

Testimony To The  
**INTERIM POLITICAL SUBDIVISION TAXATION COMMITTEE**  
Prepared Tuesday April 26, 2016 by  
Steve Reiser, NDACo President  
Dakota Central Social Services Director

### **REGARDING SOCIAL SERVICE FINANCING STUDY**

Chairman Dockter and members of the Committee; thank you for the requests to gather and compile several pieces of information regarding the county financing of social services.



The first request was for a more detailed breakdown of county social service expenditures, to better illustrate the costs under consideration for state support. A request was made for expenditure budgets of the 47 social service unit budgets, and an effort was made to break them down into similar categories.

The first attached table (Page 7) is the compilation of the data received. With all but one unit budget received and analyzed, the statewide consistency is apparent. Overall, 87% of county social service expenditures are direct personnel costs (salary, payroll taxes & benefits). Probably not surprisingly, the third of the counties with the smallest social service budgets spend a slightly lower percent (~80%) on personnel, while the third with the largest budgets spend about 89% in this area. You will see for the one missing data element, that county's calculated "budget cap" was inserted in red, to give a more complete picture, but that amount was excluded from the percentage calculations.

Travel, although a small share of the budgets everywhere, is more variable with county location and geography. Cass, Burleigh, and Grand Forks, with 90+% of their clients within a fairly small area and many more service providers within the county, spend about 1% of their budget on travel. A large, more rural, (4-county) social service unit such as Dakota Central, spends 6% of their budget traveling within the unit as well as outside of the unit to reach such things as foster care providers and mandatory staff training.

The General Assistance (GA) and Indigent Burial totals have much less variability – ranging from less than 1% to 4%, with a statewide average of 1%. Although most counties budget small amounts for immediate assistance of transients and local residents involved in emergencies; based on those that broke this line item out, we estimate over \$750,000 of this total is budgeted for burials.

The budgeted costs in the “other program” category may not be the best illustration of the future, since CY2016 program costs were a bit problematic for some counties. As the committee is aware, the passage of SB2206 removed most state program (grant) costs by shifting them to the State, effective January of 2016. Unfortunately, the timing of this required DHS to bill the counties for their December 2015 costs in January of 2016. Based on a county’s particular situation (ending fund balance) and the restrictions on how their county auditor (and fiscal auditor) viewed the billing, most counties found it necessary to pay those December costs in January. This inflated the “other program” component of their CY2016 budgets. As an example, Nelson County amended their approved budget to increase their program expenditures by \$4,272 (2% overall) in order to cover that one month of grant costs. It was difficult to tease out from the budget sheets how many counties were in this same situation, but from information provided to DHS, we believe 36 of the 47 units budgeted \$377,000 for these one-month “holdover” costs.

Of course, in the formula development process, the 2015 actual expenditures are being adjusted by removing the actual payments made for these program costs, which are no longer a county obligation.

The final category of costs, operating, includes the other direct costs of the social service operation. To better illustrate these costs, I have attached the detailed budget (pages 8-9) for one unit – Dakota Central. This shows you in much better detail a breakdown of what it takes to operate a medium to large social service unit. Eight of the 47 units are larger than Dakota Central, and 39 are smaller.



After collection of the expenditure data, we learned that the committee would also be interested in the breakdown of the anticipated revenues to support the budgets, more specifically, state/federal dollars vs. local funding. We dug into the budgets already submitted and found that a number of them had included their budgeted revenues as well as their expenditures. We have therefore compiled more of a sampling of revenue information, recognizing that you may get more statewide information from the Department, as they also budget to reimburse the counties these funds.

From the sampling of four large, four medium, four reservation, and six smaller counties, we see an average budgeted state/federal reimbursements of 25% of total expenditures. Here, the variation is significant, with the most marked difference in the reservation

counties – those receiving the emergency grant funds authorized in SB2206. As the 18 counties in the sample represent slightly over half (57%) of the total budgeted expenditures statewide, it is likely a fairly representative figure for the state/federal revenue in social service budgets. Again, the attached Dakota Central budget on page 9, shows in greater detail the source of these anticipated revenues.

