17.0760.06000

FISCAL NOTE
Requested by Legislative Council
04/21/2017

Amendment to: SB 2206

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$209,059		
Expenditures			$26,290,941	$134,909,059		$160,700,000
Appropriations			$26,290,941	$134,909,059		$160,700,000

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB2206 transitions the funding responsibility for county social services from the counties to the State. The Department of Human Service is required to administer a state-wide pilot program and develop a plan for permanent implementation. Consideration to study the property tax system.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Engrossed SB 2206 transitions funding responsibility for county social services from the counties to the State; suspends chapter 50-03 an section 50-06-20.1 and 50-06.2-05 relating to the county human services funds, the human service grant program, and county human services levy authority; and repeals section 57-20-07.2 relating to the state-paid property tax relief credit.

Section 8 of Engrossed SB 2206 requires the Department of Human Services (Department) to administer a state-wide pilot program and develop a plan for permanent implementation.

Section 4 of Engrossed SB 2206 requires a change in the payment methodology used by the Department to reimburse the counties for economic assistance and social service programs for the calendar years after December 31, 2017.

Section 19 of Engrossed SB 2206 contains special fund appropriation of $134,700,000 and included in Engrossed HB 1012 is $26,000,000 of general fund appropriation for a combined appropriation of $160,700,000.

The Department will need to hire a consultant to analyze the current county service delivery system and to recommend potential service delivery efficiencies to be used in the development of an implementation plan. It is anticipated that the cost of a consultant would be approximately $500,000, of which $290,941 is general fund and $209,059 is federal funds.

The 19-21 biennium amounts reflected above provide funding for the new payment method with no inflationary increases or other formula changes for both CY 2020 and CY 2021.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

   It is anticipated the Department will be reimbursed approximately $209,059 in federal funds for the cost of a consultant.

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

   Engrossed SB 2206 transitions funding responsibility for county social services from the counties to the State; suspends chapter 50-03 an section 50-06-20.1 and 50-06.2-05 relating to the county human services funds, the human service grant program, and county human services levy authority; and repeals section 57-20-07.2 relating to the state-paid property tax relief credit.

   Section 8 of Engrossed SB 2206 requires the Department to administer a state-wide pilot program and develop a plan for permanent implementation.

   Section 4 of Engrossed SB 2206 requires a change in the payment methodology used by the Department to reimburse the counties for economic assistance and social service programs for the calendar years after December 31, 2017.

   Section 19 of Engrossed SB 2206 contains special fund appropriation of $134,700,000 and included in Engrossed HB 1012 is $26,000,000 of general fund appropriation for a combined appropriation of $160,700,000.

   The Department will need to hire a consultant to analyze the current county service delivery system and to recommend potential service delivery efficiencies to be used in the development of an implementation plan. It is anticipated that the cost of a consultant would be approximately $500,000, of which $290,941 is general fund and $209,059 is federal funds.

   The 19-21 biennium amounts reflected above provide funding for the new payment method with no inflationary increases or other formula changes for both CY 2020 and CY 2021.

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

   Section 19 of Engrossed SB 2206 contains a special fund appropriation of $134,700,000 and included in Engrossed HB 1012 is $26,000,000 of general fund appropriation for a combined appropriation of $160,700,000.

   The Department will need operating appropriation authority in the 2017-2019 biennium in the amount of $500,000, of which $290,941 is general fund and $209,059 is federal funds to hire a consultant.

   For the 2019-2021 biennium without consideration of inflationary increases or other formula changes, the Department would need authority respectively of $160,700,000 to continue the new payment methodology.

Name: Jennifer Scheet

Agency: Human Services

Telephone: 328-4608

Date Prepared: 04/21/2017

17.0760.04000

FISCAL NOTE
Requested by Legislative Council
04/12/2017

Amendment to: SB 2206

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$209,059		
Expenditures			$159,290,941	$209,059	$159,000,000	
Appropriations			$161,000,000		$159,000,000	

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2206 transitions the funding responsibility for county social services from the counties to the State. Section 8 of Engrossed SB 2206 requires the Department of Human Service (Department) to administer a state-wide pilot program and develop a plan for permanent implementation.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Engrossed SB 2206 transitions funding responsibility for county social services from the counties to the State; suspends chapter 50-03 an section 50-06-20.1 and 50-06.2-05 relating to the county human services funds, the human service grant program, and county human services levy authority; and repeals section 57-20-07.2 relating to the state-paid property tax relief credit.

Section 8 of Engrossed SB 2206 requires the Department to administer a state-wide pilot program and develop a plan for permanent implementation.

Section 4 of Engrossed SB 2206 requires a change in the payment methodology used by the Department to reimburse the counties for economic assistance and social service programs for the calendar years after December 31, 2017.

Section 17 of Engrossed SB 2206 contains general fund appropriation of $135,000,000 and included in Engrossed HB 1012 is $26,000,000 of general fund appropriation for a combined general fund appropriation of $161,000,000. The estimated cost for the state-paid economic assistance and social service pilot program using the methodology contained in the bill is $159,000,000.

The Department will need to hire a consultant to analyze the current county service delivery system and to recommend potential service delivery efficiencies to be used in the development of an implementation plan. It is anticipated that the cost of a consultant would be approximately $500,000, of which $290,941 is general fund and $209,059 is federal funds.

The 19-21 biennium amounts reflected above provide funding for the new payment method with no inflationary increases or other formula changes for both CY 2020 and CY 2021.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

   It is anticipated the Department will be reimbursed approximately $209,059 in federal funds for the cost of a consultant.

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

   Engrossed SB 2206 transitions funding responsibility for county social services from the counties to the State; suspends chapter 50-03 an section 50-06-20.1 and 50-06.2-05 relating to the county human services funds, the human service grant program, and county human services levy authority; and repeals section 57-20-07.2 relating to the state-paid property tax relief credit.

   Section 8 of Engrossed SB 2206 requires the Department to administer a state-wide pilot program and develop a plan for permanent implementation.

   Section 4 of Engrossed SB 2206 requires a change in the payment methodology used by the Department to reimburse the counties for economic assistance and social service programs for the calendar years after December 31, 2017.

   Section 17 of Engrossed SB 2206 contains general fund grant appropriation of $135,000,000 and included in Engrossed HB 1012 is $26,000,000 of general fund appropriation for a combined general fund gappropriation of $161,000,000. The estimated cost for the state-paid economic assistance and social service pilot program using the methodology contained in the bill is $159,000,000.

   The Department will need to hire a consultant to analyze the current county service delivery system and to recommend potential service delivery efficiencies to be used in the development of an implementation plan. It is anticipated that the cost of a consultant would be approximately $500,000, of which $290,941 is general fund and $209,059 is federal funds.

   The 19-21 biennium amounts reflected above provide funding for the new payment method with no inflationary increases or other formula changes for both CY 2020 and CY 2021.

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

   Section 17 of Engrossed SB 2206 contains a general fund grant appropriation of $135,000,000 and included in Engrossed HB 1012 is $26,000,000 of general fund appropriation for a combined general fund grant appropriation of $161,000,000. The estimated cost for the state-paid economic assistance and social service pilot program using the methodology contained in the bill is $159,000,000.

   The Department will need operating appropriation authority in the 2017-2019 biennium in the amount of $500,000, of which $290,941 is general fund and $209,059 is federal funds to hire a consultant.

   For the 2019-2021 biennium without consideration of inflationary increases or other formula changes, the Department would need general fund authority respectively of $159,000,000 to continue the new payment methodology.

Name: Debra A McDermott

Agency: Human Services

Telephone: 328-3695

Date Prepared: 04/13/2017

17.0760.03000

FISCAL NOTE
Requested by Legislative Council
03/30/2017

Amendment to: Engrossed SB 2206

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$209,059		
Expenditures			$290,941	$209,059		
Appropriations			$290,941	$209,059		

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2206 requires the Department of Human Services to develop an implementation plan for state-funded county social services; and to provide for a report to the legislative assembly.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Engrossed SB 2206 requires the Department of Human Services (Department) to develop an implementation plan for the eventual state funding of county social services and elimination of county humans service levy authority under section 57-15-06.7.

The Department will need to hire a consultant to analyze the current county service delivery system and to recommend potential service delivery efficiencies to be used in the development of an implementation plan. It is anticipated that the cost of a consultant would be approximately $500,000, of which $290,941 is general fund and $209,059 is federal funds.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

It is anticipated the Department will be reimbursed approximately $209,059 in federal funds for the cost of a consultant.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The Department plans to hire a consultant to analyze the current county service delivery system and recommend potential service delivery efficiencies. It is anticipated operating expenses will increase by $500,000 to hire a consultant, of which $290,941 is general fund and $209,059 is federal funds.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The Department of Human Services will need operating line item appropriation authority in the 2017 - 2019 biennium in the amount of $500,000, of which $290,941 is general fund and $209,059 is federal funds to hire a consultant.

Name: Debra A McDermott

Agency: Human Services

Telephone: 328-3695

Date Prepared: 04/03/2017

17.0760.02000

FISCAL NOTE
Requested by Legislative Council
02/21/2017

Amendment to: SB 2206

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			$242,057,732	$275,000,000	$275,000,000	$275,000,000
Appropriations			$242,057,732	$275,000,000	$275,000,000	$275,000,000

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2206 requires the funding of county social services be transferred from the county to the state. Section 10 of SB 2206 maintains the credit against payments in lieu of taxes paid by electric transmission and distribution companies.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 3 of Engrossed SB 2206 requires a change in the payment methodology used by the Department of Human Services (Department) to reimburse counties for economic assistance and social service programs for calendar years after December 31, 2017, continuing the property tax relief previously provided to counties.

The Department's budget, Engrossed HB 1012 and OMB's budget, Engrossed HB 1015 do not contain funding for the new payment methodology contained in Engrossed SB 2206. In order to pay the counties using the new methodology Engrossed HB 1015 would need to include a $275,000,000 general fund transfer to the County Social Service Financing Fund and Engrossed HB 1012 would need to include an increase of $275,000,000 in other fund authority and a decrease of $32,942,268 in general fund authority to pay counties from January 1, 2018 thru June 30, 2019.

2015 SB 2144 eliminated the county social services emergency levy (Levy 1222). Levy 1222 was available if the number of mills needed to fund county social services exceeds 20 mills. A Human Service Grant was added to 2015 SB 2206 for counties that had historically used the emergency levy. Therefore authority to use Levy 1222 would need to be restored to the counties if the bill does not pass, or language would need to be added to a bill to implement the Human Service Grant program.

Section 5 of Engrossed SB 2206 was amended to reflect the Department's authority to withhold funding from the service areas in the event the service area fails to perform duties directed or assigned and supervised by the Department.

Section 10 of Engrossed SB 2206 maintains the credit against payments in lieu of taxes paid by electric transmission and distribution companies. There is no fiscal impact associated with this section.

The 19-21 biennium amounts reflected above provides funding for the new payment methodology with no inflationary increases or other formula changes for both CY 2020 and CY 2021.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

   Section 3 of Engrossed SB 2206 requires a change in the payment methodology used by the Department of Human Services (Department) to reimburse counties for economic assistance and social service programs for calendar years after December 31, 2017, continuing the property tax relief previously provided to counties.

   The Department's budget, Engrossed HB 1012 and OMB's budget, Engrossed HB 1015 do not contain funding for the new payment methodology contained in Engrossed SB 2206. In order to pay the counties using the new methodology Engrossed HB 1015 would need to include a $275,000,000 general fund transfer to the County Social Service Financing Fund and Engrossed HB 1012 would need to include an increase of $275,000,000 in other fund authority and a decrease of $32,942,268 in general fund authority to pay counties from January 1, 2018 thru June 30, 2019.

   2015 SB 2144 eliminated the county social services emergency levy (Levy 1222). Levy 1222 was available if the number of mills needed to fund county social services exceeds 20 mills. A Human Service Grant was added to 2015 SB 2206 for counties that had historically used the emergency levy. Therefore authority to use Levy 1222 would need to be restored to the counties if the bill does not pass, or language would need to be added to a bill to implement the Human Service Grant program.

   Section 5 of Engrossed SB 2206 was amended to reflect the Department's authority to withhold funding from the service areas in the event the service area fails to perform duties directed or assigned and supervised by the Department.

   Section 10 of Engrossed SB 2206 maintains the credit against payments in lieu of taxes paid by electric transmission and distribution companies. There is no fiscal impact associated with this section.

   The 19-21 biennium amounts reflected above provides funding for the new payment methodology with no inflationary increases or other formula changes for both CY 2020 and CY 2021.

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

   The Department's 2017-2019 budget contained in Engrossed HB 1012 would need additional other fund authority of $275,000,000 and a decrease of $32,942,268 in general fund authority. OMB's 2017-2019 budget contained in Engrossed HB 1015 would need authority to transfer $275,000,000 general fund to the Social Service Financing Fund.

   For the 19-21 biennium without consideration of inflationary increases or other formula changes, the Department and OMB would need other fund and general fund authority respectively, of $275,000,000 to continue the property tax relief payments.

Name: Debra A McDermott

Agency: Human Services

Telephone: 328-3695

Date Prepared: 03/09/2017

17.0760.01000

FISCAL NOTE
Requested by Legislative Council
01/13/2017

Bill/Resolution No.: SB 2206

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			$242,057,732	$275,000,000	$275,000,000	$275,000,000
Appropriations			$242,057,732	$275,000,000	$275,000,000	$275,000,000

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill requires the funding of county social services be transferred from the county to the state. Section 10 of SB 2206 maintains the credit against payments in lieu of taxes paid by electric transmission and distribution companies.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 3 of SB 2206 requires a change in the payment methodology used by the Department of Human Services (Department) to reimburse counties for economic assistance and social service programs for calendar years after December 31, 2017 continuing the property tax relief previously provided to counties.

Section 5 of HB 1075 transfers $275,000,000 from the general fund to the County Social Service Financing Fund. Subsection 4 of HB 1072 contains $275,000,000 appropriation authority to pay counties for county social service expenditures using the new payment methodology. The Department's Optional Adjustment Request related to this new payment methodology was included in the 17-19 Executive Budget, therefore $32,942,268 in general fund authority was removed from the Department's 17-19 Executive Budget for payments anticipated to be made to the counties from January 1, 2018 thru June 30, 2019.

If SB 2206 does not pass the Department of Human Services would need $32,942,268 in general fund authority added to HB 1072 for the 17-19 biennium to maintain the payment methodology to counties for the reimbursement of economic assistance and social service programs.

The base level Department budget (HB1012) and OMB budget (HB 1015) do not contain the new payment methodology used in constructing the 2017-2019 budget for county social service financing, therefore funding to accommodate the change in payment methodology proposed in SB 2206 would need to be added to HB 1012 and HB 1015.

2015 SB 2144 eliminated the county social services emergency levy (Levy 1222). Levy 1222 was available if the number of mills needed to fund county social services exceeds 20 mills. A Human Service Grant was added to 2015 SB 2206 for counties that had historically used the emergency levy. Therefore authority to use Levy 1222 would need to be restored to the counties if the bill does not pass, or language would need to be added to a bill to implement the Human Service Grant program.

Section 10 of SB 2206 maintains the credit against payments in lieu of taxes paid by electric transmission and distribution companies. There is no fiscal impact associated with this section.

The 19-21 biennium amounts reflected above provides funding for the new payment methodology with no inflationary increases or other formula changes for both CY 2020 and CY 2021.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Section 5 of HB 1075 transfers $275,000,000 from the general fund to the County Social Service Financing Fund. Subsection 4 of HB 1072 contains $275,000,000 appropriation authority to pay counties for county social service expenditures using the new payment methodology. The Department's Optional Adjustment Request related to this new payment methodology was included in the 17-19 Executive Budget, therefore $32,942,268 in general fund authority was removed from the Department's 17-19 Executive Budget for payments anticipated to be made to the counties from January 1, 2018 thru June 30, 2019.

If SB 2206 does not pass the Department of Human Services would need $32,942,268 in general fund authority added to HB 1072 for the 17-19 biennium to maintain the payment methodology to counties for the reimbursement of economic assistance and social service programs.

The base level Department budget (HB1012)and OMB budget (HB 1015) do not contain the new payment methodology used in constructing the 2017-2019 budget for county social service financing, therefore funding to accommodate the change in payment methodology proposed in SB 2206 would need to be added to HB 1012 and HB 1015.

2015 SB 2144 eliminated the county social services emergency levy (Levy 1222). Levy 1222 was available if the number of mills needed to fund county social services exceeds 20 mills. A Human Service Grant was added to 2015 SB 2206 for counties that had historically used the emergency levy. Therefore authority to use Levy 1222 would need to be restored to the counties if the bill does not pass, or language would need to be added to a bill to implement the Human Service Grant program.

Section 10 of SB 2206 maintains the credit against payments in lieu of taxes paid by electric transmission and distribution companies. There is no fiscal impact associated with this section.

The 19-21 biennium amounts reflected above provides funding for the new payment methodology with no inflationary increases or other formula changes for both CY 2020 and CY 2021.

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Included in the Department's 17-19 Executive Budget Recommendation (HB 1072) is other fund appropriation authority of $275,000,000 for property tax relief payments to the counties and included in OMB's Executive Budget Recommendation (HB 1075) is appropriation authority to transfer $275,000,000 from the general fund to the County Social Service Financing Fund. The Department's and OMB's base level budgets HB 1012 and HB 1015 do not contain the new payment methodology used in constructing the 2017-2019 budget for county social service financing, therefore funding to accommodate the change in payment methodology proposed in SB 2206 would need to be added to HB 1012 and HB 1015.

For the 19-21 biennium without consideration of inflationary increases or other formula changes, the Department and OMB would need other fund and general fund authority respectively, of $275,000,000 to continue the property tax relief payments.

Name: Debra A McDermott

Agency: Human Services

Telephone: 328-3695

Date Prepared: 01/24/2017

2017 SENATE FINANCE AND TAXATION

SB 2206

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

Senate Bill 2206
1/25/2017
Job #: 27351

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact chapter 50-34 and a new section to chapter 57-20 of the North Dakota Century Code, relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies; to amend and reenact sections 11-23-01, 50-01.2-03.2, 50-06-05.8, 50-06.2-04, subsection 3 of section 57-15-01.1, sections 57-15-06 and 57-15-06.7, and subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code, relating to county and multicounty social service board budgets, county general fund levy limitations, and property tax statements; to repeal chapter 50-03 and sections 50-06-20.1, 50-06.2-05, and 57-20-07.2 of the North Dakota Century Code, relating to the county human services fund, the human services grant program, county property tax levy authority for social services, and the state-paid property tax relief credit; and to provide an effective date.

Minutes: | Attachments #1 - #8 |

Chairman Cook: All Senators present. Opened the hearing on SB 2206

(0:00:40-0:02:35) Vice Chairman Bekkedahl: Submitted testimony #1 in support of SB 2206.

(0:02:45-0:04:50) Senator Dever, District 32: SB 2206 which follows from the last session, SB 2206. I was the prime sponsor for 64th Assembly Senate Bill 2206 which provided for a shift of approximately 23 million dollars. It was for different things such as foster care, that could have been a state expense or county expense. In the interest of property tax relief, we shifted the costs to the state. Also in the bill was the study that was accomplished during the interim that brings us to the point. Looking at shifting all of county social services in the interest of property tax relief. The state has been 12% directly to the counties, instead of paying it, the state is going assume the costs. Not an increase of spending but a shift of spending, from the counties to the state. He'll make this point in Appropriations when it gets there.

(0:05:00-0:13:15) **Representative Weisz, District 14**: Appeared in support of SB 2206. Background as Senator Cook and I were the only ones around in 1997. The bill in front of you started in 1997. There was legislation that was called swap legislation. Prior to 1997 counties were responsible for a portion of administrative and program costs dealing with social services, came to legislature asking to transfer all program costs to the state, reasoning they couldn't control the costs. Administration would stay with them because they could control them a little better. Counties took over all administrative costs. Child support enforcement, foster care, guardianship issues were left out at the time. We ended up taking over child support between 2001-2005. That's been a very successful thing since the transfer.

One of the other issues when we did the original swap, had to do with Indian counties. Indian counties share a very high proportion relative to the population of the costs of social services. Came up with a formula, to assist with the Indian counties. In 2009, 2011, and 2013 bills were introduced to take over the parts of the costs. They were all defeated. In 2015, finally passed a bill to take care of the rest of the program costs, around 23 million dollars. The counties are still responsible for all of the administrative costs. The state has picked up all of the program costs.

Why should we be here looking at taking over the rest of it? Local taxes should pay for local issues, social services are federal and state mandated. The counties have very little to no say in those programs. Local property taxes should not pay for those services. It's a 250-million-dollar burden to the local tax payers that we're looking at.

Highlights that make this a good bill. 1) Often hear complaints when property tax buy-downs are done that counties can just turn around and backfill. This bill eliminates the 20 mill authority for social services. The state has taken over social services, so there's nothing to levy for. Services are taken care of, have nothing to add. 2) It takes into account large counties and small counties and how the services are delivered. The formulas are based on the density of the counties, population mixes, and areas covered. Encourages efficiency. Puts the state in control of where the funding should be for the administration of the services.

Chairman Cook: In 2013, the takeover bill was alive until the last day and the last hour.

Representative Weisz: When I presented the bill, I left it open for the county agencies to try and put it together. The bill was amended down to just take the program costs of the 23 million. This is the right process, now we know how we're going to implement it.

Chairman Cook: The 2013 bill is what created the 12% buy down.

Representative Weisz: The legislature shouldn't be in the business of buying down property tax. We should be in the business of making sure we pay for what's our responsibility and the locals pay for what they want on the local end.

Chairman Cook: The social service bill that was alive until the end was going to bring property tax relief, when we killed it we lost that relief so we replaced it with the 12% buy down.

(0:15:30-0:23:30) Representative Dockter, District 7, Chairman of the Interim Political Subdivisions Taxation Committee: presented testimony #2 in support of SB 2206.

Senator Unruh: There should be another scale that shows when the social services cost exceeded what the counties were able to levy before. Is there a limitation in place to limit the spending?

(0:25:20-44:15) Joe Morrissette, Deputy Tax Commissioner: submitted testimony #3 in support of SB 2206.

Joe Morrissette was questioned about the time frame of certification. It will be the mill levy calculation for current year and the budget for the next year. The formula numbers won't be done until

Senator Unruh: If these county social services number exceed the 12% buy down level, is there way for them to be capped.

Joe Morrissette: The formula is based on the historic costs, the per case rates and how they would grow. 12% is the transition it's just the floor, not the ceiling. No mechanism that would limit.

Senator Unruh: If we don't feel the 12% program is sustainable long term versus this new.

(0:33:00-0:44:15) Joe Morrissette: continued testimony #3 on page two, social services formula.

Chairman Cook: Language as far as getting the property relief statement, in section 9, is that correct?

Joe Morrissette: It would be calculated similar to the way the school portion of the tax relief is done now, dollar amount would change to mills on the tax statement.

(0:46:00-0:51:30) Randi Suckut: Commissioner, Wells County & President of North Dakota Association of Counties: presented testimony #4 in support of SB 2206. A resolution was passed with full support from the NDAC.

(0:52:35-0:57:50) Kim Jacobson, Director of Traill County Social Services: presented testimony #5 in support of SB 2206.

Senator Dotzenrod: One of the benefits would be streamlining, is currently time consuming, that showed the ending balances. I assume the ending balances are needed, because there isn't a perfect match month to month of what's coming in and going out. There might be a time when there is a gap, a lot of the revenue comes in when property taxes are paid, and then federal money comes in, goes in there as well. The mill levy won't be in there anymore. It will be replaced by a 6-month payment, a measurement of the caseload. The services provided, caseload established, and will be a period of waiting for money distribution. Are the ending balances going to be about what they are right now, or will there be a more accurate

Kim Jacobson: Your wondering about my prediction of the ending balance will be of the social service fund.

Senator Dotzenrod: Some ending balance fairly substantial, in the future will the flow in and out be more evened out.

Kim Jacobson: Under the proposal in SB 2206, during the first period would be returned to the county, after the first year of implement it would be returned to the state. If for some reason we operate really efficient the dollars will go back to the state otherwise we'll be forced to look at what we do to stay in the budget we're provided, even on a more accountable basis.

Chairman Cook: The beginning caseload information is being used from 2016 numbers.

Terry Traynor, North Dakota Association of Counties: Lots of people here from different counties in support of SB 2206 and ready to answer questions.

Zac Smith, North Dakota Association of Rural Electric Cooperatives: Explained why section 10 of the bill was added between the interim and the bill getting introduced. They'd asked for it to be held to work with counties and tax commissioner's office to provide a fix for the rural electric cooperatives. Had it not been in there, it would have had a 12% increase for other property tax payers.

Pete Hanebutt, North Dakota Farm Bureau: In support of SB 2206, it's good property tax relief for rural North Dakota.

Chairman Cook: Wasn't there a time when counties paid a percentage of Medicaid and the state took it over at some point.

Mark Johnson, Executive Director, North Dakota Association of Counties: That is correct, counties paid 25% of the cost of Medicaid and Medicare just before swap. That is what swap did, was eliminate the 25% cost share. It was the motivating cost behind swap.

Closed the hearing on SB 2206.

Attached is additional testimony #6, #7, and #8 that were received after the close of the hearing.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

Senate Bill 2206
1/31/2017
Job #: 27657

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies; relating to county and multicounty social service board budgets, county general fund levy limitations, and property tax statements; to repeal chapters relating to the county human services fund, the human services grant program, county property tax levy authority for social services, and the state-paid property tax relief credit; and to provide an effective date.

Minutes: No Attachments

Chairman Cook: Opened committee work on SB 2206.

Senator Dotzenrod: Will the hold harmless payments be phased out?

Vice Chairman Bekkedahl: The timeliness of when they phase out will depend on the caseloads and the additions added to the caseloads at the county level. It is designed that the hold harmless payments will phase out as the caseloads expand or inflate.

Senator Dotzenrod: The reasoning behind the phase out is that the cost of social services will expand and take dollars away. Is there an amount set?

Vice Chairman Bekkedahl: The legislature will set the caseload reimbursements every session within the budget cycle. Much like the education fund where we determine what we fund per pupil, it's very similar to this. The hold harmless guarantees the 12% buy back from the counties that don't have a 12% cost to the formula yet.

Senator Dotzenrod: The method by which we have mechanically achieved a property tax buy down is to have this bucket that fills up with oil tax revenue during the interim. As it grows and reaches a certain level it stops. It's general fund dollars, nothing special is set up to fund this?

Senator Laffen: 20 mills are taken away from the counties ability to tax.

Chairman Cook: 20 mills are taken away. People are worried about a back fill. It would be obvious because of the zero truth and taxation that we have in place.

Senator Unruh move a do pass on SB 2206, with a refer to appropriations.

Senator Laffen seconded.

A Roll Call Vote was taken. 6 yeas, 0 nays, 0 absent.

Senator Bekkedahl will carry the bill.

Date: 1-31-2017
Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

Senate Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description:

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☒ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐

Motion Made By Unruh Seconded By Laffen

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod	✓	
Vice Chair Brad Bekkedahl	✓				
Senator Lonnie J. Laffen	✓				
Senator Scott Meyer	✓				
Senator Jessica Unruh	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Bekkedahl

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2206: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2206 was rereferred to the **Appropriations Committee**.

2017 SENATE APPROPRIATIONS

SB 2206

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2206
2/6/2017
Job # 27914

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Rose Laning

Explanation or reason for introduction of bill/resolution:

Relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies.

Minutes:

Testimony Attached # 1 – 5.

Legislative Council: Adam Mathiak
OMB: Becky Keller

Senator Krebsbach called the committee to order on SB 2206. Roll call was taken. Senator Holmberg and Senator Bowman were absent.

Senator Brad Bekkedahl, District 1, Williston, ND, Bill Sponsor
Testimony Attached # 1.

(3:47)Senator Dever, State Senator, District 32, Bismarck, ND
Testified in favor of SB 2206. No written testimony.
On the bill, where it says SB 2206, you may want to write -17 because it is a follow through from SB 2206-15 which I sponsored in the last session. The bill started out by transferring approx. $23M of social service cost from the counties to the state. It started with some costs that were obvious that could be covered either by the state or by the county. That's just the way it was. The bill also included a study by Legislative Council, also put together a working group to go through the process and their charge was not only to transfer that but to insure that it did not lead to increased property taxes following that up because everyone thinks it creates a new base. It does not. It eliminates that. The money that is considered in this bill is not an increase in spending, it's a shift in spending from the 12% buy-down and that's how it's covered.

Representative Robin Weisz, District 14, Bill Sponsor.
Testified in favor of SB 2206. No written testimony.
A little history on the bill – In 1997, we started out with a bill we called "the swap". Prior to 1997, the counties paid for a share of the administrative costs of social services and they paid for a share of all the program costs with social services. They would come asking to be relieved of all the program costs and in exchange, they would pick up all the administration

costs, with the argument being that they could tend to manage their administrative costs of the programs, but had no ability to manage any of the actual program costs. We passed the swap legislation in 1997, but because of budget constraints, we weren't able to transfer all the program costs back to the state but we did transfer all the administration costs to the counties. We took over a large share of the program costs and it did save the county somewhere around $5-7M. There was a realization that, for example, child support, foster care, those were issues that needed to be addressed but we didn't have the funding. It was either in 2001 or 2002, we did take a look at child support funding and we did make that shift. At that time, we took over the administration and funding of the child support services. That has been a huge success. I used to get calls regularly with complaints over child support, particularly in certain district, that they weren't getting their money, they weren't getting heard, there were a lot of issues. Since then, it has been silence – which I consider a good thing. Our ranking, when it comes to child support, is some of the best in the nation currently. Starting in 2009, legislation was introduced to take over the rest of the program costs of social services. Unfortunately, that bill didn't pass because of fiscal costs. In 2011, I introduced a bill, much like this to take care of all costs of the funding. Local property taxes should pay for local issues. Counties do not have the ability in determining what the cost of these programs are going to be. They are federally and state mandated. They don't have any say on who qualifies, who's eligible, what the services will be. The bill was defeated. Tried it again in 2013. It was amended down to just daycare costs and defeated again. In 2015, the legislature finally passed taking over the rest of the program costs for social services, mostly in the foster care area. Then we passed the study resolution to study the implementation of taking over all the social service costs.

Currently every county has a 20 mill levy for social service costs. That's what we're capped at. But also an excess mill levy which says that if your social service costs are higher than that, you have no choice but to levy an excess levy. So for example, some counties are up to 38 mills. One of the things the legislature tried to do is offset some of the costs of the Indian counties because they had low property tax base and very high social service costs, so then we started putting money in to help them out. We kind of ended up with a very convoluted system which didn't make them whole anyway. They still had an extreme levy. So now we have a bill in front of us which eliminates the 20 mills, eliminates the issue of the inequality between Indian counties and other counties, again, because of their non-taxable base and the extreme need of social services. By far, the local taxpayer was paying much more than they should have been for their share of the services. This bill solves a lot of problems. One, it is true property tax relief because those 20 mills are gone. It equalizes things across the state. No county is punished. No county has an advantage because they'll pay for their local services and we're paying for the state mandated services. To me, this has been a long process. Nothing happens overnight. I think the formula that was developed in the working group that was the result of the study, and have done a good job of coming up with a formula to take into account your large counties (Cass) and small counties (Grant or Sheridan) to balance it to make sure you're taking care of the caseloads.

Senator Krebsbach: The 20 mill maximum, is that utilized by most counties or are there several counties that do not reach that maximum?

Rep. Robin Weisz: The average is around 18 mills. There are certainly counties that are under the 20 mills. I couldn't tell you the amount. I know some are at 14,15 and many are at 20. A handful use that excess mill levy and the last time I saw on the sheet, the highest was 38.9 mills. It tells you that there is a range of double the mill levy cost from one county to the next – and this is for a state mandated service, not for the counties choice of how they want to provide services.

Senator Mathern: Does this bill limit creativity or services that a county wants to provide outside of state mandated services?

Rep. Robin Weisz: We had a lot of discussion in the interim property tax committee and I don't believe it does. Within the county's general fund, they would have the ability, if they thought there was a specific service, say a housing incentive or something for low income. Nothing would prohibit the county from doing that, but they wouldn't have the 20 mills that is set aside for social service funding. They could certainly take it out of their general mill levy to do that.

Senator Robinson: These employees, in social services, were county employees. Aren't we going to have a situation that will evolve over time, in terms of inequity in salaries from one county to another? They're part of a state system and we'll eventually have to look at some uniformity, compensation and classification of employees within the overall social service system?

Rep. Robin Weisz: They are already under the PERS system. There was an issue several years ago, there was some disagreements on the PERS and how it caused inequity within their county between their other employees. But all employees would be based under the PERS system throughout the state under this.

Senator Robinson: Is this the first step of further consolidation and the loss of local control?

Rep. Robin Weisz: You could make that argument, but the beauty of the way this formula and the way it's designed, is basically we're giving a block grant – if you want to call it that. It's based on case load but it is a block grant to the counties. It's up to them what they need for employees, how they work together, or share an employee with a neighboring county to consolidate their county social services. In no way are we restricting that. We're giving them a pot of money, based on their case load and telling them that you need to make this work. You need to figure out how to do it the most efficiently, and if it makes sense to share a foster care worker among two or three counties, you could do that. Same with child protection. From the taxpayer's standpoint, we need to have the most efficient system possible.

Senator Krebsbach: And that process goes back to the passage of the Toolkit bill for the counties that we passed in the 90s.

Rep. Robin Weisz: Yes, it does. Even what we passed last session where we consolidated mills and allowed counties greater flexibility. It goes back to the fact that the counties will make the decisions that is best for their county. This bill won't limit that in any way and if anything, it allows more flexibility to function within the system.

Senator Grabinger: It's in here that if we do this, the 20 mill allowance for counties goes away. They don't have that ability anymore. Is that in here?

Rep. Robin Weisz: Yes, that is correct. There is no longer authority to levy the 20 mills.

Senator Krebsbach: Do we have any counties that have home rule? Would they be able to make exception to the removal of the 20 mill levy?

Rep. Robin Weisz: I don't think they can within the home rule. The legislature specifically takes that away. We've already levied caps and home rules have to work within those levied caps now.

Senator Krebsbach: With them taking over the program, there shouldn't be need for it, correct?

Rep. Robin Weisz: Correct. They have no costs. Certainly a county can do something on their own that they feel is necessary to provide a service in a particular area, but that wouldn't come from that 20 mills. They would have to say that they're willing to take 2-3 mills out of our general fund budget to use for that or ask for more increase from their voters to do that. They would have that power, but not the 20 mills, that is gone.

Representative Jason Dockter, District 7, Bismarck, ND
Bill Sponsor. Testified in favor of SB 2206. Testimony Attached # 2.

(26:40) **Senator Wardner:** When you transition out, does that mean that, through inflation, the costs are more. That's how it's going to be transferred out.

Rep. Jason Dockter: I believe that's how it would work. Joe Morrissette calculated it out and it would be about 68 years before everything would be under the system.

Senator Mathern: The map on page 4 – multi county social service units. One of the things we're missing in this bill is actual efficiencies in the social services system. We're just moving the payment mechanism, but we're not actually increasing what we offer to the citizens in a more efficient manner. Wouldn't it be wonderful if we permitted those counties to also offer what's offered in the human service center so that we could bring together the centers into one unit? Right now people have to negotiate the public facilities, the state system, the human service system, the county system. Why don't you think we went a little farther to actually change our system versus just who pays the bill.

Rep. Jason Dockter: This committee also studied the economic incentives and between both of these, to be honest with you, we ran out of time. We just felt this was a good concept. We need to have a study to look just on the efficiency. You can see it's working in other areas.
I hope we can get this concept passed and then in the future, look at the efficiencies that we can bring to the state and still provide the same services that we're currently providing.

Joe Morrissette, Deputy Tax Commissioner, State of North Dakota
Member of Social Services Finance Working Group
Testified in favor of SB 2206. Testimony Attached # 3.

Has testimony that goes into detail regarding the concepts with the formula, the transition plans away from the 12% to the social services formula.

(34:44) **Senator Robinson**: Are we able to transition and make counties whole over one year, two years or multiple years?

Joe Morrissette: That base line would be locked in place unless it would be adjusted by the legislature. The concept is that it would be a firm dollar amount and then going forward indefinitely. That dollar amount would stay in place. It would provide that basis for the hold harmless – the replacement payment until he social services formula for that county resulted in more money.

Senator G. Lee: Asked about the fiscal note and the optional adjustment request – for $33M from the general fund if this bill doesn't pass. What is that $33M? All the money that the state transferred back to the counties?

Joe Morrissette: That would be the money that the counties get now – through the department to fund their social services program. If we continue on with the funding mechanism that has been in place in the past, and this bill doesn't pass. Then they would need that money in place of the $275M that would be needed to fund this concept.

Senator Wanzek: The counties that the social services costs are less than 12%, they get a transition payment to make them whole or be held harmless. Those that their social services costs are higher than the 12%, they get the higher or the 20 mills. They're not limited to their 12%?

Joe Morrissette: The base line is used If the social services formula results in lower payment but is not a cap. The formula is based on historic spending with some inflationary adjustments going forward and so it's determined to be what's necessary to continue funding those services. If the formula results in a higher amount than the 12%, they're probably a county that has a low property tax base and probably a very high percentage of all their property taxes that went to the social services side and so they actually come out better on the social services formula and they would receive the higher amount.

Senator Mathern: Going forward, where do you see the regular appropriation showing up for this? In the budget of Human Services?

Joe Morrissette: Yes, it could be a separate bill, but it would still be appropriated to human services to make those formula payments even though there is the property tax component.

Senator Sorvaag: For long term, inflation will happen but beyond that, there will be additional that would run this up higher than what we've done on property tax. We'd only do things that were approved by the legislature, such as new programming or additional programming. Or is there something else that would run this so we can't control it?

Joe Morrissette: It would be entirely set by the legislature. The legislature would decide each session what that formula rate would be for reimbursement to counties. Just like the decisions made now to determine the state school aid for student payment rate. That would really be the determiner of what that cost would be in the next biennium. There's no real automatic inflator. There is, for the purposes of transition, a minimum and a maximum. In looking at the historic spending, the county would get at least 102% of what their historic spending was so there's a minimum inflation adjustment there to ensure counties that there is enough ongoing funding to maintain staff. But so no county receives a windfall, the maximum is 110% of what their historic spending was. That's really not probably an ongoing permanent part of the formula, just more or less a transition component as this is transitioned from the old methodology, looking back at what was spent in the past just to make sure there's a limited range of where those formula payments will fall.

Senator Robinson: Is this model in place in any other state – or a first of its kind?

Joe Morrissette: I don't know, but someone else might know. We looked mostly to our model of the school funding formula and borrowed concepts from that wherever we could.

Senator Krebsbach: This goes into effect when?

Joe Morrissette: If this was passed, the first year that it would take effect would be calendar year 2018. All of funding for calendar year 2018 and 2019 are part of that $275. It's not phased in. It wouldn't cost more in a subsequent biennium. That's a full bienniums worth of funding.

(43:14)
Terry Traynor, North Dakota Association of Counties (Lobbyist #80)
Testified in favor of SB 2206.
Testimony from Randi Sukut, Wells County Commissioner - Testimony Attached # 4.
Information page – Testimony Attached # 5.

This comes from the Finance & Tax Committee which gave it a 6-0 Do Pass recommendation. We are whole-heartedly in support of this. I'm handing out testimony from Randi Sukut. He served on the working group that helped develop the formula and he is the president of our association of counties.

It buys the state mandate. The vast majority of the cost of counties are federal and state programs that are really directed either by federal regulation or state statute, as far as eligibility and reimbursement rates and things that are out of the counties control.
Because of federal requirements, the staff at county social services must be covered by a merit system of salary compensation. That's a federal requirement because of the handling of federal funds. There is only one approved merit system of salary compensation in the state and that's State's HRMS system. The counties could create their own at a very high cost, or they have opted to join the state system. As a result, they are governed by those practices, at least as far as the salary brackets are concerned. Whenever the legislature determines that the salary brackets go up, the county's social service salary brackets go up. In some of our more rural counties, that does create problems because a lot of times, they're hanging near the bottom. If the state salaries go up three percent, that bottom of the bracket inches up. It forces the lower paid people up which kind of triggers everything through social services for sure and a lot of times, the court house. That's always been a struggle with the counties especially when they have to levy taxes to meet that requirement. This takes that

problem away. The bill repeals 20 mills. It is a real clear property tax reform. It also provides greater legislative control as to how property tax relief is delivered. Like the school formula, there is legislative direction in that reimbursement every two years. As opposed to the 12% now which is really kind of an automatic, based on the economy that effects valuation and a whole host of budgetary decisions that you have very little control over.
The formula is based on actual costs. It looks at what is being spent now and it makes sure that we incorporate into that caseload so that we can really get at what's being done and we're paying for what's being done. Ultimately, the taxpayers receive the same or more tax relief.
We talk about holding harmless. We talk about the reimbursement to the counties to provide that, but it isn't holding the counties harmless, it's holding the taxpayers harmless. We like the taxpayer equity term a little bit better. It's talking about how to make sure each taxpayer gets the same or more relief going forward. The formula created does that and it's a good transition to moving this to state funding.

(48:13) **Senator Dever**: When we do something like this, the various entities see themselves as winners or losers. Are the counties unanimous in their support of this?

Terry Traynor: The last four conventions of our association of counties, we've had unanimous support of a resolution asking for this. We brought it up again because we have a lot better idea of what this will look like when we met this October. We laid out the plan to them and again, they endorsed a resolution supporting it. Is there some nervousness in some cases, yes. Your committee has brought up some of the issues in the more rural counties. They say is this a step toward state assumption? Is this going to change how we deliver services? That has not taken away their support. They recognize we cannot continue to fund social services on property tax. That's something that we'll have to work through. There is encouragement here to work more closely together, but the big fear would be is our we going to take our county employees and move them to state and lose local delivery services. That's something our people don't want to see. We need to keep the local control. We're confident that this program keeps the staff where they need to be. It just changes how we fund it to a more equitable tax funding system.

Senator Mathern: I appreciate your comment about counties wanting to keep their local control and keep services within their reach. What about going the next level and literally closing the human service centers and putting all those services in your system of counties that wants local, wants stepping up to collaboration, that wants quality. May be we should eliminate the human service centers and take all those dollars and make them available to the counties to provide those services. Is that something you would like to proceed on?

Terry Traynor: That issue was brought up during interim. Some counties have done a small piece of that when they felt the regional center was too far away. They tried to move in that direction. We felt that was a study for another session and something to look at. I see some marvelous changes in the way we are delivering mental health services through the regional centers now. I think they're moving in a direction that's going to improve that. We're hopeful that maybe the regional center process will meet the needs as we go forward. The concern I hear from counties is that they can't get the professionals attracted to come out and deliver the services.

Senator Wanzek: There are a number of counties that have a mill levy less than the 20 mills. They will be protected with whatever we call "hold harmless" transitional payment. Is that amount locked in this biennium? So as we go forward, it's not going to be locked in at 12% every year as property values go up. Those counties would be losing that inflation factor on property tax relief.

Terry Traynor: You're correct. That's the way the formula is written that if whatever they determine 2017 property tax relief to equal $275M, that's the hold harmless amount going forward. However, there will be growth adjusted as the legislature sees fit to the cost of delivering county social services so you will see that inching up but nothing near what the 12% has gone up.

Senator Krebsbach: Closed the hearing on SB 2206.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2206
2/15/2017
Job # 28376 &28379

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Alice Delzer

Explanation or reason for introduction of bill/resolution:

A BILL relating to responsibility for funding for County social services DO PASS AS AMENDED

Minutes:

1.Propsed Amendment # 17.0760.01001 2.Page 16 of Bill # 2206 3.Colored markup of the amendment

Chairman Holmberg: called the Committee to order on SB 2206. Roll call was taken. All committee members were present except Senator Dever. Alex Cronquist, Legislative Council and Becky Deichert, OMB were also present. We will start by going back to 2206. And we will also take up that change to the judiciary budget (2002) so that we can get that back upstairs. Just so that the committee is aware these amendments are not being done behind the back of the policy committee. This bill has to do with the state assuming the county social service.

Senator Bekkedahl, District 1. presented Testimony attached # 1 Proposed Amendment # 1.0760.01001. Testimony attached # 2 – Page 16 of Bill 2206 (it's a 22 page bill) and Testimony attached # 3 – blue writing on top and insert language from page 22, that's the other part of the amendment for this bill.

Chairman Holmberg: What you gave us is an amendment that's in two different sections of the bill. You gave us the Christmas tree version of both.

