607 | 563,190 | 1,844,417 |
| Towner | Part of Lakes District | | | - | | | - |
| Traill | 371,040 | 685,186 | 111,154 | 15,932 | 1,183,312 | 278,504 | 904,808 |
| Walsh | 413,314 | 652,926 | 115,642 | 24,373 | 1,206,255 | 330,873 | 875,382 |
| Ward | 1,934,209 | 2,784,906 | 669,993 | 76,752 | 5,465,860 | 1,187,295 | 4,278,565 |
| Wells | 260,825 | 415,431 | 40,513 | 9,153 | 725,922 | 172,967 | 552,955 |
| Williams | 982,424 | 1,892,723 | 330,663 | 33,837 | 3,239,647 | 628,049 | 2,611,598 |
| | 24,912,726 | 34,935,236 | 7,378,333 | 1,055,729 | 68,282,024 | 18,728,757 | 49,553,267 |

* Allocation of administrative costs between EA and Welfare programs is based on statewide random moment time study

** Includes charges for wide area network, EBT benefit card issuance, wrap around case management

Attachment 3

County Dedicated Levies & General Fund Allocations for CY2014 Budgets

| | Lewy 1203 Human Service in Gen. Fund | Lewy 1220 Human Services | Lewy 1222 Emergency Human Serv. | Total Dedicated HS Levies | Value of 1 Mill | Total Dedicated HS Levies in \$ | Notes | Total Paid by State 12% Tax Credit | Net Collected from Dedicated Soc. Ser. Levies | Additional General Fund Contributions | Total CY2014 'Local Revenue' for Soc. Service | |
|---------------|--|--------------------------------|---------------------------------------|---------------------------------|--------------------|---------------------------------------|-------|--|---|---|---|------------|
| | a | b | c | d | e | f | | g | h | i | j | |
| Adams | | 20.00 | 18.25 | 38.25 | 10,974 | 419,762 | 1 | 50,371 | 369,390 | | 419,762 | |
| Barnes | | 16.00 | | 16.00 | 65,241 | 1,043,853 | | 125,262 | 918,591 | | 1,043,853 | |
| Benson | | 6.34 | | 6.34 | 26,028 | 165,019 | | 19,802 | 145,217 | | 165,019 | |
| Billings | | 7.89 | | 7.89 | 12,863 | 101,486 | | 12,178 | 89,308 | | 101,486 | |
| Bottineau | | 15.18 | | 15.18 | 49,185 | 746,623 | | 89,595 | 657,028 | | 746,623 | |
| Bowman | | 9.24 | | 9.24 | 24,869 | 229,790 | 2 | 27,575 | 202,215 | 290,000 | 519,790 | |
| Burke | | 9.36 | | 9.36 | 20,291 | 189,925 | | 22,791 | 167,134 | | 189,925 | |
| Burleigh | | 15.82 | | 15.82 | 341,456 | 5,401,828 | | 648,219 | 4,753,609 | | 5,401,828 | |
| Cass | | 19.50 | | 19.50 | 548,947 | 10,704,469 | | 1,284,536 | 9,419,933 | 203,047 | 10,907,516 | |
| Cavalier | | 16.84 | | 16.84 | 38,579 | 649,671 | | 77,961 | 571,710 | | 649,671 | |
| Dickey | | 12.50 | | 12.50 | 32,154 | 401,919 | | 48,230 | 353,689 | | 401,919 | |
| Divide | | 8.63 | | 8.63 | 23,850 | 205,825 | | 24,699 | 181,126 | | 205,825 | |
| Dunn | 3.22 | | | 3.22 | 35,830 | 115,372 | | 13,845 | 101,528 | | 115,372 | |
| Eddy | | 20.00 | | 20.00 | 10,765 | 215,303 | | 25,836 | 189,467 | | 215,303 | |
| Emmons | | 5.29 | | 5.29 | 22,724 | 120,209 | | 14,425 | 105,784 | | 120,209 | |
| Foster | | 20.00 | | 20.00 | 19,165 | 383,292 | | 45,995 | 337,297 | | 383,292 | |
| Golden Valley | | 17.71 | | 17.71 | 9,600 | 170,009 | | 20,401 | 149,608 | | 170,009 | |
| Grand Forks | | 21.66 | | 21.66 | 225,425 | 4,882,706 | | 585,925 | 4,296,781 | | 4,882,706 | |
| Grant | | 13.29 | 0.23 | 13.52 | 15,046 | 203,429 | | 24,411 | 179,017 | | 203,429 | |
| Griggs | | 16.70 | | 16.70 | 16,249 | 271,366 | | 32,564 | 238,802 | 1,775 | 273,141 | |