## CY2016 County Social Service Budgets

Social Service Unit	Total Budget	Budgeted State/Fed Revenue	State/Fed as Percent of Total
Cass	12,501,955	3,279,055	26%
Burleigh	7,704,435	1,658,934	22%
Ward	6,579,106	1,334,367	20%
Williams	4,713,105	549,401	12%
Dakota Central	2,656,230	421,514	16%
McKenzie	1,841,351	380,000	21%
Barnes	1,530,138	206,000	13%
Pembina	1,218,490	250,286	21%
Mountrail	2,191,127	834,000	38%
Rolette	2,040,361	1,370,001	67%
Benson	1,122,173	721,886	64%
Sioux	890,200	610,011	69%
Dickey	844,813	145,750	17%
Hettinger	594,567	132,852	22%
Golden Valley/Billings	487,185	58,079	12%
Grant	426,481	55,616	13%
Ransom	394,135	55,000	14%
McIntosh	309,234	27,715	9%
<b>Total of 16 Counties</b>	<b>48,045,087</b>	<b>12,062,752</b>	<b>25%</b>

It must be remembered; for every dollar increase in costs that a county incurs in the delivery of federal program services, there is a proportionate increase in the federal funds paid to the state – some (but not all) of which currently flow through to the counties. So, assuming a state funding plan is adopted, as the net cost to the state increases with any growth in social service expenses, the increase to the general fund will not be the entire amount of growth.



The Committee also requested that our Association provide input into the appropriate growth, or inflation, factor to use in calculating future reimbursements. This obviously is an extremely important question. As the budget breakdown shows, counties are now responsible for primarily personnel costs, and these costs are driven almost exclusively by

state salary adjustments and health insurance premium changes. Motor fuel costs, utilities (for some counties), technology costs, printing and postage are certainly factors, but they are dwarfed by the almost 90% of the budget in personnel.

The ultimate decision on a “standard” growth factor therefore must look to these salary and benefit factors. As has been discussed, federal regulations and their practical application require counties to include their social service employees in the state’s employee classification and salary administration system. When counties hire new employees, they must be hired for specific classified positions and then paid within the maximum and minimum salaries for that position. When the Legislature makes decisions regarding overall state salary adjustments, the maximums and minimums of each position are adjusted accordingly. While this legislative decision may not necessarily force an increase to a specific salary, if that salary is above the minimum, as a practical matter, if a county does not adjust salaries at the state rate, they rather quickly have salary compression in the bottom of the ranges, with new hires paid as much, (or more) than longer-term employees.

Realistically, on average and over time, counties adjust salaries to the degree authorized by legislature for state employees, and these adjustments need to be considered in developing a growth factor.