Senator Bekkedahl: That's correct.

Senator Sorvaag: We have a problem with the actual bill. Check your actual bill. it goes from page 13 to 18. There is no pages 14,15,16,17 in it.

Chairman Holmberg: We are looking at the original bill. Are these printed here? This is awkward but I think everyone should have a copy of the bill. This was discussed and the clerk gave everyone a new copy of the bill. A new job was then started.

JOB # 28379 (continuation of SB 2206)

Senator Bekkadahl, District 1: You have Amendment # 17.0760.01001.

Chairman Holmberg: Tell us what the amendment does.

Senator Bekkedahl: The first Amendment is on line 16, this is language that puts into statute in this bill what I am told is currently occurring which is when Department of Human Services has federal or state mandates they have to go into the programs that since we're transferring, since the authority for the employees instead of at the county level, the county employees must then take these mandates that we have federally or state wide and push them down into the programs that they have at the county level. That's all this does. And its put in here a penalty clause if they don't adhere to these new standards that come down. So DHS says that's what they do. Now, it wasn't in the bill, they've asked us as the committee to amend that in, that's the first part. And the appropriations ties, obviously there is a monetary penalty if they don't comply. (0.01.28)

Chairman Holmberg: Any questions on this Amendment? Continue.

Senator Bekkedahl: the next Amendment is on page 22. In text, what's changing is the calculation in section 10 of the bill, when it was first drafted, Section 10 was an addition to the bill at a later stage in the working group because the REC's under last session, 2015 session, had to come into Finance and Tax and get statute placement of language that allowed the RECs to actually get the 12% property tax buy-back as well because they were not getting it the way their taxes were calculated. That was put in the statute in 2015. Section 10 of this bill deals with that. Puts the REC's in to make sure that they receive some benefit as well through this program, that they're not omitted because they were going to lose that and essentially take a 12% increase in their taxes after we tried to correct it last session. I am told that these two additional changes to Section 10 correct that completely and I have Mr. Joe Morressette the Deputy Tax Commissioner to explain that it was their department that brought those amendments to my attention. (0.02.50)

Joe Morressette, Deputy Tax Commissioner: it came to the attention of our property tax experts last week that section that was drafted needed a slight change because when it was initially drafted it was, we were thinking of the taxes when they're paid in 2018 but the calculation of this credit will actually take place in August of 2017, when the tax amounts are approved by the state board of equalization, certified to the counties along with the amount of credit. So that will take place in 2017 so to make sure that the proper years are referred to, the subsequent county year in terms of the formula payments and the prior tax year in terms of statewide property taxes that are used in the calculation of that credit, those are the changes just to make sure that we are referencing the proper years because the calculation will actually take place in 2017 for taxes that are paid in 2018. (0.04.03)

Chairman Holmberg: You would call that a technical correction to make it form to what had to be. He was told yes. Any questions of Mr. Morressette? There were none.

Chairman Holmberg: Committee members, we have before us these amendments.

Senator Mathern: I move the adoption of both amendments that were presented to us.

Chairman Holmberg: We have a motion for the adoption of both the amendments that were presented to us. Is there a second**. Seconded by Senator Oehlke.**

V. Chairman Bowman: Before we vote on this I'd like to get something clear in my mind. We're short of money this biennium. Oil revenues are way down and now we're going to buy down the property tax for this program. If we continue down this path, and we go through another drop in oil revenues, isn't that going to multiply the tax problems later on? It sounds good in theory but look what's happened this year, this biennium, when all of a sudden oil prices went to heck, don't have enough money to fund hardly anything. I need to get an answer to that before I'll support it.

Senator Bekkedahl: to Senator Bowman's concern, actually what's occurring here is a shift. The current 12% property tax buy down, which has been funded for $300m already for this next biennium, that is the shifted money that would go into paying for this program. So it's not the $300m that we currently have, plus another $275m which is the fiscal note of this bill. it's simply a shift. We will be shifting that bucket of money to now go to the counties, remove the 20 mill tax levy that the counties have, and that's the property tax relief that you still see in the 12% that now will be shifted to this program. (0.06.35)

V. Chairman Bowman: One follow-up to that. Wasn't original $300m in property tax relief pays for schools to begin with?

Senator Bekkedahl: There's two lines on our current property tax statements that we deal with. The upper line is titled school finances that the state pays for, that's the payments we see going out to the schools right now. The 2nd line, it says 12% property buy-back, that's what the 12% directly to the counties to buy back comes from. We would see in the future on the tax statements the line item for the large amount of property tax relief going to schools, which is the per-pupil payments and the secondary line would now say county social services funding or state social services funding, and it would still equate to the 12% number that they've seeing on their taxes.

Senator Gary Lee: So now the bucket from the oil tax goes into the general fund and then drops into this tax relief fund as it is now, goes up to 300 and then goes back to the general fund. Is that same formula going to be in place when we were going to call that 300,000m dollar bucket by a different name or is the money source the same?

Senator Bekkedahl: It's my understanding that the source of the revenue would still be oil revenue flow through the oil tax production tax. The difference would be, this would now become an ongoing program that is funded by the state just as education every year that's just going into the calculations into the state general payments.

Senator Gary Lee: My question then, is this a dedicated revenue source for this particular program as opposed to now we just have to fund it out of the general fund?

Senator Bekkedahl: I can't answer how the Senate's dealing with it. I know that there is a bill currently in the House that keeps, continues the $300m tax bucket for property tax relief in the order that it's in now.

Chairman Holmberg: We haven't had any discussion that I've been aware of on changing that bucket. As you know the executive budget took a lot more money directly out of the oil revenue, but I don't know how that is?

Senator Gary Lee: How are we going to fund this in the future if we don't keep doing what we're doing?

Senator Bekkedahl: it's my understanding that the premise of the bill is that the state would continue to use the $300m of oil tax revenue to fund this. So the revenue source will continue to be oil taxes, how it goes into this system on an annual basis I would defer to Appropriations because you move the revenues around. We are the policy decision actually.

Chairman Holmberg: It is utilizing the same dollars in a different manner instead of having the 12% buy down, which is what we have now, we have taken away from the counties the ability to tax for social services. So that's the property tax relief to the individuals. And we are using the money that we used to use for 12% buy down to cover the cost of county social services.

Senator Mathern: There is a little bit of truth flowing around from all the Senators here. Essentially making this change while we are using what we used to use for property tax write-down, passing of this bill makes this a general fund obligation in the long term. In the long term the state of ND takes responsibility for paying the costs of social service administration in the counties. If there are no oil tax monies coming in we still need to fund this. So each legislative session we would fund this based on the resources we have available so we might cut county staff, we might increase county staff, it will be like the Department of Human Services comes to us or resources and we decide how much we have to provide and it will be the same thing. We will have to fund this going forward forever and if there is no oil tax we have to get it someplace else or we have to cut services. It's a general fund state obligation if we pass this bill.

Senator Robinson: You made the comment that this provision equalizes the social service assessments across the state. Some were high, some were low, and I believe the 20 mill levy comes to my mind. But is there not a provision in special circumstances that a county can go above and beyond that by vote? If they wanted to go to 24 or 26 mills on their own? Seems that was part of the discussion and I am not suggesting they do that but you made the comment we are taking away the ability?

Chairman Holmberg: we take away the authority to levy those mills. They can't levy them under that guise as I understood it. They have other mechanisms for raising. But they wouldn't be raising it for County Social Services because we would have taken over that responsibility as I understand the interim committee and the discussions that have gone on in the past.

Senator Mathern: I served on the interim committee. Essentially this bill creates a statewide definition of what programs would be offered by the counties. And the counties would not be able to assess a mill levy for those programs. However, if the county wanted to do something in social services outside of this definition of services then the county would do that. Let's say if the county said "we want all poor children in our county to have new shoes, and that's not in this bill, that county could use it's mill levy authority in it's general mill levy authority to create that shoe bill and funding. But this bill does not permit them to do it under social services.

Senator Bekkedahl: What I am hearing on both sides here, Senator Mathern is correct, I think it's a general fund expenditure moving forward, which would require then a transfer mechanism somehow for oil tax revenues to come in to take care of the program as we've been doing right now.

V. Chairman Bowman: That's my point. Whenever you're using something that's not stable, like oil revenues and what we've just seen, we can transfer this responsibility to the state and we can meet that requirement as long as there's oil revenue. But when the oil revenue slows down, we're still going to have that cost so we're going to have to add another tax of some sort to generate the money to pay for what oil revenue loss we have. We're really not solving any problems. We might be creating another one down the road. Tell me if I'm wrong or not but there's no guarantee with oil revenues. We couldn't fund anything this year because of the loss of oil revenue over and above of what we normally do. But if we add something else that we're obligated to do that takes away that oil revenue for some other sources also and that's where I am concerned about.

Chairman Holmberg: But if we kill this bill then the only difference will be instead of the state assuming the responsibility to pay for County Social Services and remove the 20 mills the state will give that same amount of money, roughly, back to the tax payers in the form of a 12% reduction. So that responsibility will be there, and if oil revenue goes totally south and we can't afford the 12% then the legislature will be faced with the choice of funding it by some other mechanism or getting rid of it. I don't think you're adding an additional burden on what the state is paying for, we're just shifting it and getting out of the direct property tax business, which many have expressed concern about. (0.17.14)

Chairman Holmberg: We had a motion for the amendments and a second. Would you call the roll on the Amendments to 2206?

A Roll Call vote was taken. Yea: 13; Nay: 0; Absent: 1. It carried.

Chairman Holmberg: Could we have a motion on the bill?

Senator Sorvaag Moved a Do Pass as Amended. 2nd by Senator Oehlke.

Chairman Holmberg: Call the roll on a Do Pass as Amended and this goes back to Finance and Tax.

A Roll Call vote was taken. Yea:11; Nay: 2; Absent: 1. Senator Bekkedahl from Finance and Tax will carry the bill. The hearing was closed on SB 2206.

17.0760.01001
Title.02000

Prepared by the Legislative Council staff for Senator Bekkedahl
February 17, 2017

CR
2/17/17

PROPOSED AMENDMENTS TO SENATE BILL NO. 2206

Page 16, after line 11, insert:

"**50-34-11. Authority to withhold funding.**

Notwithstanding subsection 2 of section 50-01.2-06, if a service area fails to perform duties directed or assigned and supervised by the department of human services, the department of human services may withhold funding from the service area. The amount withheld may not exceed double the actual cost of the duty that was not performed, the per activity amount from the formula, the cost to the department of human services, or the amount of a federal penalty imposed as a result of the duty that was not performed."

Page 22, line 3, replace "current" with "subsequent calendar"

Page 22, line 4, after "prior" insert "taxable"

Renumber accordingly

Date: 2-15-17
Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: 17.0760.01001

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By Mathern Seconded By Oehlke

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Mathern	✓	
Vice Chair Krebsbach	✓		Senator Grabinger	✓	
Vice Chair Bowman	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Wanzek	✓				
Senator Kilzer	✓				
Senator Lee	✓				
Senator Dever	A				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment ____________

If the vote is on an amendment, briefly indicate intent:

Date: 2-15-17
Roll Call Vote #: 2

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: ______

Recommendation:
☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ______

Motion Made By Sorvaag Seconded By Oehlke

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Mathern	✓	
Vice Chair Krebsbach	✓		Senator Grabinger	✓	
Vice Chair Bowman		✓	Senator Robinson	✓	
Senator Erbele	✓				
Senator Wanzek	✓				
Senator Kilzer	✓				
Senator Lee	✓				
Senator Dever	A				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue		✓			

Total (Yes) 11 No 2

Absent 1

Floor Assignment F & T Bekkedahl

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2206: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). SB 2206 was placed on the Sixth order on the calendar.

Page 16, after line 11, insert:

"**50-34-11. Authority to withhold funding.**

Notwithstanding subsection 2 of section 50-01.2-06, if a service area fails to perform duties directed or assigned and supervised by the department of human services, the department of human services may withhold funding from the service area. The amount withheld may not exceed double the actual cost of the duty that was not performed, the per activity amount from the formula, the cost to the department of human services, or the amount of a federal penalty imposed as a result of the duty that was not performed."

Page 22, line 3, replace "current" with "subsequent calendar"

Page 22, line 4, after "prior" insert "taxable"

Renumber accordingly

2017 HOUSE FINANCE AND TAXATION

SB 2206

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2206
3/15/2017
29224

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A BILL relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies; relating to county and multicounty social service board budgets, county general fund levy limitations, and property tax statements; relating to the county human services fund, the human services grant program, county property tax levy authority for social services, and the state-paid property tax relief credit; and to provide an effective date.

Minutes:

Attachment #1-6

Chairman Headland: Opened hearing on SB 2206.

Senator Bekkedahl: Introduced bill. Distributed written testimony. See attachment #1. Ended testimony at 3:11.

Senator Dever: In the last session I sponsored the bill that precedes this one. SB 2206, at that time, transferred $23 million in spending from social services from the county to the state. We took certain items that were pretty obvious that could be covered by the state or the county for no other reason than just because. We transferred those as tax relief. Also in that bill we provided for a study by an interim committee. There was a parallel committee led by the Department of Human Services to make sure we could transfer additional social service funding appropriately and make sure that it doesn't create a new base to raise property taxes, but provides an appropriate way for state funding of social services. That's what this is. This is not an increase in spending, this is a shift in spending. The 12% property taxes we pay directly to the counties will be replaced by social service funding. I stand in support of SB 2206 and I encourage you to adopt it.

Representative Weisz: This started back in 1997. Prior to 1997 Social Services split the costs. In 1997 we introduced the Swap bill which was to take over all the program costs. We didn't really have the ability to go that far as we didn't have much money. The counties took over 100% of the administration costs and the state took over a majority of the program costs, leaving a few things like foster care, child support, and a couple other things. It saved the counties between $5-7 million which was a benefit to the property tax payer. In 2007 we took over the Child Support Enforcement portion. This saved several million dollars to the counties. That has been a very successful endeavor. We took over the child support and put it into the regions. In 2009 the bill was introduced to take over the balance of the program costs and that left foster care. It was defeated at that time. In 2011 I introduced a bill to do what we're doing here today; take over total program costs. It has been introduced again and again. In 2015 we finally took over the rest of the program costs at about $23 million. Today counties are responsible for 100% of the administrative costs and we took over 100% of the program costs. That has been a great improvement. This bill will finish the process and take over the rest of the administration costs. I'm a firm believer that local property taxes pay for local services. Social Services is not a local service; it's a state and federal mandate. Counties don't have any say in having to administrate those programs. The main reason this bill should pass is if the state is going to mandate it then they should pay for it. If a local political subdivision wants to do something then fine, but pay for it with your local property tax. This bill does a lot of things to get us to that approach. The formula in the bill addressed the needs of rural and urban counties. The bill currently has the hold harmless against the 12% reduction because this bill does away with the 12% reduction that we've been doing for buying down property taxes. The buy down doesn't really fix anything; it doesn't change the fact that they were still requiring services when it certainly doesn't keep political subdivisions from backfilling, which is the word we hear. This bill eliminates that 20 mill levy which is currently in law for social services. When you do the 12% buy down, that doesn't fix any of that. Now we've eliminated that levy. In current law while they are capped at 20 mills they also are required to have an excess mill levy if the social services costs go above that. We cap them but yet we don't.

Chairman Headland: Isn't the state picking up the costs of the excess bills?

Representative Weisz: Up until 2015 we did a few things that helped the Indian counties. You had to qualify to become an Indian county based on a number of factors. That didn't come close to making up the difference those counties lost. In 2015 when we finally took over the rest of the program costs. In theory we covered those costs for the Indian counties under the impression that we were going to go forward and end up with 2206 which we have. They've never been paid adequately. The reservation isn't taxable plus they have a greater need for social services but that isn't their fault; they didn't ask for that. This bill resolves all those issues. The state has acknowledged under this bill that we are responsible because we determine the program and decide who is on Medicaid. The counties are spending hundreds of millions of dollars on those state decisions. This is very important from the standpoint of we need to make clear that property tax should be paying for local and state should pay for state. This bill does that and does it in a fair way. This is certainly a great first step to be fair. That is also the price tag that the property tax payer is paying today for services he doesn't control on the local level whatsoever.

Representative Olson: You say the bill takes over all the administrative costs for the program. Is there anything in the bill that provides for controlling the administrative costs at this point or are we just going to take over payments?

Representative Weisz: Yes, there is a formula that is built in the bill that is paying per case. There are two different categories based on the caseload and based on your county size. If they struggle to make that work, then they will have to look to other counties to consolidate some services to make it work. It's not a blank check, it is limited.

Representative Ertelt: You mentioned one county that was at 38 mills. Do you have a list of where all the counties are at?

Representative Weisz: I don't have the list with me.

Chairman Headland: Further testimony in support?

Vice Chairman Dockter: Distributed written testimony. See attachment #2. Ended testimony at 25:25.

Chairman Headland: We'll take testimony in support.

Joe Morrissette, Deputy Tax Commissioner: Provided written testimony in support. See attachment #3. Ended testimony at 30:32.

Chairman Headland: When we start the take over the base is set at 102-110% of the cost. Can you explain why we are starting at a level higher than 100 percent?

Joe Morrissette: Throughout this we borrowed a lot of methodology from the school funding formula since it was a formula that was in place, everybody was familiar with, and it works. That was a component of the transition to the new formula. Most of this money goes to fund staff costs. In order to provide an assurance in each county there's a continuation of adequate money to fund the staff that's already in place. We looked at guaranteeing some small increase, 2%, to assure counties they could continue to fund that staff and fund some increases like health insurance that would go up. It looks at that baseline they are actually spending and every time it's going to get at least 102% through the formula so nobody gets hurt in that transition. That wouldn't have to be a permanent part of the formula but it's part of the transition from where they are now to this new formula. Also, because no county should receive a windfall just because of how their old spending meshes up with the new formula, it's limited to 110% so nobody could get more than a 10% increase compared to what they actually spent.

Chairman Headland: In the future how are the counties going to pick up those cost increases?

Joe Morrissette: That would all come through the formula and the rate would be set each session by the legislature, just like it is now for schools. Continued on with his testimony. Ended testimony at 43:01.

Representative Hogan: In the total estimated cost how much of that is general fund because the counties currently get federal administrative reimbursement on the social service side. Is that included in this because it's a formula that covers all services?

Joe Morrissette: This would all be general fund. The cost base we started with includes all things we spent for social services. It's in the base of the formula and those federal funds would continue to be received by the Department of Human Services.

Representative Hogan: And utilized by the Department of Human Services available to them.

Joe Morrissette: That's correct.

Chairman Headland: It appears it's $192 million to cover the costs of formula payments. In those payments there is a 5% inflator built in. If the state is to control the costs and the state will make the decision, why are we building in an automatic inflator?

Joe Morrissette: That was arrived at through the working group because that was mirrored to how those costs have gone over the past several years. It would always be a legislative decision of how those formula rates would be set, what measure of inflation you would look at, and how you would adjust them.

Chairman Headland: If the state is to truly be in charge of the costs we could take those automatic inflators out of the bill and truly put us in charge?

Joe Morrissette: I was giving you background on how we arrived at the formula rates that are in the bill. There is no automatic inflator going forward. The 5% was used to get from our historic costs that we had at the time to a formula payment rate for the upcoming biennium. That rate would be just set in law and then you would have to debate what that rate should be for the 2019-21 biennium.

Representative Hogan: In terms of the dollars that would be generated for the Human Services, do you know how much that is? That will offset other DHS costs.

Joe Morrissette: The department is here so I believe they could speak to that better. I think it's about $32 million for 18 months.

Representative Hogan: Just so you're aware, that would offset other costs in the department.

Chairman Headland: I sat on the interim committee and the discussions we had we discovered that there are counties that have additional programs they offer through social services. Are we able to determine in this formula what are the mandated costs by state and federal government and what are costs associated with local decisions to offer programs that go beyond the federal and state mandates?

Joe Morrissette: The cost base was all inclusive and included everything that was being spent in social services. That's not part of the detail we have in the cost base.

Chairman Headland: If we are truly trying to cover the costs that are federal and state mandated we should probably try and separate those costs and leave those local decisions that have been made a local cost. I struggle with the fact that the state is taking over costs that have been local decisions in fairness to all tax payers in the state.

Chairman Headland: Is there further testimony in support?

Randi Suckut, Commissioner from Wells County and president of the North Dakota Association of Counties: Distributed written testimony in support. See attachment #4. Ended testimony at 53:53.

Chairman Headland: Are you completely secure in the state's ability to sustain this into the future?

Randi Suckut: I'm more comfortable than I am relying on property tax payers because I think that if we don't do some kind of reform some will come back.

Chairman Headland: As a county commissioner, you hear the same concerns from taxpayers that we hear. The 12% that we currently offer for property tax relief is a program we authorize every session, this becomes permanent. We have some budget problems and even though the money has been set aside, I'm not certain that we can balance without making some adjustments. If we take the hold harmless provisions out of the bill to save costs, how do you feel that it will be received by the property tax payers that you represent?

Randi Suckut: We look at that 12% as not fully sustainable going into the future. The majority of counties are comfortable with the state taking over the human services and what it would take from that 12% or losing that 12 percent. We feel that's going to be a reduction or a loss anyway on the 12 percent.

Chairman Headland: You are comfortable with just the pure costs of taking over the programs, and if we have to because of budget needs, remove the provisions of the hold harmless but in the end what you're seeking is still accomplished?

Randi Suckut: Yes, I certainly understand that concern. With the inequity of property tax, my income taxes are very low in this state I would rather see an income tax base and pay more.

Chairman Headland: We're not going to have that debate. I appreciate you pointing out the inequity of taxpayers and how it associates with this bill. Further testimony in support?

Kim Jacobson, Director of Traill County Social Services: Distributed written testimony in support. See attachment #5. Ended testimony at 1:03:18.

Chairman Headland: In 2015 it looks like you levied a little over 16 mills. In your testimony you listed the state and federal mandated programs. In Traill County, within that 16 mills, are you funding any services above and beyond what is listed here?

Kim Jacobson: In Traill County we have our general assistance programs and county Indigent Burial Program that is mandated by state law and they are 100% county funds to administer. In addition, we provide a few hours a month of county QSP services which is a fee for service that we provide to elderly and disabled individuals who otherwise wouldn't have a support to keep safely in their home. That would equate to about 60 hours of service per month. Everything else we do is federally or state mandated.

Chairman Headland: Probably not a great cost associated with that when you're going above and beyond. If we're looking at funding the costs of the state and federally mandated programs, would it be acceptable to separate those costs from the costs of the decision to fund something above and beyond those and shift those costs to the county's general fund?

Kim Jacobson: If there was a county delivered service I would say that would be acceptable, with the exception of the Indigent Burial Program, which is required by law for us to provide.

Chairman Headland: I understand and I agree. Further testimony in support?

Steve Riser, Director of Dakota Central Social Services: I was also a member of the interim committee. It was my task to try to determine what those costs were for those county funded programs. I surveyed all the counties and came up with a number between $200,000 and $300,000. When I came back to the committee with that number, considering the total price tag of the bill, it seemed like it was a small percent. To gather that data would have been difficult to do and that was part of the reason we didn't exclude those costs from the total cost of the bill.

Chairman Headland: Thank you for that information, that was valuable.

Representative Olson: Would you be able to share any of the work you produced in that study you were working on for the optional costs?

Steve Riser: Yes, I had a spreadsheet that I gathered and put those costs on so I could forward that to you.

Vice Chairman Dockter: You are part of the counties that have consolidated (inaudible) so can you go over that?

Steve Riser: A number of sessions ago the legislature made it possible for counties to join together and form social service districts if they chose to do so. In 2007 the counties of Mercer, McLean, Oliver, and Sheridan formed a social service district from one agency that would provide the social services in those four counties. The major reason we did that was because we felt we could provide a better quality service to our clients. We were able to have our staff specialized in certain programs and we were able to serve our clients who lived closer to the county next to them than in the county they resided in so they could go to the closest county and serve their needs that way.

Chairman Headland: Why in this environment with the issues of property taxes and property tax payers, why don't you think there hasn't been more consolidation?

Steve Riser: I believe there has been a fair amount of consolidation and working together of counties. They just haven't joined together to make it formal. If you were to look at a map that shows how counties are sharing services, a lot of counties are working together. Our counties chose to form a district and become more formalized. The year before you became a district we were sending checks back and forth between the counties that were about $120,000 so we decided to form a district. There are some who are considering this in the future based on the outcome of this bill.

Representative Mitskog: I see that as being one of the biggest opportunities is consolidation of services and efficiencies. Was that information provided and how many counties have moved into regionalization or districts?

Steve Riser: I know there are two districts; Slope and Bowman County operate as one. Also, Golden Valley and Billings counties are doing the same thing. There are a number of counties sharing services just with agreements. There are eight units who are sharing a director in the state; 19 counties and that's just the Social Service Director.

Chairman Headland: Is there further testimony in support?

Pete Hanebutt, North Dakota Farm Bureau: We are supporting this bill. We believe this will help us with property tax relief which is always an important thing to our members.

Chairman Headland: Any concern about sustainability?

Pete Hanebutt: Let's cross that bridge when we come to it but for now, no.

Chairman Headland: Is there further testimony in support? Is there opposition to SB 2206? Do we have any questions for the Tax Department? Closed hearing.

Additional testimony distributed but not presented from Blake Crosby, North Dakota League of Cities. See attachment #6.

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2206
3/29/2017
29791

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies; relating to county and multicounty social service board budgets, county general fund levy limitations, and property tax statements; relating to the county human services fund, the human services grant program, county property tax levy authority for social services, and the state-paid property tax relief credit; and to provide an effective date.

Minutes: Attachment #1

Chairman Headland: Distributed proposed amendment 17.0760.02005 drafted by Representative Carlson. See attachment #1. Explained the amendment. This amendment says it is the intention to move forward with implementation of taking over the social services from the county and eliminating the mills available to the counties for the social services. It further discusses that a committee will be put together that will include legislators by the director of the Department of Human Services. He will select the people that he believes needs to have input, which I assume would include county and other people. We're going to look at developing a plan that could possibly include a pilot project regarding the consolidation amongst a group of counties. A study would be looking at staffing, considerations of oversight and chain of command, recommendations for caseloads, welfare services, and economic assistance. The plan must consider the delivery of the county social services to ensure that appropriate and adequate levels of service continue. The focus is going to be making sure that we are going to continue at the level of programs that exist today. The plan has to be brought by the Department of Human Services to the next legislature. It was the belief of leadership in the House of Representatives that the funding mechanism, the plan that was put forward by the interim committee, doesn't answer all of the questions that needs to be answered to move this program forward today. This is what the hog house amendment will do. Committee, let's have discussion.

Representative B. Koppelman: Is it the intent of the House, if we were to pass this, we are moving towards covering our mandate but doing it from the perspective of providing the same service to the citizen in an efficient way as opposed to trying to gear it toward how counties currently levy?

Chairman Headland: I think you are. The intent of the amendment is to develop a plan that moves us into the takeover of the social services, but there are some questions about efficiencies and chain of command. Who's in charge? These questions were brought to us by the Department of Human Services. We couldn't answer them because I don't think the current bill addresses these concerns. It was the decision of Representative Carlson, our leader, to slow down the process for a couple more years and get our answers to these questions. If a plan can be brought forward that we believe would do what we want it to do, we would move that legislation forward and adopt it in the next biennium.

Representative Ertelt: I had concerns with the bill as presented with the automatic inflation for the next two or three years. While I understand that it's less than historic growth we're tight on money, so I'm a little concerned with the bill that we initially had before us that we wouldn't be able to fund. Although this is a drastic departure from what the bill initially would have done as far as timing, I think it probably deserves a little more time to flush out a plan that has more of the questions answered in how we're going to fund it going forward and the ability to do so.

Chairman Headland: That was one of my main concerns in moving the bill forward in its current form is sustainability. We've set a bucket of money aside to deliver property tax relief. Without knowing what is going to happen with revenues, to take over this huge commitment at this time while we're making some pretty significant reductions in budgets across the board, I don't believe it's the right time to do it. I'm in total agreement with our leader on that.

Representative Steiner: I agree. I had some concerns on the hold harmless element. It does say we are going to move forward with it, which we should. I want to make sure it's efficient so it doesn't cost the taxpayer more than it should. I like the amendment.

Representative Howe: It says efficiencies and consolidation. I was just elected in November and campaigned with Governor Burgum and that was part of his campaign; right sizing government and consolidation. I hope in the interim we could look at that and really get it right. I'm in favor of this amendment.

Vice Chairman Dockter: We put a lot of time and effort into this during the interim. I still believe the bill we had before would drive efficiencies and consolidations over time. I will be supporting this amendment due to the budget situation we are in. I believe what we have in place would work but with the budget I understand the situation we're in so I will support this amendment.

Chairman Headland: I sat on the interim committee as well and I think we were all led to believe it would generate some efficiencies and consolidation over time. I don't think we can say with certainty that it will occur. We are just going to try and get the questions answered and be assured that before we take over a program, we are going to be able to achieve some efficiencies.

Vice Chairman Dockter: With any other funding we've had in the past we come back every two years to make adjustments if needed. I hope going forward we find the efficiencies and we get the support in 2019 so we can pass this. We need to provide the services we currently have and be more efficient saving the taxpayers' dollars. My main concern is saving the taxpayers' dollars. I think the Finance and Tax Committee has done an excellent job this session with that.

Chairman Headland: I think we should have a motion to keep discussing this amendment.

Representative Steiner: MADE A MOTION TO ADOPT AMENDMENT .02005

Representative Howe: SECONDED

Chairman Headland: Is there any discussion? I think it's clear by this amendment that the House of Representatives intends on moving forward with full implementation of the takeover of social services with a plan that's developed in how to do it and answer the questions within the study. The public needs to understand the intention.

ROLL CALL VOTE: 11 YES 1 NO 2 ABSENT

MOTION CARRIED TO ADOPT AMENDMENT 17.0760.02005

Chairman Headland: We have amended SB 2206 bill before us.

Representative Howe: MADE A MOTION FOR A DO PASS AS AMENDED

Representative Steiner: SECONDED

Chairman Headland: Is there any discussion?

Representative B. Koppelman: I hope the legislature moves forward at some point with funding the mandates we require. That may not always be synonymous with taking over social service because it may not include the things we don't mandate that many counties choose to provide. I hope that's where we end up and we do it in the most efficient way possible. Some of the counties either have joint agreements, which is consolidation light, and some have consolidated and they are finding efficiencies. Hopefully, we can find regional efficiencies and that the result of this new amended language will get us there.

Chairman Headland: You made a good point. In the process that led up to having this amendment drafted, we looked to try and find out what the dollar amount of those non-mandated programs were but we never received a concrete definite answer. I think it's really things like that which adds for a basis of taking a little more time to make sure we get it absolutely right before we take it over. Is there any other discussion?

ROLL CALL VOTE: 11 YES 1 NO 2 ABSENT
MOTION CARRIED

Chairman Headland will carry this bill.

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2206
4/10/2017
30011

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A BILL relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies; relating to county and multicounty social service board budgets, county general fund levy limitations, and property tax statements; relating to the county human services fund, the human services grant program, county property tax levy authority for social services, and the state-paid property tax relief credit; and to provide an effective date.

Minutes: | Attachment #1-5

Bill rereferred back to committee.

Chairman Headland: Opened hearing.

Representative Carlson: Distributed proposed amendments and summary of 2017-19 biennium estimated state-paid property tax relief. See attachments #1-4. I have some amendments for the taking over of the county social services. As you passed it out of here it was going to be a study. That study was going to look at consolidation, aggregation, efficiencies, and a lot of other things. Originally we tried to find a method where instead of a complete takeover which included inflators that included hold harmless clauses, those hold harmless clauses were put in place to make sure the 12% number was retained. These counties are all over the place in terms of mills and percentages of property taxes paid for in social services. There was a lot of resistance including the counties saying that was not the right way to go. For the last week or so we've been working on how to address the issue of taking it over in an efficient manner when we get those various things in the study. Representative Carlson discussed the proposed amendments. I'm happy with the way this is now written. I'm concerned about property tax reform as well as us taking over property taxes. So far we haven't had much success getting our reform package taken care of in the Senate. This summary makes the entire state a pilot project for two years. In other words, we will be taking over the social services for a two-year period of time and it will be a state paid county social services with a direct reduction to our taxpayers for whatever that may be in those counties. The pilot program provides for elimination of county levy and the state payment of county services for calendar years 2018-19. The taxes are paid on an annual basis so when you get your bill for 2017 you're paying your 2017-18 taxes. They need to have this number as they prepare the 2018-19 budget. It takes it over for two years and the Department of Human Services must report to Legislative Management on the status of the pilot program before November 1, 2018 and submit to the 2019 Legislative Assembly a plan for the permanent implementation of a formula providing for state payment of county economic assistance and social service costs. This also rolls in with the other programs we took over. The county payments rate per case-month for economic assistance cases and social service cases will be determined by dividing a county's 2015 caseload totals for each case type by the net amount expended by that county to administer each case type in calendar year 2015. We had to have a baseline somewhere. That basic crux of this bill is the same except the inflators are gone and the hold harmless is gone. Representative Carlson continued reading the proposal for state paid county social services costs handout. We put the appropriation in this bill but it's also in the Human Services budget. They have to make sure they get that corresponding reduction or we're short $26 million as we go to the finish line on the budget. They are aware that number is in this bill as well. It was Representative Delzer's request that we put the appropriation of this bill to make sure we didn't have that duplication problem in a time when we're really short of revenue. The key to this is that the whole time this is happening it is based on the 12% that we were paying to people's property taxes. 2017 is covered because the 2017 taxes have already been assessed for 2018 so we have to make sure our 12% commitment is complete for 2017. In 2018 and 2019 those numbers will be based on the formula of $161 million that we just put forward here. On the back of this handout you'll find the counties with a percentage of what percent of your tax will be when we take over those county social services. The tax relief fund is projected to have this $300 million on July 1, 2017. When we look forward at balancing this budget everybody wants to protect the 12 and the 12 but had we not looked at this bill so those numbers would probably have been 8% and 4% going in to 2018 and 2019. We need that additional revenue to balance the books. We're not going to raise taxes so you have to make a decision on how you're going to balance this budget. As we went through this I became a proponent when we decided we were going to take away the inflators and the hold harmless. Towards the end of the bill is the language to study the bill and says Human Services will find consolidation, aggregation, and you will submit a plan for those things in the next Human Services budget. The study didn't go away; the study just became something they must do. In exchange for this I believe we need to look at aggregation and consolidation. If we're paying the bill, then we should have some say in what's going on. The 12% buy down for the 2019-21 budget that property tax relief bucket is not going to be $300 million but it is going to be $200 million and that money will be set aside subject to this pilot being successful and that there is some consolidation, aggregation, and more facts and figures on this. That money will be available for funding those social services in keeping that mill levy down the next biennium. The last part talks about the 12% credit. The current cost estimate has gone down a bit to $241 million which requires a deficiency appropriation of $8 million to be provided to this assembly to fully fund the program. We were anticipating that. On the back you'll see the percent of total taxes. Joe, from the Tax Department, has some more current information on that but he can talk to that when he gets up here. There are going to be some significant changes in this. We have eight regional Human Service Centers who are also doing different things but they have a general fund budget of $115 million. We need to make sure the services people got before still have access to them. There is work to be done during the interim to see if there is a viable path for consolidation, aggregation, and how we reimburse on these cases.

Chairman Headland: After reading through this I believe this is an easier concept to understand. We'll have somebody from council go through this section by section.

Representative Carlson: I brought Al Knudson from the fiscal side down to answer any fiscal questions and how the mechanics of this works. I haven't talked to the counties about this. Maybe when they know there is consolidation and aggregation they might not be as happy of us taking this over, but the reality is if the state is going to take this over we need to make sure this is the most efficient services that's provided to our citizens. We need reform and we need to be smart when we take this over. I think this bill allows us a path to do that. If it doesn't work two years from now, then we get out of it. The Human Services Department is more than willing to dig into this and see how we best tie these services and our Human Service Centers and how we become better at what we're doing. I believe this is a better product and I think this gives the counties what they're looking for now.

Representative Hogan: I think this has some reasonable components and I'm pretty pleased with this. The actual payment would begin in 2018?

Representative Carlson: January 10, 2018. It will be in two installments.

Representative Hogan: My initial reaction to this is very positive. Regarding your comments on consolidation and aggregation, I agree with you that there have been so much shared services but to have a formal structure for that is a really good partnership with the Department of Human Services. I want to make sure everyone is clear that we're not moving towards state administration, we're maintaining county employment of social service. I think that assures that the local services maintain.

Representative Carlson: I would say we should move towards having them be our folks. For a lot of counties this is economic development. We still need people in the counties for people to get the services they need. We may not need as many people out there but we will determine that at the end of the pilot program.

Representative Hogan: The counties provide significant partnerships with the county sheriff, and all the in lieu of activities with administrative costs. I think that study will help point out those who pay the payroll has such a tight partnership and assuming all those infrastructure costs by the state may be costlier. I'm comfortable as we study it but I think we have to look at the whole; clients first and cost effective second. I think we can make this work.

Representative Carlson: One thing we lose sight of is who we work for and that's the people. We can't lose track of that; it's people who are out there receiving these services. In the 2017-19 biennium the property tax being provided to our citizens with the proposed takeover of county social services is $161 million, we've taken over $895 million worth of property tax relief for education, we've taken over $14.8 million for homestead tax credits, we've taken over $8.1 million for veterans' tax credits, we've taken over $24.1 million of the clerks of court, and the total of all these is $1.1 billion. You now have a decision to make whether you stay with the original study or whether you want to go with this proposal for the next two years. Whatever you do we have to move this bill forward. We've spent a lot of time over the last 10 days working on this and I think this is the most workable thing we came up with.

Chairman Headland: We'll have Emily walk us through the bill as it is now.

Emily Thompson, Counsel, Legislative Council: Started with the explanation of the amendments at 26:34 as on the marked up version of the bill (attachment #1). Ended the explanation at 39:55.

Representative Hogan: I'm trying to understand the fact that we didn't use an inflator. We're using a 2015 base and with no more than 105% if a county has had increases between 2015-2018 and they also have caseload increases, does that 5% include caseload increases and inflationary costs?

Emily Thompson, Counsel, Legislative Council: That's correct.

Representative Hogan: There could be some pretty substantial consequences. If you had increases in caseload and inflationary costs this could result in some reduction in service. I'm going to support this but I just want it on the record that this could have a significant reduction in current funding based on 2017.

Chairman Headland: That could be possible but those are the latest numbers we have so we don't have any idea.

Emily Thompson, Counsel, Legislative Council: The only other piece I will direct you to is on page 18 of the bill. If there are unforeseen circumstances and the formula is not sufficient to meet a service area's expenses, the language is still in the bill from its original and states the Board of County Commissioners can approve a transfer from the county general fund to the human service fund if a majority of all the members approve that. There is a little bit of a cushion.

Representative Mitskog: It gives some flexibility for local control. I am encouraged by the new language of this amendment.

Chairman Headland: Joe, did you want to come to the podium?

Joe Morrissette, Tax Department: Distributed updated information on 2016 tax year social service taxes. See attachment #5. I have an updated version of what Representative Carlson distributed earlier. This shows more current numbers in relation to the 2016 tax year levies and what percentage those social service levies are of the total taxes that were levied. Overall it remained at about 6% of the total taxes just like it was on the 2015 tax year information Representative Carlson handed out. This reflects just the social service levy which has the 20 mill cap. That is the only levy authority that would be removed in the pilot project because that is the only remaining social service levy that counties have.

Representative Steiner: Stark County shows 5.8% of total taxes which is 12.66. Is that saying that is replaced by this bill completely? The taxpayers will not see a difference in this particular instance?

Joe Morrissette: This is saying in the most current tax year, 2016 tax year, in Stark County 5.8% of the taxpayer's bill on average was for social services taxes which was 12.66 mills. Those mills would not be levied in the future because that authority would go away. Based on this tax year that would equate to around a 6% reduction in the overall taxes in the county.

Chairman Headland: The reduction is going to be at the county level. How do cities levy? Does the county's portion for social services reflect on a city's property tax statement as it is on a county's?

Joe Morrissette: That is levied county-wide on all the property in the county so every taxpayer pays that. It makes up a different percentage of each individual taxpayer's bill.

Chairman Headland: If you lived in the city you would have a 12% reduction and the overall city levy as well, which is not going to be reflected anymore because we're only reducing the county's portion of their levy now, correct?

Joe Morrissette: Yes. Every taxpayer in the county would get the same benefit in terms of not having to pay 12.66 mills that the county was levying. Depending on whether you live in a big city, small city, or rural area those taxes may be a different percentage of your tax bill. This is just an average.

Chairman Headland: I just wanted to make sure everybody was clear on that.

Vice Chairman Dockter: We're taking out the hold harmless. Under the hold harmless formula there were 41 counties that would be on the hold harmless formula. If we just did the social services portion everything stays the same?

Joe Morrissette: I believe that's correct. There were seven or eight service areas or counties when their formula payment would equal more than what they would have received under the 12% on distribution.

Chairman Headland: I'll now allow for some discussion amongst the audience.

Representative Weisz: This committee needs to look at page 17 where it talks about the 105 percent. The county doesn't determine caseloads, we do. If you have a 15% growth in caseload, it's now by this definition that they have to go to the taxpayers and get them to pay for that additional administration cost of the extra 15% of the caseload. The point of doing this is to ensure that state mandated services aren't being paid by local property tax dollars. This committee needs to take a close look at how you're dealing with increase in caseload.

Chairman Headland: How would we fix that in the current language?

Representative Weisz: You already have the formula. You're taking the caseload by the expenditures they had in 2015. I think you would apply that for increase in caseload. You would give them a maximum of 105% but allow that if the caseload went up by 10% in a particular area you're adjusting say $500 per case, they would have that increase over and above the 105% for those additional caseload. When you tell them they have to go to the people and raise the general levy it negates part of what we're doing here in trying to truly shift this to the state which it really should have been.

Chairman Headland: I agree with what you're saying but we don't know what those caseload number increases are so how would we budget for that? That might add quite a bit of cost and increase the appropriation but we have no way of knowing it so how would we account for that? Would it be workable that we allow the county to add over this two-year period and it would be determined what those numbers are then it would help the study group factor in what would be presented to the next session.

Representative Weisz: Certainly you can't predict exactly but that's what we do when we're doing the human services budget. We're always making predictions of what the caseload numbers are going to be. I think there needs to be a small fudge factor because in general caseloads are going to go up statewide, but you're going to have individual counties that may have increases. It's not fair to punish them.

Chairman Headland: I'll look into it a little bit and see if we can work that out and put into the bill.

Representative B. Koppelman: Wouldn't it also be feasible to see those pockets of increase dry up and reduce? If you're going to give an excessive increase because of caseload I think you should require that if a caseload decreases, then something comes back.

Representative Weisz: That's exactly what this does now because it's based on caseload.

Chairman Headland: We're pushing up against 10am and there are conference committees scheduled. We'll have to recess for now and I'll look for a time when we can come back and have further discussion.

Recessed at 56:07

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2206
4/10/2017
30015

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A BILL relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies; relating to county and multicounty social service board budgets, county general fund levy limitations, and property tax statements; relating to the county human services fund, the human services grant program, county property tax levy authority for social services, and the state-paid property tax relief credit; and to provide an effective date.

Minutes: Attachment #1

Chairman Headland: Called the committee back to order. Before we start discussing the amendment I would ask for a motion to reconsider our actions whereby we passed out 2206.

Representative Hatlestad: MADE A MOTION TO RECONSIDER OUR ACTIONS

Representative Olson: SECONDED

VOICE VOTE: MOTION CARRIED

Chairman Headland: We have the bill before us. We still have an amendment on there that we passed out. Is the committee in agreement that we should pull that amendment off and move forward with this new one? I'd entertain a motion for that.

Representative Hatlestad: MADE A MOTION TO STRIP THE AMENDMENT 17.0760.02005.

Vice Chairman Dockter: SECONDED

Chairman Headland: Is there any discussion?

VOICE VOTE: MOTION CARRIED

Chairman Headland: We are back to the original bill.

Vice Chairman Dockter: MADE A MOTION TO ADOPT AMENDMENT 17.0760.02009.

Representative Ertelt: SECONDED

Chairman Headland: Is there any discussion? We're open for discussion on the proposed amendment.