| Hettinger | | 15.75 | | 15.75 | 20,455 | 322,174 | | 38,661 | 283,513 | | 322,174 | |
| Kidder | | 15.00 | | 15.00 | 14,602 | 219,032 | | 26,284 | 192,748 | 129,576 | 348,608 | |
| LaMoure | | 10.89 | | 10.89 | 31,394 | 341,884 | | 41,026 | 300,858 | | 341,884 | |
| Logan | | 15.03 | | 15.03 | 11,678 | 175,522 | | 21,063 | 154,460 | | 175,522 | |
| McHenry | | 13.21 | | 13.21 | 33,317 | 440,118 | | 52,814 | 387,304 | | 440,118 | |
| McIntosh | | 16.91 | | 16.91 | 15,727 | 265,946 | | 31,914 | 234,033 | | 265,946 | |
| McKenzie | | | | - | 81,998 | - | | - | - | 954,157 | 954,157 | |
| McLean | | 7.54 | | 7.54 | 55,588 | 419,136 | | 50,296 | 368,839 | 430,000 | 849,136 | |
| Mercer | | 8.02 | | 8.02 | 31,455 | 252,271 | | 30,273 | 221,999 | | 252,271 | |
| Morton | | 18.50 | 2.00 | 20.50 | 99,992 | 2,049,826 | | 245,979 | 1,803,847 | 382,500 | 2,432,326 | |
| Mountrail | | 9.80 | | 9.80 | 73,667 | 721,932 | | 86,632 | 635,300 | 318,000 | 1,039,932 | |
| Nelson | | 14.95 | | 14.95 | 22,070 | 329,945 | | 39,593 | 290,352 | | 329,945 | |
| Oliver | | 19.48 | | 19.48 | 10,853 | 211,417 | | 25,370 | 186,047 | | 211,417 | |
| Pembina | | 10.19 | | 10.19 | 51,772 | 527,561 | | 63,307 | 464,253 | | 527,561 | |
| Pierce | | 20.00 | | 20.00 | 25,389 | 507,778 | | 60,933 | 446,844 | | 507,778 | |
| Ramsey | | 20.00 | 4.00 | 24.00 | 42,612 | 1,022,682 | | 122,722 | 899,960 | 1,337,620 | 2,360,302 | |
| Ransom | | 10.11 | | 10.11 | 29,588 | 299,134 | | 35,896 | 263,238 | | 299,134 | |
| Renville | 6.99 | | | 6.99 | 20,044 | 140,106 | | 16,813 | 123,293 | | 140,106 | |
| Richland | | 15.00 | | 15.00 | 70,194 | 1,052,916 | | 126,350 | 926,566 | 164,290 | 1,217,206 | |
| Rolette | | 19.94 | 7.98 | 27.92 | 15,982 | 446,206 | | 53,545 | 392,661 | 241,020 | 687,226 | |
| Sargent | | 10.93 | | 10.93 | 27,093 | 296,126 | | 35,535 | 260,591 | 142,792 | 438,918 | |
| Sheridan | 11.98 | | | 11.98 | 10,970 | 131,419 | | 15,770 | 115,649 | | 131,419 | |
| Sioux | | 13.01 | 13.96 | 26.97 | 3,463 | 93,401 | | 11,208 | 82,193 | | 93,401 | |
| Slope | | 3.21 | | 3.21 | 10,337 | 33,182 | | 3,982 | 29,200 | 94,925 | 128,107 | |
| Stark | 16.65 | | | 16.65 | 134,779 | 2,244,072 | | 269,289 | 1,974,783 | | 2,244,072 | |
| Steele | | 10.26 | | 10.26 | 26,748 | 274,430 | | 32,932 | 241,499 | | 274,430 | |
| Stutsman | | 20.00 | 1.64 | 21.64 | 80,351 | 1,738,794 | | 208,655 | 1,530,139 | 357,100 | 2,095,894 | |
| Towner | | 11.87 | | 11.87 | 21,452 | 254,639 | | 30,557 | 224,083 | | 254,639 | |
| Traill | | 19.94 | | 19.94 | 40,181 | 801,217 | | 96,146 | 705,071 | 109,868 | 911,085 | |
| Walsh | | 20.00 | | 20.00 | 47,203 | 944,063 | | 113,288 | 830,775 | | 944,063 | |
| Ward | | 16.27 | | 16.27 | 279,020 | 4,539,792 | | 544,775 | 3,995,017 | 640,000 | 5,179,792 | |
| Wells | | 20.00 | 4.96 | 24.96 | 30,269 | 755,511 | | 90,661 | 664,850 | | 755,511 | |
| Williams | | 20.00 | 0.23 | 20.23 | 192,754 | 3,899,411 | | 467,929 | 3,431,482 | | 3,899,411 | |
| | | | | Average/Total | 14.90 | 3,212,238 | | 52,373,502 | 6,284,820 | 46,088,682 | 5,796,670 | 58,170,172 |

- Notes
1. Adams County Human Service Fund was deficit \$73,850 after CY2013 - levy increase to address
 2. Bowman County general funds due to carry over balance and pay all benefits from the general fund