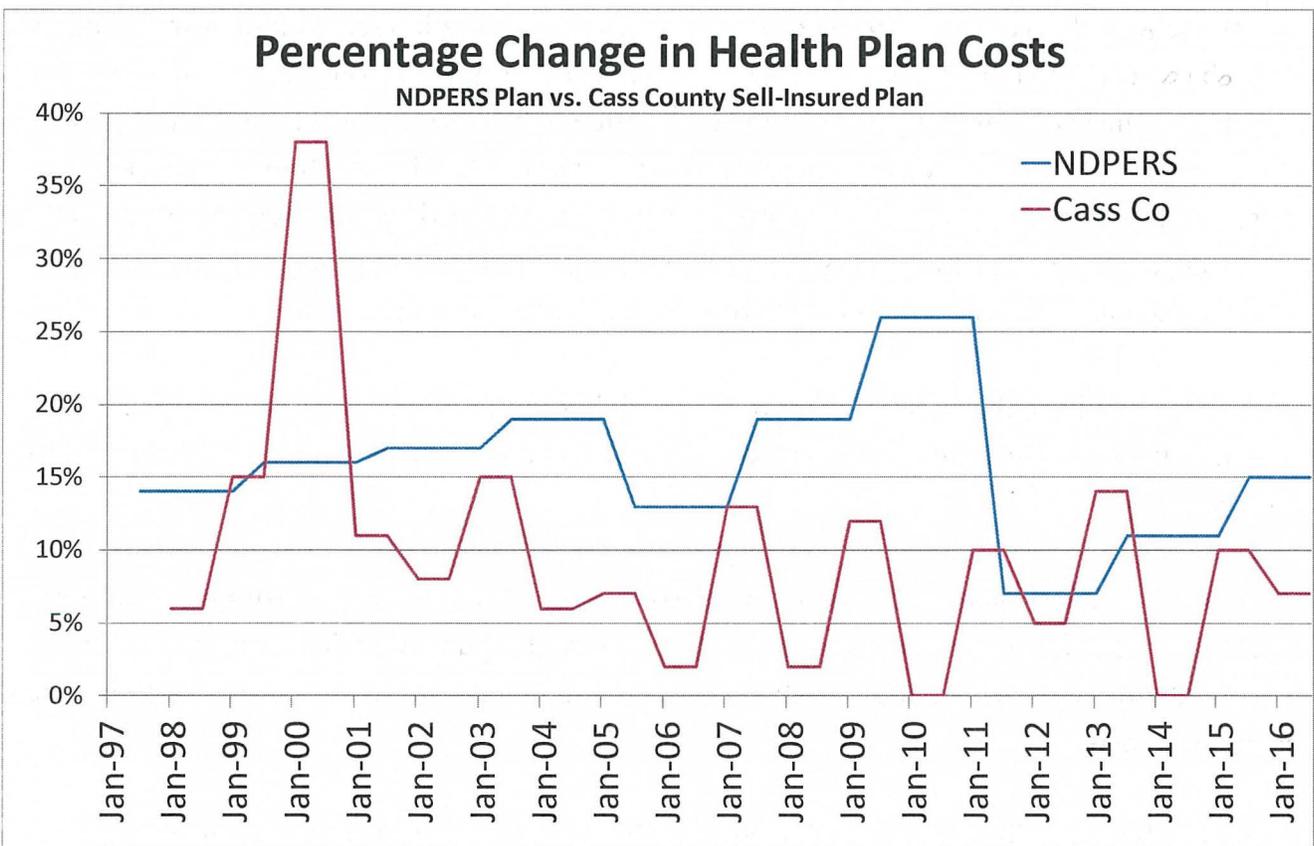
Benefits represent approximately 30% of overall personnel costs, or about 35% of salaries. While the growth in the employer share of retirement, social security, Medicare, and other payroll taxes are driven mostly by the growth in salaries, health insurance premiums are not. These premium costs are estimated at over half of the benefits, or about 20% of the overall personnel costs.

Using this relationship, if one indexed 20% of the annual growth to the change in health insurance premiums and 80% of the growth to the change in state salaries, it seems that such a blended factor may be appropriate. So if salaries were slated for a 3% increase and health premiums an 12% increase, the growth factor would be  $(3\%*80\%)+(12\%*20\%) = 4.8\%$ . This appears to be more “true” to the actual inflationary costs experienced than a national or regional CPI rate – particularly since counties have no direct control over either of these cost adjustments.

If this methodology is to be considered, one would also have to look carefully at the way these rate changes are implemented.

Historically, the legislature addresses salary adjustments for each fiscal year, determining if, and at what average rate, salaries will advance overall. As counties are permitted to implement the new state salary schedule the next January, this cycle would be timely for county budgeting in the summer. Similarly, when the state undergoes a major reassessment of salaries, as it did several years ago with the “Hay Group Study”, those changes were also phased in on a similar schedule, and could therefore be accounted for in the growth rate.

The health insurance factor may be a bit more problematic. Although NDPERS makes biennial adjustments, these are effective in the middle of a county’s calendar year budget, and not all counties obtain their health insurance through NDPERS. The line graph on the below contrasts the percentage change in NDPERS health plan rates with the changes experienced by the Cass County self-insurance plan – the largest of those outside of NDPERS. Currently, 36 of the 47 units have health insurance through NDPERS and 11 have separate plans. Those 11 however, represent 40% of the total county social service employees.



This complicates the calculation, to be sure, but it seems that it would be possible to come up with some appropriate method to incorporate these true drivers of social service costs controlled by the legislature, rather than a more arbitrary index outside legislative control.