Representative Hogan: I'm pleased to see these proposed amendments because I think it keeps the vision alive for the working group who has spent six years working on this. I agree with 95% of this amendment. There are two things I'm concerned about; the 2015 base and the inflationary cap because I don't think that necessarily reflects that we will be paying for what is actually being done. The second issue that I'm concerned with is on page 11 in the middle of section 5 lines 17-18 which has to do with the timeline for transitioning county social service staff to the Department of Human Services. Despite those concerns I'm going to support this amendment.

Chairman Headland: This will go through a conference committee so I anticipate there will be further changes.

Representative Mitskog: I'm also very supportive and pleased that this change has been made. I truly believe this is the step we need to take for permanent property tax reform. I think this will create some opportunities. In two years we come back and see the opportunities for synergies and collaborations for efficiencies at the local level.

Representative B. Koppelman: I'm going to support the attachment of this amendment but I would like to discuss the concept if this is going to be the replacement for the potential property tax buy down of 12 and 12 percent. If this decision here is going to end that program and begin this one then what concepts or discussions we could have about yielding a better return than 3-5% in place of 12 and 12 percent. My impression with earlier discussions was that without the hold harmless and things social services was equaling somewhere around an 8% or so of the 12 percent. When we actually get the numbers and see the amendment it is quite a bit less than that. I have concerns that we will spend away the rest.

Chairman Headland: I think the range is a little higher than 3-5%, it's actually 3-8% according to the handout from earlier this morning. I think we all have concerns about what happens with the excess, if there is excess. To address Representative Hogan's questions, I think the language regarding the transitioning of county social services staff to the Department of Human Services is just language that needs to be talked about during the interim when the committee groups. I don't think because it states that in there that it is necessarily what will happen in the end. As far as your other concern, I believe there is language that if the county runs short of money there is money in it that will allow for some levy authority in the general fund to make up those differences to assure that everybody is held whole and people that need the services remain at those levels.

Vice Chairman Dockter: I support these amendments. During conference committee we will need to figure out section 10, with the RECs and how they are taxed. If the levying authority goes away, we'll have to see what we can do on that.

Chairman Headland: I agree. I think it was possibly an oversight of the drafter of the amendment to take them out. I've been assured that we will address those concerns in the conference committee. I want to make sure everybody on this committee understands that as well. It does change a little bit; it's not like we can just insert the section 10 back in because it's going to need some redrafting. I have one more concern to address. It's been brought to my attention that on page 29 of the marked up version in section 18 line 13 there was a typing error and instead of saying sections 4 and 5 it should say sections 4 and 7 of the act are effective. We will have to have an official motion to make that change.

Representative Hogan: MADE A MOTION TO ADOPT THAT AMENDMENT ON PAGE 29 SECTION 18 LINE 13.

Representative Steiner: SECONDED

Chairman Headland: Is there any discussion?

ROLL CALL VOTE: 14 YES 0 NO 0 ABSENT

MOTION CARRIED

Chairman Headland: We now have re-engrossed SB 2206 before us.

Representative B. Koppelman: Distributed proposed amendments 17.0760.02007, see attachment #1.

Chairman Headland: I'm assuming these amendments no longer fit the bill we have before us?

Representative B. Koppelman: They should be fine. They are designed to be inserted at the end or at the same spot. They're not cherry picking language from the original bill. This is language from HB 1361. We passed HB 1361 out of this committee with a 9-5 vote and on the floor with a 56-34 vote. The Senate made it very clear that on the way to killing that bill they attempted to amend it but sounds like it's just going to die altogether. One of the reasons I was so supportive of doing a county service concept earlier on, especially with the paired down version, was that the gap between what we got from the 12% and what we're getting in this bill now we were getting some property tax relief that there may not be the money for and in return we were going to get some property tax reform. That reform is going to come in a way of putting some limits on what political subdivisions can spend without having their voters consent. This language is written using the 3% that was in HB 1361. I'd like to move this amendment but I would look at further amending this to change that percentage. **MADE A MOTION TO ADOPT AMENDMENT 17.0760.02007.**

Representative Ertelt: SECONDED

Representative B. Koppelman: This language is designed to go right on top of the .02009 version.

Chairman Headland: I'm going to reject this amendment. It's been brought to my attention that it jeopardizes the concept of us moving forward with the takeover of social services. I don't know that I want to put that in jeopardy with an amendment that still hasn't been voted on in the Senate. You say it's your belief that the proposed bill HB 1361 is going to be defeated over there but I'm not completely sure that's the case. I just had a conversation with Senator Cook and he is still going to fight to get the amended version of HB 1361 passed which would likely involve a conference committee. I think this language muddies up this bill and I'm going to reject the amendment.

Representative Hogan: I'm also going to reject this amendment. As we move into a whole new funding structure the safety net, if the per case reimbursement doesn't reflect the actual cost, in particularly the caseload increase, that 3% cap could take every penny. I think we have so many moving parts right now that this is going to muddy the waters significantly on the social service funding.

Representative B. Koppelman: You're bringing up the exact reason why I have pause because we are getting rid of 100% of the buy downs we provided to the taxpayers. Buy downs have never been my favorite vehicle, I inherited them and they were here when I got here. They are better than nothing. If the fear of this sort of amendment or this sort of a bill if it was to pass in another form, is that it could limit the ability for counties or any political subdivision to shift that tax burden over to general fund and then tax it anyway, what are we doing here today? The only reason this bill would be possibly a good idea, at least from a taxpayer's savings perspective, is if there are limits on what can be shifted over. If we're not willing to put the limits on that then what are we doing here because we're clearly not providing property tax relief or property tax reform.

Chairman Headland: I tend to agree with you but realizing that 2206 is only going to be impacting counties I'm assuming this amendment impacts all political subdivisions including school districts which have been backed off two years ago and gives them time to look at rewriting it. I think it does create some problems for this bill moving forward. I agree with you that we need to look at somehow limiting the growth in property taxes. Earlier in this bill we believed we had something that did that knowing that it may change by the end. I believe some of those changes are occurring in the other bill. I think it's proper that we just give that a chance and see what happens. Until we leave here there is always opportunities to amend bills and provide safeguards that you're looking for and the rest of us are looking for as well.

Representative Trottier: Out of the 94 that would be sitting on the floor, I'm one of the 94 who like property tax relief. I looked at it as a bonus to our people. We can only afford a bonus when we can afford it. Right now we are in the stages when we can't afford it. We're lowering it here in 2206. I've been told we may have to go from 12% down to 8, 6, or 4% so we're lowering it here and I think the people understand that property tax relief was something shared from excess money of the state. We may not have anything next time, I don't know.

Chairman Headland: If this bill becomes law it gets us out of the property tax relief business permanently which is a move that we've been trying to figure out how to get to for quite some time, essentially since we got in it. We have a motion to approve amendment .02007.

ROLL CALL VOTE: 5 YES 9 NO 0 ABSENT

MOTION FAILED

Chairman Headland: We have the amended bill before us. I'm looking for a motion.

Vice Chairman Dockter: MADE A MOTION FOR A DO PASS AS AMENDED

Representative Mitskog: SECONDED

Representative B. Koppelman: Having been one who fought valiantly on the floor trying to get this to the committee, I can't support my citizens' taxes going up 8.5% or 9% as a result of this so I'm going to vote no.

Representative Ertelt: I can't support the bill as it stands because I think we're leaving out an important portion and that's asking the counties to reduce their general fund levy by the amount that we're spending above what they're levying just for social services. The data we were provided for 2015 and 2016 on the amount the counties are actually levying for social services is a total of $104.3 million. If you compare that to $161 million that's estimated in this bill that's a 54% increase over what they are actually levying for social services. I understand that it is closer to what they're actually spending for social services, but it gives the counties an out on handing any of that relief back to the taxpayers beyond the 20 mills for social services. I understand that if it goes to conference committee that is something that will likely be taken up there, but as it sits I can't support it.

Chairman Headland: I believe a lot of that is federal dollars so it's not being paid by the county today. They have nothing in their general fund to lower because of it. I'm not saying there aren't any costs they're using general fund dollars because there are services provided in some of the counties that are not state or federally mandated. We tried to look at those but we couldn't really get a handle on what those costs were.

Representative Ertelt: I had a conversation after our meeting this morning. I understood that difference was due to three reasons; indirect costs which was estimated at $5 million actual, actual expense in excess of the levy, as well as some estimated caseload growth. Based on the information I received from the Tax Department actual expense is something that is pushing that above the $104.5 million up to the $161 million.

Chairman Headland: Where did you get your numbers from?

Representative Ertelt: The Tax Department. The numbers are based on what we received this morning. That difference from $161 million versus the $104.3 million is actually levied by the counties and part of that is actual cost versus the levied cost for social services.

Chairman Headland: We understand that. The $161 million replaces the cost per caseload over the number of caseloads. If there were extra dollars that weren't levied associated with that from a general fund, we are replacing those costs. I don't know how that would be reflected across county to county or social service agency from one to the next. I'm not sure how you would incorporate that in the bill. How would you distinguish what the exact costs are?

Representative Ertelt: I requested the actual expenditure values from the Tax Department but I haven't received that yet.

Chairman Headland: Did the Tax Department say they could supply you with those numbers?

Representative Ertelt: Yes. Per county.

Chairman Headland: That might be something we're going to have to look at but we have to get this moving because we're running out of time. We have to get it into conference committee. We'll have to look into that at that time.

ROLL CALL VOTE: 10 YES 4 NO 0 ABSENT

MOTION CARRIED FOR A DO PASS AS AMENDED

Chairman Headland will carry this bill.

****Chairman Headland directed me to rerefer this to the Appropriations Committee.**

3/29/17 DP

17.0760.02005
Title.03000

Prepared by the Legislative Council staff for
Representative Carlson
March 29, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for the development of an implementation plan for state-funded county social services; and to provide for a report to the legislative assembly.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. DEPARTMENT OF HUMAN SERVICES - DEVELOPMENT OF AN IMPLEMENTATION PLAN FOR STATE-FUNDED COUNTY SOCIAL SERVICES - REPORT TO THE LEGISLATIVE ASSEMBLY. During the 2017-18 interim, the department of human services shall develop an implementation plan for the eventual state funding of county social services and elimination of county human service levy authority under section 57-15-06.7. The plan must be developed in consultation with an advisory committee that must include at least four members of the legislative assembly and additional members selected by the executive director of the department. The development of the plan may include a proposed pilot project and must address the following items: options for efficiencies and aggregation and consolidation of county social services offices and organizations, including the potential reduction in county and other staff; considerations for oversight and chain of command within social services and human services; and recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance. The development of the plan must consider the delivery of county social services to ensure appropriate and adequate levels of service continue under the structure proposed in an implementation plan. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan upon full implementation."

Renumber accordingly

17.0760.02009
Title.

Prepared by the Legislative Council staff for
Representative Carlson
April 7, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

In lieu of the amendments as printed on pages 1231 and 1232 of the House Journal, Engrossed Senate Bill No. 2206 is amended as follows:

Page 1, line 1, remove "and a new section to chapter 57-20"

Page 1, line 3, remove "and a credit against payments in lieu of taxes paid by"

Page 1, line 4, remove "centrally assessed companies"

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide an appropriation;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount

determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for ~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which

includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after "**50-34-01.**" insert:

"**State-paid economic assistance and social service pilot program - Application - Report.**

1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-05 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-05.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-05. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the timeline for transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department

of human services budget request and identify the estimated biennial cost of the plan.

50-34-02."

Page 7, line 15, remove ""Economic assistance adjusted base year gross expenditures" means an amount"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "5."

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**50-34-02**" with "**50-34-03**"

Page 7, line 25, replace "50-34-07" with "50-34-05"

Page 7, line 27, replace ". Beginning" with ", and for calendar year 2019 on or before"

Page 7, line 28, remove ", and on or before June first of each year thereafter, the director shall"

Page 7, line 29, remove "notify each service area of its formula payment for the subsequent calendar year"

Page 8, line 5, replace "50-34-07" with "50-34-05"

Page 8, line 21, replace "50-34-08" with "50-34-06"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 10, line 10, remove "a."

Page 10, line 13, remove "adjusted"

Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 30

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 3

Page 12, line 4, replace "**50-34-07**" with "**50-34-05**"

Page 12, line 7, remove "weighted"

Page 12, line 10, remove "weighted"

Page 12, line 13, remove "as follows:"

Page 12, line 14, replace "a. For calendar year 2018 formula payment calculations, the" with "to ensure the service area's"

Page 12, line 14, remove "must"

Page 12, line 15, replace "be" with "is"

Page 12, line 15, remove "two"

Page 12, line 15, replace "ten" with "five"

Page 12, line 16, remove "adjusted"

Page 12, line 17, remove "adjusted"

Page 12, remove lines 18 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**50-34-08**" with "**50-34-06**"

Page 14, line 18, replace "**50-34-09**" with "**50-34-07**"

Page 14, line 20, replace "50-34-08" with "50-34-06"

Page 14, line 21, replace "50-34-08" with "50-34-06"

Page 14, line 26, remove "and on January first of each year thereafter."

Page 14, line 27, replace "50-34-08" with "50-34-06"

Page 14, line 28, replace "50-34-02" with "50-34-03"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**50-34-11**" with "**50-34-08**"

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

(~~1~~) ~~The~~the base year mill rate of the school district minus sixty mills~~;~~ or

(~~2~~) ~~Fifty~~fifty mills, if the base year is a taxable year before 2013.

e. ~~If~~Reduced by the base year human services county levy in dollars if the base year is a taxable year ~~before 2016~~after 2018, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01."

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

Page 21, remove lines 22 through 30

Page 22, replace lines 1 thorough 17 with:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 15.1-27 ~~and under~~, section 57-20-07.2 for taxable years before 2018, and chapter 50-34 for taxable years 2018 and 2019. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills.

SECTION 14. SUSPENSION. Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 15. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 17. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES.** A total of $161,000,000 from the general fund is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $135,000,000 or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 15 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Section 16 of this Act is effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 14 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

Prepared by the Legislative Council staff for
Representative B. Koppelman
April 6, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

In lieu of the amendments as printed on page 1231 and 1232 of the House Journal, Engrossed Senate Bill No. 2206 is amended as follows:

Page 1, line 1, after "50-34" insert ", section 57-15-02.2,"

Page 1, line 3, after "state" insert ", limitations of property tax levies by taxing districts without voter approval,"

Page 1, line 4, replace "sections" with "section"

Page 1, line 4, after the first comma insert "subsection 4 of section 15.1-27-04.1, sections"

Page 1, line 5, after the first comma insert "and"

Page 1, line 7, after the comma insert "determination of school district state aid payments,"

Page 1, line 11, remove the second "and"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"SECTION 2. AMENDMENT. Subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code is amended and reenacted as follows:

4. After determining the product in accordance with subsection 3, the superintendent of public instruction shall:

   a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the school district, provided that after ~~2013~~2019, the amount in dollars subtracted for purposes of this subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than ~~twelve~~three percent or the percentage increase approved by a majority of the qualified electors of the school district pursuant to subsection 3 of section 57-15-02.2; and

   b. Subtract an amount equal to seventy-five percent of all revenues listed in paragraphs 1 through 5, and 7 of subdivision f of subsection 1 and one hundred percent of all revenues listed in paragraphs 6, 8, and 9 of subdivision f of subsection 1."

Page 17, after line 17, insert:

"**SECTION 8.** Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means

any political subdivision empowered to levy taxes, with the exception of school districts. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under Article X, Section 16, of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by Article X, Section 10, of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 9. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

   a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

   b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

   c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

   d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

   a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

   b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

   c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "6,"

Page 22, line 19, remove "8, 9,"

Page 22, line 19, after the fifth comma insert "11, 12, 13,"

Page 22, line 19, replace "13" with "16"

Page 22, line 20, remove "3,"

Page 22, line 20, after the fourth comma insert "6,"

Page 22, line 20, replace "11" with "14"

Page 22, line 21, after the period insert "Section 8 of this Act if effective for the first two taxable years beginning after December 31, 2017, and is thereafter ineffective."

Page 22, line 21, replace "2," with "3,"

Page 22, line 21, replace "12" with "15"

Page 22, line 22, after the period insert "Sections 2 and 9 of this Act are effective for taxable years beginning after December 31, 2019."

Renumber accordingly

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17.0760.02010
Title.04000

Adopted by the Finance and Taxation Committee

April 10, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

In lieu of the amendments as printed on pages 1231 and 1232 of the House Journal, Engrossed Senate Bill No. 2206 is amended as follows:

Page 1, line 1, remove "and a new section to chapter 57-20"

Page 1, line 3, remove "and a credit against payments in lieu of taxes paid by"

Page 1, line 4, remove "centrally assessed companies"

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide an appropriation;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount

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determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for ~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which

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includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after "**50-34-01.**" insert "**State-paid economic assistance and social service pilot program - Application - Report.**

1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-05 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-05.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-05. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the timeline for transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

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50-34-02."

Page 7, line 15, remove ""Economic assistance adjusted base year gross expenditures" means an amount"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "5."

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**50-34-02**" with "**50-34-03**"

Page 7, line 25, replace "50-34-07" with "50-34-05"

Page 7, line 27, replace ". Beginning" with ", and for calendar year 2019 on or before"

Page 7, line 28, remove ", and on or before June first of each year thereafter, the director shall"

Page 7, line 29, remove "notify each service area of its formula payment for the subsequent calendar year"

Page 8, line 5, replace "50-34-07" with "50-34-05"

Page 8, line 21, replace "50-34-08" with "50-34-06"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 10, line 10, remove "a."

Page 10, line 13, remove "adjusted"

Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 30

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 3

Page 12, line 4, replace "**50-34-07**" with "**50-34-05**"

Page 12, line 7, remove "weighted"

Page 12, line 10, remove "weighted"

Page 12, line 13, remove "as follows:"

Page 12, line 14, replace "a. For calendar year 2018 formula payment calculations, the" with "to ensure the service area's"

Page 12, line 14, remove "must"

Page 12, line 15, replace "be" with "is"

Page 12, line 15, remove "two"

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Page 12, line 15, replace "<u>ten</u>" with "<u>five</u>"

Page 12, line 16, remove "<u>adjusted</u>"

Page 12, line 17, remove "<u>adjusted</u>"

Page 12, remove lines 18 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**<u>50-34-08</u>**" with "**<u>50-34-06</u>**"

Page 14, line 18, replace "**<u>50-34-09</u>**" with "**<u>50-34-07</u>**"

Page 14, line 20, replace "<u>50-34-08</u>" with "<u>50-34-06</u>"

Page 14, line 21, replace "<u>50-34-08</u>" with "<u>50-34-06</u>"

Page 14, line 26, remove "<u>and on January first of each year thereafter,</u>"

Page 14, line 27, replace "<u>50-34-08</u>" with "<u>50-34-06</u>"

Page 14, line 28, replace "<u>50-34-02</u>" with "<u>50-34-03</u>"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**<u>50-34-11</u>**" with "**<u>50-34-08</u>**"

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

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c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

   ~~(1)~~ ~~The~~the base year mill rate of the school district minus sixty mills~~;~~ or

   ~~(2)~~ ~~Fifty~~fifty mills, if the base year is a taxable year before 2013.

e. ~~If~~Reduced by the base year human services county levy in dollars if the base year is a taxable year ~~before 2016~~after 2018, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01."

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

Page 21, remove lines 22 through 30

Page 22, replace lines 1 thorough 17 with:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 15.1-27 ~~and under~~, section 57-20-07.2 for taxable years before 2018, and chapter 50-34 for taxable years 2018 and 2019. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

   (1) Fifty mills; or

   (2) The 2012 taxable year mill rate of the school district minus sixty mills.

SECTION 14. SUSPENSION. Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 15. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 17. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES.** A total of $161,000,000 from the general fund is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $135,000,000 or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 15 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Section 16 of this Act is effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 14 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

Date: 3-29-17
Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 17.0760.02005

Recommendation:
☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By Rep. Steiner Seconded By Rep. Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan	A	
Vice Chairman Dockter	✓		Representative Mitskog		✓
Representative Ertelt	✓				
Representative Grueneich	✓				
Representative Hatlestad	✓				
Representative Howe	✓				
Representative Koppelman	✓				
Representative Olson	A				
Representative Schobinger	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 11 No 1

Absent 2

Floor Assignment ____________

If the vote is on an amendment, briefly indicate intent:

Motion carried.

Date: 3-29-17
Roll Call Vote #: 2

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description:

Recommendation:
☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐

Motion Made By Rep. Howe Seconded By Rep. Steiner

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan	A	✓
Vice Chairman Dockter	✓		Representative Mitskog		✓
Representative Ertelt	✓				
Representative Grueneich	✓				
Representative Hatlestad	✓				
Representative Howe	✓				
Representative Koppelman	✓				
Representative Olson	A				
Representative Schobinger	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 11 No 1

Absent 2

Floor Assignment Rep. Headland

If the vote is on an amendment, briefly indicate intent:

Date: 4-10-17
Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description:

Recommendation:
☐ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☒ Reconsider ☐
Do pass

Motion Made By Rep. Hatlestad Seconded By Rep. Olson

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland			Representative Hogan		
Vice Chairman Dockter			Representative Mitskog		
Representative Ertelt					
Representative Grueneich					
Representative Hatlestad					
Representative Howe					
Representative Koppelman					
Representative Olson					
Representative Schobinger					
Representative Steiner					
Representative Toman					
Representative Trottier					

Total (Yes) No

Absent

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

Voice vote = Motion carried.

Date: 4-10-17
Roll Call Vote #: 2

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 17.0760.02005

Recommendation:
☐ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☒ Strip amendment

Motion Made By Rep. Hatlestad Seconded By Rep. Dockter

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland			Representative Hogan		
Vice Chairman Dockter			Representative Mitskog		
Representative Ertelt					
Representative Grueneich					
Representative Hatlestad					
Representative Howe					
Representative Koppelman					
Representative Olson					
Representative Schobinger					
Representative Steiner					
Representative Toman					
Representative Trottier					

Total (Yes) ______ No ______

Absent ______

Floor Assignment ______

If the vote is on an amendment, briefly indicate intent:

Voice vote = Motion carried.

Date: 4-10-17
Roll Call Vote #: 3

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 17.0760.02009 and p. 29 section 18 line 13 replace section 4+5 with 4+7

Recommendation: ☒ Adopt Amendment + further amend.
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ______

Motion Made By Rep. Dockter / Rep. Hogan Seconded By Rep. Ertelt (.02009) / Rep. Steiner (p. 29)

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan	✓	
Vice Chairman Dockter	✓		Representative Mitskog	✓	
Representative Ertelt	✓				
Representative Grueneich	✓				
Representative Hatlestad	✓				
Representative Howe	✓				
Representative Koppelman	✓				
Representative Olson	✓				
Representative Schobinger	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment —

If the vote is on an amendment, briefly indicate intent:

Date: 4-10-17
Roll Call Vote #: 4

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 17.0760.02007 - attachment #1

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By Rep. Koppelman Seconded By Rep. Ertelt

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland		✓	Representative Hogan		✓
Vice Chairman Dockter		✓	Representative Mitskog		✓
Representative Ertelt	✓				
Representative Grueneich		✓			
Representative Hatlestad		✓			
Representative Howe		✓			
Representative Koppelman	✓				
Representative Olson	✓				
Representative Schobinger	✓				
Representative Steiner		✓			
Representative Toman	✓				
Representative Trottier		✓			

Total (Yes) 5 No 9

Absent 0

Floor Assignment ____________

If the vote is on an amendment, briefly indicate intent:

Motion failed.

Date: 4-10-17
Roll Call Vote #: 5

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 17.0760.02009 + p. 29 section 18 line 13 replace section 4+5 with 4+7

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☒ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By Rep. Dockter Seconded By Rep. Mitskog

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan	✓	
Vice Chairman Dockter	✓		Representative Mitskog	✓	
Representative Ertelt		✓			
Representative Grueneich	✓				
Representative Hatlestad	✓				
Representative Howe	✓				
Representative Koppelman		✓			
Representative Olson	✓				
Representative Schobinger		✓			
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier		✓			

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Headland

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2206, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 1 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2206 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for the development of an implementation plan for state-funded county social services; and to provide for a report to the legislative assembly.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. DEPARTMENT OF HUMAN SERVICES - DEVELOPMENT OF AN IMPLEMENTATION PLAN FOR STATE-FUNDED COUNTY SOCIAL SERVICES - REPORT TO THE LEGISLATIVE ASSEMBLY. During the 2017-18 interim, the department of human services shall develop an implementation plan for the eventual state funding of county social services and elimination of county human service levy authority under section 57-15-06.7. The plan must be developed in consultation with an advisory committee that must include at least four members of the legislative assembly and additional members selected by the executive director of the department. The development of the plan may include a proposed pilot project and must address the following items: options for efficiencies and aggregation and consolidation of county social services offices and organizations, including the potential reduction in county and other staff; considerations for oversight and chain of command within social services and human services; and recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance. The development of the plan must consider the delivery of county social services to ensure appropriate and adequate levels of service continue under the structure proposed in an implementation plan. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan upon full implementation."

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2206, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2206 was placed on the Sixth order on the calendar.

In lieu of the amendments as printed on pages 1231 and 1232 of the House Journal, Engrossed Senate Bill No. 2206 is amended as follows:

Page 1, line 1, remove "and a new section to chapter 57-20"

Page 1, line 3, remove "and a credit against payments in lieu of taxes paid by"

Page 1, line 4, remove "centrally assessed companies"

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide an appropriation;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an

amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for ~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the

first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after "**50-34-01.**" insert "**State-paid economic assistance and social service pilot program - Application - Report.**

1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-05 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-05.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-05. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the timeline for transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

50-34-02."

Page 7, line 15, remove ""Economic assistance adjusted base year gross expenditures" means an amount"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "5."

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**50-34-02**" with "**50-34-03**"

Page 7, line 25, replace "50-34-07" with "50-34-05"

Page 7, line 27, replace ". Beginning" with ", and for calendar year 2019 on or before"

Page 7, line 28, remove ", and on or before June first of each year thereafter, the director shall"

Page 7, line 29, remove "notify each service area of its formula payment for the subsequent calendar year"

Page 8, line 5, replace "50-34-07" with "50-34-05"

Page 8, line 21, replace "50-34-08" with "50-34-06"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 10, line 10, remove "a."

Page 10, line 13, remove "adjusted"

Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 30

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 3

Page 12, line 4, replace "**50-34-07**" with "**50-34-05**"

Page 12, line 7, remove "weighted"

Page 12, line 10, remove "weighted"

Page 12, line 13, remove "as follows:"

Page 12, line 14, replace "a. For calendar year 2018 formula payment calculations, the" with "to ensure the service area's"

Page 12, line 14, remove "must"

Page 12, line 15, replace "be" with "is"

Page 12, line 15, remove "two"

Page 12, line 15, replace "ten" with "five"

Page 12, line 16, remove "adjusted"

Page 12, line 17, remove "adjusted"

Page 12, remove lines 18 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**50-34-08**" with "**50-34-06**"

Page 14, line 18, replace "**50-34-09**" with "**50-34-07**"

Page 14, line 20, replace "50-34-08" with "50-34-06"

Page 14, line 21, replace "50-34-08" with "50-34-06"

Page 14, line 26, remove "and on January first of each year thereafter,"

Page 14, line 27, replace "50-34-08" with "50-34-06"

Page 14, line 28, replace "50-34-02" with "50-34-03"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**50-34-11**" with "**50-34-08**"

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

    a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

    b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

    c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

    d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

~~(1)~~ ~~The~~the base year mill rate of the school district minus sixty mills~~;~~ or

~~(2)~~ ~~Fifty~~fifty mills, if the base year is a taxable year before 2013.

e. ~~If~~Reduced by the base year human services county levy in dollars if the base year is a taxable year ~~before 2016~~after 2018, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01."

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

Page 21, remove lines 22 through 30

Page 22, replace lines 1 thorough 17 with:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 15.1-27 ~~and under~~, section 57-20-07.2 for taxable years before 2018, and chapter 50-34 for taxable years 2018 and 2019. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills.

SECTION 14. SUSPENSION. Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 15. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 17. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES.** A total of $161,000,000 from the general fund is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $135,000,000 or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 15 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Section 16 of this Act is effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 14 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

2017 CONFERENCE COMMITTEE

SB 2206

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

Senate Bill 2206
4/14/2017
Job #: 30144

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature	Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact chapter 50-34 of the N.D.C.C., relating to the transition of funding responsibility for county social services from the counties to the state; to amend and reenact sections 11-23-01, 50-01.2-03.2, 50-06-05.8, 50-06-20.1, and 50-06.2-04, subsection 3 of section 57-15-01.1, section 57-15-06.7, and subdivision c of subsection 1 of section 57-20-07.1 of the N.D.C.C., relating to county and multicounty social service board budgets, the human service grant program, county general fund levy limitations, and property tax statements; to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the N.D.C.C., relating to county human services funds, the human services grant program, and county human services levy authority; to repeal section 57-20-07.2 of the N.D.C.C., relating to the state-paid property tax relief credit; to provide for a report to the legislative management; to provide an appropriation; to provide an effective date; and to provide an expiration date.

Minutes: No Attachments

Chairman Bekkedahl called the conference committee on SB 2206 to order. All members present.

Representative Headland: Presented the amendments made and their intent. We provided some language for the upcoming biennium that will start as a state wide pilot program. During that time the department of human services is tasked with coming up with a plan for permanent implementation which would involve looking at consolidation, generating efficiencies and generating a path for how the employees may or may not become part of the state employees. We also took out any inflators that were associated with a formula that was based on one county. In our bill, it's the actual cost per case load, versus an average cost of one county that was designed for increased populations. We took out the property tax payer held harmless at the 12%. I think we may have mistakenly taken out the language that keep the REC's on an even playing field in taxation versus the IOU's that need to be addressed. We did what we thought we needed to do to keep the bill moving forward and willing to look at options that could improve it.

Senator Cook: I tend to like what they've done with the social services take over part of the bill, probably an improvement to the bill. I think we're in the same boat here as far as the hold harmless. I think what we need to do here is see as the session unwinds where the dollars end up and need to continue to work on how we might address that. I agree that we need to fix the REC's. There are some options, with whether we use 2015 or 2016 case numbers.

Representative Headland: When we were putting together, the 2016 numbers weren't available, but they are now. It would be a smart move for the committee to take a look at the 2016 numbers to see what the end result would be.

Senator Cook: Be best we adjourn until next week and see what our options are.

Chairman Bekkedahl: The REC fix that we did last session should be addressed. I'll work towards some amendments to do that. I don't know if we'll get a final amendment package, would be nice to work with them all at once. Give us time to look at the houses side.

Representative Headland: I understand there was a packet of amendments that were dropped off. Should we distribute those so we can take a look at them?

Chairman Bekkedahl: They have Representative Weisz's name on them. As chairman, I'd like to explore the intent before handing them out if I could please.

Senator Dotzenrod: Do we have someone working getting some information to us concerning the 2016 numbers and having those numbers available for us.

Chairman Bekkedahl: I have already done that research to some degree with the tax department yesterday and I'll be bringing that information to committee.

Representative Dockter: Time is of the essence, if we keep moving, can have multiple meetings in the day. It's an important issue, keep meeting to let everyone know where we're at. We are getting close to the end.

Meeting adjourned. No action taken.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

Senate Bill 2206
4/18/2017
Job #: 30198
2:00 pm meeting

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to the transition of funding responsibility for county social services from the counties to the state.

Minutes:

Attachment #1 – 17.0760.02016 Proposed Amendments
Attachment #2 – 17.0760.02016 Christmas Tree Version

Chairman Bekkedahl called the conference committee on SB 2206 to order. All members present for the 2:00 pm meeting. Proposed amendments (**attachment #1**) and the Christmas tree version (**attachment #2**) were handed out to the members

(0:01:15-0:15:03) Emily Thompson, Legislative Council gave a detailed explanation of the proposed amendments.

(0:09:11) Senator Dotzenrod asked a question regarding the mathematics of the payments. It was explained that in the drafting of the bill it was felt that the counties with their current work load and current capacity with their workforce could handle a 10% adjustment with the formula with the current workforce, so that's where you have the 95% to the 105% window. Anything above and below that required an adjustment in the funding.

(0:15:03) Senator Cook: We went over the section kind of fast, as far as the language in the bill regarding if we do not renew this plan. Am I understanding this correctly, that if we decide that we did not want to continue this and go back to the old property tax way, that we don't need to pass a piece of legislation next session to accomplish that.

Emily Thompson: Correct, since none of us can predict what will occur in 2019 what the legislature might do, this bill is drafted in a manner that if the pilot program isn't extended, the county levy authority for county human services will be automatically revived in 2019.

Senator Cook: What does it do to property tax in 2019 if we do nothing about it in 2019?

Emily Thompson: If the legislature doesn't put forth any legislation to extend the program, it will revert to what we have today with the 12%.

Senator Cook: With the 12% buy down.

Emily Thompson: The 12% state paid property tax credit, that is repealed in this bill. There are some sections that are just noted as suspended. Essentially turning them off, but not taking them out of code for the two years this pilot is in operation. The one repealed section on page 29 of the bill, section 17 does reference the 12% state paid property tax credit.

(0:16:57) Representative Headland: We had discussed earlier, was section 10 in the original draft in the bill that had language regarding the REC's. Are we going to address that separately?

(0:17:24) Emily Thompson: Section 14 had an overstrike throughout in the House version and it has since been removed with the exception of the very last line. It's essentially for the Rural Electric Cooperatives. They have a different payment system, payments in lieu of tax. In order to keep them whole, the reduction that is passed through for the reduction in 20 mills at the county level is also addressed in this section. The red overstrikes through the 50-32-04 reference, that is not making that reduction to the 12% credit reduction because the hold harmless has been removed from the entire bill.

(0:18:33) Senator Dotzenrod: On page 27, section 13, the section in gray. That is part of the bill, that is not a section that is taken out. That is part of a bill. It refers to the information that is printed on the tax statement. It looks like it's using 50 mills and 60 mills, so that's not really related to the school services, it's related to school.

Emily Thompson: This section addresses what the property tax statement will look like starting in 2019 if this program is not continued. Right now it talks about the school relief, how you have to show that on your statement. Under the new chapter, 50-34 looking at the top of page 28., you have to note the relief that was received for taxable years 2017 and 2018 under this program. It doesn't say 2018 and 2019, because you levy the tax the year before you pay the tax. So what you would be spending in 2018 for social services would be based on the taxable year 2017 levy. That just notes that since you have to show the 3 prior years on those property tax statements, it keeps that alive in code so you know what years you're putting that information in on those columns.

(0:20:04) Senator Dotzenrod: The tax statement that would be received by the tax payer in this two-year period, would that show the effect of the state putting the revenue in to the social services? Will that be reflected or identified on the tax statement,

(0:20:27) Emily Thompson: That language is on page 27, right before section 13. It's not a drafting error that we're amending the exact same section of code twice. It's accounting for the 2 years the pilot is in effect and the two years after the pilot what the statement will look like. You have more specific directions on how to calculate that savings received under this new human service payment chapter. Lines 21-26 explains how to explain the savings on the property tax statement. When you look at the new gray section it talks about going forward if the pilot isn't continued, you're still looking back at the two years for what those savings were.

(0:21:14) Senator Dotzenrod: So section 12 and section 13, they apply to different dates. We're repealing the 20 mills, where is that at in this bill?

Emily Thompson: The 20 mill levy is being removed and it's on page 26, the overstrike over subsection 15, it notes that a county levying an annual tax for human services purposes can't exceed a levy of 20 mills for that purpose. It is being removed for the two-year pilot. This section is only effective for the two years, if the pilot isn't continued this overstrike would go away and the code would revert back to what we have today and the levy authority would be renewed.

(0:22:13) Representative Mitskog: Can you go back and review on page 19, particularly the human service fund. Those reserves that county social service have, they're kind of all over the board when we see a break down. My concern is in the counties that have negative dollars in the funds. If a county has increased caseloads in year two and unforeseen events what are they to do?

Emily Thompson: The language that was originally in the bill is still in the bill and this notes that due to unforeseen or extenuation circumstances a service areas formula payment isn't sufficient to meet the expenses of the service area, the board of county commissioners can approve a transfer from that counties general fund into this fund if there is a majority vote. The money can be transferred in from the general fund. The carry forward balance, the 35% of their prior annual budget or $100,000 whichever is greater, that was discussed during the interim as a potential safety net amount for what it would cost to add one additional staff person. We're looking at payments per case, and this isn't payment for the services going out. It's payments for the staff person that is administering that type of service, salary, benefits, such as health insurance received, that was seen as an amount that might be able to cover the person to administer those cases.

(0:24:18) Senator Dotzenrod: The time of which the payments go out to the counties, will they be timed. Do they occur after 6 months of work has been done or is the payment timed in a different way?

Emily Thompson: Those payments go out twice a year. They know what their entire year payment would be going into 2018 and 2019. The first payment would go out on or before January 10^{th} and the second payment would go out on or before June 15^{th}.

Representative Headland: Would it be the intent at the 5:30 to discuss the changes and how each chamber feels about the changes and whether or not we agree.

Chairman Bekkedahl: What my intent was with 5:30 meeting was to go over this in-depth, I thought we needed this space and bring back any concerns at that meeting, a couple of meetings tomorrow.

Meeting adjourned, no action taken.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

Senate Bill 2206
4/18/2017
5:30 PM meeting
Job #:30214

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to the transition of funding responsibility for county social services from the counties to the state.

Minutes: | No Attachments |

Chairman Bekkedahl called the conference committee on SB 2206 to order. All members present at the 5:30 PM meeting.

Chairman Bekkedahl: Are there any questions from the earlier walk through that we can address before we start talking about sections of the bill? Any information from the House conferees that you want to bring before the committee?

Representative Headland: There are a couple of things that I would like to address at some point, regarding the amendment.

Chairman Bekkedahl: If it's alright with the committee we'll start with the first page of the Christmas tree version. **(Job #30198, Attachment #2 from 4/18/2017, 2:00 pm meeting)**

(0:01:12) Began a detailed walkthrough of the bill.

(0:01:45) Section 2 – Representative Headland stated that the date changes are to reflect the pilot program.

(0:02:45) Senator Dotzenrod: Back on page 5, line 23 (Section 2), it says the county share of the budget must be funded from property tax levy for that purpose. Are we going to have a county levy for that purpose? Maybe I need an explanation on how that fits in.

Chairman Bekkedahl: Can the House give us any explanation?

(0:03:42) Emily Thompson, Legislative Council: The language you're looking at in section 2 on page 4, this would only become effective August 1, 2019. This is turning the property tax levy back on after the 2019 session recesses. This would renew that, this is where the county property tax language is addressed.

Chairman Bekkedahl: I'm on page 8, section 5 amendment. There are dates in there that relate to the pilot program implementation or expiration?

Emily Thompson: Section 5 comes back into effect after the pilot is over. This just notes that the department is to assume the social services costs. The section prior to that notes that DHS shall pay the service area's expenses for administering economic assistance and social service programs on line 6 of that page. They pay all of the costs based on the formula payment. If the formula payment is no longer in play if the 2019 legislature reverts everything right back to the current property tax system. That just makes those changes, this is how current law reads with the exception of those 2015 dates. Obviously, they're only paying the local expenses of administration occurred by a county after December 31, 2019, which is the last day the counties would be using state funds. It would go back to property tax after that should the program not be renewed.

(0:06:01) Chairman Bekkedahl: If no questions, we'll continue onto page 9, section 7, the powers and duties of county agencies. Prior language in there. Section 8, on page 10 is new language. State paid economic assistance and social service pilot program. That's where we're generating questions. Let's get into that, are there specific questions or concerns from conferees?

Representative Headland: What are the changes in subsection 5, section 8? I'd like to understand the reasons for it and off the cuff, I think the House would be a little resistant to the change. Unless, it can be explained why. That would be the change on line 17.

Chairman Bekkedahl: Which language specifically?

(0:07:04) Representative Headland: The change starting the feasibility and desirability change from the timeline for transitioning in the House bill.

Chairman Bekkedahl: The original language did not have the feasibility and desirability of.

Representative Headland: The original bill and the House bill reference the timeline for transitioning county social service staff.

Chairman Bekkedahl: So if I'm understanding correctly, it's the House's position that they want to not look at the feasibility and desirability, but just to develop the timeline.

Representative Headland: I think the feasibility is certainly part of it, desirability, I think is unspoken.

Chairman Bekkedahl: The language that I'm talking about deals with how you define that time line.

(0:08:09) Senator Cook: I was just going to say the same thing. When the department reports to legislative management or the legislators. They're going to tell us if it's desirabile for them to continue the program, whether it says it or not.

Representative Headland: I just want to make sure the timeline for transitioning is part of what is discussed during the interim with the working group set up by the department of DHS. Not whether they decide if it's feasible, maybe it says the same thing.

Senator Cook: The only thing that really matters is how desirable the legislature is in 2019 to do it. It's nice to know the departments opinion, but it's going to be up to the 141 legislators I would think.

Representative Headland: I think that's the point, if the department lays out a timeline, that's important for the legislature to know, aside from just whether it's feasible or desirable.

Chairman Bekkedahl: Does the House have any recommended language changes they'd like to put forward to the committee or would you like to put forward an amendment to discuss that at our next meeting?

Representative Headland: I think it would be our position right now, that we'd like to stay with the existing language of the House bill.

Chairman Bekkedahl: On line 17, to consolidations; the timeline for transitioning county social service staff. The new language would say on line 17, to consolidations; the feasibility and desirability of, and potential timeline for. So you're talking about the language addition of the feasibility and desirability of, and potential that was added?

Representative Headland: As this is your amendment, would you care to explain the rationale behind the change.

Chairman Bekkedahl: The reason it was placed back in there was to give the opportunity that the feasibility and desirability was looked at, and the potential timeline. Not that the timeline become dictative to the legislative body. That was my concern that the timeline would become dictative. I think it should be presented as a recommendation. That's where I was trying to go with that, if we can make something in there that makes it look more recommendation than dictative.

(0:11:07) Senator Cook: I'm fine either way.

Chairman Bekkedahl: If you could bring language to our meeting tomorrow to represent that,

Representative Headland: We'll discuss it amongst us.

Representative Dockter: Subsection 4, the director shall appoint the committee, what's the makeup of the committee?

Chairman Bekkedahl: I don't have that answer.

Emily Thompson: That was not spelled out in the bill, it was left up to the discretion of the director of the department of human services to appoint who they thought prudent to be on that committee.

Representative Mitskog: I've brought this up, my concern that the working group that had studied this in the interim, that knowledge and basis for this whole pilot program I would hate to have that lost. I would appreciate consideration of engaging some of those members. I don't know if we need the specific language spelled out or just to encourage the director to look at members of that working group.

Representative Dockter: I would like that whoever they appoint, like to maybe have it spelled out, if there's going to be a couple of legislators, who's all involved, so that we know when we look at passing it we know who's going to be putting input in. That makes a big difference when they're deciding and seeing if it's feasible or not to take it off. You're deciding if you're going from a pilot program to taking it over completely.

Representative Headland: I believe that the House's position is we were going to give some latitude to the Department of Human Services to make those decisions. In an earlier version of a study that we had contemplated, we did kind of spell out, at least, the fact that there would be a couple of legislators. I think, in rethinking it, our position was when we drafted the amendment, that we thought Human Services, in moving forward with implementation was best served at making their own choices. List some possible recommendations, I would like to talk about some recommendations. I had gotten an email from DPI and they had referenced of the importance of having a member and I think, it's important if they have a reason to. But if we spell out specifically who has to sit on it, then somebody maybe excluded who should be at the table. Our position is to allow the latitude to the department of human services director.

(0:14:37) Chairman Bekkedahl: I can see the value of having at least the information that was gathered, presented to the department of human services, if it hasn't already been formally done in that fashion. I may engage the department on that after the meeting. Moving forward, any questions on page 12?

(0:15:29) Senator Dotzenrod: On page 11, line 25, we define base year as 2015. That becomes important and meaningful. If the dollars that are going to be used here are based on 2015, we may have some issues, as the numbers may not reflect some things that we've learned in 2016 and some dollar amounts. I'm not sure what the implication is of using 2015 as a base year and not being able to add or modify what we might want to consider. Maybe I'll drop that for now until we get to the part where base year is used and see if there is some way to add or keep current information we might want to use.

(0:16:43) Chairman Bekkedahl: I can respond a little bit to the base year and then will open it up to Legislative council. The reason 2015 is designed as the base year in this legislation is because of the timing for the information that we have. Could you confirm that?

Emily Thompson: 2015 was used as the base year because that is the year for which the department of human services and all of the counties involved in the working group during the interim did the comprehensive collection and review of all the county data. All of that information that was collected during the interim was for calendar year 2015. We don't have all of the same expenditure data for 2016 because that wasn't available during the interim.