The final question asked relates to the appropriate ending fund balance, or reserves, to be maintained by a social service unit. As was discussed at length in the school finance restructuring, it is critical that a certain level of reserves be maintained to address immediate staffing needs that develop before the “formula” can incorporate the caseload additions for future reimbursement.

School district carry over funds (after 2007) are statutorily limited in 15.1-07-29 to “*forty-five percent of the current annual budget for all purposes other than debt retirement and the amounts finances from bond sources plus twenty thousand dollars.*” The legislature further provided in 15.1-27-35.3 that after July 1, 2017 state payments to school districts will be reduced by the amounts in excess of 35% (now 45%) as unobligated general fund balances.

Unlike schools however, some social service agencies have relatively small budgets, and a straight percentage may not be sufficient to fund a single staff person if an addition was required. Therefore, as a suggestion, the committee may wish to consider a limitation of 35% or \$100,000, whichever is higher. This should allow for the addition of one staff position in very small counties, and provide adequate protection for the larger units. As the table on page 10 indicates, this reserve level was exceeded by 16 of the 47 units at the end of 2015, so a phase-in as was allowed for the schools may be appropriate.

Although on this analysis, \$100,000 would be higher than 35% in only one county, looking ahead to the CY2016 budgets – reduced by the state program costs – there would be three in that category.

The two final questions can be somewhat linked, in that the different “insurance premium cycles” among the counties could result in varying cost adjustments in a particular year. A situation could exist where a particular county would need to use reserves in a year that their insurance costs increase, but others do not.

We hope the committee finds this information helpful. I am happy to try to answer any questions, however if you wish specific information regarding the budget example form Dakota Central, we have the director of that unit here to assist.

# CY2016 County Social Service Budget Summaries

COUNTY	Personnel	Travel	GA & Burials	Other Program	Operating	Total
Adams	497,181	25,000	4,100	9,300	23,550	559,131
Barnes	1,348,278	32,000	27,000	20,000	102,860	1,530,138
Benson	885,719	40,000	10,000	16,554	169,900	1,122,173
Billings (See Golden Valley)						
Bottineau	827,665	42,903	17,050	108,563	42,380	1,038,560
Bowman/Slope	669,077	22,500	7,500	20,000	29,900	748,977
Burke	295,165	23,000	8,200	9,000	17,900	353,265
Burleigh	6,756,768	52,500	42,500	238,021	614,646	7,704,435
Cass	11,405,629	101,250	110,300	114,500	770,276	12,501,955
Cavalier	683,661	15,000	11,000	17,000	89,800	816,461
Dickey	703,936	37,000	15,000	1,744	87,133	844,813
Divide	570,994	35,000	8,400	15,800	13,750	643,944
Dunn	615,856	25,000	5,150	4,497	26,816	677,319
Eddy	385,908	7,210	6,300	21,886	37,060	458,364
Emmons	193,700	7,000	12,000	15,900	18,850	247,450
Foster	-	-	-	-	-	586,526 *
Golden Valley/Billings	428,042	20,000	2,093	1,750	35,300	487,185
Grand Forks	7,072,820	110,000	104,000	466,733	430,263	8,183,816
Grant	315,291	24,000	5,300	1,400	80,490	426,481
Griggs	311,845	20,000	7,250	7,250	43,805	390,150
Hettinger	518,887	22,000	5,880	8,700	39,100	594,567
Kidder	244,382	5,000	1,500	21,528	66,502	338,911
Lamoure	355,740	13,000	6,000	750	61,330	436,820
Logan	217,186	4,500	9,000	4,200	22,300	257,186
McHenry	657,317	39,500	14,400	10,582	24,900	746,699
McIntosh	262,284	10,000	6,000	6,000	24,950	309,234
McKenzie	1,511,071	57,778	15,000	199,750	57,752	1,841,351
Dakota Central District	2,281,300	167,050	18,375	56,650	132,855	2,656,230
Mercer (See Dakota Central)						
Morton	2,918,030	25,000	31,000	18,500	99,580	3,092,110
Mountrail	1,854,877	110,000	39,000	84,000	103,250	2,191,127
Nelson	353,400	22,000	11,700	18,139	41,850	447,089
Oliver (See Dakota Central)						
Pembina	1,094,690	14,000	20,200	5,750	83,850	1,218,490
Pierce	615,971	22,000	25,000	42,574	63,932	769,477
Lakes Dist.	2,131,995	45,100	20,500	44,000	185,050	2,426,645
Ransom	285,596	3,200	7,555	41,685	56,099	394,135
Renville	244,045	26,100	5,000	3,300	17,200	295,645
Richland	1,425,462	40,000	19,270	95,744	57,324	1,637,800
Rolette	1,789,634	25,000	17,538	79,589	128,600	2,040,361
Sargent	288,775	16,000	5,800	88,621	33,808	433,004
Sheridan (See Dakota Central)						
Sioux	704,714	15,000	6,000	7,314	157,172	890,200
Slope (See Bowman)						
Stark	3,665,423	50,000	38,300	49,720	374,800	4,178,243
Steele	225,574	24,000	100	18,759	14,150	282,583
Stutsman	2,622,747	52,550	39,000	6,400	248,942	2,969,639
Towner (See Lakes District)						
Trail	1,006,254	70,000	12,950	37,250	77,327	1,203,781
Walsh	1,232,900	76,000	17,500	20,700	165,897	1,512,997
Ward	5,731,614	103,000	121,150	87,350	535,992	6,579,106
Wells	1,011,025	61,300	6,300	11,000	116,428	1,206,053
Williams	4,107,124	90,000	47,550	165,632	302,800	4,713,105
	73,325,551	1,848,441	970,711	2,324,084	5,928,419	84,983,731
	87%	2%	1%	3%	7%	84,397,205

Total Less "Red"

\* "Red" Figure is calculated budget limits - detail not yet available.

## Dakota Central 2016 Expenditure Budget

<u>Item</u>	<u>2015 Budget</u>	<u>2016 Budget</u>	<u>Difference</u>	<u>Percent Change</u>
<b><u>Salaries</u></b>				
Econ. Assistance Total	444,700	460,000	15,300	3.4%
Social Work Total	651,900	671,700	19,800	3.0%
Indirect Total	138,400	143,200	4,800	3.5%
In-Home Care Worker Total	210,400	216,400	6,000	2.9%
All County AL/SL Payouts	20,000	20,000	-	0.0%
<b>Salary Subtotal</b>	<b>1,465,400</b>	<b>1,511,300</b>	<b>45,900</b>	<b>3.1%</b>
<b><u>Employer Share of Employee Benefits</u></b>				
Econ. Assistance Total	255,500	266,200	10,700	4.2%
Social Work Total	310,800	322,800	12,000	3.9%
Indirect Total	65,000	67,800	2,800	4.3%
In-Home Care Total	110,200	113,200	3,000	2.7%
<b>Benefits Subtotal</b>	<b>741,500</b>	<b>770,000</b>	<b>28,500</b>	<b>3.8%</b>
<b><u>Travel</u></b>				
Income Maintenance Travel	13,500	13,500	-	0.0%
Social Work Travel	88,000	92,400	4,400	5.0%
Indirect Travel	9,150	9,150	-	0.0%
In-Home Care Travel	52,000	52,000	-	0.0%
<b>Travel Subtotal</b>	<b>162,650</b>	<b>167,050</b>	<b>4,400</b>	<b>2.7%</b>
<b><u>Operating Expenses</u></b>				
Governing Board	15,000	15,000	-	0.0%
Printing	1,100	1,100	-	0.0%
Office Supplies	9,820	10,150	330	3.4%
Postage	6,920	7,150	230	3.3%
Telephone	15,750	16,200	450	2.9%
Cell phones	7,200	7,200	-	0.0%
Repairs	1,450	1,450	-	0.0%
Registrations	7,600	7,600	-	0.0%
In-Home Care Expense	1,600	1,600	-	0.0%
Technology Expenses	40,000	40,000	-	0.0%
Capital Outlay	6,000	6,000	-	0.0%
Dues	1,155	1,155	-	0.0%
Child welfare expenses	8,000	17,000	9,000	112.5%
Record keeping	250	250	-	0.0%
Miscellaneous	1,000	1,000	-	0.0%
<b>Operating Subtotal</b>	<b>122,845</b>	<b>132,855</b>	<b>10,010</b>	<b>8.1%</b>
<b><u>Family Preservation</u></b>				
Foster Parent Expense	-	-	-	-
Parent Aide	45,000	40,000	(5,000)	-11.1%
Safety/Permanency Funds	6,500	16,000	9,500	146.2%
<b>Family Pres. Subtotal</b>	<b>51,500</b>	<b>56,000</b>	<b>4,500</b>	<b>8.7%</b>