So 2015 is the full data set year for all of those expenditures. Caseloads we get updated on every year for the number, but for expenditures, 2015 was collected.

(0:17:42) Chairman Bekkedahl: Page 12. Moving to page 13.

Representative Headland: I'm wondering if we should have a discussion on subsection 3, item b on page 12. I'd like to understand, in the House version we were going to fund 100-105%, now this amendment looks like it's going to allow the 100-105%, but it's going to if you have increases over that, going to allow for an increase payment. Which I understand the need for that. But I'm not sure I understand the need to fund somebody that at less than a 100%, at 100%. I'd like to have the discussion.

Chairman Bekkedahl: You're correct, the House version did talk about 3 B, if the recalculated formula payment results in an increase of 5% or less, that language is in there. This language does say, if the recalculated formula payment results in an increase of 5% or less, or a decrease of 5% or less.

(0:19:29) Emily Thompson: This a modification for what was passed out of the House, as stated, the recalculation only applied essentially it was more than 5% over the initial formula payment. Using our $100 example, if the payment midway was $105, it would stay half of what was calculated in January. There would be no adjustments. If it was $106, it would be more than a 5% increase, so with the initial $100 formula payment, an adjustment would occur. There was no language down swing the other way on the House's amendment. For instance, in the bill you're looking at now, if the $100 formula payment that's calculated in January, and the recalculated payment is between $95 and $105, there is no adjustment to what they would be receiving June 15th, they would just receive the other half, the $50 that was calculated in January. This do go both ways, the thought is that counties should essentially be able to absorb a 5% increase or decrease in either direction, as should the state. There is no adjustment to the payment if it's within the 5% range on either side of what their January payment was.

Chairman Bekkedahl: Under the House version, if they went from $99 to a $100, there would be a 1% decline in the payment provision, is that correct?

Emily Thompson: There was no downward adjustment in the House version. It was only if it was more than a 5% increase, then they got a bump in their payment midway through.

Chairman Bekkedahl: And this changes it how?

Emily Thompson: This changes it so that in addition to the potential of getting a bump if it's outside of that 5% range in either direction, they can also get a slight decrease in the other half of what they would be receiving based on the January calculation.

Representative Dockter: So, if they're at 93, they'd go up to 95?

Emily Thompson: In our example, yes, if the January payment was $100. The recalculated full year payment was $93, if they're outside that 5% range, so instead of just receiving the other half of that $100 as they would based upon their January calculation, they would just get a deduction from the $50 (half January calculation) in the amount of $3. So they would get $48 instead of $50. We would just look at what it was below that 5% window on either side.

(0:22:31) Chairman Bekkedahl: Page 13, did we get to that? Page 14, the removal language pursuant too, on section 50-34-03, that's the property tax relief.

Emily Thompson: That's the hold harmless that's coming out, the 12%.

Chairman Bekkedahl: Bottom of page 14, calculation of formula payment.

Senator Dotzenrod: Do we know the financial impact of that? Do we know what the dollar amount is there, by taking the hold harmless out?

Joe Morrissette, Tax Department: That was about $90 million out of the original proposal.

(0:24:00) Chairman Bekkedahl: Page 15, continuing; calculation formulas have been changed. The weighting factors were removed on page 16 and the minimum and maximum allowable removed on page 17. Page 19 deals with the service area human services fund establishment and fund limitations, as well as the transfer language on that.

Representative Headland: I think we should have a discussion on the allowable percent of reserves that we're going to allow them. It just seems when I get to looking at some of the data that 35% is much more than what they need in a lot of cases where they're holding large reserves and their expenditures are large.

Chairman Bekkedahl: For the committee's information, in the discussion this talks about areas where there's more of a need to cover some of the expenditures then are available and the discussion was they should be allowed to have a $100,000 in their carry over balance, which was about the cost of 1 FTE, if they needed that for program costs. Not the program costs which are separate. We talked about a $100,00 in the original bill, for that minimum, and then we also talked about the 35% carryover number. The 35% carryover number, was pulled out of the funding formula in schools in our discussion. Not a lot of science for that, I agree that we should have discussion in committee about that.

Representative Mitskog: My concern is that, right now the fund balances are all over the board. If you look at all of the counties in North Dakota some are sitting with some pretty nice reserves and there are a number of counties that have a negative reserve. They don't have any money, so how do we address that? For the hold harmless not being a part of this anymore and for those unforeseen events, how do we address that? Will it shift back to the county general funds, is that correct?

Chairman Bekkedahl: Under this legislation as proposed, it would. The county would have the ability to take transfers from their general fund to cover any shortages or to the county social service fund balance under this pilot program.

Representative Dockter: I think in some of those cases, they were trying to lower their mills, and in the end some of them got their ending funding balance got lower, b**ut they were trying**

to be prudent with taxpayer's dollars. I think that was what happened with some of the counties.

Representative Mitskog: I think I've heard that explanation, but I think there are a few counties that appear to be levying the full 20 mills and they still have a negative or very nominal reserve.

Chairman Bekkedahl: I think part of the problem is that it's data from 2015, we don't know the 2016 numbers. I think the counties are trying to run that down for us. It may not be in time for us to resolve this in committee.

Meeting adjourned. No action taken.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

Senate Bill 2206
4/19/2017
9:30 AM meeting
Job #: 30222

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to the transition of funding responsibility for county social services from the counties to the state.

Minutes: Attachment # 1 – 2015 Social Services Ending Fund Balances w/ 15%

Chairman Bekkedahl called the conference committee on SB 2206 to order. All members present at 9:30 am meeting.

Chairman Bekkedahl: If we could, I'd like to finish the remaining pages of the bill and then we'll have the stage set for this afternoon's meeting from 3-4. (**Job #30198, Attachment #2 from 4/18/2017, 2:00 pm meeting).** If you could go to page 19, line 18, the area with the human services area transfers. I think it's mostly cleanup language, changing some code numbers.

Representative Headland: I think there's also important language about the transfer from the human services fund, which would contain the counties ending fund or reserves in that transfer to the general fund, or to be used to buy down the general fund mills that would provide some tax relief.

Chairman Bekkedahl: While we're still on that page I'll pass out from the Tax Department a compilation of the 2015 Social Service Fund Balances and Estimated General Fund Mill Levy Reductions. As I mentioned yesterday in conference committee, the 35% number was really picked because that's what the schools have for ending fund balances and we needed a starting point. If you look at the specific numbers before you, these are 12/31/15 ending fund balances for the counties. **(attachment #1).**

Representative Dockter: Like you mentioned yesterday, that 35% seems to be a bit high, looking at these numbers, see if we can work through and maybe come up with something on these ending fund balances.

Representative Headland: When I look at some of the bigger counties. Let's use our most populated county for an example. Allowing them 15% that still leaves them a reserve of over

$2 million. I'm struggling with understanding the need when we're going to be paying for the administration costs why they would need reserves that large. I understand and I'm not saying I can't go along with the 15%, but I would like to get an explanation as to why any county would need the large of a reserve.

Chairman Bekkedahl: The only explanation I've gotten, is that it's really dependent on the size of the department, the number of employees, and the ability to react. The county you mention is already short about 8 full time staff positions because the county commission has made that determination that adequate staffing is where it's at. In terms of the case load numbers, there's about a deficiency of 8 there. So when you look at the numbers before us for the large counties, my concern is that you have a department there that's got over a 100 employees and you start having to make significant changes to react to situations. They obviously need more than the $100,000, but I don't know that the 15% is the right number. Long term, if we kept it at 15%, we're going to have a DHS study, so we're going to have something coming into the 2019 session. Those balances at that time can be dealt with.

Representative Headland: I would like to note the fact that they aren't carrying 15% reserve today, so I just think it's something that deems some discussion.

(0:05:58) Chairman Bekkedahl: Let's move on to page #20, service area consolidations. That's the case load weighting factors adjustments that were removed. On page 21, line 12, we have the authority to withhold funding. It was a section after the bill was brought in from the interim committee was a suggestion from the department of human services. That we need to make sure that's what's happen now by law, they have to conform to the federal and state mandate standards in the programs and this is just a way to make sure it continues through the pilot.

The social services finance fund that's the special fund that will be set up in the state treasury. We'll hear more about it in the appropriations section of the bill there may be some more changes in there as well.

(0:07:24) Senator Dotzenrod: Page 20, this service area consolidations, are we doing that because we envision that this is going to be a statewide system that is going to be run after two years by a human services department and that it's all going to be one session. There won't be any changes in services. Any changes will be organized centrally; we have some consolidations that have changed under current law. And some counties that have gone together. You'd anticipate there would be some service area consolidations, but we've taken that out. Do I understand that right, the reason we're taking out that is because we envision this is going to be centrally organized?

Chairman Bekkedahl: It's my understanding that, that whole area of the bill initially in the interim committee dealt with wanting to incentive consolidation and efficiencies versus forcing them into this system. Do have any other recollections of that from the interim committee because you were in the working group? With the pilot program in place, the consolidation and efficiencies will be looked at in the study during the pilot program initiation.

Joe Morrissette, Tax Department: I believe, the reason that this section is coming out is because with the weighting factors in the formula as it was initially proposed, there was kind of a disincentive because a smaller service area would have a larger weighting factor. So this concept that was in 50-34-10 was to minimize that kind of negative impact that worked against consolidation by letting them phase into a new factor. Providing a differential there, where they wouldn't be negatively impacted by the consolidation. Because the weighting factors are removed, this section is really no longer needed because it was really all about the weighting factors and how that would affect a consolidated service area.

Senator Dotzenrod: I understand that we did have a problem with the way this was, and that it was a disincentive in the way it operated because of the weighting factors. I'm just wondering, going forward how would consolidation's take place. Would they be driven locally, by local units getting together and finding ways to share what they can do? Or is it going to be the vision here that if we go to the consolidated human services operation that those will come from the top down, or wasn't that contemplated?

(0:10:19) Joe Morrissette: From a fiscal stand point, a consolidation that would take place would be negatively impacted now. During this pilot if it would take place, the rate that each county or service area is going to get is going to be set. They're each going to have their own rate, before as they consolidated there was the negative impact of the weighting factors. Now they would just continue to get the payment that would have gone to them individually, they would get it as a combined area. They would still be able to consolidate if it made sense, they gained efficiencies, and they reduced their costs. It wouldn't' be negatively affected on the revenue side.

Senator Dotzenrod: This is a two-year pilot and for the purposes of getting us through the next two years. It's just best to have it out of the way.

Representative Headland: I was just going to recommend that Senator Dotzenrod go back to subsection 8, in section 5, it spells out the mission of the committee that's going to be put together by the department of human services and they're going to look at all things, including consolidation, which would be driven to try to generate efficiencies.

Senator Dotzenrod: That was reading those over again, that was really where my question came from, because it appears that we're turning over a lot of the direction and the way that this is going to evolve in the future to a group of people that are going to be put into position by statute.

(0:12:09) Representative Headland: That would be correct, the reason we're setting up the pilot program is to allow the department to take into consideration how this is all going to be implemented into the future. The decision to formally take over social services won't be made until next session.

Chairman Bekkedahl: We're on page 21, social services finance fund is the special fund in the state treasury. Page 22, section 7, the county general fund levy, that language has been replaced into section 10?

Emily Thompson, Legislative Council: The language that you see on the bottom of page 22, this language was removed, it dealt with the county general fund levy and it talks about the maximum amount a county can levy and we had added new language to discuss essentially when we had the hold harmless provisions for the 12%, that they had to reduce their mill levy by whatever that 12% was. Since the provision was removed, the amendment to that section was no longer needed so the entire section was removed.

Chairman Bekkedahl: We'll get into Section 10 on page 23. Section 11 on page 24, 25, and 26, lines 17-20, removes the 20 mill, human service levying authority from the counties, which is central to bill before us. Section 12, that's the truth and taxation statement, tax statement information.

(0:15:28) Senator Cook: That is the section that is going to assure that the tax relief offered through the education funding formula bill and this bill shows up on the property tax statement. The language is sufficient to accomplish that.

Chairman Bekkedahl: Section 13, has to do with the legislative tax relief notation on the tax statements. Section 14 is the centrally assessed company credit against payments in lieu of taxes, this was the REC reference that was left out in advertently and has now been put back in the bill, gives them the hold harmless, same advantage to the property tax relief through the mill reductions that the IOU's (investor owned utilities). I think both chambers are in agreement with that addition. Page 29, section 15 and 16 are suspension language, once the pilot program ends if we go back to what's existing today, that's suspension not repeal language.

Emily Thompson: What section 15 and 16 do, there are two different effective dates, the 3 references you see in those sections, 50-03 that deals with the county human service funds, will be replaced by the newly created fund social service fund where the state money is going to be deposited. So we're suspending it for 2 years the pilot is in place. If for some reason the pilot wouldn't continue and we'd revert back to the current property tax system for paying for that portion of human services instead of repealing and renumbering and rewriting the same language into a new numbered chapter of the code, we're simply putting it on pause should we it need to be revived in two years. The other section referenced, 50-06-02.1, this deals with the human service grant program. We're not going to be needing to hand out human service grants as the state will be paying for the costs, so that's also suspended. The final section, 50-06-.2-05, had to do with levy authority for human service funding, referencing the 20 mills that may be levied for human services, paused for the two years the pilots in place.

(0:18:34) Senator Cook: If 2019 session comes and no legislation is introduced to make this permanent, it would revert back to what it is today.

Emily Thompson: That is why the bill is a little lengthier. All these additional sections that don't kick in until 19 are more or less a safety net. If the legislature chooses not to act in any way, the property tax authority will be revived.

Senator Cook: If legislation is introduced and fails to get to the governor, we go back to where we are today. **(Correct)**

Representative Headland: Full implementation of this is going to be written into the budget of the department of human services, it will be addressed.

Representative Dockter: If they don't think it's going to work, it won't be in the budget and this is basically a sunset. Either it goes into the DHS budget next session or it's going to revert back to what they've been doing in the past.

Senator Cook: I understand that, just want to make sure that everyone understands that.

Chairman Bekkedahl: Move to section 17, it's the repeal language on the current the 12%.

Emily Thompson: That is correct, that is permanently repealed, there is no sunset there, the 12% credit is being repealed.

(0:20:36) Chairman Bekkedahl: Section 18 is the funding and appropriation, section 1 has an appropriation of 131 million, or so much as may be necessary for the purpose of this program for July 1, 2017 to June 1, 2019. Those funds are talked about in the state treasurer. We've talked about that being from the state bucket for property tax relief. That's what the appropriators have talked about in the past, that's not a policy decision. I bring that up solely because we have a section 2, that we have to deal with. The department of human services shall also use $29.6 million form the department general fund appropriation in HB 1012 as approved. I talked to DHS and there are conversations that we may want to move that appropriation money from HB 1012 into this bill so we consolidate it all into one appropriation authority. That may take some time to get to us as a committee to act upon. I would look for an amendment to do that at some point, it's simpler to have one source. Section 19 talks about the property tax relief fund appropriation fund of $131 million.

Representative Mitskog: With regard to the total dollars it's being diverted from the property tax relief, could someone answer what and how much of these dollars are federal retained dollars.

Representative Headland: There are no federal dollars in this. This is all state money that is used to pay the administrative costs.

Representative Mitskog: Where are the federal dollars, that would be a part of this?

Representative Dockter: Some of the federal dollars would be in the $29.6 million that the state receives for administering social services. So we have that separated out, so we didn't add it back in I believe.

Representative Headland: I think we're going to need clarification on that. I believe that the $29.6 million is something different. I believe the only federal funds are back in the section that references 25% of the costs associated with rent buildings and vehicles and some of those things. I think we're getting confused and we're going to need clarification from somebody.

Chairman Bekkedahl: If someone could come up and clarify that for us, as long as you're in the room.

Emily Thompson: The federally allowable indirect costs are referenced on the bottom of page 14. In regards to the federal funds, I will defer to the other speakers.

(0:24:25) Deb McDermott, Department of Human Services: There is approximately $18 million of the dollar amount in the bill that is federal money that we're able to access because of the county expenditures, the rest is general fund dollars. To note also, the dollar amount in the bill, if there are no inflations on the 2015 expenditures, which is how the bill reads right now, the dollar amount we would be able to take from our budget, would be $26 million, instead of the $29.6 that's in the bill.

Representative Dockter: Every biennium, depending on the expenditures, that number changes what you'll get from the federal government?

Deb McDermott: Basically, we have study that the counties use, and based on the activities that they actually perform, we are able to draw down federal funds. Yes, that amount will change based on the allowable expenditures that the counties incur that we can charge to the federal government. Yes, it will change every year.

Chairman Bekkedahl: The $29.6 million is actually going to be about $26 million?

Deb McDermott: It should be $26 million and the $131 would need to be adjusted accordingly to come up with the $160 million that Joe had calculated.

Chairman Bekkedahl: I thought someone in the department of human services was tracking that, so if anyone can get that as soon as possible to get that nailed down.

Representative Headland: The House appropriations chairman is working on an amendment. Whether it needs to be on this bill or the DHS budget, we think we have to have it on both.

Chairman Bekkedahl: Last page, section 20 is the effective date and expirations. Lengthy bill because of suspensions, repeals, and back in. We've gone through the whole bill. We have a meeting at 3:00 p.m. today, for an hour to see if we can get through any amendment issues. We may just talk about them and vote to agree or not agree and then bring back a corrected version of this amended bill, if the issues aren't too difficult.

Meeting adjourned. No action taken.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

Senate Bill 2206
4/19/2017
3:00 PM meeting
Job #: 30234

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature	Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to the transition of funding responsibility for county social services from the counties to the state.

Minutes: Attachment #1, #2, #3

Chairman Bekkedahl called the conference committee on SB 2206 to order. All members present for 3:00 pm meeting.

Chairman Bekkedahl: We've gone through all of the issues, line by line and section by section. Does anyone have any considerations or comments?

(0:00:33) Senator Dotzenrod: I have a question since our last meeting, in this bill we're taking the 20 mill levy authority away and for those counties that are at the 20 mill and are using revenues from their general fund, does this distribution to them through the case load formula that we're providing the revenue to them, does that include paying them for the work that exceeds the 20 mills. They aren't going to hit a 20 mill limit and then stop. If they're using 6 other mills for expenses, the formula doesn't stop. Our distribution to them doesn't stop at a certain point, like the 20 mill levy works.

Representative Headland: The formula is based on their actual costs, if there are additional moneys from outside of the mill levy for social services, like some counties may have oil money that they put towards, some counties have used state aid distribution funds to fund social services, all of the costs are built into the formula. So they will be reimbursed for the costs.

Chairman Bekkedahl: Does the House have any changes or considerations they want brought before the conference committee?

(0:02:26) Representative Dockter: We touched earlier the ending fund balance, just looking at it, just getting rid of the percentage and leaving it at a set ending dollar amount.

Chairman Bekkedahl: The 15% for the larger staffed departments in the larger counties is probably going to be necessary. We're going to put a lot of stressors on their system at the county level and remember we're holding the base rate to 2015, and we're going through the years 2018 and 2019 with that base rate. They're going to need some accommodated funding to get through this, even with their current staffing. Personally, I would not be in favor of that, but I'll open it up to considerations from the other conferees.

(0:03:47) Senator Cook: We have one county that, if we required an ending fund balance of 15%, they'd have more money in their ending fund balance then they had right now, by their own decision. I'm not sure what they're ending fund balance was today, but in 2015 it was $2,165,000, and 15% would be $2,194,000 million. I don't know if 15% is, maybe 10% or $100,000.

Representative Headland: I would like to understand what kind of scenario, where' talking about administrative costs. So what would have to happen in order to generate the need for additional employees, to the level of millions dollars.

Chairman Bekkedahl: Is there someone in the audience you'd like to ask that to, because I certainly would not be the expert.

(0:05:00) Senator Cook: These are 2015 numbers, there's been pay raises passed and observed since then, insurance increases, that's only thing I can think of that would increase their costs.

Chairman Bekkedahl: I think as a conference committee we agree that, that is a number that 35% should not stand, and we should change to something. Is anyone willing to make a motion for us to work through that.

(0:05:50) Senator Cook: How are we going to move forward, we going to make motions one at a time?

Chairman Bekkedahl: It was my thought that what we could do is act on individual pieces, with the recommendation for redrafting into a final amendment document that we can bring for conclusion for the conference committee. We have to start knocking these off one at a time, and if that's the way we need to do it. I'd rather do it that way and take the recommendations to legislative council and get them incorporated into one document for our final action versus continuing to bring forward different amendments through legislative council.

(0:06:42) Representative Headland: Would the committee take a look at the possibility of maybe having two different allowable reserves, one for large counties and one for small counties? If we don't feel like $100,000 is adequate for one of the larger counties, I wouldn't have a problem going to $200,000. But I don't think every county is going to need $200,000. If we as a committee decided $200,000; I could go along with everybody there. They're not going to have an opportunity to build on it; because the mill levy authority isn't going to be there. We need to decided what we feel is going to be adequate and move on.

(0:07:46) Senator Cook: For the sake of discussion and if we can make a decision here today of a number, I'm sure we'll get plenty of conversation before we get done and find out we need to change the number. **For the sake of moving on, I move that we make $200,000 the cap for all ending fund balances for all counties**

Representative Headland seconded.

(0:08:20-0:08:57) (sound was inaudible)

Senator Cook: That's the reason why I put it out here now, it's not our final vote. If it's a painful number you're going to hear from your subdivisions.

Chairman Bekkedahl: It's my assumption, that with the per case rate base reimbursement, that there is the assumption that it's going to cover the administrative costs for that amount of cases with the state funding. There shouldn't be a need to go into anything more, if there is, it's probably going to be a counties decision that they think they need more administrative personnel dealing with it, then we're funding for the per case rate.

Representative Mitskog: If a county decides they need more staff and the $200,000 isn't adequate, if a county decides it's not enough, then it will be a push to use general funds.

Chairman Bekkedahl: The bill empowers the commissioners to go to their general fund levy if they need more reimbursement as I read the bill.

Representative Headland: I'm just wondering, you know, why would that ever happen? They're going to be reimbursed on the number of caseloads they have. With increasing caseloads, their reimbursement will grow. Sure, it's locked at the 2015 level, and we understand there may be some inflation, but does it take $2 million to cover the amount of inflation? I'm willing to listen, if someone can give me good rational as to why.

Senator Cook: All this motion is going to do is generate some discussion.

Chairman Bekkedahl: We normally don't do this in conference committees but is there anyone here who could give us some insight as to the level of reserves necessary to cover what we don't understand needs to be covered.

(0:11:47) Steve Reiser, Social Service Director, Dakota Central Social Services: The reason for individual counties to have different ending balances is they're going to be different circumstances that happen every year. It's not just based on caseload and hiring staff. In this instance, we're talking one year; 2015 as the expense year. If you were a county that had a problem hiring a staff and you went half a year without having a social worker. You hired one, and now you have them full time, your expenses are going to be short for that social worked for 6 months of the year. An interim fund would help to make up the different for you. Another example might be, what happens if you're county decides to change benefit packages from one year to the next. So in 2015 was full single coverage for everybody and in 2016 went to a full family. The increase wouldn't show in 2015. But you'd have to pay it all the way forward. Those are certain special circumstances that each county is going to have, so that they'll need different ending fund balances.

Representative Headland: I can understand that we're talking about the addition of one employee and costs of benefits. Wouldn't $200,000 adequately cover those costs.

Steve Reiser: In my county, it absolutely would. But for a county like Cass county, you could be dealing with 6 employees in that time. Maybe you're 6 FTE's short or a change in the amount of benefits. Bigger counties need a bigger number.

Representative Headland: Just to be clear, those instances would have already had to occurred wouldn't they? I don't think we're going to put ourselves as a state in a position where all of a sudden if Cass county believes they're 8 people short, that during this pilot they're going to add 8 people and we're just going to automatically fund it. That's not the way this bill is designed.

Steve Reiser: What I was trying state, it's a possibility that in 2015, they were short that many employees and then in 2016 they filled those positions, so going forward they have 6 employee positions they're going to have to pay for, rather than the 2 or 3 that $200,000 would cover. For bigger counties you're going to need a bigger number.

(0:15:25) A roll call vote was taken on the amendment by Senator Cook to make all ending fund balances $200,000. 3 ayes, 3 nays, 0 absent. Motion failed.

(0:16:15) Senator Cook: Let's try to go back here, to Representative Headland's idea where we have a different number for larger counties, but we'd have to define what's larger.

(0:16:52) Representative Headland: To get the conversation started, could we say a large county would be a county with annual expenditures of over $1 or $2 million.

Chairman Bekkedahl: Would you want to put a monetary figure for those counties then for a reserve?

Representative Headland: I guess if we have a scenario, where there is a gap of 6 employees, we're looking at over half a million worth of salary.

Chairman Bekkedahl: If we have the two million threshold and we allowed up to $500,000 for those counties, I think we would take care of most circumstances.

Representative Headland: $500,000 would be adequate. We're talking about counties with over 2 million of annual expenditures, their cap would be $500,000 and other counties would be at $100,000 or $200,000.

Senator Cook: Moved $100,000 / $500,000 split for caps of ending fund balances.

Representative Dockter seconded.

Chairman Bekkedahl: Anyone below the $2 million social service budget threshold is held to a $100,000 maximum ending fund balance, and anyone over the $2 million annual social service budget can go up to $500,000, based on the 2015 social service budget funding numbers.

(0:19:40) A roll call vote was taken. 5 ayes, 1 nay, 0 absent. Motion passed.

Chairman Bekkedahl: Any other areas of consideration?

(0:20:10) Representative Headland: Can we have a discussion on an area that we haven't talked about previously? I believe it's on the service area human services fund. Page 19. We are allowing for a county to transfer expenses and fund them through the general fund and I'm wondering if we need some clarifying language as to what that would be for. I don't think we want a scenario where there's going to be transfer out of the general fund to this fund to generate future baseline costs. Future historical costs.

Chairman Bekkedahl: Additional programs that may enter into the costs.

Representative Headland: I'm concerned of the possibility, in order to, increase the base over time, it's possible without clarifying language that the county could make a transfer out of their general fund that could increase their historic costs so that the term of the pilot would increase costs to the state in the future. And I think we should clarify that those types of transfers can't be built into the historic costs.

Chairman Bekkedahl: You're on the section, 50-34-05, the fund balance limitations?

Representative Headland: 50-34-08.

Chairman Bekkedahl: That's the social services finance fund, and that's the special fund in the state treasury.

Representative Headland: I'm looking at the service area, human services fund, 50-34-05 in the newer version, if due to unforeseen circumstances. Maybe I'm just being a little cautious.

(0:24:32) Representative Dockter: I do have a concern too. See if we can look at some language or an amendment to that section.

Chairman Bekkedahl: Is it your thought to define a long list of what could be approved, or could not be approved. Or just any of those transfers not be applicable to the base year in this pilot program.

Representative Headland: My thought would be if we can define the gap between what the state is going to provide for reimbursement and the cost and they need to make a transfer, then the transfer is defined. Moving forward, that becomes part of the historic costs.

Senator Cook: I don't know if this is going to help relieve this concern or not, but it's a two-year pilot project and all eyes are going to be everyone involved in delivering of these social services. I'm having trouble sharing the same concern for that reason. It's a two-year pilot, if something does happen, we're all going to see it and correct things.

Representative Headland: I just wanted to see if anyone else might have a problem. We can leave it as is.

(0:26:43) Senator Dotzenrod: At some point, I'd like talk about the bill in broad terms. How we got the bill, the changes that have been made to it, and what the bill does now, compared to what it used to do. This bill came out of an interim committee and when it came out of the interim committee it had good support and testimony in the interim. It had this hold harmless feature to it, which I think helped the bill along. Now it's gone and that's about $90 million to me that's essentially property tax money that was to be used to buy down property tax from the property tax relief fund. By taking that out, what we have is a vehicle that has turned into something, that is providing a pilot program, but is also increasing property taxes by redirecting revenues that were set aside for property tax relief. We have a bill that I'm not sure how it can be avoided. The 12% property tax that was envisioned when the money was put into the fund will not be delivered. Some if it will be covered by the mills that are allowed from social services. I would like to offer some amendments to this bill that would ask other tax payers in the state to make contributions to help fund these shortages, rather than just having it go to the property owners. I have some amendments I'd like to hand out. **(attachment #1).**

Chairman Bekkedahl: In the chairs opinion from being on the interim committee, was this bill originally originated as a vehicle to complete the transfer of social services administration programs to the state from the county level. So to me, it was a program bill and the funding mechanism that came with it after the discussion, was the property tax relief fund to make that transition. We can agree to disagree, but I don't think it was first a property tax relief, it was first a policy and program bill that came with some funding from the property tax relief fund.

Senator Dotzenrod: The understanding that many of us had going into this session, was that the Legislature had the revenue set aside. That we would do one of two things, we would have the social services takeover with the buy down provisions or that we'd do the 12% property tax buy down. That was the essential choice I thought we had going into that. What I'm offering in these amendments is to take the corporate tax 3-part formula that we, as a legislature 2 years agreed to do to the singles factor and phase it in over time. If these amendments were adopted, it would return us to where we were before we passed that bill. I do have some information from the Tax Department **(attachment #2)** about the revenues.

I think the simplest way to get to the bottom line is to look at the second blue box on the bottom. That basically reduces all of the numbers above down to its impact on this biennium and the next. It will reduce the fiscal impact in a single year at $7.5 million, which is already built into the current biennium. Would move 2019, from -$23.750 million, to zero, increasing the revenues for next biennium by +$88.5 million. If we're going to be moving tax and state obligations onto property owners, I would like to have other tax payers also help cover the shortage gap.

(0:32:33) Chairman Bekkedahl: So my question, what is the intent moving this into SB 2206? Are you placing these funds into the pilot program for its funding, or are you placing them in an area where they can be used in another vehicle? Where is the money from this amendment tie into SB 2206?

Senator Dotzenrod: The money in this goes to the general fund and the thought is that, if we moving forward from the raising taxes on property becuase4 of our desire to not hold harmless the counties that are getting the benefits. If we're going to do that, we should also have revenues coming in that would be from other sources than just property owners to help pay for this. It's going to the general fund and helps to shore it up. It's part of my thinking is the strategy for 2 years from now. The shortfalls we've got now are difficult to deal with, but I think two years from now we really don't have a well thought out plan on how we're going to cover the shortages. By doing this, the numbers will create benefits for us going forward that would allow us to help fund something like this.

(0:34:05) Senator Cook: One of the major corporate employers that we have in the state, one of the best corporate friends, is a company that is located in Senator Dotezenrod's district. So you want to go back to a policy that as Bobcat hires more people and builds more property and expands, that they'll be greatly penalized.

Senator Dotzenrod: The rates that are paid by corporate tax payers in this state are among the very lowest, if not the lowest. Their rates are still lower than any other states that have corporate income taxes.

Senator Cook: Last session I introduced the bill that changed these rates. And just for a refresher, it's irrelevant what the rates are as far as apportionment factor goes. It's what apportionment factors do is determine how much of a multi-state corporation's profits are taxable in the state of ND. That bill passed the Senate with only one red vote and I'm not sure what the vote was in the House. It was one of the best economic development bills that we've ever passed. What was happening in the past because of our corporate factors, we weighed salary, property, and sales. We were one of the last states in the nation to still being that archaic non-competitive tax scheme. Minnesota was attracting Bobcat to build a building in Moorhead, and that's the last thing any of us wanted to do was find out that Minnesota had a better tax policy then North Dakota. As a result of that bill Microsoft, which has 5 campuses in 5 states, has hired 200 more employees and they've expanded because of that bill. We were penalizing them terribly by raising their apportionment factor, imposing our tax on a greater tax of their income every time they employed more people. To pull that back from underneath them now that they've made a major investment because of our sound policy I think would be like Lucy pulling the football back from poor Charlie Brown when he's up there to kick it. It's the last thing we'd want to do.

Representative Headland: I don't see how this amendment is even germane to the bill. It's not tied to it in any way. It's a tax increase that would by the author's own admission would shore up the general fund. It doesn't have any impact on this bill whatsoever, I don't understand how it's relevant to even offer the amendment in this committee. In response to the comment about the state is raising property taxes. For one thing, we don't levy property taxes, secondly, we in the past have used our surplus revenues to help property tax payers with their property tax bills and I don't think there's ever been a time where that was built into perpetuity into the property tax calculation. I don't know why we're frankly having this discussion.

Chairman Bekkedahl: I agree, that's why I asked how this tied into the bill before us. What I would like to do is have a vote of the committee on the amendment.

Representative Dockter: I don't believe we have a motion.

Senator Dotzenrod: I move the amendment, 17.0760.02018 to SB 2206.

Representative Mitskog seconded.

A Roll Call Vote was taken. 2 ayes, 4 nays, 0 absent. Motion failed.

(0:39:30) Representative Headland: I do have a further amendment I would like to offer. It's regarding property tax, to add a study. As we've gone along this session, trying to look for mechanisms to reform property taxes because of what's occurring out there, I think it would be prudent for us to take a look at how property taxes are put forward.

Read the study language from attachment #3 and moved to add the amendment to the final version.

Senator Cook seconded.

A Roll Call Vote was taken. 6 ayes, 0 nays, 0 absent.

Chairman Bekkedahl: What I will attempt to do is put this language into one final amendment document for tomorrow's presentation in committee. We are meeting at 9 am. There is an appropriation language issue that is ongoing as part of HB 1012 and moving some of the funding into this budget to protect it from allotment process.

Committee adjourned. No final action taken.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

Senate Bill 2206
4/20/2017
9:00 AM meeting
Job #: 30243

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to the transition of funding responsibility for county social services from the counties to the state.

Minutes:

Attachments: #1, #1A, #2

Chairman Bekkedahl called the 9:00 A.M. conference committee on SB 2206 to order. All members present.

Chairman Bekkedahl: Handed out proposed amendments 17.0760.02020 **(attachment #1)** and the Christmas tree version **(attachment #1A).** It's before you now for consideration.

Senator Cook: I have looked at it and to start the discussion, **I will move that the house recede from its amendments, and it be further amended with the amendment 17.0760.02020.**

Representative Dockter: Seconded.

Representative Headland: I haven't looked at it, this is the first I've seen, so I think we're going to need a few minutes.

Representative Dockter: Since we have the time, I think we could just go with it as a committee and just make sure we've got everything we agreed upon yesterday. Emily can go through the changes again to make sure we have everything answered and then moved forward.

Chairman Bekkedahl: Let's do that, not as exhaustive as we have the last few days, if you could give us a brief synapsis as to the changes you incorporated based on the motions yesterday.

(0:01:56) Emily Thompson, Legislative Council: Walking through the amendments ending in 02020. I'll quickly start highlighting the only 3 changes that you'll see in this markup compared to the markup you've been looking at the last two days. The first is page 1, line 15, an edit to the title, it notes that we're providing for a legislative management study, since there was a motion yesterday to add the study. If you flip forward to page 19 of the markup, and look at lines 16-19 of the bill, that was the other motion that was made yesterday to change the carry forward ending fund balance. That was the adjustment that was made for different size service areas, looking at what their 2015 expenditures were. The 35% or $100,000, whichever is greater, the 35% was removed. The last change is on page 29, the new section 18 starting on line 13, is the study language studying the property tax system. Also, section 19 discusses the transfer and section 20, this is the appropriation, the previous markup had two sections in it, because there were two different buckets the money was coming from because there was already some money in the DHS budget, HB 1012. This simply takes all of the money and appropriates it from the tax relief fund for use for the department of human services, the entire sum of $160.7 million. A little bit shorter there, it separates out this as being tied to HB 1012 and an edit would need to be made in HB 1012 if this were to pass to account for the $26 million that is now rolled into this bill.

(0:05:17) Representative Headland: The section 20 fits with the language that will be in HB 1012?

Emily Thompson: There just need to be some modifications to HB 1012 to make sure that money wasn't placed into Department of Human Services budget separately. All of the money for this program is worded in this bill.

Senator Cook: Do we have to do something to make sure that happens? Allen Knudson is he involved?

Emily Thompson: Yes, I consulted with Allen Knudson on this language yesterday.

(0:06:10) Chairman Bekkedahl: We can stand down for 5 or 10 minutes if you want to have some review time or we can move forward with the motion. Hold recess for 5. Called the Committee back to order and handed out **attachment #2, the social service fund balance and general fund mill levy reduction sheet.** This is the updated version based on the motion yesterday for 100,000 or 500,000 depending on budget amounts.

(0:07:18) Representative Dockter: Just to make sure, Burleigh has excess of $2.3M; they'll have to go down about $1.8M and that will reduce their general mill levy. **(Correct)**

Representative Mitskog: Wondering if we could have a review of the total budget dollars. I had questions yesterday about the retained dollars of the federal dollars and what part of the budget that makes up, and the loss of the inflator and what that means for the federal dollars.

Chairman Bekkedahl: I may not be able to answer a specific question, is there someone here that could approach the podium and answer the question?

Deb McDermott, Department of Human Services: If I understand what you're asking, you're wondering about the federal retained dollars that we can get? For every 1% of inflation that is added to the calendar year 2015 expenditures, we would be able to access another $725,000 in federal funds for the department. It would then change the $26 million that we were talking about within the bill. Yesterday, when we looked at the bill it was $29.6 million and that was calculated on having a 5% inflation on the calendar year 2015 expenditures.

Representative Mitskog: the loss of the inflator, how many federal dollars will be lose?

Deb McDermott: It depends on what the inflator is. For every 1% inflator it's $725,000 that the department could access. But there's also a cost to the general fund of adding that 1% inflator on there too. I believe that was $875,000.

Representative Headland: It costs us more in general fund dollars than we get in return federal funds

Representative Dockter: So basically it's almost like a 60/40 split somewhere in that range. We have to put 55% in, and the feds will make the 45%.

Deb McDermott: It's a very complicated process on getting those funds. The federal funds are based on actual expenditures, such as salary or travel. I can't actually access any federal money on this formula payment that's being made, because it's not based on actual expenditures, it has to be on salaries, travel, rent, or an actual expenditure with an invoice.

Chairman Bekkedahl: The motion before us is the approval of the amendment 17.0760.02020 and that the house recede from its amendments, and it be further amended.

A Roll Call Vote was Taken: 6 ayes, 0 nays, 0 absent.

Motion passed.

Senator Bekkedahl and Representative Headland will carry the bill to their respective floors.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

Senate Bill 2206
4/20/2017
4:00 PM meeting
Job #: 30259

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature	Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to the transition of funding responsibility for county social services from the counties to the state.

Minutes: | Attachments: #1 pm , #1A pm

Chairman Bekkedahl called the 4:00 P.M. conference committee on SB 2206 to order. All members present.

Chairman Bekkedahl: Apologies to the conferees, we thought we had this done, at noon I was informed there is an issue with the appropriations section. On page 29, there has been a correction before us (attachment #1pm proposed amendments) and (attachment #1A pm Christmas tree version) version 17.0760.02021. I'll ask Emily Thompson from Legislative Council to come up and brief us on the changes that were made and Allen Knudson after here to respond any questions on the money part.

(0:00:48) Emily Thompson: We're looking at the version ending 2021. Some very slight changes, effecting the transfer and appropriations sections. On page 1, line 15, just a little change to the title, removed the language that says to provide for a transfer because we're no longer providing for a transfer. Page 21, referencing language that is no longer there, after line 18 there was previously the section numbered 50-34-08, and that had to do with creating that human service fund where the money was going to be transferred to and paid out of. That has been removed and the final change which Allen will go into a little bit more detail is on page 29. There was previous section 19 was the transfer section and in the 2021 version, it's noted that there is a transfer from OMB for the sum of $160.7 million from the tax relief fund to the social service finance fund during the biennium. The appropriation language was shorter in your last markup, noting any money in the social service fund, or in so much as may be needed are appropriated to the department of human services for purposes of defraying the expenses of this program. You'll see the language looks quite a bit similar in this 2021 markup to how it looked in the 2016 version that was previously reviewed. The reasons for that I'm going to let Allen elaborate on in relation to the 1012 budget.

(0:02:45) Chairman Bekkedahl: The reference you made on page 21, on the removal language and looking at what's on language now in section 19, we no longer than have a social services finance fund? **(Correct)** Would the appropriations on section 19 of page 29 be subject to allotment. **(Correct)** Is that the way it had to be, or the way it was wanted to be.

(0:03:31) Representative Headland: I would have a question as to why we were doing that. And I guess we're going to find out. I don't think that was our intention at all. I need some explanation.

Representative Dockter: I think the whole reason why we have the other fund originally was to make sure there wasn't an allotment that wasn't going to be effected.

Chairman Bekkedahl: We all seem to have the same question.

(0:04:07) Allen Knudson, Legislative Council: In response to your question, the reason why you set up the separate fund was to keep it outside of the allotment process. We had been asked to prepare language to exempt this appropriation as well, even though it's in the general fund, that it would be exempt from the allotment process, and the plan is to put that on either the department of human services appropriation bill 1012 or the OMB bill before we're done.

Senator Cook: Why not right here?

Allen Knudson: It could be.

(0:04:54) Representative Headland: I think that was our full intention, was to have it on this bill. I think everybody in concerned, those that are in appropriations dealing with 1012 and us, I think our fix, our desire was to make it on this bill.

Allen Knudson: That section can certainly be added to here, it's a short section, basically saying the appropriation is not subjected to 54-44.112, which is the allotment and the calculations involved in transfers from the budget stabilization fund.

Senator Cook: Where's that amendment now? Is it drafted?

Allen Knudson: It's in process, it hasn't been completed yet.

Senator Cook: How long would it take to get down here so we could pass this out yet?

Allen Knudson: Couple hours maybe. Just to see the language you mean?

Chairman Bekkedahl: What I'm hearing from the conferees is that we want that language instituted here and not dependent on it being somewhere else. We depended on some prior language for the appropriation that turned out to not be the right language and I think it's our duty to get this right. Our bodies requesting that. Do you think we could meet right after floor session?

Allen Knudson: I think we could turn it around that fast. We may have a conflict here.

(0:06:29) Senator Cook: I would move that we request that they add the amendment to 02121 and see if they can get it done by floor session, and we'll come back down here, if not we'll have to meet in the morning.

Representative Dockter: Seconded.

Roll call vote was taken. 6 ayes, 0 nays, 0 absent. Motion passed.

Meeting adjourned.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

Senate Bill 2206
4/21/2017
9:00 AM meeting
Job #: 30265

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to the transition of funding responsibility for county social services from the counties to the state.

Minutes:

Attachments: #1, #1A,

Chairman Bekkedahl called the 9:00 A.M. conference committee on SB 2206 to order. All members present.

Chairman Bekkedahl: We are hoping this is our last technical correction. We are now on **version .02023**, to go over what changes were made yesterday. (**attachment #1 proposed amendments)** and **(attachment #1A – Christmas tree version).**

(0:01:00) Emily Thompson, Legislative Council: The changes from what we looked at yesterday afternoon, the language that you were looking at had removed the transfer to the social finance fund and had also removed the funds since we were taking the transfer out. It had placed all of the money going from the general fund to the department of human services in this bill and HB 1012. As the committee noted, it would be subject to allotment, so the language was moved back to the 2016 version, as far as the appropriation language went to reinstate the transfer section and also reinstate that language in our new chapter that created the social service finance fund. On page 30 of the markup, there is a new section, to be very clear that providing an exemption from the allotments for the money for this program. It notes that the sum of $26 million that's going from the general fund to the department of human services for this purposes, as we know is in HB 1012, is not subject to allotment. The money that is being transferred from the tax relief fund to the social service fund, you won't see that referenced as being exempt from allotments, because it's not going into a department for the department's budget, it's not subject to allotments. It's going directly into the social service finance fund and that fund isn't a department so it isn't subject to allotment. So we're covered there as far as protecting the money that will be used for this program for the two years it's in place from being impacted by any allotments should they take place.

(0:03:04) Representative Headland: Looks good, I move the amendment. (**withdrawn)**

Senator Cook: We should reconsider our action, which we amended SB 2206.

Senator Dotzenrod: Seconded.

A Roll call vote was taken. 6 ayes, 0 nays, 0 absent. Motion passed.

(0:04:00) Representative Headland: Move that the House recede from its amendments and further amend with amendments #17.0760.02023.

Senator Cook seconded.

Roll Call Vote was taken. 6 ayes, 0 nays, 0 absent. Motion passed.

(0:04:50-0:14:43) Emily Thompson: I'm going to briefly walk through from beginning to end what the differences are to the markup you're looking at from what was passed out of the house.

Page 1, Lines 15, 16 – adding language because we added the study, transfer, and exemption from allotment.

Page 11, Line 22 - previously it noted the permanent implementation plan must consider various factors, and one of those factors was, the timeline for transitioning the county social services staff to DHS, that was modified in this committee and in the version your looking at, to soften it and make it a little more discretionary, by stating the desirability and feasibility of, and potential time line.

Page 12, Line 31 -the House had it only applying if there was an increase of 5%, this allows it to swing in the opposite direction and applies to the second half payment and allows for a decrease if there is an adjustment of more than 5%. If it's less than 5% decrease, the other half as calculated in January is simply sent out. If the payment is an increase in the payment, page 13, subdivision d. This explaining how to make the downward adjustment. Green language on page 13, 7-20 is different from what the House passed.

Page 16, Lines 3-7, the green language (was on page 17, lines 14-17) was relocated to new subsection to make it cleaner.

Page 17, lines 20-25, House passed, but are now being removed because the min/max was removed.

Page 19, lines 23-26, change made by this committee. We adjusted ending fund balance, for service areas with expenditures of over $2 million, ending balance allowable for $500,000. Under $2 million, ending balance allows for $100,000.

Page 21, lines 26-29, creation of the social service finance fund.

Page 24, lines 21-25, an adjustment of what was passed out of the House. A few errors were caught when it was being reviewed by Council and the Tax Department. This language instead of reading as it did in the House, that we were reducing the base year amount by the human service county levy in dollars if the base year was a taxable year after 2018. The correct way this section should read is that it should be increased, rather than reduced to make this calculation accurate here. Now it states in subdivision e, that it's increased by the highest amount received by a taxing district in a taxable under this new chapter created. A look back for counties determining their budget and how it should be adjusted based on various changes in statute.

Page 27, correcting some taxable year references that were in error after reviewing the House amendments. Line 19 and 20, years before 2018, should have read before 2017. And the 2017 taxable years should have read 2016.

Page 28, taxable year references previously said 18 and 19 in the House version, those should read 2017 and 2018. There is an overstrike over the words "and under section 57-20-07.2 on line 13. This is a correction; it references what needs to appear on your property tax statement to show legislative tax relief. That reference is noting that you have to show what was received under the 12% tax credit. By the time the gray section of law kicks in and we'd already be in 2019, this is a forward looking date effective date for after the pilot program. That history would no longer be relevant, it's outside the 3 years seen on property tax statements.

Page 28, lines 24-31, the centrally accessed company credit, REC adjustment, was omitted in the House version, so that corrects it and restores the language referring to the centrally accessed company adjustments. With the only exception on page 29, line 7, the removing of the hold harmless reference, that's no longer in the formula.

Page 29, added the legislative management that approved by the committee.

Last changes as to what was passed out of the House are on page 30. The total appropriation amount on line 3. The House had $161 million, and it's now $160.7 million. On line 6, the social service finance fund was the general fund, and the following amount on line 7 was $135,000 in the House version, and now $134.7. Line 11, the amount from HB1012 is the same.

Added the transfer section as reviewed earlier and the exemption from any budget allotments for the money in the department of human services budget.

That is a quick overview of the changes made in this committee as compared to the House.

Meeting adjourned.

Senator Bekkedahl and Representative Headland will carry the bill on their respective floors.

Prepared by the Legislative Council staff for
Senator Dotzenrod
April 19, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 6, remove "and"

Page 1, line 6, after "57-20-07.1" insert ", and section 57-38.1-09"

Page 1, line 8, remove the first "and"

Page 1, line 8, after "statements" insert ", and apportionment of business income"

Page 22, after line 14, insert:

"**SECTION 11. AMENDMENT.** Section 57-38.1-09 of the North Dakota Century Code is amended and reenacted as follows:

57-38.1-09. Business income.

1. Except as permitted under ~~subsections~~<u>subsection</u> 2 ~~through 4~~, all business income must be apportioned to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three.

2. For the first ~~two~~ taxable ~~years~~<u>year</u> beginning after December 31, 2015, a taxpayer that is not a passthrough entity may elect to apportion business income to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus two times the sales factor, and the denominator of which is four.

   a. The election must be made on the return as originally and timely filed in the form and manner prescribed by the tax commissioner.

   b. The election is applicable for all companies in a unitary group and for all companies filing a consolidated North Dakota return.

   c. The election is binding for ~~five consecutive~~<u>the first</u> taxable ~~years~~<u>year</u> after making the election, at which time the election lapses. ~~The election under this subsection also includes the election to use the sales factor under subsections 3 and 4 for the taxable years those subsections apply.~~

   ~~d. Unless a taxpayer makes another election under subsection 4 in the taxable year immediately following the final year of the binding effect of the election under this subsection, the taxpayer must file under subsection 1 for a period of three taxable years before it may make a new election under subsection 4.~~

~~3. For the first taxable year beginning after December 31, 2017, a taxpayer that is not a passthrough entity may elect to apportion business income to this state by multiplying the income by a fraction, the numerator of which is~~

~~the property factor plus the payroll factor plus six times the sales factor, and the denominator of which is eight.~~

~~a. The election must be made on the return as originally and timely filed in the form and manner prescribed by the tax commissioner.~~

~~b. The election is applicable for all companies in a unitary group and for all companies filing a consolidated North Dakota return.~~

~~c. The election is binding for five consecutive taxable years after making the election, at which time the election lapses. The election under this subsection also includes the election to use the sales factor under subsection 4 for the taxable years that subsection applies.~~

~~d. Unless a taxpayer makes another election under subsection 4 in the taxable year immediately following the final year of the binding effect of the election under this subsection, the taxpayer must file under subsection 1 for a period of three taxable years before it may make a new election under subsection 4.~~

~~4. For taxable years beginning after December 31, 2018, a taxpayer that is not a passthrough entity may elect to apportion business income to this state by multiplying the income by the sales factor. A taxpayer electing to file using a single sales factor must comply with the following:~~

~~a. The election must be made on the return as originally and timely filed in the form and manner prescribed by the tax commissioner.~~

~~b. The election is applicable for all companies in a unitary group and for all companies filing a consolidated North Dakota return.~~

~~c. The election is binding for five consecutive taxable years after making the election, at which time the election lapses.~~

~~d. Unless a taxpayer makes another election under this subsection in the taxable year immediately following the final year of a prior single sales factor election, the taxpayer must file under subsection 1 for a period of three taxable years before it may make a new single sales factor election.~~"

Page 22, line 19, replace "13" with "14"

Page 22, line 20, after the period insert "Section 11 of this Act is effective for taxable years ending after April 30, 2017."

Page 22, line 20, replace "11" with "12"

Page 22, line 21, replace "12" with "13"

Renumber accordingly

17.0760.02017
Title.

Prepared by the Legislative Council staff for Representative Headland
April 18, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 11, after the semicolon insert "to provide for a legislative management study;"

Page 22, after line 14, insert:

> "**SECTION 11. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM.** During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Page 22, line 19, replace "13" with "14"

Page 22, line 20, replace "11" with "12"

Page 22, line 21, replace "12" with "13"

Renumber accordingly

Prepared by the Legislative Council staff for
Conference Committee
April 20, 2017

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PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide for a legislative management study; to provide an appropriation; to provide for a transfer;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for

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~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the

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human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

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2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after the first boldfaced period insert "**State-paid economic assistance and social service pilot program - Application - Report.**

1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

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50-34-02."

Page 7, line 15, remove ""Economic assistance adjusted base year gross expenditures" means an amount"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "5."

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**50-34-02**" with "**50-34-03**"

Page 7, line 25, replace "50-34-07" with "50-34-04"

Page 7, line 27, replace ". Beginning" with ", and for calendar year 2019 on or before"

Page 7, line 28, remove ", and on or before June first of each year thereafter, the director shall"

Page 7, line 29, remove "notify each service area of its formula payment for the subsequent calendar year"

Page 8, line 5, replace "50-34-07" with "50-34-04"

Page 8, line 7, after "less" insert "or a decrease of five percent or less"

Page 8, line 15, after "subtracting" insert "one hundred five percent of"

Page 8, line 15, replace "distributed" with "determined"

Page 8, line 15, replace "2" with "1"

Page 8, line 16, after "a" insert "and add the resulting amount to the amount distributed under subsection 2"

Page 8, line 17, after "payment" insert "as determined under this subdivision"

Page 8, after line 18, insert:

"d. If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth."

Page 8, line 21, replace "50-34-08" with "50-34-05"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 9, line 29, after "**amounts**" insert "**- Calculation of formula payment**"

Page 10, line 10, remove "a."

Page 10, line 13, remove "adjusted"

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Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 29

Page 10, line 30, replace "twenty-two cents" with "4. The director shall calculate the total formula payment by summing the following:

a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data"

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**50-34-08**" with "**50-34-05**"

Page 14, line 16, replace "thirty-five percent of the annual budget for the service area in the previous year or one" with "five"

Page 14, line 17, replace ", whichever is greater" with "for a service area that had annual expenditures of two million dollars or greater in calendar year 2015 or one hundred thousand dollars for a service area that had annual expenditures of less than two million dollars in calendar year 2015"

Page 14, line 18, replace "**50-34-09**" with "**50-34-06**"

Page 14, line 20, replace "50-34-08" with "50-34-05"

Page 14, line 21, replace "50-34-08" with "50-34-05"

Page 14, line 26, remove "and on January first of each year thereafter,"

Page 14, line 27, replace "50-34-08" with "50-34-05"

Page 14, line 28, replace "50-34-02" with "50-34-03"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**50-34-11**" with "**50-34-07**"

Page 16, after line 18, insert:

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"**50-34-08. Social services finance fund.**

The social services finance fund is a special fund in the state treasury. Moneys in the fund may be used, subject to legislative appropriation, for the provision of formula payments to service areas pursuant to this chapter."

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

   c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

   d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

      ~~(1)~~ ~~The~~the base year mill rate of the school district minus sixty mills~~;~~ or

      ~~(2)~~ ~~Fifty~~fifty mills, if the base year is a taxable year before 2013.

   e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34."

Page 21, line 7, replace "2018" with "2017"

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Page 21, line 7, replace "2017" with "2016"

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

Page 21, remove lines 22 and 23

Page 21, line 24, remove "county for the taxable year"

Page 21, after line 24, insert:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 50-34 for taxable years 2017 and 2018 and under chapter 15.1-27~~ and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills."

Page 22, line 11, replace "sections 50-34-02 and" with "section"

Page 22, replace lines 15 through 17 with:

"**SECTION 15. SUSPENSION.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 18. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM.** During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system.

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The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly.

SECTION 19. TRANSFER - TAX RELIEF FUND TO SOCIAL SERVICES FINANCE FUND. The office of management of budget shall transfer the sum of $160,700,000 from the tax relief fund to the social services finance fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 20. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. There is appropriated out of any moneys in the social services finance fund in the state treasury, not otherwise appropriated, the sum of $160,700,000, or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

17.0760.02023
Title.06000

Prepared by the Legislative Council staff for Conference Committee
April 20, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide for a legislative management study; to provide an appropriation; to provide for a transfer; to provide an exemption;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for

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~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the

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human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after the first boldbaced period insert **"State-paid economic assistance and social service pilot program - Application - Report.**

1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

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50-34-02."

Page 7, line 15, remove ""Economic assistance adjusted base year gross expenditures" means an amount"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "5."

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**50-34-02**" with "**50-34-03**"

Page 7, line 25, replace "50-34-07" with "50-34-04"

Page 7, line 27, replace ". Beginning" with ", and for calendar year 2019 on or before"

Page 7, line 28, remove ", and on or before June first of each year thereafter, the director shall"

Page 7, line 29, remove "notify each service area of its formula payment for the subsequent calendar year"

Page 8, line 5, replace "50-34-07" with "50-34-04"

Page 8, line 7, after "less" insert "or a decrease of five percent or less"

Page 8, line 15, after "subtracting" insert "one hundred five percent of"

Page 8, line 15, replace "distributed" with "determined"

Page 8, line 15, replace "2" with "1"

Page 8, line 16, after "a" insert "and add the resulting amount to the amount distributed under subsection 2"

Page 8, line 17, after "payment" insert "as determined under this subdivision"

Page 8, after line 18, insert:

"d. If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth."

Page 8, line 21, replace "50-34-08" with "50-34-05"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 9, line 29, after "**amounts**" insert "**- Calculation of formula payment**"

Page 10, line 10, remove "a."

Page 10, line 13, remove "adjusted"

Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 29

Page 10, line 30, replace "twenty-two cents" with "4. The director shall calculate the total formula payment by summing the following:

a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data"

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**50-34-08**" with "**50-34-05**"

Page 14, line 16, replace "thirty-five percent of the annual budget for the service area in the previous year or one" with "five"

Page 14, line 17, replace ", whichever is greater" with "for a service area that had annual expenditures of two million dollars or greater in calendar year 2015 or one hundred thousand dollars for a service area that had annual expenditures of less than two million dollars in calendar year 2015"

Page 14, line 18, replace "**50-34-09**" with "**50-34-06**"

Page 14, line 20, replace "50-34-08" with "50-34-05"

Page 14, line 21, replace "50-34-08" with "50-34-05"

Page 14, line 26, remove "and on January first of each year thereafter,"

Page 14, line 27, replace "50-34-08" with "50-34-05"

Page 14, line 28, replace "50-34-02" with "50-34-03"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**50-34-11**" with "**50-34-07**"

Page 16, after line 18, insert:

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"50-34-08. Social services finance fund.

The social services finance fund is a special fund in the state treasury. Moneys in the fund may be used, subject to legislative appropriation, for the provision of formula payments to service areas pursuant to this chapter."

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

   c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

   d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

      ~~(1)~~ ~~The~~the base year mill rate of the school district minus sixty mills~~;~~ or

      ~~(2)~~ ~~Fifty~~fifty mills, if the base year is a taxable year before 2013.

   e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34."

Page 21, line 7, replace "2018" with "2017"

Page 21, line 7, replace "2017" with "2016"

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

Page 21, remove lines 22 and 23

Page 21, line 24, remove "county for the taxable year"

Page 21, after line 24, insert:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 50-34 for taxable years 2017 and 2018 and under chapter 15.1-27 ~~and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills."

Page 22, line 11, replace "sections 50-34-02 and" with "section"

Page 22, replace lines 15 through 17 with:

"**SECTION 15. SUSPENSION.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 18. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM.** During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system.

The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly.

SECTION 19. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. A total of $160,700,000 is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the social services finance fund in the state treasury, not otherwise appropriated, the sum of $134,700,000, or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 20. TRANSFER - TAX RELIEF FUND TO SOCIAL SERVICES FINANCE FUND. The office of management and budget shall transfer the sum of $134,700,000 from the tax relief fund to the social services finance fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 21. EXEMPTION - BUDGET ALLOTMENTS. The sum of $26,000,000 appropriated from the general fund to the department of human services for the state-paid economic assistance and social services pilot program in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, is not subject to the provisions of section 54-44.1-12, and the director of the office of management and budget may not include this amount in calculations used to determine transfers from the budget stabilization fund under section 54-27.2-03 for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

Date: 4-14-17
Roll Call Vote #: ________

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken
- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: ____________ Seconded by: ____________

Senators	14th			Yes	No	Representatives	14th			Yes	No
Senator Bekkedahl	P					Representative Headland	P				
Senator Cook	P					Representative Dockter	P				
Senator Dotzenrod	P					Representative Mitskog	P				
Total Senate Vote						Total Representative Vote					

Vote Count Yes: ________ No: ________ Absent: ________

No Vote Taken

Senate Carrier ____________ House Carrier ____________

LC Number ________ . ________ of amendment

LC Number ________ . ________ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Job#: 30214

Date: 4-18-17 5:30pm
Roll Call Vote #: ________

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken
☐ **SENATE accede to House Amendments**
☐ **SENATE accede to House Amendments and further amend**
☐ **HOUSE recede from House amendments**
☐ **HOUSE recede from House amendments and amend as follows**

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: ________________ Seconded by: ________________

Senators	18th		Yes	No	Representatives	18th		Yes	No
Senator Bekkedahl	P				Representative Headland	P			
Senator Cook	P				Representative Dockter	P			
Senator Dotzenrod	P				Representative Mitskog	P			
Total Senate Vote					Total Representative Vote				

Vote Count Yes: ________ No: ________ Absent: ________

Senate Carrier ________________ House Carrier ________________

LC Number ________________ . ________________ of amendment

LC Number ________________ . ________________ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

No Vote Taken

Date: 4-19-17
Roll Call Vote #: ________

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken
- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: ____________ Seconded by: ____________

Senators	AM 4-19			Yes	No	Representatives	AM 4-19			Yes	No
Senator Bekkedahl	P					Representative Headland	P				
Senator Cook	P					Representative Dockter	P				
Senator Dotzenrod	P					Representative Mitskog	P				
Total Senate Vote						Total Representative Vote					

Vote Count Yes: ________ No: ________ Absent: ________

Senate Carrier ____________ House Carrier ____________

No Vote Taken

LC Number ____________ . ____________ of amendment

LC Number ____________ . ____________ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: 4-19-17
Roll Call Vote #: 1

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken
- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**
- ☒ motion to make all ending fund balances $200,000
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Cook Seconded by: Representative Headland

Senators	19 3pm			Yes	No	Representatives	19 3pm			Yes	No
Senator Bekkedahl	p				X	Representative Headland	p			X	
Senator Cook	p			X		Representative Dockter	p			X	
Senator Dotzenrod	p				X	Representative Mitskog	p				X
Total Senate Vote				1	2	Total Representative Vote				2	1

Vote Count Yes: 3 No: 3 Absent: 0

Senate Carrier ____________ House Carrier ____________

LC Number ____________ . ____________ of amendment

LC Number ____________ . ____________ of engrossment

motion fails

Emergency clause added or deleted

Statement of purpose of amendment

Date: 4-19-17
Roll Call Vote #: 2

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken
- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**
- ☒ motion to make ending balance caps 100,000/500,000 based on 2015 expenditures
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Cook Seconded by: Representative Dockter

Senators				Yes	No	Representatives				Yes	No
Senator Bekkedahl				X		Representative Headland				X	
Senator Cook				X		Representative Dockter				X	
Senator Dotzenrod					X	Representative Mitskog				X	
Total Senate Vote				2	1	Total Representative Vote				3	0

Vote Count Yes: 5 No: 1 Absent: 0

Senate Carrier ______ House Carrier ______

LC Number ______ . ______ of amendment

motion passed

LC Number ______ . ______ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: 4-19-17
Roll Call Vote #: 3

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken

- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**
- ☒ Amend to add 17.0760.02018 to final amendments
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Sen. Dotzenrod Seconded by: Rep Mitskog

Senators				Yes	No	Representatives				Yes	No
Senator Bekkedahl					X	Representative Headland					X
Senator Cook					X	Representative Dockter					X
Senator Dotzenrod				X		Representative Mitskog				X	
Total Senate Vote				1	2	Total Representative Vote				1	2

Vote Count Yes: 2 No: 4 Absent: 0

Senate Carrier ________ House Carrier ________

LC Number ________ . ________ of amendment

LC Number ________ . ________ of engrossment

motion failed

Emergency clause added or deleted

Statement of purpose of amendment

Date: 4-19-17
Roll Call Vote #: 4

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken
- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**
- ☒ Amend to add 17.0760.02017 to final bill amendments
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Representative Headland Seconded by: Senator Cook

Senators				Yes	No	Representatives				Yes	No
Senator Bekkedahl				X		Representative Headland				X	
Senator Cook				X		Representative Dockter				X	
Senator Dotzenrod				X		Representative Mitskog				X	
Total Senate Vote				3	0	Total Representative Vote				3	0

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier ____________ House Carrier ____________

LC Number ____________ . ____________ of amendment

LC Number ____________ . ____________ of engrossment

motion passed

Emergency clause added or deleted

Statement of purpose of amendment

Date: 4-20-17
Roll Call Vote #: 1

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken
- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☒ **HOUSE recede from House amendments and amend as follows**

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Cook Seconded by: Dockter

Senators	9AM 4-20			Yes	No	Representatives	9AM 4-20			Yes	No
Senator Bekkedahl	P			X		Representative Headland	P			X	
Senator Cook	P			X		Representative Dockter	P			X	
Senator Dotzenrod	P			X		Representative Mitskog	P			X	
Total Senate Vote				3	0	Total Representative Vote				3	0

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Bekkedahl House Carrier Headland

LC Number 17.0760.02020 . _____ of amendment

LC Number Title. 05000 . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: 4-20-17
Roll Call Vote #: 1

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken
- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**
- x Motion to add amendment language
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Cook Seconded by: Dockter

Senators	4-20			Yes	No	Representatives	4-20			Yes	No
Senator Bekkedahl	P			X		Representative Headland	P			X	
Senator Cook	P			X		Representative Dockter	P			X	
Senator Dotzenrod	P			X		Representative Mitskog	P			X	
Total Senate Vote						Total Representative Vote					

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier ______ House Carrier ______

LC Number ______ . ______ of amendment

motion passed

LC Number ______ . ______ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Motion was made to add language stating the appropriation is not subject to 54-44.112 being prepared by Legislative Council.

Date: 4-21-17
Roll Call Vote #: 1

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken
- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☐ **HOUSE recede from House amendments and amend as follows**
- * Reconsider previous actions on 4-20-17
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Sen. Cook Seconded by: Sen Dotzenrod

Senators	9AM 4-21			Yes	No		Representatives	9AM 4-21			Yes	No
Senator Bekkedahl	P			X			Representative Headland	P			P	
Senator Cook	P			X			Representative Dockter	P			P	
Senator Dotzenrod	P			X			Representative Mitskog	P			P	
Total Senate Vote							Total Representative Vote					

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier ______ House Carrier ______

LC Number ______ . ______ of amendment

LC Number ______ . ______ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Motion passed

Date: 4-21-17
Roll Call Vote #: 2

2017 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. **2206** as (re) engrossed

Senate Finance and Taxation Committee

Action Taken
- ☐ **SENATE accede to House Amendments**
- ☐ **SENATE accede to House Amendments and further amend**
- ☐ **HOUSE recede from House amendments**
- ☑ **HOUSE recede from House amendments and amend as follows**

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Rep. Headland Seconded by: Sen. Cook

Senators				Yes	No		Representatives				Yes	No
Senator Bekkedahl				X			Representative Headland				X	
Senator Cook				X			Representative Dockter				X	
Senator Dotzenrod				X			Representative Mitskog				X	
Total Senate Vote							Total Representative Vote					

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Bekkedahl House Carrier Headland

LC Number 17.0760.02023 . ________ of amendment

LC Number Title.06000 . ________ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Insert LC: 17.0760.02023
Senate Carrier: Bekkedahl
House Carrier: Headland

REPORT OF CONFERENCE COMMITTEE

SB 2206, as engrossed: Your conference committee (Sens. Bekkedahl, Cook, Dotzenrod and Reps. Headland, Dockter, Mitskog) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1405-1411, adopt amendments as follows, and place SB 2206 on the Seventh order:

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide for a legislative management study; to provide an appropriation; to provide for a transfer; to provide an exemption;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding

responsibility for ~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not

award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after the first boldbaced period insert "**State-paid economic assistance and social service pilot program - Application - Report.**

1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

50-34-02."

Page 7, line 15, remove ""Economic assistance adjusted base year gross expenditures" means an amount"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "5."

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**50-34-02**" with "**50-34-03**"

Page 7, line 25, replace "50-34-07" with "50-34-04"

Page 7, line 27, replace ". Beginning" with ", and for calendar year 2019 on or before"

Page 7, line 28, remove ", and on or before June first of each year thereafter, the director shall"

Page 7, line 29, remove "notify each service area of its formula payment for the subsequent calendar year"

Page 8, line 5, replace "50-34-07" with "50-34-04"

Page 8, line 7, after "less" insert "or a decrease of five percent or less"

Page 8, line 15, after "subtracting" insert "one hundred five percent of"

Page 8, line 15, replace "distributed" with "determined"

Page 8, line 15, replace "2" with "1"

Page 8, line 16, after "a" insert "and add the resulting amount to the amount distributed under subsection 2"

Page 8, line 17, after "payment" insert "as determined under this subdivision"

Page 8, after line 18, insert:

"d. If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth."

Page 8, line 21, replace "50-34-08" with "50-34-05"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 9, line 29, after "**amounts**" insert "**- Calculation of formula payment**"

Page 10, line 10, remove "a."

Page 10, line 13, remove "adjusted"

Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 29

Page 10, line 30, replace "twenty-two cents" with "4. The director shall calculate the total formula payment by summing the following:

a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data"

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**50-34-08**" with "**50-34-05**"

Page 14, line 16, replace "thirty-five percent of the annual budget for the service area in the previous year or one" with "five"

Page 14, line 17, replace ", whichever is greater" with "for a service area that had annual expenditures of two million dollars or greater in calendar year 2015 or one hundred thousand dollars for a service area that had annual expenditures of less than two million dollars in calendar year 2015"

Page 14, line 18, replace "**50-34-09**" with "**50-34-06**"

Page 14, line 20, replace "50-34-08" with "50-34-05"

Page 14, line 21, replace "50-34-08" with "50-34-05"

Page 14, line 26, remove "and on January first of each year thereafter,"

Page 14, line 27, replace "50-34-08" with "50-34-05"

Page 14, line 28, replace "50-34-02" with "50-34-03"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**50-34-11**" with "**50-34-07**"

Page 16, after line 18, insert:

"**50-34-08. Social services finance fund.**

The social services finance fund is a special fund in the state treasury. Moneys in the fund may be used, subject to legislative appropriation, for the provision of formula payments to service areas pursuant to this chapter."

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

    a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

    b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

    c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

    d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

        ~~(1)~~ ~~The~~the base year mill rate of the school district minus sixty mills~~;~~ or

        ~~(2)~~ ~~Fifty~~fifty mills, if the base year is a taxable year before 2013.

    e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34."

Page 21, line 7, replace "2018" with "2017"

Page 21, line 7, replace "2017" with "2016"

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

Page 21, remove lines 22 and 23

Page 21, line 24, remove "county for the taxable year"

Page 21, after line 24, insert:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 50-34 for taxable years 2017 and 2018 and under chapter 15.1-27 ~~and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills."

Page 22, line 11, replace "sections 50-34-02 and" with "section"

Page 22, replace lines 15 through 17 with:

"**SECTION 15. SUSPENSION.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 18. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM.** During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly.

SECTION 19. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. A total of $160,700,000 is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the social services finance fund in the state treasury, not otherwise appropriated, the sum of $134,700,000, or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 20. TRANSFER - TAX RELIEF FUND TO SOCIAL SERVICES FINANCE FUND. The office of management and budget shall transfer the sum of $134,700,000 from the tax relief fund to the social services finance fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 21. EXEMPTION - BUDGET ALLOTMENTS. The sum of $26,000,000 appropriated from the general fund to the department of human services for the state-paid economic assistance and social services pilot program in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, is not subject to the provisions of section 54-44.1-12, and the director of the office of management and budget may not include this amount in calculations used to determine transfers from the budget stabilization fund under section 54-27.2-03 for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

Engrossed SB 2206 was placed on the Seventh order of business on the calendar.

2017 TESTIMONY

SB 2206

Senate Finance and Tax Committee
Honorable Senator Dwight Cook, Chairman
Senate Bill 2206
Testimony by Senator Brad Bekkedahl

Chairman Cook and Committee Members,

Senate bill 2206 is a culmination of several sessions of bills activity. It is before you today, but has required years of effort by Legislators, Governor Dalrymple and Staff, County Commissioners, County Social Service Directors, the Tax Department, budget consideration support by Governor Burgum, and now, the 65th Legislative Assembly. It's development was a prime emphasis of the 64th Interim Political Subdivisions Taxation Committee and Legislative Council Staff.

What will Senate Bill 2206 accomplish? This bill will bring permanent property tax relief to our citizens by eliminating the County level social service levy authority. It has cost controls with spending set by the Legislature each session. Social service employees will continue to be employed and managed by counties. Taxpayers will receive the same or more tax relief for tax year 2017, with funding available by using property tax relief funds currently set aside. It is sustainable and offers better cost containment in that it will be controlled by the Legislature and will be a formula based upon actual caseloads costs, unlike the 12% buy down, which is an automatic annual cost, and provides no incentives to control local level spending. **It is real permanent property tax relief for North Dakotans!**

I have with me esteemed Senate and House colleague support, as well as Tax Department senior staff technical testimony, and County representatives input. It has been an honor to be associated with all involved in this effort, and has truly been a team effort.

Thank you for your attention and consideration today. I will stand for questions, after which I am proud to introduce Senator Dick Dever for his informative testimony, who will be followed by others in support.

1/25/2017 SB2206 Testimony #2 pg 1

REVIEW OF INTERIM SOCIAL SERVICES FINANCING STUDY **SB2206**

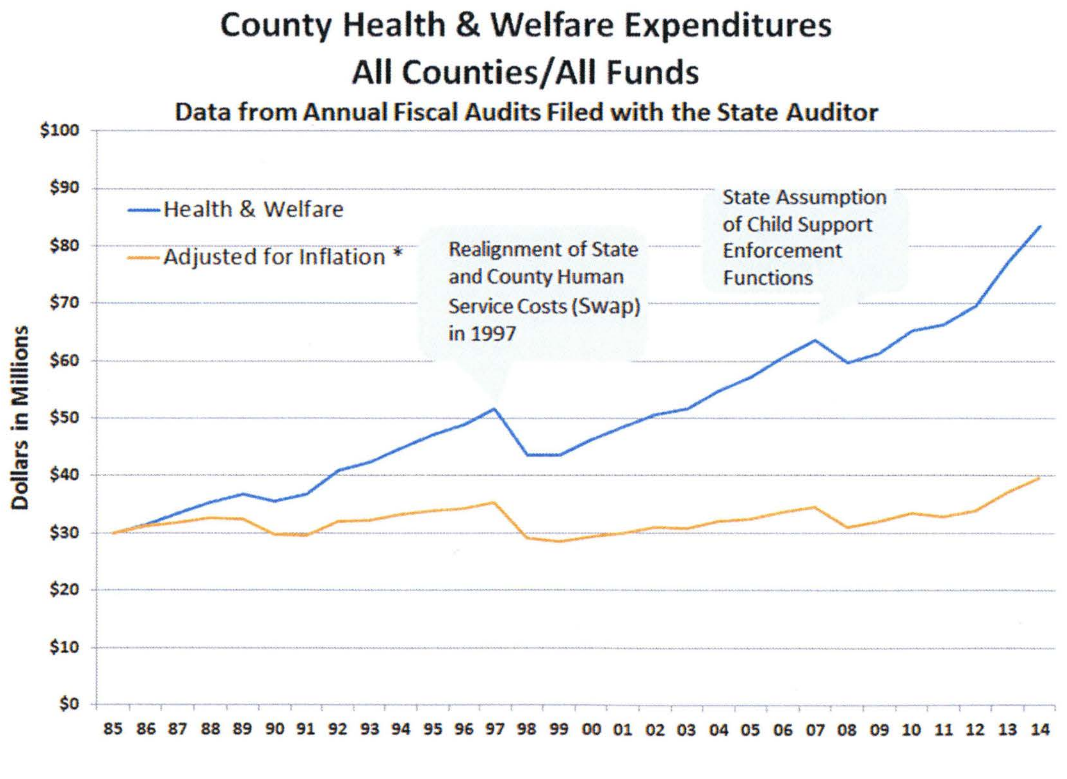
Representative Jason Dockter, District 7

Section 12 of Senate Bill No. 2206 provided for a Legislative Management study of transferring the costs of operating social services programs from county property tax levies to general fund appropriations.

The development of a proposed transition plan was to include a timeline for the major milestones of the transition plan, considerations for the transition, estimated costs, a plan to require a property tax reduction for the amount of the budgeted savings brought about by the transfer of county social services costs to the state, a plan resulting in the elimination of the county social services levy under Section 50-06.2-05, and potential legislation to implement recommended changes. The study also must include consideration of the feasibility of implementing the proposed transition plan.

The Committee began with a review of the history of county social service financing, focusing on the expansion of county levy authority in 1989 to help fund the delivery of the growing number of federal programs.

The major restructuring in 1997, often called the Swap, as well as the state assumption of child support enforcement in 2007 were discussed, and data was reviewed about the impact to property taxes at those times – including the following chart.



* Inflation calculated using the Dept. of Labor's Consumer Price Index - Midwest Urban, All Items.

The various legislative attempts to transfer all of social service costs in the 2011, 2013, and 2015 Sessions were also considered. And the transfer of the remaining social service "grant" or program costs from the county to the State as part to the 2015 legislation was examined.

1/25/2017 SB 2206 Testimony # 2 Pg 2

The Committee then requested county financial data to better understand the programs funded, cost categories and revenue sources for county social services.

COUNTY FINANCIAL DATA: The first set of pie charts illustrate the statewide county social service expenditures and revenues, to put them in context for discussion. They are based on CY2016 Budgets.

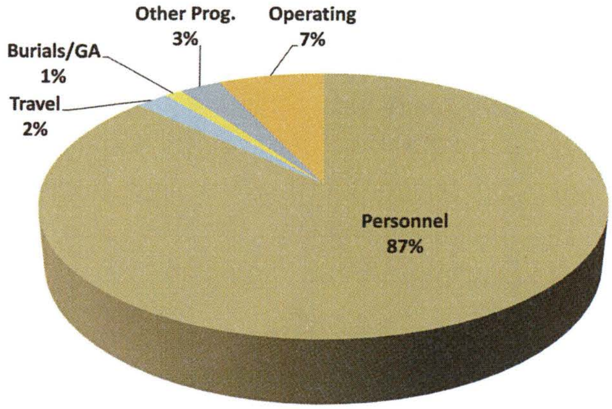


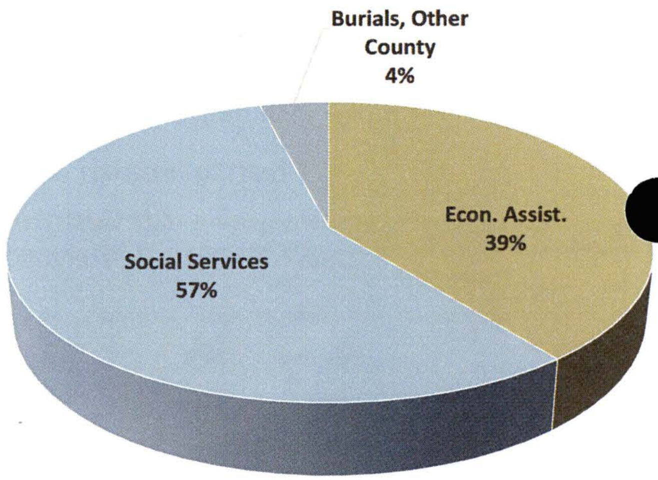
CHART 1.

- Breakdown by budget category

- 2015 shift of the remaining grant (program) costs to the state beginning in 2016, county costs are largely for the people that actually deliver the services defined by the State.

CHART 2.

- County spending by functional area, making the distinction between
  - Economic assistance (eligibility for federal/state programs) and
  - Social service (largely case management for foster care, subsidized adoption, in-home care, abuse investigations, and licensure functions).
- This is the statewide picture, the individual units vary greatly, largely due to demographics.



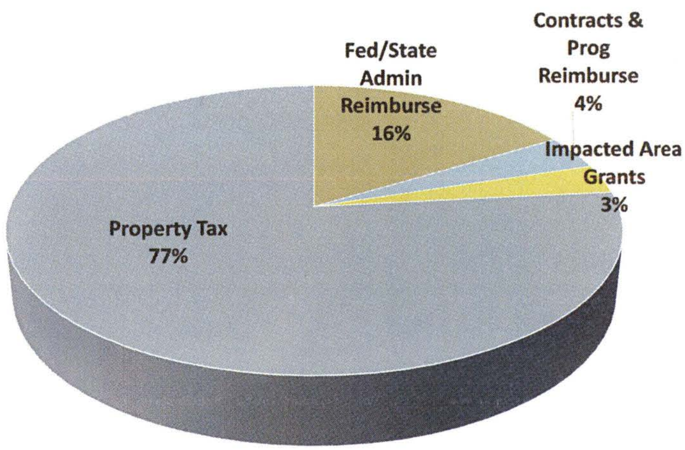


CHART 3.

- County Revenues by Source

- Illustrates the important point that should SB2206 not move forward, the 23% of social service revenues would need to be restored to the DHS budget in order to adequately fund the current service level.

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TRANSISTION – TAXPAYER PROTECTION: The 2015 Legislation included protections for the taxpayer, by repealing the unlimited "emergency poor levy", providing a state grant program for those forced to use that levy authority, and limiting county social service budget growth to salary and benefit inflators. Data was requested after the first year to measure the impact of the grant cost shift, as well examine ending fund balances. The average mill levy reduction (2.51 mills) was slightly better than predicted.

Analysis of County Social Service Levies and Fund Balances

Prepared from a survey completed by County Auditors - March 2016

	a	b	c	d	e		f	g	h	
	CY15 Soc. Ser. Budget	Soc. Ser. Ending Fund Balance 12/31/2013	12/31/2014	12/31/2015	12/15 Bal. as % of CY15 Budget		Soc.Ser. Tax Rate (Mills) TY2013	TY2014	TY2015	
Adams	$540,753	(175,593)	(182,321)	(137,860)	-25%		38.25	32.09	20.00	*
Barnes	$1,594,441	436,242	373,144	276,599	17%		16.00	16.00	16.16	
Benson	$1,164,976	266,612	218,396	79,199	7%		6.34	11.79	7.10	
Billings with Gold.Val.		270,677	305,876	320,620	#		7.89	6.99	6.65	
Bottineau	$1,172,632	411,502	534,871	512,059	44%		15.18	11.17	10.58	
Bowman	$806,056	279,015	305,876	303,534	38%	#	9.24	12.33	9.51	
Burke	$373,909	173,291	190,742	261,883	70%		9.36	8.89	6.21	
Burleigh	$8,703,262	2,400,442	2,553,165	2,876,787	33%		15.82	13.39	11.82	
Cass	$14,626,729	2,140,820	2,065,855	2,165,013	15%		19.50	18.71	13.66	
Cavalier	$893,322	463,038	515,478	724,857	81%		16.84	20.00	13.50	
Dickey	$899,114	337,870	547,384	503,287	56%		12.50	8.76	0.00	
Divide	$670,643	28,802	14,784	38,114	6%		8.63	6.52	5.21	
Dunn	$496,745	15,681	0	5,397	1%		3.22	2.27	2.51	
Eddy	$485,129	124,826	70,709	19,249	4%		20.00	20.00	20.00	
Emmons	$291,650	150,614	118,406	161,508	55%		5.29	8.75	5.88	
Foster	$623,139	60,508	68,345	224,152	36%		20.00	20.00	16.67	
Golden Valley	$498,091	16,881	28,767	38,479	72%	#	17.71	11.77	14.20	
Grand Forks	$9,167,572	1,472,476	1,624,355	1,509,741	16%		21.66	21.95	19.05	
Grant	$443,365	196,268	151,001	91,394	21%		13.52	12.67	20.00	*
Griggs	$412,445	22,992	33,688	33,087	8%		16.70	18.62	15.70	
Hettinger	$600,484	(16,121)	(95,606)	20,836	3%		15.75	14.00	20.00	
Kidder	$391,960	162,320	158,620	159,420	41%		15.00	15.00	15.00	
LaMoure	$456,579	(113,369)	0	(356,910)	-78%		10.89	10.48	9.81	
Logan	$261,619	68,126	38,634	113,286	43%		15.03	18.00	14.92	
McHenry	$787,627	156,110	143,591	262,994	33%		13.21	16.86	12.14	
McIntosh	$345,118	33,234	51,942	73,958	21%		16.91	16.36	15.22	
McKenzie	$1,879,735	340,267	370,825	671,449	36%		0.00	3.00	6.86	
McLean/Dak.Cnt	$2,803,420	100,332	(46,755)	(97,706)	11%	#	7.54	7.73	9.60	
Mercer Pt of Dak.Cntrl		262,063	197,247	99,056	#		8.02	12.64	12.53	
Morton	$3,404,139	83,502	226,708	436,008	13%		20.50	21.50	12.96	*
Mountrail	$2,220,477	234,488	364,699	507,802	23%		9.80	7.61	8.26	
Nelson	$470,214	299,138	309,065	195,303	42%		14.95	10.00	9.56	
Oliver Pt of Dak.Cntrl		93,467	163,620	254,852	#		19.48	18.98	16.48	
Pembina	$1,311,325	108,946	(88,208)	21,735	2%		10.19	15.37	14.67	
Pierce	$802,998	30,852	120,926	137,212	17%		20.00	19.74	8.70	
Ramsey/Lakes	$2,613,931	731,513	496,844	589,434	27%	#	24.00	32.43	20.00	*
Ransom	$497,538	116,294	121,626	146,117	29%		10.11	11.30	9.33	
Renville	$372,977	74,295	64,251	73,500	20%		6.99	7.80	7.46	
Richland	$1,862,293	754,985	743,864	729,568	39%		15.00	15.00	11.50	
Rolette	$2,108,334	166,846	41,958	137,007	6%		27.92	28.00	20.00	*
Sargent	$500,277	67,372	112,009	83,528	17%		10.93	9.20	9.09	
Sheridan Pt of Dak.Cntrl		91,643	56,543	63,542	#		11.98	15.60	17.52	
Sioux	$866,416	(55,724)	33,418	(66,434)	-8%		26.97	24.67	20.00	*
Slope with Bowman		35,121	18,124	0	#		3.21	3.21	3.38	
Stark	$4,734,498	1,583,095	2,161,890	3,221,431	68%		16.65	19.69	12.95	
Steele	$295,557	354,185	415,869	372,714	126%		10.26	8.03	4.38	
Stutsman	$3,421,560	1,933,378	1,787,500	2,153,619	63%		21.64	20.67	20.00	*
Towner Pt of Lakes		95,233	116,370	117,865	#		11.87	11.32	9.56	
Traill	$1,558,436	198,921	203,875	34,177	2%		19.64	15.62	16.15	
Walsh	$1,590,074	(104)	44,048	18,856	1%		20.00	20.00	17.00	
Ward	$7,635,266	644,444	988,840	1,624,406	21%		16.24	17.81	11.09	
Wells	$1,199,033	228,176	245,448	63,542	5%		24.96	24.28	20.00	*
Williams	$5,096,026	1,688,015	2,443,811	4,216,634	83%		20.23	20.00	11.22	
TOTAL	$93,951,884	19,644,008	21,550,117	26,085,899	28%		14.90	14.99	12.49	

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

* Received an Emergency Human Services Grant

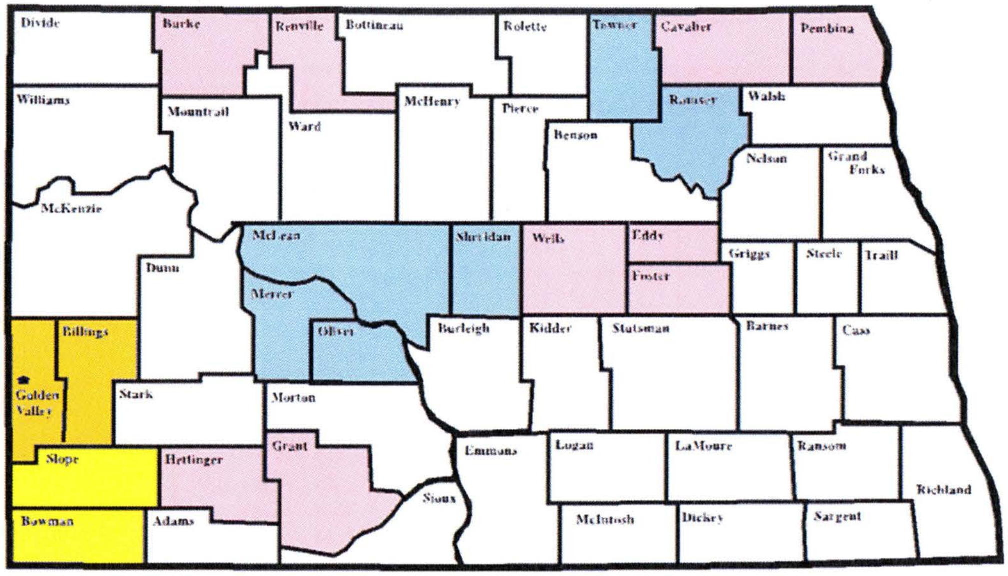
Average Mills Levied

Reduction 2.51 Mills (-16.7%)

1/25/2017 SB 2206 Testimony #2 Pg 4.