<u>Item</u>	<u>2015 Budget</u>	<u>2016 Budget</u>	<u>Difference</u>	<u>Percent increase</u>
<b><u>General Assistance</u></b>				
Housing	675	675	-	0.0%
Fuel & Utilities	600	600	-	0.0%
Food	225	225	-	0.0%
Medical	1,350	1,350	-	0.0%
Transients	425	425	-	0.0%
Client assistance fund	3,950	3,950	-	0.0%
Other	150	150	-	0.0%
<b>Gen. Assist. Subtotal</b>	<b>7,375</b>	<b>7,375</b>	<b>-</b>	<b>0.0%</b>
<b><u>County Burials</u></b>				
	11,000	11,000	-	0.0%
<b>County Burials Subtotal</b>	<b>11,000</b>	<b>11,000</b>	<b>-</b>	<b>0.0%</b>
<b><u>Program Costs</u></b>				
Medical Assistance	5,500	-	(5,500)	-100.0%
Foster Care	140,000	-	(140,000)	-100.0%
Subsidized Adoption	37,500	-	(37,500)	-100.0%
Wraparound FC	15,000	-	(15,000)	-100.0%
SPED	11,000	-	(11,000)	-100.0%
EBT Card Issuance Fees	3,500	-	(3,500)	-100.0%
SED Out of Home	3,000	-	(3,000)	-100.0%
TECS (State Automation Charges)	25,000	-	(25,000)	-100.0%
<b>Program Cost Subtotal</b>	<b>240,500</b>	<b>-</b>	<b>(240,500)</b>	<b>-100.0%</b>
<b><u>Attendant Care</u></b>				
Salaries	400	400	-	0.0%
Benefits	-	-	-	-
Supplies/furnishings	250	250	-	0.0%
Miscellaneous	-	-	-	-
<b>Attendant Care Subtotal</b>	<b>650</b>	<b>650</b>	<b>-</b>	<b>0.0%</b>
<b>EXPENDITURE TOTAL</b>	<b>2,803,420</b>	<b>2,656,230</b>	<b>(147,190)</b>	<b>-5.3%</b>

## Dakota Central 2016 Revenue Budget

	<u>2015 Budget</u>	<u>2016 Budget</u>	<u>Total \$\$ Change</u>	<u>Percent Change</u>
<b><u>Non-County Receipts</u></b>				
Administrative Reimbursement	287,624	291,514	3,890	1.4%
Wraparound FC	10,000	10,000	-	0.0%
HCBS SPED, MA-W, DD	120,000	120,000	-	0.0%
Estates GA & OS				
Services-Clients	12,000	12,000	-	0.0%
Day Care Licenses	800	800	-	0.0%
Miscellaneous	4,000	4,000	-	0.0%
<b>Receipts Subtotal</b>	<b>434,424</b>	<b>438,314</b>	<b>3,890</b>	<b>0.9%</b>
<b><u>County share</u></b>				
McLean	947,598	887,166	(60,432)	-6.4%
Mercer	947,598	887,166	(60,432)	-6.4%
Oliver	236,900	221,792	(15,108)	-6.4%
Sheridan	236,900	221,792	(15,108)	-6.4%
<b>County Share Subtotal</b>	<b>2,368,996</b>	<b>2,217,916</b>	<b>(151,080)</b>	<b>-6.4%</b>
<b>Revenue Total</b>	<b>2,803,420</b>	<b>2,656,230</b>	<b>(147,190)</b>	<b>-5.3%</b>