EFFICIENCY: One of the points made in the discussion of the current and proposed funding structure for county social services is the degree to which "efficiencies" can be achieved. It was testified to the Committee that significant efforts have been made in the past, worked to ensure the proposed formula encouraged rather than discouraged these efforts

The Committee received multiple maps of the various services that are currently shared. As it would be difficult to depict all of the sharing of services currently in-place among the counties, this map depicts only those arrangements that are most formal and/or most extensive.



Formal Multi-County Units

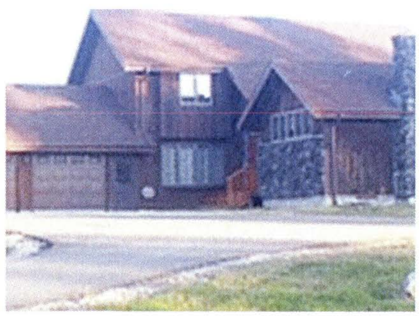
2-County Units that Budget as One

Extensive Sharing of Management & Specialized Staff

EQUITY: One of the strongest arguments for moving social service costs from property tax support made that was made to the Committee is the inequity of the property tax burden. Since the need for services does not correlate well with the "ability to fund" the services (valuation), there has been significant disparity among the counties. Testimony in the interim showed three similarly valued homes in three different counties, and indicated the amount of property taxes each paid to support social services. This information has been updated with TY2016 tax data.

Mercer County
Sales Price - $335,000
Social Service Taxes - $206

Cass County
Sales Price - $329,000
Social Service Taxes - $148

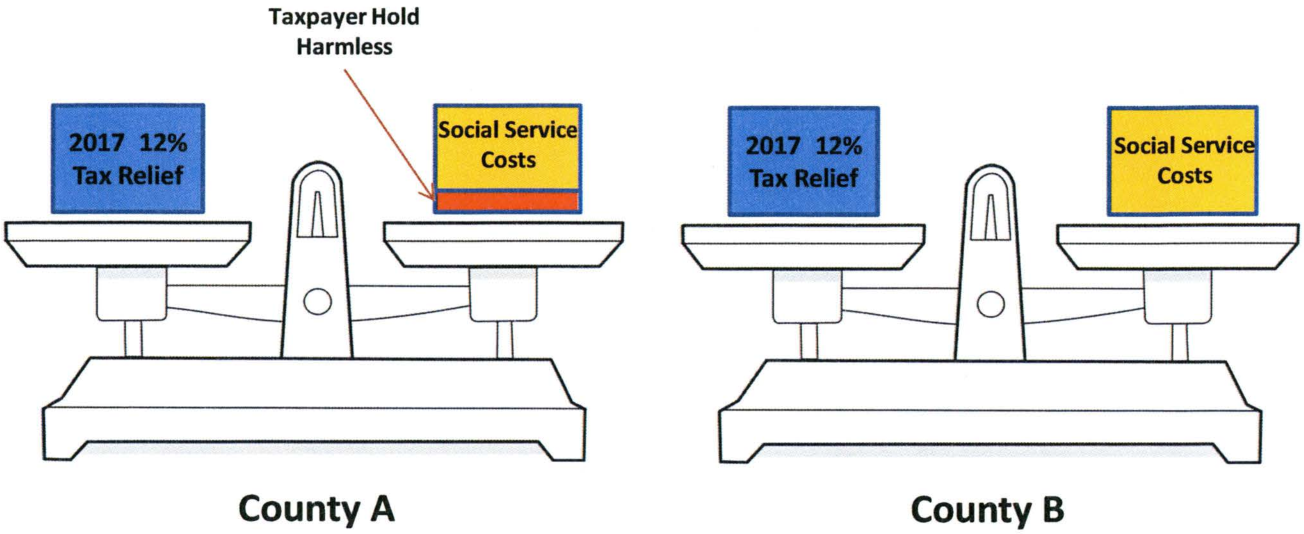


Ramsey County
Sales Price - $330,00
Social Service Taxes - $297

1/25/2017 SB 2206 Testimony # 2 pg 5

TAXPAYER FAIRNESS: The bill drafts reviewed by the interim Committee originally focused exclusively on the formula to adequately reimburse counties for their costs, but due to the differences in costs among counties, provisions were added to hold the taxpayers of each county harmless by providing funds to ensure that the amount of state funds used for property tax relief would equal the amount expended in 2017.

The following illustration provides a visual of the differences that are addressed in the bill.



PAYMENTS IN-LIEU OF TAXES: During the discussion of the proposed legislation, the Committee was informed that by moving away from a "12% credit" to the tax reform model proposed, the electric utility industry would lose the benefit of the property tax relief. The bill was amended to include what is now Section 10, to provide those entities with similar relief going forward.

PROPERTY TAX STATEMENT: The interim Committee also discussed the desire to reflect the funding of social services as tax relief on the annual tax billing statement. The current section of law addressing the statement was incorporated into the bill and amended to provide for a transition from the current relief to the reform discussed in the bill.

Summary of Proposed State Formula to Fund County Social Services Presented to Senate Finance and Taxation Committee Senator Dwight Cook, Chairman January 25, 2017

Good morning Chairman Cook and members of the Senate Finance and Taxation Committee. I am Joe Morrissette, Deputy Tax Commissioner, and a member of the Social Services Finance Working Group established during the 2015-16 interim.

Although this is a bill dealing with social services funding, its main focus is property tax relief. Social services costs are extremely variable from county to county and this results in a disproportionate and inequitable tax burden for property tax payers. In 2015, 9 counties levied the statutory maximum of 20 mills, another 24 counties levied between 10 mills and 20 mills, and 20 counties levied less than 10 mills for social services.

Senate Bill 2206, passed by the 2015 legislature, provided for state assumption of certain county social services costs and restricted the growth of county social service budgets during the next two years. The bill authorized a Legislative Management study to be conducted to "develop a proposed transition plan for transferring the costs of operating social services programs from county property tax levies to state general fund appropriations." The bill also authorized the establishment of a Social Services Finance Working Group. The Working Group included nine people representing the Department of Human Services, Office of Management and Budget, Tax Department, elected county officials, county social service directors, and the Association of Counties.

The Working Group met throughout the interim. As the formula concepts were being developed, progress reports were provided to the interim Political Subdivision Taxation Committee. Input was received from the committee and incorporated into the Working Group recommendations.

The transition plan developed by the Working Group includes a comprehensive formula to allow the state to assume the costs of county operated social service programs, the elimination of county mill levy authority for social services, and a transition from the current 12 percent property tax credit program.

Under the proposal developed by the Social Services Finance Working Group, counties will continue to employ personnel and manage social services programs. However, the amount of spending on social services will be set by the legislature each session through a specific reimbursement rate per case, similar to the per student state school aid formula rates. State property tax relief will be delivered through two methods (in addition to the school funding formula):

- State social services formula payments to counties to replace local mill levy authority
- State-paid property tax credit replacement payments to qualifying counties

Property Tax Relief – Transition Plan

The proposal includes a plan to transition from the current 12 percent property tax credit program to a new state-funded formula to permanently replace county mill levy authority for social services.

- A baseline amount consisting of two components is established for each county
    - The total amount of property tax relief received by all jurisdictions in the county in calendar year 2017 through the 12% property tax credit program
    - 50% of moneys received by counties in the formula base year (CY2015) from sources other than property taxes to fund social services programs (state and federal funds)
- Any county receiving less than the baseline amount through the social services formula receives a property tax credit replacement payment to make up the difference
- Moneys received by a county through the property tax credit replacement result in a corresponding reduction to the county general fund levy or other county-wide levy
- Payment amounts are certified to the county by October 15 of each year for use in the mill levy calculation for the subsequent year
- Payments are distributed January 31 each year

Social Services Formula

- Actual calendar year 2015 social service costs were compiled for every county to serve as the base year for the formula
- Costs are pooled in two categories:
    - Economic assistance (EA) programs
    - Social services (SS) programs
- CY2018 will be the first year of formula implementation; county authority for social services levies will be repealed effective for the 2017 tax year (2018 budget year)
- Base year (2015) expenditures are adjusted for inflation (5% per year) to be equivalent to calendar year 2017

- Adjusted base year expenditures are divided by base year caseload to calculate the base rates
- Formula base rates are adjusted for inflation (5% per year) to arrive at CY2018 and CY2019 formula rates:
  - Economic assistance formula base rates
    - $22.78 per case for calendar year 2018
    - $23.92 per case for calendar year 2019
  - Social services formula base rates
    - $568.78 per case for calendar year 2018
    - $597.22 per case for calendar year 2019
- Costs for the largest county are used to establish the base rates.
- Smaller counties receive a weighting factor due to the inefficiencies associated with a smaller caseload (similar to state school aid weighting factors). Factors are determined by historic costs for each size group. Factors are set in law and do not change. Weighting factors are proposed as follows:

Economic Assistance	
Caseload	**Factor**
250,000 or more	1.00
45,000 to 249,999	1.60
22,000 to 44,999	1.75
8,000 to 21,999	2.00
5,000 to 7,999	2.20
less than 5,000	2.35
Social Services	
Caseload	**Factor**
10,000 or more	1.00
1,800 to 9,999	1.35
900 to 1,799	1.50
210 to 899	1.60
145 to 209	2.00
less than 145	2.50

- For transition purposes, in 2018 each county will receive a minimum of 102% of the adjusted base year expenditures and a maximum of 110%; in 2019 each county will receive a minimum of 104% of the adjusted base year expenditures and a maximum of 120%
- The maximum limitation can only be exceeded if caseload growth exceeds 5% per year
- Semi-annual distribution schedule with payments January 10 and June 15

- June 1 recalculation based on most recent caseload:
    - If recalculation results in an increase of more than 5%, June 15 payment will be adjusted to reflect new amount
    - If recalculation results in an increase of 5% or less, no adjustment is made
- Formula incentive for consolidations
    - Phase in over 5 years from higher factor (prior to consolidation, based on small caseload) to lower factor (after consolidation, based on higher caseload of combined service area)
    - New factor is equal to 50% of the difference between old factor and factor applicable to new size category
- Fund balances
    - Limit = 35% or $100,000, whichever is higher
    - If the December 31, 2017 balance exceeds limit, excess will be transferred to county general fund with a corresponding mill levy reduction
    - If the December 31, 2018 or subsequent year balance exceeds limit, the excess will be deducted from June 15 formula payment

Estimated Costs

Social services formula payments – CY 2018	$92,000,000
Property tax relief hold harmless payments – CY	44,000,000
Social services formula payments – CY2019	100,000,000
Property tax relief hold harmless payments – CY	36,500,000
Allowance for caseload growth	2,500,000
Total estimate – 2017-19 biennium	**$275,000,000**

2017-19 Budget and Legislation

- Senate Bill 2206 provides statutory authority for the social services funding formula and property tax credit replacement payments and repeal of the existing 12% property tax credit
- House Bill 1075 provides for OMB to transfer $275 million from the general fund to a newly created fund - the social services finance fund
- House Bill 1072 provides an appropriation to DHS of $275 million from the social services finance fund for costs of the formula payments and property tax credit replacement payments to counties

Testimony to the

Finance and Taxation Committee

January 25, 2017

Randi Suckut, Wells County Commissioner

President – North Dakota Association of Counties

Re: Senate Bill 2206

Mr. Chairman and members of the committee, I am Randi Suckut, commissioner from Wells County and President of the North Dakota Association of Counties.

I want to thank you for the opportunity to testify in support of SB 2206.

Social Services had its start in 1862 when counties were designated as responsible for "poor relief with the first territorial assembly and again in the first ND constitution in 1889. In 1913, poor relief was transferred from the county commissions to township officers through 1915. Prior to the 1930's, public benefits were all county general assistance. In the early 1930's, it was estimated that 250,000 of the state's 630,000 were receiving some type of assistance. In March of 1935, the state, for the first time, appropriated money for poor relief paid for by a sales tax.

Why was poor relief or social services started? I believe it was because of the need for assistance to help the poor, the sick, and children, who were in situations they had no control of and it became even more of a need in the 1930's; and I would surmise it was appropriated for with local property taxes because it was your neighbor that needed a helping hand, even though many times they were too proud to accept help. Times have changed.

While I still believe, as I am sure most of you do, in helping children, the poor, and the sick, where there is a need, I believe it should no longer be paid for by property taxpayers. Let me explain why I believe this.

Property taxpayers understand the use of property taxes for certain services and demand these services; such as: for roads (graveling and maintenance of those gravel roads, paved roads and the cost of maintenance of those roads; be it summer or winter), law enforcement, fire protection, ambulance services, costs associated with the offices of Auditor, Recorder, Clerk of Court, Tax Director, Treasurer, States Attorney, and Emergency Management. They have a say concerning these costs and where and how their property tax dollars are spent.

They do not understand property tax dollars funding social service costs for programs that are federally or state mandated where they have very little or no say.

I understand the pressure that gets put on you from upset property taxpayers when they see their taxes go up. I get that same pressure too. Our costs of services go up, just like the costs of state programs do (Salaries, health insurance, supplies, heat, electricity, equipment, buildings, and the associated costs of maintenance). As local county officials, we can explain to our constituents why these costs increase because people understand how their personal costs have increased.

There is also inequity across the state with property taxes funding Social Services of which I know that the Association of Counties has presented to most of you before.

If I may, I would like to give an example of property tax inequity but not related to just Social Services.

My mother, who is 93, lives in an apartment in our small town of Bowdon. She owns approx. 1080 acres of farm land which borders ½ mile of a paved road and 1 mile of gravel road. My wife and I live in a modest comfortable house on 40 acres which borders ½ mile of paved road. My mother paid 13 times as much in property taxes as we did, yet, other than the road difference my wife and I have the same or more demands on local services.

I know that some in the legislature feel that if the costs of social services are assumed by the state the counties will just increase their levies in other areas. I want to assure you that county officials budget on dollars needed to provide the services that are demanded by our constituents and are also restricted by caps on fund levies unless voted on by their constituents to increase. If the state assumes the cost of Social Services, it removes the 20 mill levying authority by the counties for Social Services.

If this bill is passed, it would be part of a property tax reform that the people are demanding.

Mr. Chairman and committee members, I urge a **do pass** recommendation on SB 2206. Thank you.

1/25/2017 SB 2206 Testimony #5 pg 1

Testimony
Senate Bill 2206 – Social Service Financing
Finance and Taxation Committees
January 25, 2017

Chairman Cook, and members of the Senate Finance and Taxation Committees, I am Kim Jacobson, Director of Traill County Social Services, a member of the Social Services Financing Work Group, a member of the North Dakota County Director's Association, and an Executive Board Member of the North Dakota Association of Counties. I am here in support of Senate Bill 2206.

As county social services agencies, we are tasked with the duty and responsibility as designee of the Department of Human Services in delivering social services to the citizens of North Dakota. The programs administered by the counties are federal and state programs administered in compliance with federal law and state policy. Examples of the core programming delivered by county social services include:

- Children and Family Services: Child protection services, foster care case management services, early childhood services licensing, foster care parent licensing, and related services.
- Economic Assistance Programs: Determination of eligibility for: Medicaid, Medicaid Expansion, Child Care Assistance, SNAP, LIHEAP, TANF, County General Assistance and Indigent Burial Programs and other income-based public assistance programs.
- Adult Services: Determination of SPED, Expanded SPED, and Waiver Services eligibility and corresponding social work case management services for those services. In addition, counties may provide the provision of agency QSP services providing direct supportive services to elderly and disabled citizens in their homes.

North Dakota county social service agencies have a strong history of accurate, timely and effective delivery of social service programming to North Dakota citizens. This is evident by the performance on federal and state reviews/audit and through federal awards. We are very proud of the services provided to North Dakota vulnerable citizens as we strive to meet community need.

Senate Bill 2206 would allow counties to continue to provide quality local social services to North Dakota citizens. At the same time, Senate Bill 2206, recognizes the fiscal burden that the administration of social services has upon property tax. I would agree that property tax is not the best fit for this type of service. However, it is imperative that services be accessible and delivered near our vulnerable citizens. Therefore, it is my belief that county social service financing can be a successful part of property tax reform as long as there is balance between local service, local responsiveness, accountability, innovation and funding.

By shifting the burden of the administrative costs associated with the county provision of the state and federal social service programs, a long-lasting property tax reform can be provided. A reimbursement formula based on caseload will reimburse counties for service provision. This will fund counties for actual services provided. In essence, Senate Bill 2206 is a block grant to counties to administer local social services. Each county will have the responsibility and duty to operate and provide services within the parameters of their fiscal distribution. In addition, through semi-annual payments to counties, it would eliminate duplicate transactions between the Department of Human Services and counties.

Senate Bill 2206 would continue local decision-making and service while encouraging innovation and budgetary discipline. Meanwhile, the quality services provided by county social services would continue along with the partnerships with other local partners such as law enforcement, public health, schools, long-term care facilities, medical providers, etc. in meeting the needs of local citizens.

I urge you to render a "Do Pass" vote on Senate Bill 2206 allowing property tax reform while still providing local social services and local decision-making in order to meet the needs of local citizens.

This concludes my testimony on Senate Bill 2206. I would be happy to answer any questions.

Attachment #6

North Dakota League of Cities

January 25, 2017

Senate Finance and Taxation Committee,

Dear Chairman Cook and Committee Members,

This morning you heard Senate Bill 2206 regarding a change in the way county social services are rendered. We were in attendance for the first hour of the hearing but then the hectic morning schedule required our departure before we could offer testimony. I am taking this opportunity to express the support of the North Dakota League of Cities for Senate Bill 2206.

This legislation is of great importance to our state. It is the result of many studies and discussions about the delivery of these services. The Legislature has done much to further the concept and we believe that Senate Bill 2206 now before the Sixty-fifth Legislative Assembly is the vehicle to put this change into place. We also agree with the intention of the bill to use this change in the way social services are delivered to incorporate the property tax relief the state provides to local property taxpayers.

The North Dakota League of Cities supports Senate Bill 2206. We believe it is the right thing to do and the right time at which to do it. We ask for your favorable consideration of a DO PASS recommendation on this bill.

Sincerely,

R Blake Crosby

R. Blake Crosby

Executive Director

Phone: (701) 223-3518 • ND Toll Free: (800) 472-2692
410 E Front Ave • Bismarck, ND 58504-5641 • www.ndlc.org

Strong. Dynamic. Cities.

Attachment #7

Michael R. Brown
Mayor

City of Grand Forks

255 North Fourth Street • P.O. Box 5200 • Grand Forks, ND 58206-5200

(701) 746-2607
Fax: (701) 787-3773

TESTIMONY ON SENATE BILL 2206

North Dakota Senate Finance & Taxation Committee

Maureen Storstad, Finance Director
City of Grand Forks, ND

January 25, 2017

Mr. Chairman and members of the committee, my name is Maureen Storstad, and I am the Finance Director for the City of Grand Forks. I want to thank you for the opportunity to provide testimony.

The City of Grand Forks supports continued efforts toward property tax relief. We do, however, have some concerns with this bill. It is my understanding that the bill includes two concepts…one is the social services funding formula, the other is a replacement for the current 12% property tax credit. It provides for a property tax credit replacement payment that is calculated by taking the entire amount paid to a county under the 12% credit program for all taxes levied by all taxing jurisdictions in the county and subtracting from that amount the social services funding formula payment. Any county that gets less under the social services payment than they received in total under the 12% payment gets the replacement payment. Any county that gets a replacement payment will be required to reduce their general fund levy accordingly. So, overall tax relief provided to taxpayers in Grand Forks county will be at least equal to what was received in tax year 2016.

The city has a concern with how this may be perceived by the taxpayer. In the case where the city would not increase property taxes, it may still be perceived as such since it would no longer be offset directly by the 12% payment by the State. The City of Grand Forks' citizens have very much appreciated the property tax relief provided by the State of North Dakota over the last several years. We want to say thank you and have you understand the impact of the proposed change.

Thank you for your consideration.

1-25-2017 SB 2206 Testimony #8 pg 1

Real. Permanent. Property Tax Relief.

Support State Funding of Social Services

Why is this Sustainable Relief?

It "Buys" a State Required Mandate

REPEALS 20 Mills

Controls Local Spending

Services Remain Local

Formula Based on Actual Costs

Legislature Adjusts Formula

Legislative Control

Taxpayers will Receive the SAME or MORE Tax Relief

Eliminate Levies = Tax Reform

NDACo
NORTH DAKOTA ASSOCIATION OF COUNTIES

Real. Permanent. Property Tax Relief.

Support State Funding of Social Services

Frequently Asked Questions

Why is this permanent tax relief?

It permanently eliminates the social service levy - up to 20 mills. That's tax reform!

What does the social service tax pay for?

Social Services includes foster care, SNAP, and heating assistance. These are required federal programs paid for by the federal and state government. County employees administer local social service programs. The social service levy pays for administration of these programs. This is largely salaries and benefits.

Where are the cost controls?

- Future state spending on social services is set by the legislature each session.
- Counties will be reimbursed based on actual caseloads.

Does this plan make county employees state employees?

No. Counties will continue to employ and manage county social services personnel.

Is this tax relief sustainable?

Yes. Funding for this plan is already available by using property tax funding currently set aside. This funding formula will be controlled by the legislature and will be based on actual costs. Unlike the 12% buy-down which is an automatic annual cost. The 12% provides no incentives to control spending at the local level.

How is the formula determined?

The formula:

- multiplies the local caseload by a legislatively established rate
- applies a factor to account for county size
- provides a block payment to the county

How will this affect tax payers?

Under this plan, a taxpayer will receive the same or more tax relief for the tax year 2017.

SB 2206

Senate Appropriations Committee
Honorable Senator Ray Holmberg, Chairman
Senate Bill 2206
Testimony by Senator Brad Bekkedahl

February 6, 2017

#1

Chairman Holmberg and Committee Members,

Senate bill 2206 is a culmination of several sessions of bills activity. It is before you today, but has required years of effort by Legislators, Governor Dalrymple and Staff, County Commissioners, County Social Service Directors, the Tax Department, the Department of Human Services, budget consideration support by Governor Burgum, and now, the 65th Legislative Assembly. The bill's development was a prime emphasis of the 64th Interim Political Subdivisions Taxation Committee and Legislative Council Staff.

What will Senate Bill 2206 accomplish? This bill will bring permanent property tax relief to our citizens by eliminating the County level social service levy authority. It has cost controls with spending set by the Legislature each session. Social service employees will continue to be employed and managed by counties. Taxpayers will receive the same or more tax relief for tax year 2017, with funding available by using property tax relief funds currently set aside. It is sustainable and offers better cost containment in that it will be controlled by the Legislature and will be a formula based upon actual caseloads costs, unlike the 12% buy down, which is an automatic annual cost, and provides no incentives to control local level spending. **It is real permanent property tax relief for North Dakotans!**

I have with me fellow Legislator's in support, as well as Tax Department senior staff technical testimony, and County representatives input. It has been an honor to be associated with all involved in this effort, and has truly been a team effort.

Thank you for your attention and consideration today and I will now stand for committee questions.

REVIEW OF INTERIM SOCIAL SERVICES FINANCING STUDY — SB2206

Representative Jason Dockter, District 7

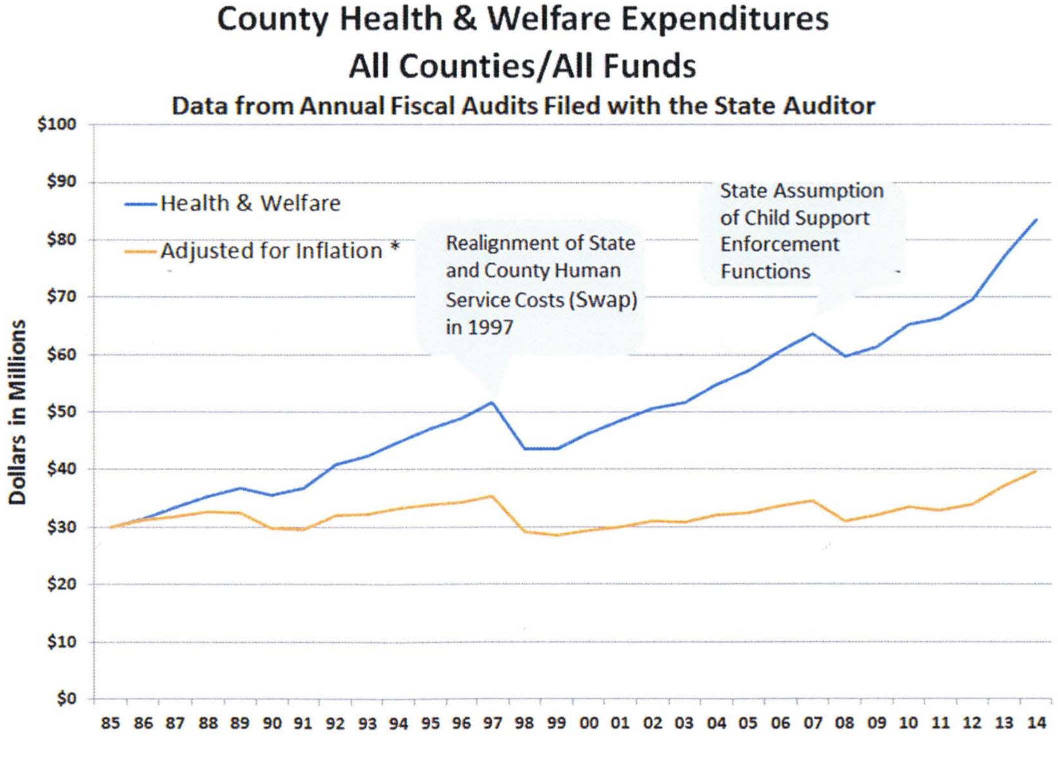
2-6-17
#2

Section 12 of Senate Bill No. 2206 provided for a Legislative Management study of transferring the costs of operating social services programs from county property tax levies to general fund appropriations.

The development of a proposed transition plan was to include a timeline for the major milestones of the transition plan, considerations for the transition, estimated costs, a plan to require a property tax reduction for the amount of the budgeted savings brought about by the transfer of county social services costs to the state, a plan resulting in the elimination of the county social services levy under Section 50-06.2-05, and potential legislation to implement recommended changes. The study also must include consideration of the feasibility of implementing the proposed transition plan.

The Committee began with a review of the history of county social service financing, focusing on the expansion of county levy authority in 1989 to help fund the delivery of the growing number of federal programs.

The major restructuring in 1997, often called the Swap, as well as the state assumption of child support enforcement in 2007 were discussed, and data was reviewed about the impact to property taxes at those times – including the following chart.



* Inflation calculated using the Dept. of Labor's Consumer Price Index - Midwest Urban, All Items.

The various legislative attempts to transfer all of social service costs in the 2011, 2013, and 2015 Sessions were also considered. And the transfer of the remaining social service "grant" or program costs from the county to the State as part to the 2015 legislation was examined.

The Committee then requested county financial data to better understand the programs funded, cost categories and revenue sources for county social services.

COUNTY FINANCIAL DATA: The first set of pie charts illustrate the statewide county social service expenditures and revenues, to put them in context for discussion. They are based on CY2016 Budgets.

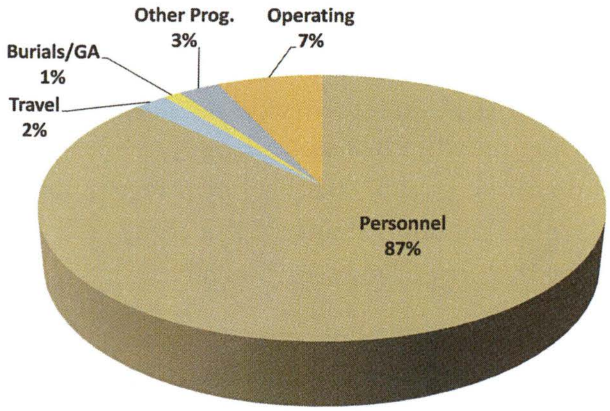


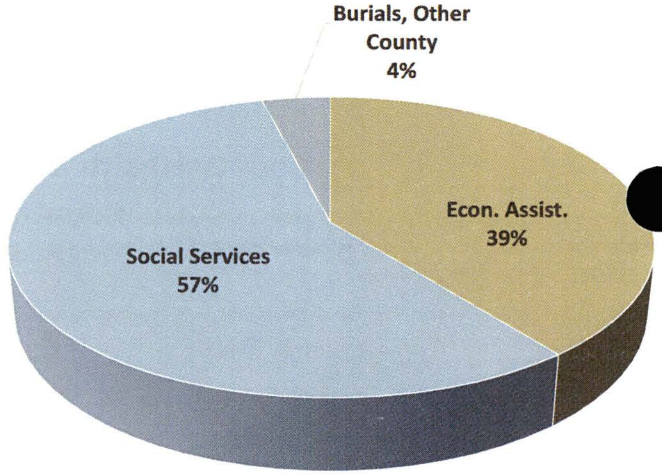
CHART 1.

- Breakdown by budget category

- 2015 shift of the remaining grant (program) costs to the state beginning in 2016, county costs are largely for the people that actually deliver the services defined by the State.

CHART 2.

- County spending by functional area, making the distinction between
  - Economic assistance (eligibility for federal/state programs) and
  - Social service (largely case management for foster care, subsidized adoption, in-home care, abuse investigations, and licensure functions).
- This is the statewide picture, the individual units vary greatly, largely due to demographics.



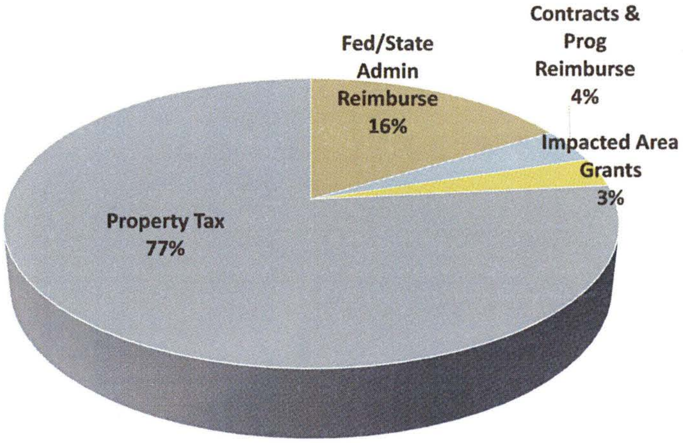


CHART 3.

- County Revenues by Source

- Illustrates the important point that should SB2206 not move forward, the 23% of social service revenues would need to be restored to the DHS budget in order to adequately fund the current service level.

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TRANSISTION – TAXPAYER PROTECTION: The 2015 Legislation included protections for the taxpayer, by repealing the unlimited "emergency poor levy", providing a state grant program for those forced to use that levy authority, and limiting county social service budget growth to salary and benefit inflators. Data was requested after the first year to measure the impact of the grant cost shift, as well examine ending fund balances. The average mill levy reduction (2.51 mills) was slightly better than predicted.

Analysis of County Social Service Levies and Fund Balances

Prepared from a survey completed by County Auditors - March 2016

	a	b	c	d	e		f	g	h	
	CY15 Soc. Ser. Budget	Soc. Ser. Ending Fund Balance 12/31/2013	12/31/2014	12/31/2015	12/15 Bal. as % of CY15 Budget		Soc.Ser. Tax Rate (Mills) TY2013	TY2014	TY2015	
Adams	$540,753	(175,593)	(182,321)	(137,860)	-25%		38.25	32.09	20.00	*
Barnes	$1,594,441	436,242	373,144	276,599	17%		16.00	16.00	16.16	
Benson	$1,164,976	266,612	218,396	79,199	7%		6.34	11.79	7.10	
Billings with Gold.Val.		270,677	305,876	320,620	#		7.89	6.99	6.65	
Bottineau	$1,172,632	411,502	534,871	512,059	44%		15.18	11.17	10.58	
Bowman	$806,056	279,015	305,876	303,534	38%	#	9.24	12.33	9.51	
Burke	$373,909	173,291	190,742	261,883	70%		9.36	8.89	6.21	
Burleigh	$8,703,262	2,400,442	2,553,165	2,876,787	33%		15.82	13.39	11.82	
Cass	$14,626,729	2,140,820	2,065,855	2,165,013	15%		19.50	18.71	13.66	
Cavalier	$893,322	463,038	515,478	724,857	81%		16.84	20.00	13.50	
Dickey	$899,114	337,870	547,384	503,287	56%		12.50	8.76	0.00	
Divide	$670,643	28,802	14,784	38,114	6%		8.63	6.52	5.21	
Dunn	$496,745	15,681	0	5,397	1%		3.22	2.27	2.51	
Eddy	$485,129	124,826	70,709	19,249	4%		20.00	20.00	20.00	
Emmons	$291,650	150,614	118,406	161,508	55%		5.29	8.75	5.88	
Foster	$623,139	60,508	68,345	224,152	36%		20.00	20.00	16.67	
Golden Valley	$498,091	16,881	28,767	38,479	72%	#	17.71	11.77	14.20	
Grand Forks	$9,167,572	1,472,476	1,624,355	1,509,741	16%		21.66	21.95	19.05	
Grant	$443,365	196,268	151,001	91,394	21%		13.52	12.67	20.00	*
Griggs	$412,445	22,992	33,688	33,087	8%		16.70	18.62	15.70	
Hettinger	$600,484	(16,121)	(95,606)	20,836	3%		15.75	14.00	20.00	
Kidder	$391,960	162,320	158,620	159,420	41%		15.00	15.00	15.00	
LaMoure	$456,579	(113,369)	0	(356,910)	-78%		10.89	10.48	9.81	
Logan	$261,619	68,126	38,634	113,286	43%		15.03	18.00	14.92	
McHenry	$787,627	156,110	143,591	262,994	33%		13.21	16.86	12.14	
McIntosh	$345,118	33,234	51,942	73,958	21%		16.91	16.36	15.22	
McKenzie	$1,879,735	340,267	370,825	671,449	36%		0.00	3.00	6.86	
McLean/Dak.Cntl	$2,803,420	100,332	(46,755)	(97,706)	11%	#	7.54	7.73	9.60	
Mercer Pt of Dak.Cntrl		262,063	197,247	99,056	#		8.02	12.64	12.53	
Morton	$3,404,139	83,502	226,708	436,008	13%		20.50	21.50	12.96	*
Mountrail	$2,220,477	234,488	364,699	507,802	23%		9.80	7.61	8.26	
Nelson	$470,214	299,138	309,065	195,303	42%		14.95	10.00	9.56	
Oliver Pt of Dak.Cntrl		93,467	163,620	254,852	#		19.48	18.98	16.48	
Pembina	$1,311,325	108,946	(88,208)	21,735	2%		10.19	15.37	14.67	
Pierce	$802,998	30,852	120,926	137,212	17%		20.00	19.74	8.70	
Ramsey/Lakes	$2,613,931	731,513	496,844	589,434	27%	#	24.00	32.43	20.00	*
Ransom	$497,538	116,294	121,626	146,117	29%		10.11	11.30	9.33	
Renville	$372,977	74,295	64,251	73,500	20%		6.99	7.80	7.46	
Richland	$1,862,293	754,985	743,864	729,568	39%		15.00	15.00	11.50	
Rolette	$2,108,334	166,846	41,958	137,007	6%		27.92	28.00	20.00	*
Sargent	$500,277	67,372	112,009	83,528	17%		10.93	9.20	9.09	
Sheridan Pt of Dak.Cntrl		91,643	56,543	63,542	#		11.98	15.60	17.52	
Sioux	$866,416	(55,724)	33,418	(66,434)	-8%		26.97	24.67	20.00	*
Slope with Bowman		35,121	18,124	0	#		3.21	3.21	3.38	
Stark	$4,734,498	1,583,095	2,161,890	3,221,431	68%		16.65	19.69	12.95	
Steele	$295,557	354,185	415,869	372,714	126%		10.26	8.03	4.38	
Stutsman	$3,421,560	1,933,378	1,787,500	2,153,619	63%		21.64	20.67	20.00	*
Towner Pt of Lakes		95,233	116,370	117,865	#		11.87	11.32	9.56	
Traill	$1,558,436	198,921	203,875	34,177	2%		19.64	15.62	16.15	
Walsh	$1,590,074	(104)	44,048	18,856	1%		20.00	20.00	17.00	
Ward	$7,635,266	644,444	988,840	1,624,406	21%		16.24	17.81	11.09	
Wells	$1,199,033	228,176	245,448	63,542	5%		24.96	24.28	20.00	*
Williams	$5,096,026	1,688,015	2,443,811	4,216,634	83%		20.23	20.00	11.22	
TOTAL	$93,951,884	19,644,008	21,550,117	26,085,899	28%		14.90	14.99	12.49	

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

* Received an Emergency Human Services Grant

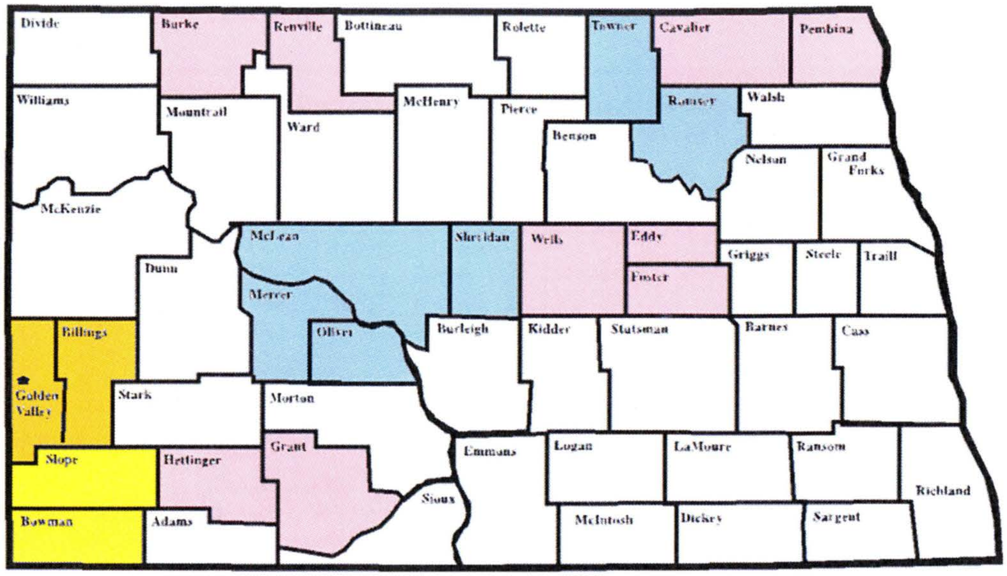
Average Mills Levied

Reduction 2.51 Mills (-16.7%)

3

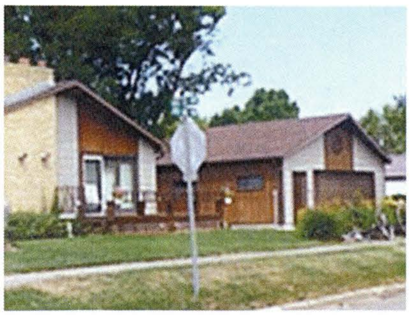
EFFICIENCY: One of the points made in the discussion of the current and proposed funding structure for county social services is the degree to which "efficiencies" can be achieved. It was testified to the Committee that significant efforts have been made in the past, worked to ensure the proposed formula encouraged rather than discouraged these efforts

The Committee received multiple maps of the various services that are currently shared. As it would be difficult to depict all of the sharing of services currently in-place among the counties, this map depicts only those arrangements that are most formal and/or most extensive.



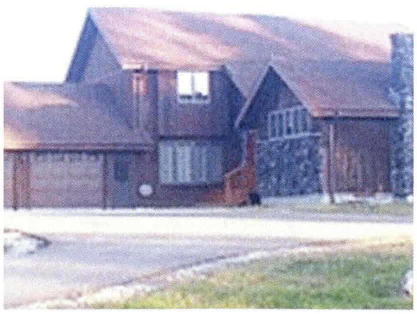
Formal Multi-County Units
2-County Units that Budget as One
Extensive Sharing of Management & Specialized Staff

EQUITY: One of the strongest arguments for moving social service costs from property tax support made that was made to the Committee is the inequity of the property tax burden. Since the need for services does not correlate well with the "ability to fund" the services (valuation), there has been significant disparity among the counties. Testimony in the interim showed three similarly valued homes in three different counties, and indicated the amount of property taxes each paid to support social services. This information has been updated with TY2016 tax data.



Mercer County
Sales Price - $335,000
Social Service Taxes - $206

Cass County
Sales Price - $329,000
Social Service Taxes - $148



Ramsey County
Sales Price - $330,00
Social Service Taxes - $297

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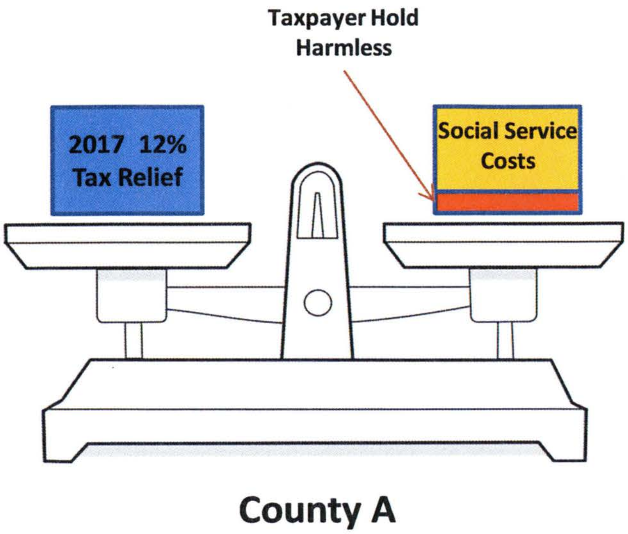
TAXPAYER FAIRNESS: The bill drafts reviewed by the interim Committee originally focused exclusively on the formula to adequately reimburse counties for their costs, but due to the differences in costs among counties, provisions were added to hold the taxpayers of each county harmless by providing funds to ensure that the amount of state funds used for property tax relief would equal the amount expended in 2017.

The following illustration provides a visual of the differences that are addressed in the bill.



PAYMENTS IN-LIEU OF TAXES: During the discussion of the proposed legislation, the Committee was informed that by moving away from a "12% credit" to the tax reform model proposed, the electric utility industry would lose the benefit of the property tax relief. The bill was amended to include what is now Section 10, to provide those entities with similar relief going forward.

PROPERTY TAX STATEMENT: The interim Committee also discussed the desire to reflect the funding of social services as tax relief on the annual tax billing statement. The current section of law addressing the statement was incorporated into the bill and amended to provide for a transition from the current relief to the reform discussed in the bill.

SB 2206
2-6-17
#3

Summary of Proposed State Formula to Fund County Social Services Presented to Senate Appropriations Committee Senator Ray Holmberg, Chairman February 6, 2017

Good morning Chairman Holmberg and members of the Senate Appropriations Committee. I am Joe Morrissette, Deputy Tax Commissioner, and a member of the Social Services Finance Working Group established during the 2015-16 interim.

Although this is a bill dealing with social services funding, its main focus is property tax relief. Social services costs are extremely variable from county to county and this results in a disproportionate and inequitable tax burden for property tax payers. In 2015, 9 counties levied the statutory maximum of 20 mills, another 24 counties levied between 10 mills and 20 mills, and 20 counties levied less than 10 mills for social services.

Senate Bill 2206, passed by the 2015 legislature, provided for state assumption of certain county social services costs and restricted the growth of county social service budgets during the next two years. The bill authorized a Legislative Management study to be conducted to "develop a proposed transition plan for transferring the costs of operating social services programs from county property tax levies to state general fund appropriations." The bill also authorized the establishment of a Social Services Finance Working Group. The Working Group included nine people representing the Department of Human Services, Office of Management and Budget, Tax Department, elected county officials, county social service directors, and the Association of Counties.

The Working Group met throughout the interim. As the formula concepts were being developed, progress reports were provided to the interim Political Subdivision Taxation Committee. Input was received from the committee and incorporated into the Working Group recommendations.

The transition plan developed by the Working Group includes a comprehensive formula to allow the state to assume the costs of county operated social service programs, the elimination of county mill levy authority for social services, and a transition from the current 12 percent property tax credit program.

Under the proposal developed by the Social Services Finance Working Group, counties will continue to employ personnel and manage social services programs. However, the amount of spending on social services will be set by the legislature each session through a specific reimbursement rate per case, similar to the per student state school aid formula rates. State property tax relief will be delivered through two methods (in addition to the school funding formula):

- State social services formula payments to counties to replace local mill levy authority
- State-paid property tax credit replacement payments to qualifying counties

Property Tax Relief – Transition Plan

The proposal includes a plan to transition from the current 12 percent property tax credit program to a new state-funded formula to permanently replace county mill levy authority for social services.

- A baseline amount consisting of two components is established for each county
    - The total amount of property tax relief received by all jurisdictions in the county in calendar year 2017 through the 12% property tax credit program
    - 50% of moneys received by counties in the formula base year (CY2015) from sources other than property taxes to fund social services programs (state and federal funds)
- Any county receiving less than the baseline amount through the social services formula receives a property tax credit replacement payment to make up the difference
- Moneys received by a county through the property tax credit replacement result in a corresponding reduction to the county general fund levy or other county-wide levy
- Payment amounts are certified to the county by October 15 of each year for use in the mill levy calculation for the subsequent year
- Payments are distributed January 31 each year

Social Services Formula

- Actual calendar year 2015 social service costs were compiled for every county to serve as the base year for the formula
- Costs are pooled in two categories:
    - Economic assistance (EA) programs
    - Social services (SS) programs
- CY2018 will be the first year of formula implementation; county authority for social services levies will be repealed effective for the 2017 tax year (2018 budget year)
- Base year (2015) expenditures are adjusted for inflation (5% per year) to be equivalent to calendar year 2017

- Adjusted base year expenditures are divided by base year caseload to calculate the base rates
- Formula base rates are adjusted for inflation (5% per year) to arrive at CY2018 and CY2019 formula rates:
  - Economic assistance formula base rates
    - $22.78 per case for calendar year 2018
    - $23.92 per case for calendar year 2019
  - Social services formula base rates
    - $568.78 per case for calendar year 2018
    - $597.22 per case for calendar year 2019
- Costs for the largest county are used to establish the base rates.
- Smaller counties receive a weighting factor due to the inefficiencies associated with a smaller caseload (similar to state school aid weighting factors). Factors are determined by historic costs for each size group. Factors are set in law and do not change. Weighting factors are proposed as follows:

Economic Assistance	
Caseload	**Factor**
250,000 or more	1.00
45,000 to 249,999	1.60
22,000 to 44,999	1.75
8,000 to 21,999	2.00
5,000 to 7,999	2.20
less than 5,000	2.35
Social Services	
Caseload	**Factor**
10,000 or more	1.00
1,800 to 9,999	1.35
900 to 1,799	1.50
210 to 899	1.60
145 to 209	2.00
less than 145	2.50

- For transition purposes, in 2018 each county will receive a minimum of 102% of the adjusted base year expenditures and a maximum of 110%; in 2019 each county will receive a minimum of 104% of the adjusted base year expenditures and a maximum of 120%
- The maximum limitation can only be exceeded if caseload growth exceeds 5% per year
- Semi-annual distribution schedule with payments January 10 and June 15

- June 1 recalculation based on most recent caseload:
    - If recalculation results in an increase of more than 5%, June 15 payment will be adjusted to reflect new amount
    - If recalculation results in an increase of 5% or less, no adjustment is made
- Formula incentive for consolidations
    - Phase in over 5 years from higher factor (prior to consolidation, based on small caseload) to lower factor (after consolidation, based on higher caseload of combined service area)
    - New factor is equal to 50% of the difference between old factor and factor applicable to new size category
- Fund balances
    - Limit = 35% or $100,000, whichever is higher
    - If the December 31, 2017 balance exceeds limit, excess will be transferred to county general fund with a corresponding mill levy reduction
    - If the December 31, 2018 or subsequent year balance exceeds limit, the excess will be deducted from June 15 formula payment

Estimated Costs

Social services formula payments – CY 2018	$92,000,000
Property tax relief hold harmless payments – CY	44,000,000
Social services formula payments – CY2019	100,000,000
Property tax relief hold harmless payments – CY	36,500,000
Allowance for caseload growth	2,500,000
Total estimate – 2017-19 biennium	**$275,000,000**

2017-19 Budget and Legislation

- Senate Bill 2206 provides statutory authority for the social services funding formula and property tax credit replacement payments and repeal of the existing 12% property tax credit
- House Bill 1075 provides for OMB to transfer $275 million from the general fund to a newly created fund - the social services finance fund
- House Bill 1072 provides an appropriation to DHS of $275 million from the social services finance fund for costs of the formula payments and property tax credit replacement payments to counties

4

SB 2206
2-6-17
#4

Testimony to the
Senate Appropriations Committee
February 6, 2017
Randi Suckut, Wells County Commissioner
President – North Dakota Association of Counties

Re: Senate Bill 2206

Mr. Chairman and members of the committee, I am Randi Suckut, commissioner from Wells County and President of the North Dakota Association of Counties.

I want to thank you for the opportunity to submit testimony in support of SB2206.

Social Services had its start in 1862 when counties were designated as responsible for "poor relief with the first territorial assembly and again in the first ND constitution in 1889. In 1913, poor relief was transferred from the county commissions to township officers through 1915. Prior to the 1930's, public benefits were all county general assistance. In the early 1930's, it was estimated that 250,000 of the state's 630,000 were receiving some type of assistance. In March of 1935, the state, for the first time, appropriated money for poor relief paid for by a sales tax.

Why was poor relief or social services started? I believe it was because of the need for assistance to help the poor, the sick, and children, who were in situations they had no control of and it became even more of a need in the 1930's; and I would surmise it was appropriated for with local property taxes because it was your neighbor that needed a helping hand, even though many times they were too proud to accept help. Times have changed.

While I still believe, as I am sure most of you do, in helping children, the poor, and the sick, where there is a need, I believe it should no longer be paid for by property taxpayers. Let me explain why I believe this.

Property taxpayers understand the use of property taxes for certain services and demand these services; such as: for roads (graveling and maintenance of those gravel roads, paved roads and the cost of maintenance of those roads; be it summer or winter), law enforcement, fire protection, ambulance services, costs associated with the offices of Auditor, Recorder, Clerk of Court, Tax Director, Treasurer, States Attorney, and Emergency Management. They have a say concerning these costs and where and how their property tax dollars are spent.

They do not understand property tax dollars funding social service costs for programs that are federally or state mandated where they have very little or no say.

I understand the pressure that gets put on you from upset property taxpayers when they see their taxes go up. I get that same pressure too. Our costs of services go up, just like the costs of state programs do (Salaries, health insurance, supplies, heat, electricity, equipment, buildings, and the associated costs of maintenance). As local county officials, we can explain to our constituents why these costs increase because people understand how their personal costs have increased.

There is also inequity across the state with property taxes funding Social Services of which I know that the Association of Counties has presented to most of you before.

If I may, I would like to give an example of property tax inequity but not related to just Social Services.

My mother, who is 93, lives in an apartment in our small town of Bowdon. She owns approx. 1080 acres of farm land which borders ½ mile of a paved road and 1 mile of gravel road. My wife and I live in a modest comfortable house on 40 acres which borders ½ mile of paved road. My mother paid 13 times as much in property taxes as we did, yet, other than the road difference my wife and I have the same or more demands on local services.

I know that some in the legislature feel that if the costs of social services are assumed by the state the counties will just increase their levies in other areas. I want to assure you that county official's budget on dollars needed to provide the services that are demanded by our constituents and are also restricted by caps on fund levies unless voted on by their constituents to increase. If the state assumes the cost of Social Services, it removes the 20 mill levying authority by the counties for Social Services.

If this bill is passed, it would be part of a property tax reform that the people are demanding.

Mr. Chairman and committee members, I urge a **do pass** recommendation on SB 2206. Thank you.

Real. Permanent. Property Tax Relief.

Support State Funding of Social Services

SB 2206
2-6-17
#5

Why is this Sustainable Relief?

It "Buys" a State Required Mandate

REPEALS 20 Mills

Controls Local Spending

Services Remain Local

Legislative Control

Formula Based on Actual Costs

Legislature Adjusts Formula

Taxpayers will Receive the SAME or MORE Tax Relief

Eliminate Levies = Tax Reform

NDACo
NORTH DAKOTA ASSOCIATION OF COUNTIES

1

Real. Permanent. Property Tax Relief.

Support State Funding of Social Services

Frequently Asked Questions

Why is this permanent tax relief?

It permanently eliminates the social service levy - up to 20 mills. That's tax reform!

What does the social service tax pay for?

Social Services includes foster care, SNAP, and heating assistance. These are required federal programs paid for by the federal and state government. County employees administer local social service programs. The social service levy pays for administration of these programs. This is largely salaries and benefits.

Where are the cost controls?

- Future state spending on social services is set by the legislature each session.
- Counties will be reimbursed based on actual caseloads.

Does this plan make county employees state employees?

No. Counties will continue to employ and manage county social services personnel.

Is this tax relief sustainable?

Yes. Funding for this plan is already available by using property tax funding currently set aside. This funding formula will be controlled by the legislature and will be based on actual costs. Unlike the 12% buy-down which is an automatic annual cost. The 12% provides no incentives to control spending at the local level.

How is the formula determined?

The formula:

- multiplies the local caseload by a legislatively established rate
- applies a factor to account for county size
- provides a block payment to the county

How will this affect tax payers?

Under this plan, a taxpayer will receive the same or more tax relief for the tax year 2017.

2-13-17 SB 2206
#1
p 1

17.0760.01001
Title.

Prepared by the Legislative Council staff for
Senator Bekkedahl
February 13, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2206

Page 16, after line 11, insert:

"**50-34-11. Authority to withhold funding.**

Notwithstanding subsection 2 of section 50-01.2-06, if a service area fails to perform duties directed or assigned and supervised by the department of human services, the department of human services may withhold funding from the service area. The amount withheld may not exceed double the actual cost of the duty that was not performed, the per activity amount from the formula, the cost to the department of human services, or the amount of a federal penalty imposed as a result of the duty that was not performed."

Page 22, line 3, replace "current" with "subsequent calendar"

Page 22, line 4, after "prior" insert "taxable"

Renumber accordingly

2-15-17 SB2206 #2

p1

7. <u>For the fifth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to sixty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.</u>

8. <u>For the sixth taxable year following the consolidation and all future taxable years in which the consolidation continues, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to fifty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.</u>

<u>**50-34-11. Authority to withhold funding.**</u>

<u>Notwithstanding subsection 2 of section 50-01.2-06, if a service area fails to perform duties directed or assigned and supervised by the department of human services, the department of human services may withhold funding from the service area. The amount withheld may not exceed double the actual cost of the duty that was not performed, the per activity amount from the formula, the cost to the department of human services, or the amount of a federal penalty imposed as a result of the duty that was not performed.</u>

SECTION 6. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:
   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.
   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year

Bekkedahl, Brad 2-15-17 SB 2206 #3 p 1

From: Thompson, Emily L.
Sent: Tuesday, February 14, 2017 1:36 PM
To: Bekkedahl, Brad
Subject: RE: SB 2206
Attachments: 2206 Markup.pdf

Hi Senator Bekkedahl,

Attached is the red and green markup of the amendment (*the changes are on page 16 and 22*). I also attached a chart that helps explain the red and green portion on page 22, pasted in below, in case you find it helpful.

3. The amount of credit is determined by multiplying the company's assessed tax by a fraction, the numerator of which is the total of all formula payments calculated for the ~~current~~subsequent calendar year under sections 50-34-02 and 50-34-03 and the denominator of which is the total statewide ad valorem property tax levied in the prior taxable year.
4. The tax commissioner shall annually calculate the amount of credit to which a company is entitled under this section.

SECTION 11. REPEAL. Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are repealed.

SECTION 12. REPEAL. Section 50-06.2-05 of the North Dakota Century Code is repealed.

SECTION 13. REPEAL. Section 57-20-07.2 of the North Dakota Century Code is repealed.

SECTION 14. EFFECTIVE DATE. Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for taxable years beginning after December 31, 2016. Sections 3, 4, 5, and 11 of this Act become effective on August 1, 2017. Sections 1, 2, and 12 of this Act are effective for taxable years beginning after December 31, 2017.

#3
P2

2016	2017	2018
	SECTION 10 is effective for taxable years beginning after December 31, 2016. (so effective Jan 1, 2017)	
Tax levied in December 2016	Numerator is the formula payment for the subsequent calendar year (i.e. CY 2018) → ← Denominator is the property tax levied in the prior taxable year (i.e. levied in 2016, payable in 2017)	Formula payments start in 2018

Just let me know if there is anything else you need.

Thank you!

Emily Thompson
Legal Counsel
North Dakota Legislative Council
600 East Boulevard Ave
Bismarck, ND 58505
emilythompson@nd.gov
701.328.2916

From: Bekkedahl, Brad
Sent: Tuesday, February 14, 2017 1:16 PM
To: Thompson, Emily L. <emilythompson@nd.gov>
Subject: SB 2206

Emily,

Can you email me a Christmas tree version of the bill above for me to use in committee tomorrow morning?

Thanks,

Brad Bekkedahl

#1
SB 2206
3-15-17

House Finance and Tax Committee
Honorable Representative Craig Headland, Chairman
Senate Bill 2206
Testimony by Senator Brad Bekkedahl

Chairman Headland and Committee Members,

Senate bill 2206 is a culmination of several sessions of bills activity. It is before you today, but has required years of effort by Legislators, Governor Dalrymple and Staff, County Commissioners, County Social Service Directors, the Tax Department, Department of Human Services, budget consideration support by Governor Burgum, and now, the 65th Legislative Assembly. It's development was a prime emphasis of the 64th Interim Political Subdivisions Taxation Committee and Legislative Council Staff.

What will Senate Bill 2206 accomplish? This bill will bring permanent property tax relief to our citizens by eliminating the County level social service levy authority. It has cost controls with spending set by the Legislature each session. Social service employees will continue to be employed and managed by counties. Taxpayers will receive the same or more tax relief for tax year 2017, with funding available by using property tax relief funds currently set aside. It is sustainable and offers better cost containment in that it will be controlled by the Legislature and will be a formula based upon actual caseloads costs, unlike the 12% buy down, which is an automatic annual cost, and provides no incentives to control local level spending. **It is real permanent property tax relief for North Dakotans!**

I have with me esteemed Senate and House colleague support, as well as Tax Department senior staff technical testimony, and County representatives input. It has been an honor to be associated with all involved in this effort, and has truly been a team effort.

Thank you for your attention and consideration today. I will stand for questions, after which I am proud to introduce Senator Dick Dever for his informative testimony, who will be followed by others in support.

#2 p. 1
SB 2206
3-15-17

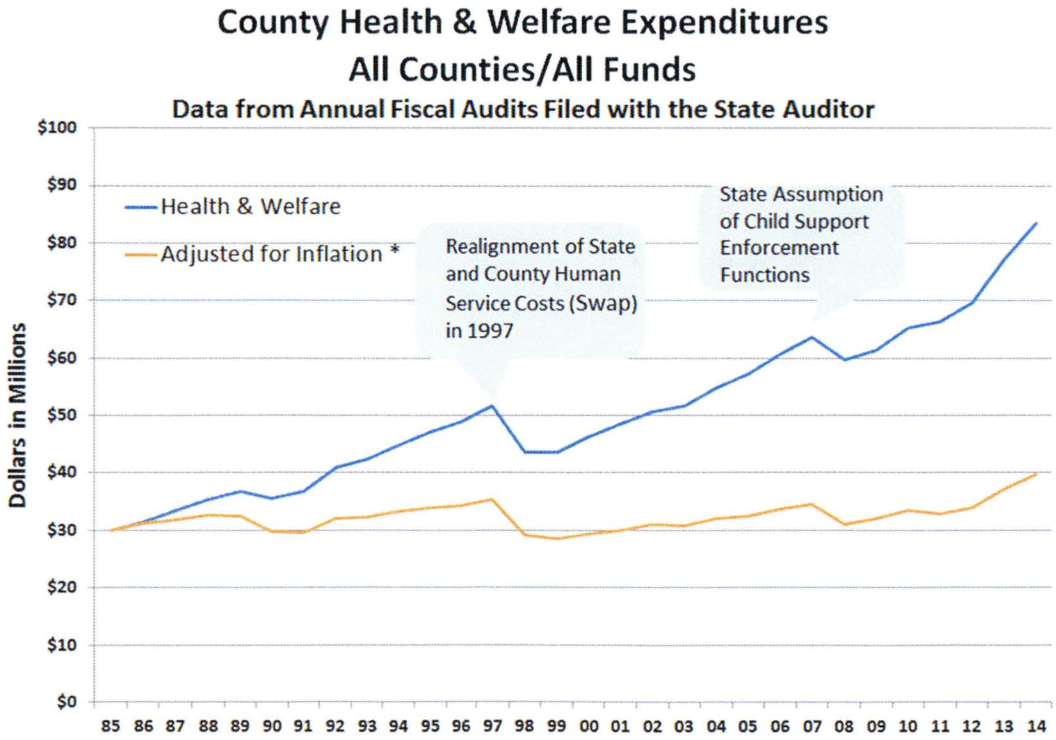
REVIEW OF INTERIM SOCIAL SERVICES FINANCING STUDY SB2206
Representative Jason Dockter, District 7

Section 12 of Senate Bill No. 2206 provided for a Legislative Management study of transferring the costs of operating social services programs from county property tax levies to general fund appropriations.

The development of a proposed transition plan was to include a timeline for the major milestones of the transition plan, considerations for the transition, estimated costs, a plan to require a property tax reduction for the amount of the budgeted savings brought about by the transfer of county social services costs to the state, a plan resulting in the elimination of the county social services levy under Section 50-06.2-05, and potential legislation to implement recommended changes. The study also must include consideration of the feasibility of implementing the proposed transition plan.

The Committee began with a review of the history of county social service financing, focusing on the expansion of county levy authority in 1989 to help fund the delivery of the growing number of federal programs.

The major restructuring in 1997, often called the Swap, as well as the state assumption of child support enforcement in 2007 were discussed, and data was reviewed about the impact to property taxes at those times – including the following chart.



* Inflation calculated using the Dept. of Labor's Consumer Price Index - Midwest Urban, All Items.

The various legislative attempts to transfer all of social service costs in the 2011, 2013, and 2015 Sessions were also considered. And the transfer of the remaining social service "grant" or program costs from the county to the State as part to the 2015 legislation was examined.

The Committee then requested county financial data to better understand the programs funded, cost categories and revenue sources for county social services.

COUNTY FINANCIAL DATA: The first set of pie charts illustrate the statewide county social service expenditures and revenues, to put them in context for discussion. They are based on CY2016 Budgets.

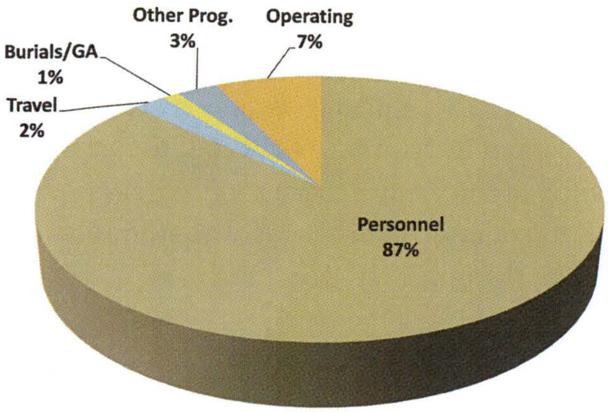
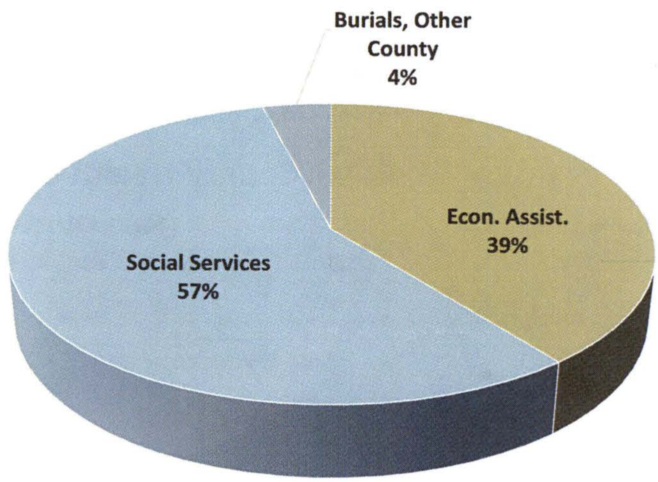


CHART 1.

- Breakdown by budget category
- 2015 shift of the remaining grant (program) costs to the state beginning in 2016, county costs are largely for the people that actually deliver the services defined by the State.

CHART 2.

- County spending by functional area, making the distinction between
  - Economic assistance (eligibility for federal/state programs) and
  - Social service (largely case management for foster care, subsidized adoption, in-home care, abuse investigations, and licensure functions).
- This is the statewide picture, the individual units vary greatly, largely due to demographics.



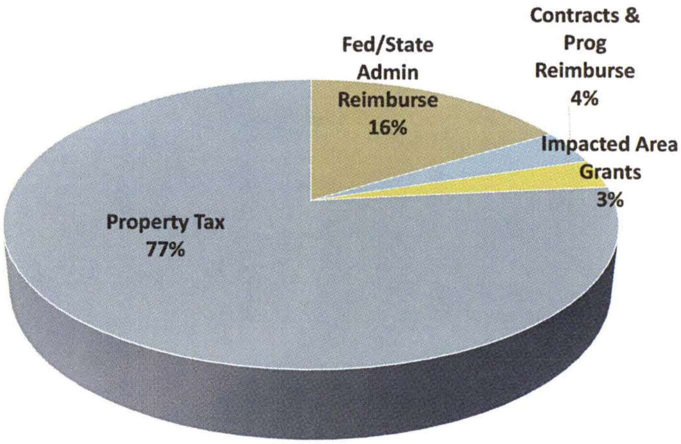


CHART 3.

- County Revenues by Source
- Illustrates the important point that should SB2206 not move forward, the 23% of social service revenues would need to be restored to the DHS budget in order to adequately fund the current service level.

#2p.3

TRANSISTION – TAXPAYER PROTECTION: The 2015 Legislation included protections for the taxpayer, by repealing the unlimited "emergency poor levy", providing a state grant program for those forced to use that levy authority, and limiting county social service budget growth to salary and benefit inflators. Data was requested after the first year to measure the impact of the grant cost shift, as well examine ending fund balances. The average mill levy reduction (2.51 mills) was slightly better than predicted.

Analysis of County Social Service Levies and Fund Balances

Prepared from a survey completed by County Auditors - March 2016

	a	b	c	d	e		f	g	h	
	CY15 Soc. Ser. Budget	Soc. Ser. Ending Fund Balance 12/31/2013	12/31/2014	12/31/2015	12/15 Bal. as % of CY15 Budget		Soc.Ser. Tax Rate (Mills) TY2013	TY2014	TY2015	
Adams	$540,753	(175,593)	(182,321)	(137,860)	-25%		38.25	32.09	20.00	*
Barnes	$1,594,441	436,242	373,144	276,599	17%		16.00	16.00	16.16	
Benson	$1,164,976	266,612	218,396	79,199	7%		6.34	11.79	7.10	
Billings with Gold.Val.		270,677	305,876	320,620	#		7.89	6.99	6.65	
Bottineau	$1,172,632	411,502	534,871	512,059	44%		15.18	11.17	10.58	
Bowman	$806,056	279,015	305,876	303,534	38%	#	9.24	12.33	9.51	
Burke	$373,909	173,291	190,742	261,883	70%		9.36	8.89	6.21	
Burleigh	$8,703,262	2,400,442	2,553,165	2,876,787	33%		15.82	13.39	11.82	
Cass	$14,626,729	2,140,820	2,065,855	2,165,013	15%		19.50	18.71	13.66	
Cavalier	$893,322	463,038	515,478	724,857	81%		16.84	20.00	13.50	
Dickey	$899,114	337,870	547,384	503,287	56%		12.50	8.76	0.00	
Divide	$670,643	28,802	14,784	38,114	6%		8.63	6.52	5.21	
Dunn	$496,745	15,681	0	5,397	1%		3.22	2.27	2.51	
Eddy	$485,129	124,826	70,709	19,249	4%		20.00	20.00	20.00	
Emmons	$291,650	150,614	118,406	161,508	55%		5.29	8.75	5.88	
Foster	$623,139	60,508	68,345	224,152	36%		20.00	20.00	16.67	
Golden Valley	$498,091	16,881	28,767	38,479	72%	#	17.71	11.77	14.20	
Grand Forks	$9,167,572	1,472,476	1,624,355	1,509,741	16%		21.66	21.95	19.05	
Grant	$443,365	196,268	151,001	91,394	21%		13.52	12.67	20.00	*
Griggs	$412,445	22,992	33,688	33,087	8%		16.70	18.62	15.70	
Hettinger	$600,484	(16,121)	(95,606)	20,836	3%		15.75	14.00	20.00	
Kidder	$391,960	162,320	158,620	159,420	41%		15.00	15.00	15.00	
LaMoure	$456,579	(113,369)	0	(356,910)	-78%		10.89	10.48	9.81	
Logan	$261,619	68,126	38,634	113,286	43%		15.03	18.00	14.92	
McHenry	$787,627	156,110	143,591	262,994	33%		13.21	16.86	12.14	
McIntosh	$345,118	33,234	51,942	73,958	21%		16.91	16.36	15.22	
McKenzie	$1,879,735	340,267	370,825	671,449	36%		0.00	3.00	6.86	
McLean/Dak.Cnt	$2,803,420	100,332	(46,755)	(97,706)	11%	#	7.54	7.73	9.60	
Mercer Pt of Dak.Cntrl		262,063	197,247	99,056	#		8.02	12.64	12.53	
Morton	$3,404,139	83,502	226,708	436,008	13%		20.50	21.50	12.96	*
Mountrail	$2,220,477	234,488	364,699	507,802	23%		9.80	7.61	8.26	
Nelson	$470,214	299,138	309,065	195,303	42%		14.95	10.00	9.56	
Oliver Pt of Dak.Cntrl		93,467	163,620	254,852	#		19.48	18.98	16.48	
Pembina	$1,311,325	108,946	(88,208)	21,735	2%		10.19	15.37	14.67	
Pierce	$802,998	30,852	120,926	137,212	17%		20.00	19.74	8.70	
Ramsey/Lakes	$2,613,931	731,513	496,844	589,434	27%	#	24.00	32.43	20.00	*
Ransom	$497,538	116,294	121,626	146,117	29%		10.11	11.30	9.33	
Renville	$372,977	74,295	64,251	73,500	20%		6.99	7.80	7.46	
Richland	$1,862,293	754,985	743,864	729,568	39%		15.00	15.00	11.50	
Rolette	$2,108,334	166,846	41,958	137,007	6%		27.92	28.00	20.00	*
Sargent	$500,277	67,372	112,009	83,528	17%		10.93	9.20	9.09	
Sheridan Pt of Dak.Cntrl		91,643	56,543	63,542	#		11.98	15.60	17.52	
Sioux	$866,416	(55,724)	33,418	(66,434)	-8%		26.97	24.67	20.00	*
Slope with Bowman		35,121	18,124	0	#		3.21	3.21	3.38	
Stark	$4,734,498	1,583,095	2,161,890	3,221,431	68%		16.65	19.69	12.95	
Steele	$295,557	354,185	415,869	372,714	126%		10.26	8.03	4.38	
Stutsman	$3,421,560	1,933,378	1,787,500	2,153,619	63%		21.64	20.67	20.00	*
Towner Pt of Lakes		95,233	116,370	117,865	#		11.87	11.32	9.56	
Traill	$1,558,436	198,921	203,875	34,177	2%		19.64	15.62	16.15	
Walsh	$1,590,074	(104)	44,048	18,856	1%		20.00	20.00	17.00	
Ward	$7,635,266	644,444	988,840	1,624,406	21%		16.24	17.81	11.09	
Wells	$1,199,033	228,176	245,448	63,542	5%		24.96	24.28	20.00	*
Williams	$5,096,026	1,688,015	2,443,811	4,216,634	83%		20.23	20.00	11.22	
TOTAL	$93,951,884	19,644,008	21,550,117	26,085,899	28%		14.90	14.99	12.49	

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

* Received an Emergency Human Services Grant

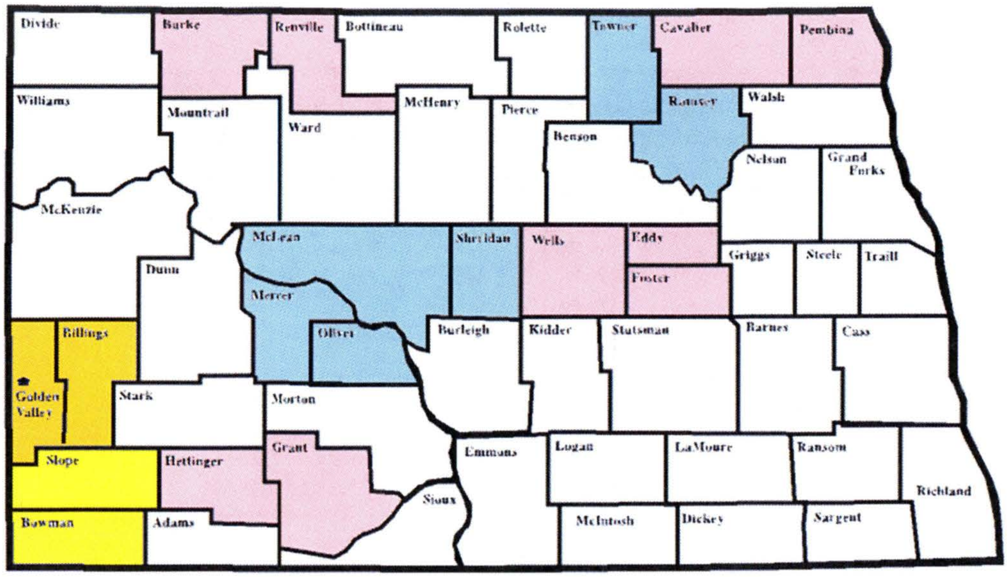
Average Mills Levied

Reduction 2.51 Mills (-16.7%)

#2p.4

EFFICIENCY: One of the points made in the discussion of the current and proposed funding structure for county social services is the degree to which "efficiencies" can be achieved. It was testified to the Committee that significant efforts have been made in the past, worked to ensure the proposed formula encouraged rather than discouraged these efforts

The Committee received multiple maps of the various services that are currently shared. As it would be difficult to depict all of the sharing of services currently in-place among the counties, this map depicts only those arrangements that are most formal and/or most extensive.



Formal Multi-County Units
2-County Units that Budget as One
Extensive Sharing of Management & Specialized Staff

EQUITY: One of the strongest arguments for moving social service costs from property tax support made that was made to the Committee is the inequity of the property tax burden. Since the need for services does not correlate well with the "ability to fund" the services (valuation), there has been significant disparity among the counties. Testimony in the interim showed three similarly valued homes in three different counties, and indicated the amount of property taxes each paid to support social services. This information has been updated with TY2016 tax data.

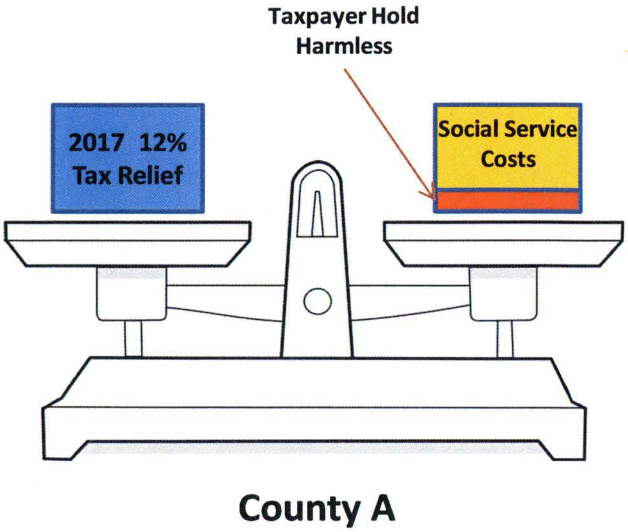
Mercer County
Sales Price - $335,000
Social Service Taxes - $206

Cass County
Sales Price - $329,000
Social Service Taxes - $148

Ramsey County
Sales Price - $330,00
Social Service Taxes - $297

TAXPAYER FAIRNESS: The bill drafts reviewed by the interim Committee originally focused exclusively on the formula to adequately reimburse counties for their costs, but due to the differences in costs among counties, provisions were added to hold the taxpayers of each county harmless by providing funds to ensure that the amount of state funds used for property tax relief would equal the amount expended in 2017.

The following illustration provides a visual of the differences that are addressed in the bill.



PAYMENTS IN-LIEU OF TAXES: During the discussion of the proposed legislation, the Committee was informed that by moving away from a "12% credit" to the tax reform model proposed, the electric utility industry would lose the benefit of the property tax relief. The bill was amended to include what is now Section 10, to provide those entities with similar relief going forward.

PROPERTY TAX STATEMENT: The interim Committee also discussed the desire to reflect the funding of social services as tax relief on the annual tax billing statement. The current section of law addressing the statement was incorporated into the bill and amended to provide for a transition from the current relief to the reform discussed in the bill.

#3 p. 1
SB 2206
3-15-17

Summary of Proposed State Formula to Fund County Social Services Presented to House Finance and Taxation Committee Rep. Craig Headland, Chairman March 15, 2017

Good morning Chairman Headland and members of the House Finance and Taxation Committee. I am Joe Morrissette, Deputy Tax Commissioner, and a member of the Social Services Finance Working Group established during the 2015-16 interim.

Although this is a bill dealing with social services funding, its main focus is property tax relief. Social services costs are extremely variable from county to county and this results in a disproportionate and inequitable tax burden for property tax payers. In tax year 2016, with all counties reporting except Barnes County (which levied 16 mills in 2015):

- 6 counties levied the statutory maximum of 20 mills,
- 11 counties levied between 15 and 20 mills,
- 18 counties levied between 10 mills and 15 mills, and
- 17 counties levied less than 10 mills for social services.

Senate Bill 2206, passed by the 2015 legislature, provided for state assumption of certain county social services costs and restricted the growth of county social service budgets during the next two years. The bill authorized a Legislative Management study to be conducted to "develop a proposed transition plan for transferring the costs of operating social services programs from county property tax levies to state general fund appropriations." The bill also authorized the establishment of a Social Services Finance Working Group. The Working Group included nine members representing the Department of Human Services, Office of Management and Budget, Tax Department, elected county officials, county social service directors, and the Association of Counties.

The Working Group met throughout the interim. As the formula concepts were being developed, progress reports were provided to the interim Political Subdivision Taxation Committee. Input was received from the committee and incorporated into the Working Group recommendations.

The transition plan developed by the Working Group includes a comprehensive formula to allow the state to assume the costs of county operated social service programs, the elimination of county mill levy authority for social services, and a transition from the current 12 percent property tax credit program. Under the proposal developed by the Social Services Finance Working Group, counties will continue to employ personnel and manage social services programs. However, the amount of spending on social services will be set by the legislature each session through a specific reimbursement rate per case, similar to the per student state school aid formula rates. State property tax relief will be delivered through two methods (in addition to the school funding formula):

- State social services formula payments to counties to replace local mill levy authority
- State-paid property tax credit replacement payments to qualifying counties

Property Tax Relief – Transition Plan

The proposal includes a plan to transition from the current 12 percent property tax credit program to a new state-funded formula to permanently replace county mill levy authority for social services. The transition plan includes the following:

- A baseline amount consisting of two components is established for each county
    - The total amount of property tax relief received by all jurisdictions in the county in calendar year 2017 through the 12% property tax credit program
    - 50% of moneys received by counties in the formula base year (CY2015) from sources other than property taxes to fund social services programs (state and federal funds)
- Any county receiving less than the baseline amount through the social services formula receives a property tax credit replacement payment to make up the difference
- Moneys received by a county through the property tax credit replacement result in a corresponding reduction to the county general fund levy or other county-wide levy
- Payment amounts are certified to the county by October 15 of each year for use in the mill levy calculation for that tax year
- Payments are distributed January 31 each year

Social Services Formula

The proposed social services formula includes the following:

- Actual calendar year 2015 social service costs are compiled for every county to serve as the base year for the formula
- Costs are pooled in two categories:
    - Economic assistance (EA) programs
    - Social services (SS) programs
- CY2018 will be the first year of formula implementation; county authority for social services levies will be repealed effective for the 2017 tax year (2018 budget year)

- Base year (2015) expenditures are adjusted for inflation (5% per year) to be equivalent to calendar year 2017
- Adjusted base year expenditures are divided by base year caseload to calculate the formula base rates
- Formula base rates are adjusted for inflation (5% per year) to arrive at CY2018 and CY2019 formula rates:
  - Economic assistance formula base rates
    - $22.78 per case for calendar year 2018
    - $23.92 per case for calendar year 2019
  - Social services formula base rates
    - $568.78 per case for calendar year 2018
    - $597.22 per case for calendar year 2019
- Costs for the largest county are used to establish the base rates
- Smaller counties receive a weighting factor due to the inefficiencies associated with a smaller caseload (similar to state school aid weighting factors). Factors are determined by historic costs for each size group. Factors are set in law and do not change. Weighting factors are proposed as follows:

Economic Assistance	
Caseload	**Factor**
250,000 or more	1.00
45,000 to 249,999	1.60
22,000 to 44,999	1.75
8,000 to 21,999	2.00
5,000 to 7,999	2.20
less than 5,000	2.35
Social Services	
Caseload	**Factor**
10,000 or more	1.00
1,800 to 9,999	1.35
900 to 1,799	1.50
210 to 899	1.60
145 to 209	2.00
less than 145	2.50

- For transition purposes, in 2018 each county will receive a minimum of 102% of the adjusted base year expenditures and a maximum of 110%; in 2019 each county will receive a minimum of 104% of the adjusted base year expenditures and a maximum of 120%

#3

- The maximum limitation can only be exceeded if caseload growth exceeds 5% per year
- Semi-annual distribution schedule with payments January 10 and June 15
- June 1 recalculation based on most recent caseload:
    - If recalculation results in an increase of more than 5%, June 15 payment will be adjusted to reflect new amount
    - If recalculation results in an increase of 5% or less, no adjustment is made
- Formula incentive for consolidations
    - Phase in over 5 years from higher factor (prior to consolidation, based on small caseload) to lower factor (after consolidation, based on higher caseload of combined service area)
    - New factor is equal to 50% of the difference between old factor and factor applicable to new size category
- Fund balances
    - Limit = 35% or $100,000, whichever is higher
    - If the December 31, 2017 balance exceeds limit, excess will be transferred to county general fund with a corresponding mill levy reduction
    - If the December 31, 2018 or subsequent year balance exceeds limit, the excess will be deducted from June 15 formula payment

Estimated Costs

Social services formula payments – CY 2018	$92,000,000
Property tax relief hold harmless payments – CY 2018	42,600,000
Social services formula payments – CY2019	100,000,000
Property tax relief hold harmless payments – CY 2019	35,300,000
Allowance for caseload growth	2,500,000
Total estimate – 2017-19 biennium	**$272,400,000**

#4 p.1
SB 2206
3-15-17

Testimony to the
House Finance and Taxation Committee
March 15, 2017
Randi Suckut, Wells County Commissioner
NDACo President

Re: Senate Bill 2206

Mr. Chairman and members of the committee, I am Randi Suckut, commissioner from Wells County and president of the North Dakota Association of Counties.

I want to thank you for the opportunity to testify in support of SB 2206.

Social Services had its start in 1862 when counties were designated as responsible for "poor relief with the first territorial assembly and again in the first ND constitution in 1889. In 1913, poor relief was transferred from the county commissions to township officers through 1915. Prior to the 1930's, public benefits were all county general assistance. In the early 1930's, it was estimated that 250,000 of the state's 630,000 were receiving some type of assistance. In March of 1935, the state, for the first time, appropriated money for poor relief paid for by a sales tax.

Why was poor relief or social services started? I believe it was because of the need for assistance to help the poor, the sick, and children, who were in situations they had no control of and it became even more of a need in the 1930's; and I would surmise it was appropriated for with local property taxes because it was your neighbor that needed a helping hand, even though many times they were too proud to accept help. Times have changed.

While I still believe, as I am sure most of you do, in helping children, the poor, and the sick, where there is a need, I believe it should no longer be paid for by property taxpayers. Let me explain why I believe this.

Property taxpayers understand the use of property taxes for certain services and demand these services; such as: for roads (graveling and maintenance of those gravel roads, paved roads and the cost of maintenance of those roads; be it summer or winter), law enforcement, fire protection, ambulance services, costs associated with the offices of Auditor, Recorder, Clerk of Court, Tax Director, Treasurer, States Attorney, and Emergency Management. They have a say concerning these costs and where and how their property tax dollars are spent. They do not understand property tax dollars funding social service costs for programs that are federally or state mandated where they have very little or no say.

#4 p.2

I understand the pressure that gets put on you from upset property taxpayers when they see their taxes go up. I get that same pressure too. Our costs of services go up, just like the costs of state programs do (Salaries, health insurance, supplies, heat, electricity, equipment, buildings, and the associated costs of maintenance). As local county officials, we can explain to our constituents why these costs increase because people understand how their personal costs have increased.

There is also inequity across the state with property taxes funding Social Services of which I know that the Association of Counties has presented to most of you before.

If I may, I would like to give an example of property tax inequity but not related to just Social Services.

My mother, who is 93, lives in an apartment in our small town of Bowdon. She owns approx. 1080 acres of farm land which borders ½ mile of a paved road and 1 mile of gravel road. My wife and I live in a modest comfortable house on 40 acres which borders ½ mile of paved road. My mother paid 13 times as much in property taxes as we did, yet, other than the road difference my wife and I have the same or more demands on local services.

I know that some in the legislature feel that if the costs of social services are assumed by the state the counties will just increase their levies in other areas. I want to assure you that county official's budget on dollars needed to provide the services that are demanded by our constituents and are also restricted by caps on fund levies unless voted on by their constituents to increase. If the state assumes the cost of Social Services, it removes the 20 mill levying authority by the counties for Social Services.

In 2012, measure 2, the elimination of property taxes, was voted on and was defeated. I am glad it did, as I am sure you are, because it would have required local government to be funded in some other way (thru income or sales tax). That would have been a county and legislative nightmare every two years. But, it did send a message that property tax reforms need to be looked at. The passage of SB2206 would be one of those reforms. If this bill is passed, it would be part of a property tax reform that our constituents are demanding. I would ask that you pass this bill, not for counties benefit but for the benefit of property tax payers across the state.

Mr. Chairman and committee members, I urge a **do pass** recommendation on SB 2206.

Thank you.

#5 p. 1
SB 2206
3-15-17

Testimony
Senate Bill 2206 – Social Service Financing
Finance and Taxation Committees
March 15, 2017

Chairman Headland, and members of the House Finance and Taxation Committees, I am Kim Jacobson, Director of Traill County Social Services, a member of the Social Services Financing Work Group, a member of the North Dakota County Director's Association, and an Executive Board Member of the North Dakota Association of Counties. I am here in support of Senate Bill 2206.

As county social services agencies, we are tasked with the duty and responsibility as designee of the Department of Human Services in delivering social services to the citizens of North Dakota. The programs administered by the counties are federal and state programs administered in compliance with federal law and state policy. Examples of the core programming delivered by county social services include:

- Children and Family Services: Child protection services, foster care case management services, early childhood services licensing, foster care parent licensing, and related services.
- Economic Assistance Programs: Determination of eligibility for: Medicaid, Medicaid Expansion, Child Care Assistance, SNAP, LIHEAP, TANF, County General Assistance and Indigent Burial Programs and other income-based public assistance programs.
- Adult Services: Determination of SPED, Expanded SPED, and Waiver Services eligibility and corresponding social work case management services for those services. In addition, counties may provide the provision of agency QSP services providing direct supportive services to elderly and disabled citizens in their homes.

North Dakota county social service agencies have a strong history of accurate, timely and effective delivery of social service programming to North Dakota citizens. This is evident by the performance on federal and state reviews/audit and through federal awards. We are very proud of the services provided to North Dakota vulnerable citizens as we strive to meet community need.

#5 p. 2

Senate Bill 2206 would allow counties to continue to provide quality local social services to North Dakota citizens. At the same time, Senate Bill 2206, recognizes the fiscal burden that the administration of social services has upon property tax. I would agree that property tax is not the best fit for this type of service. However, it is imperative that services be accessible and delivered near our vulnerable citizens. Therefore, it is my belief that county social service financing can be a successful part of property tax reform as long as there is balance between local service, local responsiveness, accountability, innovation and funding.

By shifting the burden of the administrative costs associated with the county provision of the state and federal social service programs, a long-lasting property tax reform can be provided. A reimbursement formula based on caseload will reimburse counties for service provision. This will fund counties for actual services provided. In essence, Senate Bill 2206 is a block grant to counties to administer local social services. Each county will have the responsibility and duty to operate and provide services within the parameters of their fiscal distribution. In addition, through semi-annual payments to counties, it would eliminate duplicate transactions between the Department of Human Services and counties.