# Analysis of County Social Service Levies and Fund Balances

Prepared from a survey completed by County Auditors - March 2016

	a	b	c	d	e
	CY15 Soc. Ser. Budget	Fund Balance 12/31/2015	Balance as Percent of CY15 Budget	35% of CY15 Budget or \$100,000	Amount Over Threshold
Adams	\$540,753	(137,860)	-25%	189,264	-
Barnes	\$1,594,441	276,599	17%	558,054	-
Benson	\$1,164,976	79,199	7%	407,742	-
Billings with Gold.Val.		320,620	#		
Bottineau	\$1,172,632	512,059	44%	410,421	101,637
Bowman	\$806,056	303,534	38%	282,120	21,414
Burke	\$373,909	261,883	70%	130,868	131,015
Burleigh	\$8,703,262	2,876,787	33%	3,046,142	-
Cass	\$14,626,729	2,165,013	15%	5,119,355	-
Cavalier	\$893,322	724,857	81%	312,663	412,195
Dickey	\$899,114	503,287	56%	314,690	188,597
Divide	\$670,643	38,114	6%	234,725	-
Dunn	\$496,745	5,397	1%	173,861	-
Eddy	\$485,129	19,249	4%	169,795	-
Emmons	\$291,650	161,508	55%	102,078	59,430
Foster	\$623,139	224,152	36%	218,099	6,053
Golden Valley	\$498,091	38,479	72%	174,332	-
Grand Forks	\$9,167,572	1,509,741	16%	3,208,650	-
Grant	\$443,365	91,394	21%	155,178	-
Griggs	\$412,445	33,087	8%	144,356	-
Hettinger	\$600,484	20,836	3%	210,169	-
Kidder	\$391,960	159,420	41%	137,186	22,234
LaMoure	\$456,579	(356,910)	-78%	159,803	-
Logan	\$261,619	113,286	43%	100,000	13,286
McHenry	\$787,627	262,994	33%	275,669	-
McIntosh	\$345,118	73,958	21%	120,791	-
McKenzie	\$1,879,735	671,449	36%	657,907	13,542
McLean/Dak.Cntl	\$2,803,420	(97,706)	11%	981,197	-
Mercer Pt of Dak.Cntrl		99,056	#		
Morton	\$3,404,139	436,008	13%	1,191,449	-
Mountrail	\$2,220,477	507,802	23%	777,167	-
Nelson	\$470,214	195,303	42%	164,575	30,728
Oliver Pt of Dak.Cntrl		254,852	#		
Pembina	\$1,311,325	21,735	2%	458,964	-
Pierce	\$802,998	137,212	17%	281,049	-
Ramsey/Lakes	\$2,613,931	589,434	27%	914,876	-
Ransom	\$497,538	146,117	29%	174,138	-
Renville	\$372,977	73,500	20%	130,542	-
Richland	\$1,862,293	729,568	39%	651,803	77,765
Rolette	\$2,108,334	137,007	6%	737,917	-
Sargent	\$500,277	83,528	17%	175,097	-
Sheridan Pt of Dak.Cntrl		63,542	#		
Sioux	\$866,416	(66,434)	-8%	303,246	-
Slope with Bowman		0	#		
Stark	\$4,734,498	3,221,431	68%	1,657,074	1,564,357
Steele	\$295,557	372,714	126%	103,445	269,269
Stutsman	\$3,421,560	2,153,619	63%	1,197,546	956,073
Towner Pt of Lakes		117,865	#		
Trail	\$1,558,436	34,177	2%	545,453	-
Walsh	\$1,590,074	18,856	1%	556,526	-
Ward	\$7,635,266	1,624,406	21%	2,672,343	-
Wells	\$1,199,033	63,542	5%	419,662	-
Williams	\$5,096,026	4,216,634	83%	1,783,609	2,433,025
<b>TOTAL</b>	<b>\$93,951,884</b>	<b>26,085,899</b>	<b>28%</b>	<b>32,891,593</b>	<b>6,300,620</b>

# Where appropriate, ending fund balances totaled in combined counties to to calculate percent against 2015 Budget