Senate Bill 2206 would continue local decision-making and service while encouraging innovation and budgetary discipline. Meanwhile, the quality services provided by county social services would continue along with the partnerships with other local partners such as law enforcement, public health, schools, long-term care facilities, medical providers, etc. in meeting the needs of local citizens.

I urge you to render a "Do Pass" vote on Senate Bill 2206 allowing property tax reform while still providing local social services and local decision-making in order to meet the needs of local citizens.

This concludes my testimony on Senate Bill 2206. I would be happy to answer any questions.

#6
3-15-17
SB 2206

March 15, 2017
House Finance and Taxation
Rep. Headland, Chair
SB 2206

For the record, I am Blake Crosby, Executive Director of the North Dakota League of Cities, representing the 357 incorporated cities across the state. Approximately 77% of the population of North Dakota lives in those cities.

I am here in support of SB 2206. The bill's prime sponsor and the North Dakota Association of Counties have provided you the background information and you have also heard about some of the mechanics. This bill is the result of many studies on not only the finance side of the equation but the delivery of services side. The Legislature has done much to round out the details and now is the time to put the change into place and continue to provide local property tax relief. Statewide social services is just that, state wide, and providing adequate funding for those services is a responsibility of the state.

This is the right thing to do and the right time to do it. We respectfully ask for a DO-PASS on SB 2206.

THANK YOU FOR YOUR TIME AND CONSIDERATION. I will try to answer any questions.

17.0760.02005
Title.

Prepared by the Legislative Council staff for
Representative Carlson
March 29, 2017

#1
SB2206
3-29-17

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for the development of an implementation plan for state-funded county social services; and to provide for a report to the legislative assembly.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. DEPARTMENT OF HUMAN SERVICES - DEVELOPMENT OF AN IMPLEMENTATION PLAN FOR STATE-FUNDED COUNTY SOCIAL SERVICES - REPORT TO THE LEGISLATIVE ASSEMBLY. During the 2017-18 interim, the department of human services shall develop an implementation plan for the eventual state funding of county social services and elimination of county human service levy authority under section 57-15-06.7. The plan must be developed in consultation with an advisory committee that must include at least four members of the legislative assembly and additional members selected by the executive director of the department. The development of the plan may include a proposed pilot project and must address the following items: options for efficiencies and aggregation and consolidation of county social services offices and organizations, including the potential reduction in county and other staff; considerations for oversight and chain of command within social services and human services; and recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance. The development of the plan must consider the delivery of county social services to ensure appropriate and adequate levels of service continue under the structure proposed in an implementation plan. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan upon full implementation."

Renumber accordingly

17.0760.02009

Sixty-fifth
Legislative Assembly
of North Dakota

FIRST ENGROSSMENT

ENGROSSED SENATE BILL NO. 2206

#1
4-10-17
SB 2206

Introduced by

Senators Bekkedahl, Burckhard, Cook

Representatives Dockter, Nathe, Weisz

A BILL for an Act to create and enact chapter 50-34~~ and a new section to chapter 57-20~~ of the North Dakota Century Code, relating to the transition of funding responsibility for county social services from the counties to the state~~ and a credit against payments in lieu of taxes paid by centrally assessed companies~~; to amend and reenact sections 11-23-01, 50-01.2-03.2, 50-06-05.8, 50-06-20.1, and 50-06.2-04, subsection 3 of section 57-15-01.1, ~~sections 57-15-06 and~~section 57-15-06.7, and subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code, relating to county and multicounty social service board budgets, the human service grant program, county general fund levy limitations, and property tax statements; to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority; to repeal~~ chapter 50-03 and sections 50-06-20.1, 50-06.2-05, and~~section 57-20-07.2 of the North Dakota Century Code, relating to the ~~county human services fund, the human services grant program, county property tax levy authority for social services, and the~~ state-paid property tax relief credit; ~~and~~to provide for a report to the legislative management; to provide an appropriation; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

~~1.~~ Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or

improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

~~2.~~ ~~a.~~ ~~The departmental budget submitted by the county social service board in 2015 for the 2016 budget may not exceed an amount determined using the departmental budget submitted in 2014 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for 2014 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year 2015. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:~~

~~(1)~~ ~~Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;~~

~~(2)~~ ~~The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;~~

~~(3)~~ ~~The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;~~

~~(4)~~ ~~The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;~~

~~(5)~~ ~~The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and~~

~~(6)~~ ~~The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of~~

\# 1

~~the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.~~

~~b.~~ ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

~~The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.~~

~~d.~~ ~~The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff.~~

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SECTION 2. AMENDMENT. Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for ~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

   (1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

   (2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

   (3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

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(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c. The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a

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result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff.

SECTION 3. AMENDMENT. Section 50-01.2-03.2 of the North Dakota Century Code is amended and reenacted as follows:

50-01.2-03.2. County duties ~~- Financing in exceptional circumstances~~.

~~1.~~ Each county social service board shall administer, under the direction and supervision of the department:

~~a.~~1. Locally administered economic assistance and social service programs;

~~b.~~2. Replacement programs with substantially similar goals, benefits, or objectives; and

~~c.~~3. When necessary, experimental, pilot, or transitional programs with substantially similar goals, benefits, or objectives.

~~2. From the abstract of tax list prepared pursuant to section 57-20-04, each county shall annually provide the department of human services a report of the total mills levied for human service purposes pursuant to sections 50-03-01, 50-03-06, and 50-06.2-05, and the countywide value of a mill in each county. Upon receipt of reports from all counties, the department shall determine the statewide average of the mill levies and identify each county that levied ten mills more than that average. Each identified county is entitled to a share of funds appropriated for distribution under this subsection. Each identified county's share is determined by:~~

~~a. Reducing its mill levy necessary to meet the costs of providing human services required under this title by the statewide average mill levy determined under this subsection plus ten mills;~~

~~b. Determining the amount that could have been raised in that county and year through a mill levy in the amount calculated under subdivision a;~~

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~~c. Totaling the amounts determined under subdivision b for all counties entitled to a distribution;~~

~~d. Calculating a decimal fraction equal to each identified county's proportionate share of the total determined under subdivision c; and~~

~~e. Multiplying that decimal fraction times one-half of the biennial appropriation.~~

~~3. Notwithstanding any other provisions of law, the department shall reimburse county social service boards for expenses of locally administered economic assistance programs in counties in which the percentage of that county's average total supplemental nutrition assistance program caseload for the previous fiscal year which reside on federally recognized Indian reservation lands is ten percent or more. The reimbursement must be such that:~~

~~a. An affected county's actual direct costs and indirect costs allocated based on a percentage of each county's direct economic assistance and social services costs for locally administered economic assistance programs will be reimbursed at the percentage of that county's average total supplemental nutrition assistance program caseload for the previous state fiscal year which reside on federally recognized Indian reservation land not to exceed ninety percent;~~

~~b. The affected counties will receive quarterly payments based on the actual county direct and indirect costs, as provided in subdivision a, for the previous state fiscal year;~~

~~c. At the end of each fiscal year the actual quarterly payments paid must be reconciled to the current year of calculation of actual direct and indirect costs as provided in subdivision a and supplemental nutrition assistance program caseload and counties must be compensated accordingly in the first quarter of the new fiscal year; and~~

~~d. The reimbursement will be calculated for each county and reported to the county social service board prior to September first.~~

SECTION 4. AMENDMENT. Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

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50-06-05.8. Department to assume ~~certain~~ costs of ~~certain~~economic assistance and social service programs.

~~Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the~~The department of human services shall pay ~~the local~~each service area's expenses ~~of administration incurred by a county~~for administering economic assistance and social service programs for calendar years after December 31, ~~2015, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, 2015; and the computer processing costs incurred by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996~~2017, based on the formula payment amount calculated for each service area under chapter 50-34.

SECTION 5. AMENDMENT. Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a

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grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section.

SECTION 7. AMENDMENT. Section 50-06.2-04 of the North Dakota Century Code is amended and reenacted as follows:

50-06.2-04. Powers and duties of county agencies.

Each county agency has the following powers and duties under this chapter:

1. To administer comprehensive human services programs for individuals and families at the county level in conformity with state and federal requirements under the direction and supervision of the state agency.
2. To publish and provide to the state agency a county human services plan which must include the following:
   a. A statement of the goals of county human services programs in the county.
   b. Methods used to identify persons in need of services and the social problems to be addressed by the county human services programs.

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c. A description of each county human service proposed and identification of the agency or person proposed to provide the service.

d. The amount of money proposed to be allocated to each service.

e. An agreement to make available those human services required by state law and by federal law or regulation as a condition for the receipt of federal financial participation in programs administered by county agencies under the provisions of this title.

The date of submission of the county human services plan to the state agency must be determined so that the plan is coordinated with the proposed and final comprehensive human services plan.

3. To make available the human services detailed in the comprehensive human services plan which the county agency has included in the approved county plan and to provide such other human services as the county agency determines essential in effectuating the purposes of this chapter within the county. To the extent funding is available under section 50-06.2-03 and chapter 50-24.1, the county plan must include the services enumerated in those sections. The county agency shall make these services available to any individual requesting service and determined eligible on the basis of a functional assessment conducted in accordance with state and federal laws and regulations. The individual shall pay for the services in accordance with a fee scale based on family size and income. The county agency may contract with any qualified service provider in its provision of those enumerated services.

4. To submit annually to the board of county commissioners a budget containing an estimate and supporting data, setting forth the ~~county~~ funds needed to carry out the provisions of this chapter.

SECTION 8. Chapter 50-34 of the North Dakota Century Code is created and enacted as follows:

50-34-01. State-paid economic assistance and social service pilot program - Application - Report.

1. The department of human services shall administer a state-wide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

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2. Payments must be distributed to service areas pursuant to the formula in section 50-34-05 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-05.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-05. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the timeline for transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

50-34-02. Definitions.

As used in this chapter, unless the context otherwise requires:

1. "Base year" means calendar year 2015.
2. "Case-month" means the provision of economic assistance or social services to one individual for the period of one month or the provision of energy assistance through the low income home energy assistance program for the period beginning October first of each year and ending May thirty-first of the following year.
3. "Director" means the executive director of the department of human services or the executive director's designee.

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4. ~~"Economic assistance adjusted base year gross expenditures" means an amount calculated by increasing the service area's base year economic assistance gross expenditures by five percent per year in calendar years 2016 and 2017.~~

~~5.~~ "Service area" means a county or consolidated group of counties administering economic assistance and social service programs within a designated area.

~~6. "Social service adjusted base year gross expenditures" means an amount calculated by increasing the service area's base year social service gross expenditures by five percent per year in calendar years 2016 and 2017.~~

~~50-34-02~~50-34-03. **Formula payments to service areas - Distributions by the director.**

1. The director shall calculate the total formula payment for each service area pursuant to section ~~50-34-07~~50-34-05 for each calendar year based on each service area's most recently available case-month data. The director shall notify each service area of the amount of its formula payment for calendar year 2018 on or before August 15, 2017~~. Beginning~~, and for calendar year 2019 on or before June 1, 2018~~, and on or before June first of each year thereafter, the director shall notify each service area of its formula payment for the subsequent calendar year~~.

2. The director shall distribute fifty percent of the amount of each service area's formula payment determined under subsection 1, within the limits of legislative appropriation, on or before January tenth.

3. a. By June first of each year, the director shall recalculate the total formula payment for each service area pursuant to section ~~50-34-07~~50-34-05 for the current calendar year based on each service area's most recently available case-month data.

   b. If the recalculated formula payment results in an increase of five percent or less as compared to the formula payment determined under subsection 1, the director shall distribute fifty percent of the amount of each service area's formula payment determined under subsection 1, within the limits of legislative appropriation, on or before June fifteenth.

   c. If the recalculated formula payment results in an increase of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment

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by subtracting the amount distributed under subsection 2 from the amount determined under subdivision a. The director shall distribute the remainder of each service area's formula payment, within the limits of legislative appropriation, on or before June fifteenth.

4. For payments disbursed after calendar year 2018, the director shall subtract from a service area's June fifteenth disbursement any amount exceeding the limitation under section ~~50-34-08~~50-34-06.

~~**50-34-03. State-paid property tax relief credit replacement - Distributions by the director.**~~

~~1. On or before October first of each year, the director shall calculate the amount payable to each county in the ensuing budget year as a result of the state-paid property tax relief credit replacement. A county's state-paid property tax relief credit replacement payment must be calculated as follows:~~

~~a. For a county located in a service area that encompasses only one county, subtract the county's service area formula payment determined under subsection 1 of section 50-34-02 from the sum of the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 and fifty percent of the amount the county received in fiscal year 2015 for specified state distributions.~~

~~b. For a county located in a service area that encompasses more than one county, subtract the county's share of the formula payment determined for each service area under subsection 1 of section 50-34-02 from the sum of the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 and fifty percent of the county's share of specified state distributions in fiscal year 2015. The county's share of the formula payment and specified state distributions is calculated as the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 proportional to the combined total amounts that all the counties in the service area received in calendar year 2017 pursuant to section 57-20-07.2.~~

~~2. The director shall distribute the amount of each county's state-paid property tax relief credit replacement payment determined under subsection 1, within the limits of legislative appropriation, on or before January thirty-first of each year. The amount~~

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~~calculated for distribution to a county under this section must be applied to reduce a county's general fund levy in accordance with subsection 3.~~

~~3. On or before October fifteenth of each year, the tax commissioner shall notify each county of the amount calculated for distribution to the county under subsection 2. The county auditor shall calculate a county's required mill levy reduction by dividing the amount calculated for distribution to a county under subsection 2 by the county's current year taxable value. If the amount of a county's general fund mill levy is not sufficient to account for the entire required reduction, the county must reduce an additional county-wide levy to account for the remainder of the required reduction.~~

~~4. For purposes of this section, "specified state distributions" means the amount of state and federal funding a county received in fiscal year 2015 for day care licensing, family preservation programs, child abuse and neglect services, Indian county services, and county administration.~~

50-34-04. Baseline funding amounts.

1. The director shall calculate each service area's base year case-month totals and direct gross expenditures. A service area's direct gross expenditures include the actual amount expended within a service area in the base year for staffing and administrative costs related to the administration of economic assistance and social service programs as well as eligible federally allowable indirect costs. For purposes of this subsection, "eligible federally allowable indirect costs" means twenty-five percent of the average of the federally allowable indirect costs allocated to each service area in calendar years 2012, 2013, and 2014.

2. The director shall calculate each service area's base rate per economic assistance case-month by dividing the service area's economic assistance net expenditures by the economic assistance case-months reported for the service area in the base year.

   ~~a.~~ For purposes of this subsection, "economic assistance net expenditures" means the amount calculated by subtracting the amount paid to the service area in the base year for services reimbursed by medical assistance from the service area's economic assistance ~~adjusted~~ base year gross expenditures.

   ~~b. For calendar year 2018 formula payment calculations, the base rate per economic assistance case-month is equal to twenty-two dollars and~~

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~~seventy-eight cents. For calendar year 2019 formula payment calculations, the base rate per economic assistance case-month is equal to twenty-three dollars and ninety-two cents.~~

3. The director shall calculate each service area's base rate per social service case-month by dividing the service area's social service net expenditures by the social service case-months reported for the service area in the base year.

~~a.~~ For purposes of this subsection, "social service net expenditures" means the amount calculated by subtracting the amount paid to the service area in the base year for services reimbursed by medical assistance from the service area's social service ~~adjusted~~ base year gross expenditures.

~~b. For calendar year 2018 formula payment calculations, the base rate per social service case-month is equal to five hundred sixty-eight dollars and seventy-eight cents. For calendar year 2019 formula payment calculations, the base rate per social service case-month is equal to five hundred ninety-seven dollars and twenty-two cents.~~

~~**50-34-05. Economic assistance caseload weighting factor - Determination.**~~

~~1. The director shall assign an economic assistance caseload weighting factor of:~~

~~a. 1.00 to each service area with a yearly economic assistance case-month count of at least 250,000;~~

~~b. 1.60 to each service area with a yearly economic assistance case-month count of fewer than 250,000 but at least 45,000;~~

~~c. 1.75 to each service area with a yearly economic assistance case-month count of fewer than 45,000 but at least 22,000;~~

~~d. 2.00 to each service area with a yearly economic assistance case-month count of fewer than 22,000 but at least 8,000;~~

~~e. 2.20 to each service area with a yearly economic assistance case-month count of fewer than 8,000 but at least 5,000; and~~

~~f. 2.35 to each service area with a yearly economic assistance case-month count of fewer than 5,000.~~

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~~2. The weighted rate per economic assistance case-month must be determined by multiplying the weighting factor assigned to each service area under this section by the base rate per economic assistance case-month.~~

~~**50-34-06. Social service caseload weighting factor - Determination.**~~

~~1. The director shall assign a social service caseload weighting factor of:~~

~~a. 1.00 to each service area with a yearly social service case-month count of at least 10,000;~~

~~b. 1.35 to each service area with a yearly social service case-month count of fewer than 10,000 but at least 1,800;~~

~~c. 1.50 to each service area with a yearly social service case-month count of fewer than 1,800 but at least 900;~~

~~d. 1.60 to each service area with a yearly social service case-month count of fewer than 900 but at least 210;~~

~~e. 2.00 to each service area with a yearly social service case-month count of fewer than 210 but at least 145; and~~

~~f. 2.50 to each service area with a yearly social service case-month count of fewer than 145.~~

~~2. The weighted rate per social service case-month must be determined by multiplying the weighting factor assigned to each service area under this section by the base rate per social service case-month.~~

~~50-34-07~~50-34-05. Calculation of formula payment - Minimum and maximum allowable increases.

1. The director shall calculate the total formula payment by summing the following:

   a. The product of the service area's ~~weighted~~ rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

   b. The product of the service area's ~~weighted~~ rate per social service case-month and the service area's most recently available social service caseload data.

2. The director shall adjust the total formula payment as calculated in subsection 1 for minimum and maximum allowable increases ~~as follows:~~

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~~a. For calendar year 2018 formula payment calculations, the~~to ensure the service area's formula payment ~~must be~~is at least one hundred ~~two~~ percent but no more than one hundred ~~ten~~five percent of the service area's combined economic assistance ~~adjusted~~ base year gross expenditures and social services ~~adjusted~~ base year gross expenditures. ~~However, if the case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's case-month totals reported in the previous year for either economic assistance cases or social service cases, the formula payment may exceed one hundred ten percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures by the amounts calculated in subdivisions c and d of this subsection.~~

~~b. For calendar year 2019 formula payment calculations, the formula payment must be at least one hundred four percent but no more than one hundred twenty percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures. However, if the case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's case-month totals reported in the previous year for either economic assistance cases or social service cases, the formula payment may exceed one hundred twenty percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures by the amounts calculated in subdivisions c and d of this subsection.~~

~~c. If the economic assistance case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's economic assistance case-month totals reported in the previous year, the formula payment may be increased by the amount resulting from multiplying the service area's weighted rate per economic assistance case-month by the number of economic assistance case-months that exceed one~~

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~~hundred and five percent of the economic assistance case-month totals reported in the previous year.~~

~~d. If the social service case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's social service case-month totals reported in the previous year, the formula payment may be increased by the amount resulting from multiplying the service area's weighted rate per social service case-month by the number of social service case-months that exceed one hundred and five percent of the social service case-month totals reported in the previous year.~~

~~3. The director shall adjust the total formula payment as calculated in subsection 2 for reimbursements as follows:~~

~~a. The services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area in the base year must be subtracted from the total formula payment as calculated in subsection 2.~~

~~b. The first ten thousand dollars of services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area, based on the most recently reported reimbursement data, must be added to the total formula payment as calculated in subdivision a of this subsection.~~

~~c. Twenty-five percent of the remaining amount of services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area must be added to the total formula payment as calculated in subdivision b of this subsection.~~

~~50-34-08~~50-34-06. Service area human services fund - Establishment - Fund balance limitations.

Each service area in this state shall maintain a fund to be known as the service area human services fund. All expenditures by the service area for the relief of the needy must be paid from the service area human services fund. If, due to unforeseen or other extenuating circumstances, a service area's formula distribution payment is not sufficient to meet the expenses of that service area, the board of county commissioners may approve a transfer from

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the county's general fund to the service area human services fund upon a majority vote of all members. The balance of moneys in the fund on January first of each year may not exceed thirty-five percent of the annual budget for the service area in the previous year or one hundred thousand dollars, whichever is greater.

~~50-34-09~~50-34-07. Service area human services fund - Transfer.

If on January 1, 2018, the balance of a service area human services fund exceeds the limitations in section ~~50-34-08~~50-34-06, the county treasurer shall transfer the amount exceeding the limitations in section ~~50-34-08~~50-34-06 to the designated county general fund within that service area. A county receiving a transfer shall reduce its county general fund mill levy for taxable year 2018 by an equivalent amount. If the amount of a county's general fund mill levy is not sufficient to account for the entire required reduction, the county shall reduce an additional county-wide mill levy for taxable year 2018 to account for the remainder of the required reduction. If on January 1, 2019,~~ and on January first of each year thereafter,~~ the balance of a service area human services fund exceeds the limitations in section ~~50-34-08~~50-34-06, the director shall reduce the service area's formula payment as directed in subsection 4 of section ~~50-34-02~~50-34-03.

~~50-34-10. Service area consolidations - Caseload weighting factor adjustments - Transition.~~

~~1. The director shall create and assign a separate caseload weighting factor to any group of service areas that consolidate after December 31, 2017, for the purpose of administering economic assistance and social service programs.~~

~~2. For purposes of this section, a "consolidated service area" means two or more service areas that combine for the purpose of administering economic assistance and social service programs and operate under a single board and a single director and make payments from a merged annual budget and one pool of funds. Consolidations under this section are subject to the procedures provided for multicounty social service districts under chapter 50-01.1.~~

~~3. For the first taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equivalent to that which each separate service area would have received had the consolidation not taken place.~~

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~~4. For the second taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to ninety percent of the difference between the weighting factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~5. For the third taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a payment rate equal to eighty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~6. For the fourth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to seventy percent of the difference between the factor calculated in subsection 3 and the rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~7. For the fifth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to sixty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~8. For the sixth taxable year following the consolidation and all future taxable years in which the consolidation continues, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to fifty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~50-34-11~~50-34-08. **Authority to withhold funding.**

Notwithstanding subsection 2 of section 50-01.2-06, if a service area fails to perform duties directed or assigned and supervised by the department of human services, the department of human services may withhold funding from the service area. The amount withheld may not exceed double the actual cost of the duty that was not performed, the per activity amount from

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the formula, the cost to the department of human services, or the amount of a federal penalty imposed as a result of the duty that was not performed.

SECTION 9. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

   c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

   d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

      ~~(1)~~ ~~The~~ the base year mill rate of the school district minus sixty mills~~;~~ or

      ~~(2)~~ ~~Fifty~~ fifty mills, if the base year is a taxable year before 2013.

   e. ~~If~~Reduced by the base year human services county levy in dollars if the base year is a taxable year before ~~2016,~~2017 ~~the base year human services county~~

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~~levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~.

~~**SECTION 7. AMENDMENT.** Section 57-15-06 of the North Dakota Century Code is amended and reenacted as follows:~~

~~**57-15-06. County general fund levy.**~~

~~The board of county commissioners may levy property taxes for county general fund purposes at a tax rate not exceeding sixty mills per dollar of taxable valuation of property in the county.~~

~~A county that levied more than sixty mills for taxable year 2015 for the combined number of mills levied for general fund purposes plus the number of mills levied for purposes consolidated into the general fund levy by this Act may levy for general fund purposes for taxable year 2016 the same number of mills that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2017 sixty mills plus seventy-five percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2018 sixty mills plus fifty percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2019 sixty mills plus twenty-five percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015.~~

~~For taxable years after 2016, the maximum county mill levy for general fund purposes determined under this section or section 57-15-01.1 must be reduced by the number of mills determined pursuant to the calculation under section 50-34-03. If the amount of a county's mill levy for general fund purposes is not sufficient to account for the entire reduction required under section 50-34-03, the county must reduce an additional county-wide mill levy to account for the remainder of the required reduction.~~

~~Unless a specific exception is provided by statute, the county general fund levy limitation under this section applies to all property taxes the board of county commissioners is authorized to levy for general county purposes.~~

SECTION 10. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

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3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

~~(1) The~~the base year mill rate of the school district minus sixty mills~~;~~ or

~~(2) Fifty~~fifty mills, if the base year is a taxable year before 2013.

e. ~~If~~Reduced by the base year human services county levy in dollars if the base year is a taxable year ~~before 2016~~after 2018, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01.

SECTION 11. AMENDMENT. Section 57-15-06.7 of the North Dakota Century Code is amended and reenacted as follows:

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57-15-06.7. Additional levies - Exceptions to tax levy limitations in counties.

The tax levy limitations specified in section 57-15-06 do not apply to the following mill levies, which are expressed in mills per dollar of taxable valuation of property in the county:

1. A county supporting an airport or airport authority may levy a tax not exceeding four mills in accordance with section 2-06-15.
2. A county levying a tax for extension work as provided in section 4-08-15 may levy a tax not exceeding two mills and if a majority of the electors of the county have approved additional levy authority under section 4-08-15, the county may levy a voter-approved tax not exceeding an additional tax of two mills.
3. A county levying a tax for historical works in accordance with section 11-11-53 may levy a tax not exceeding one-quarter of one mill, except that if sixty percent of the qualified electors voting on the question of a levy limit increase as provided in section 11-11-53 shall approve, the tax levy limitation may be increased to not exceeding three-quarters of one mill.
4. A county levying a tax for a county or community hospital association as provided in section 23-18-01 may levy a tax for not more than five years not exceeding eight mills in any one year or, in the alternative, for not more than ten years at a mill rate not exceeding five mills.
5. A county levying a tax for county roads and bridges as provided in section 24-05-01 may levy a tax at a tax rate not exceeding ten mills. When authorized by a majority of the qualified electors voting upon the question at a primary or general election in the county, the county commissioners may levy and collect an additional tax for road and bridge purposes as provided in section 24-05-01, not exceeding a combined additional tax rate of twenty mills.
6. A county levying a tax to establish and maintain a public library service as provided in section 40-38-02 may levy a tax not exceeding four mills.
7. A county levying a tax for a county veterans' service officer's salary, traveling, and office expenses in accordance with section 57-15-06.4 may levy a tax not exceeding two mills.
8. A county levying a tax for capital projects under section 57-15-06.6 may levy a tax not exceeding ten mills. When authorized by a majority of the qualified electors voting

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upon the question of a specific capital project or projects at a primary or general election in the county, the county commissioners may levy and collect an additional voter-approved tax for capital projects under section 57-15-06.6 not exceeding a tax rate of ten mills per dollar of the taxable valuation of property in the county. After January 1, 2015, approval or re-authorization by electors of increased levy authority under this subsection may not be effective for more than ten taxable years. Any voter-approved levy in excess of ten mills for the purposes specified in section 57-15-06.6 approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved.

9. A county levying a tax for emergency purposes as provided in section 57-15-28 may levy a tax not exceeding two mills in a county with a population of thirty thousand or more, four mills in a county with a population under thirty thousand but more than five thousand, or six mills in a county with a population of five thousand or fewer.

10. A county levying a tax for county emergency medical service according to section 57-15-50 may levy a tax not exceeding ten mills.

11. A county levying a tax for weed control as provided in section 4.1-47-14 may levy a tax not exceeding four mills.

12. A county levying a tax for programs and activities for senior citizens according to section 57-15-56 may levy a tax not exceeding two mills.

13. Tax levies made for paying the principal and interest on any obligations of the county evidenced by the issuance of bonds.

14. A county levying a tax for a job development authority as provided in section 11-11.1-04 may levy a tax not exceeding four mills on the taxable valuation of property within the county. However, if any city within the county is levying a tax for support of a job development authority and the total of the county and city levies exceeds four mills, the county tax levy within the city levying under subsection 12 of section 57-15-10 must be reduced so the total levy in the city does not exceed four mills.

15. ~~A county levying an annual tax for human services purposes as provided in section 50-06.2-05 may levy a tax not exceeding the lesser of twenty mills or the number of~~

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~~mills determined by dividing the county budget limitation in dollars as determined under section 11-23-01 by the taxable valuation of the county.~~

~~16.~~ A levy for an extraordinary expenditure under section 11-11-24 approved by the electors of the county before January 1, 2015, may continue to be levied and collected under provisions of law in effect when the levy was approved and for the term it was approved by the electors. When the levy authority for an extraordinary expenditure ends under this subsection, the fund must be closed out and any unobligated balance in the fund must be transferred to the county general fund.

~~17.~~16. Levies dedicated under section 57-15-59 before January 1, 2015, for lease payments may be continued to be levied and collected for the duration of the lease. When the levy authority for lease payments ends under this subsection, the fund must be closed out and any unobligated balance in the fund must be transferred to the county general fund. A lease for county facilities effective after December 31, 2014, is subject to the capital projects levy limitations of section 57-15-06.6.

Tax levy or mill levy limitations do not apply to any statute which expressly provides that taxes authorized to be levied therein are not subject to mill levy limitations provided by law.

SECTION 12. AMENDMENT. Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 15.1-27 ~~and under~~, section 57-20-07.2 for taxable years before 2018, and chapter 50-34 for taxable years after 2017.

(1) For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

~~(1)~~ (a) Fifty mills; or

~~(2)~~ (b) The 2012 taxable year mill rate of the school district minus sixty mills.

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(2) Legislative tax relief under chapter 50-34 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the ~~sum of the following:~~

~~(a)~~ ~~The~~ number of mills determined by dividing the amount calculated in subsection 1 of section ~~50-34-02~~50-34-03 by the taxable value of taxable property in the county for the taxable year~~; and~~

~~(b) The number of mills determined by dividing the amount calculated in section 50-34-03 by the taxable value of taxable property in the county for the taxable year~~.

~~**SECTION 10.** A new section to chapter 57-20 of the North Dakota Century Code is created and enacted as follows:~~

~~**Centrally assessed company credit against payments in lieu of taxes.**~~

~~1. The owner, operator, or lessee of transmission lines, for which payments in lieu of property taxes are assessed by the state board of equalization under section 57-06-17.3, is entitled to a credit against tax in the amount provided in subsection 3. The credit for each transmission company must be allocated to the counties in the same manner as the tax collected from that company is allocated.~~

~~2. The owner, operator, or lessee of electric transmission or distribution property, for which payments in lieu of property taxes are assessed by the state board of equalization under sections 57-33.2-02 or 57-33.2-03, is entitled to a credit against the transmission or distribution tax in the amount provided in subsection 3. The credit for each transmission or distribution company must be allocated and distributed to counties in the same manner as the tax collected from that company is allocated.~~

~~3. The amount of credit is determined by multiplying the company's assessed tax by a fraction, the numerator of which is the total of all formula payments calculated for the subsequent calendar year under sections 50-34-02 and 50-34-03 and the denominator of which is the total statewide ad valorem property tax levied in the prior taxable year.~~

~~4. The tax commissioner shall annually calculate the amount of credit to which a company is entitled under this section.~~

~~**SECTION 14. REPEAL.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are repealed.~~

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~~**SECTION 15. REPEAL.** Section 50-06.2-05 of the North Dakota Century Code is repealed.~~

SECTION 13. AMENDMENT. Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 15.1-27 ~~and under~~, section 57-20-07.2 for taxable years before 2018, and chapter 50-34 for taxable years 2018 and 2019. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills.

SECTION 14. SUSPENSION. Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 15. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended.

SECTION 16. REPEAL. Section 57-20-07.2 of the North Dakota Century Code is repealed.

SECTION 17. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. A total of $161,000,000 from the general fund is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $135,000,000 or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

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2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 18. EFFECTIVE DATE - EXPIRATION DATE. ~~Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for taxable years beginning after December 31, 2016. Sections 3, 4, 5, and 11 of this Act become effective on August 1, 2017. Sections 1, 2, and 12 of this Act are effective for taxable years beginning after December 31, 2017~~Sections 9, 11, 12, and 15 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Section 16 of this Act is effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 14 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 5 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020.

#2
4-10-17
SB 2206

17.0760.02009
Title.

Prepared by the Legislative Council staff for
Representative Carlson
April 7, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

In lieu of the amendments as printed on pages 1231 and 1232 of the House Journal, Engrossed Senate Bill No. 2206 is amended as follows:

Page 1, line 1, remove "and a new section to chapter 57-20"

Page 1, line 3, remove "and a credit against payments in lieu of taxes paid by"

Page 1, line 4, remove "centrally assessed companies"

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide an appropriation;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount

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determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for ~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

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The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which

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includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after "**50-34-01.**" insert:

"**State-paid economic assistance and social service pilot program - Application - Report.**

1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-05 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-05.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-05. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the timeline for transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department

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of human services budget request and identify the estimated biennial cost of the plan.

50-34-02."

Page 7, line 15, remove """Economic assistance adjusted base year gross expenditures" means an amount"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "5."

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**50-34-02**" with "**50-34-03**"

Page 7, line 25, replace "50-34-07" with "50-34-05"

Page 7, line 27, replace ". Beginning" with ", and for calendar year 2019 on or before"

Page 7, line 28, remove ", and on or before June first of each year thereafter, the director shall"

Page 7, line 29, remove "notify each service area of its formula payment for the subsequent calendar year"

Page 8, line 5, replace "50-34-07" with "50-34-05"

Page 8, line 21, replace "50-34-08" with "50-34-06"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 10, line 10, remove "a."

Page 10, line 13, remove "adjusted"

Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 30

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 3

Page 12, line 4, replace "**50-34-07**" with "**50-34-05**"

Page 12, line 7, remove "weighted"

Page 12, line 10, remove "weighted"

Page 12, line 13, remove "as follows:"

Page 12, line 14, replace "a. For calendar year 2018 formula payment calculations, the" with "to ensure the service area's"

Page 12, line 14, remove "must"

Page 12, line 15, replace "be" with "is"

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Page 12, line 15, remove "two"

Page 12, line 15, replace "ten" with "five"

Page 12, line 16, remove "adjusted"

Page 12, line 17, remove "adjusted"

Page 12, remove lines 18 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**50-34-08**" with "**50-34-06**"

Page 14, line 18, replace "**50-34-09**" with "**50-34-07**"

Page 14, line 20, replace "50-34-08" with "50-34-06"

Page 14, line 21, replace "50-34-08" with "50-34-06"

Page 14, line 26, remove "and on January first of each year thereafter,"

Page 14, line 27, replace "50-34-08" with "50-34-06"

Page 14, line 28, replace "50-34-02" with "50-34-03"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**50-34-11**" with "**50-34-08**"

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

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c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

~~(1)~~ ~~The~~the base year mill rate of the school district minus sixty mills~~;~~ or

~~(2)~~ ~~Fifty~~fifty mills, if the base year is a taxable year before 2013.

e. ~~If~~Reduced by the base year human services county levy in dollars if the base year is a taxable year ~~before 2016~~after 2018, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01."

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

Page 21, remove lines 22 through 30

Page 22, replace lines 1 thorough 17 with:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 15.1-27 ~~and under~~, section 57-20-07.2 for taxable years before 2018, and chapter 50-34 for taxable years 2018 and 2019. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills.

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SECTION 14. SUSPENSION. Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 15. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 17. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES.** A total of $161,000,000 from the general fund is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $135,000,000 or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 15 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Section 16 of this Act is effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 14 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

#3
4-10-17
SB 2206

PROPOSAL FOR STATE PAID COUNTY SOCIAL SERVICES COSTS

This memorandum summarizes the operation of and funding for a proposal establishing a state-paid county social services costs pilot program included in the amendments (17.0760.02009) to Engrossed Senate Bill No. 2206 as follows:

- The pilot program provides for the elimination of county human service levy authority and the state payment of county economic assistance and social service costs for calendar years 2018 and 2019.
- The Department of Human Services must report to the Legislative Management on the status of the pilot program before November 1, 2018, and submit to the 2019 Legislative Assembly a plan for the permanent implementation of a formula providing for state payment of county economic assistance and social service costs.
- County payment rates per case-month for economic assistance cases and social service cases will be determined by dividing a county's 2015 case-month totals for each case type by the net amount expended by that county to administer each case-type in calendar year 2015.

  A county's 2015 (base year) net expenditures for each case-type are determined by subtracting the amount reimbursed by medical assistance in the base year from the product of a county's base year gross expenditures and 25 percent of a county's eligible federally allowable base year indirect costs.
- A county's formula payment is determined by multiplying the county's rate per case-month by the number of cases reflected in the county's most recently available case-month data for each case type.
- A county is limited to receiving no more than 105 percent, but no less than 100 percent, of its base year gross expenditures.
- A county will receive 50 percent of its formula payment on or before January 10th of each year and the remainder on or before June 15th of each year.
- The formula payments are estimated to total $161 million for the 2-year pilot program period.
- The $161 million general fund appropriation for the 2017-19 biennium includes:

  $135 million in Senate Bill No. 2206; and

  $26 million in House Bill No. 1012 (the Department of Human Services appropriation bill) - House Bill No. 1012 includes $33 million from the general fund for payments to counties that will no longer be needed if Senate Bill No. 2206 is approved. However, the Department of Human Services anticipates $7 million of additional general fund support will be needed to replace a reduction in federal revenues if county expenditures are less than originally anticipated in the budget. Therefore, $26 million is available in House Bill No. 1012 for making these pilot program payments.

Tax Relief Fund

The tax relief fund is projected to have a $300 million balance on July 1, 2017. This funding may be transferred to the general fund to provide for the $161 million cost of the 2-year pilot program leaving $139 million to reduce the current $448 million general fund budget shortfall.

For the 2019-21 biennium the Legislative Assembly could provide for up to $200 million to be deposited in the tax relief fund to continue funding for the county social service costs if the pilot program proves successful.

Twelve Percent Property Tax Relief Credit in the 2015-17 Biennium

For the 12 percent property tax relief credit program provided for the 2015-17 biennium (county calendar years 2016 and 2017), the current cost estimate is $241 million, which will require a deficiency appropriation of $8 million to be provided by the 2017 Legislative Assembly to fully fund the program.

The appendix provides information from the Tax Department on 2015 property tax levies relating to the 12 percent property tax relief credit and social service levies.

#3 p.2

APPENDIX

2015 Tax Year (2016 Budget Year) 12% State Paid Tax Credit and Social Services Taxes

	County Name	2015 Tax Abstract Total Property Taxes Eligible for 12% Credit	12% of 2015 Tax Abstract	% of Total Taxes	2015 Social Services Taxes Levied	% of Total Taxes	2015 Social Services Mills	Uniform Distribution Equal to SS Taxes	% of Total Taxes	Social Services Taxes (Less)/More Than Uniform Distribution of Same Total
1	Adams	$3,587,397	$430,488	12.0%	$288,385	8.0%	20.00	$192,187	5.4%	$96,199
2	Barnes	17,277,674	2,073,321	12.0%	1,194,273	6.9%	16.16	925,613	5.4%	268,660
3	Benson	5,982,152	717,858	12.0%	217,547	3.6%	7.10	320,480	5.4%	(102,933)
4	Billings	2,229,009	267,481	12.0%	111,245	5.0%	6.65	119,414	5.4%	(8,170)
5	Bottineau	11,035,588	1,324,271	12.0%	587,803	5.3%	10.58	591,207	5.4%	(3,404)
6	Bowman	4,643,060	557,167	12.0%	266,966	5.7%	9.51	248,742	5.4%	18,225
7	Burke	4,951,376	594,165	12.0%	174,964	3.5%	6.21	265,259	5.4%	(90,295)
8	Burleigh	100,676,847	12,081,222	12.0%	5,177,211	5.1%	11.82	5,393,537	5.4%	(216,326)
9	Cass	203,289,801	24,394,776	12.0%	9,127,831	4.5%	13.66	10,890,796	5.4%	(1,762,965)
10	Cavalier	10,030,845	1,203,701	12.0%	626,915	6.2%	13.50	537,380	5.4%	89,535
11	Dickey	8,886,527	1,066,383	12.0%	0	0.0%	0.00	476,076	5.4%	(476,076)
12	Dividie	5,783,059	693,967	12.0%	205,609	3.6%	5.21	309,814	5.4%	(104,206)
13	Dunn	7,162,328	859,479	12.0%	135,660	1.9%	2.51	383,706	5.4%	(248,045)
14	Eddy	3,067,572	368,109	12.0%	246,865	8.0%	20.00	164,338	5.4%	82,526
15	Emmons	5,587,048	670,446	12.0%	169,979	3.0%	5.88	299,314	5.4%	(129,334)
16	Foster	5,493,418	659,210	12.0%	385,364	7.0%	16.67	294,298	5.4%	91,067
17	Golden Valley	1,956,069	234,728	12.0%	202,035	10.3%	14.20	104,792	5.4%	97,243
18	Grand Forks	83,443,986	10,013,278	12.0%	5,044,083	6.0%	19.05	4,470,325	5.4%	573,758
19	Grant	4,119,426	494,331	12.0%	372,306	9.0%	20.00	220,689	5.4%	151,617
20	Griggs	4,582,952	549,954	12.0%	288,776	6.3%	15.70	245,521	5.4%	43,254
21	Hettinger	4,866,684	584,002	12.0%	466,594	9.6%	20.00	260,722	5.4%	205,872
22	Kidder	3,178,204	381,384	12.0%	243,365	7.7%	15.00	170,265	5.4%	73,099
23	LaMoure	7,873,920	944,870	12.0%	366,690	4.7%	9.81	421,828	5.4%	(55,137)
24	Logan	3,257,009	390,841	12.0%	213,109	6.5%	14.92	174,487	5.4%	38,622
25	McHenrey	8,004,510	960,541	12.0%	474,662	5.9%	12.14	428,824	5.4%	45,83[illegible]
26	McIntosh	3,679,933	441,592	12.0%	274,441	7.5%	15.22	197,144	5.4%	77,297
27	McKenzie	19,943,645	2,393,237	12.0%	999,585	5.0%	6.86	1,068,436	5.4%	(68,851)
28	McLean	12,538,222	1,504,587	12.0%	673,146	5.4%	9.60	671,707	5.4%	1,438
29	Mercer	7,947,574	953,709	12.0%	500,792	6.3%	12.53	425,773	5.4%	75,018
30	Morton	31,823,916	3,818,870	12.0%	1,684,502	5.3%	12.96	1,704,895	5.4%	(20,393)
31	Mountrail	17,087,073	2,050,449	12.0%	979,033	5.7%	8.26	915,402	5.4%	63,632
32	Nelson	5,320,502	638,460	12.0%	230,079	4.3%	9.56	285,034	5.4%	(54,955)
33	Oliver	2,631,210	315,745	12.0%	221,804	8.4%	16.48	140,961	5.4%	80,843
34	Pembina	12,490,430	1,498,852	12.0%	878,577	7.0%	14.67	669,147	5.4%	209,430
35	Pierce	6,906,629	828,795	12.0%	243,304	3.5%	8.70	370,007	5.4%	(126,703)
36	Ramsey	13,529,935	1,623,592	12.0%	1,008,606	7.5%	20.00	724,836	5.4%	283,770
37	Ransom	7,733,818	928,058	12.0%	306,205	4.0%	9.33	414,322	5.4%	(108,117)
38	Renville	4,554,550	546,546	12.0%	175,035	3.8%	7.46	244,000	5.4%	(68,965)
39	Richland	24,258,002	2,910,960	12.0%	932,271	3.8%	11.50	1,299,568	5.4%	(367,297)
40	Rolette	4,137,257	496,471	12.0%	383,945	9.3%	20.00	221,644	5.4%	162,301
41	Sargent	7,621,805	914,617	12.0%	294,925	3.9%	9.09	408,321	5.4%	(113,396)
42	Sheridan	2,395,728	287,487	12.0%	220,873	9.2%	17.52	128,346	5.4%	92,527
43	Sioux	873,196	104,784	12.0%	77,291	8.9%	20.00	46,780	5.4%	30,511
44	Slope	1,329,198	159,504	12.0%	37,723	2.8%	3.38	71,209	5.4%	(33,485)
45	Stark	44,513,068	5,341,568	12.0%	2,697,128	6.1%	12.95	2,384,688	5.4%	312,440
46	Steele	5,819,301	698,316	12.0%	125,642	2.2%	4.38	311,756	5.4%	(186,114)
47	Stutsman	26,229,043	3,147,485	12.0%	2,047,443	7.8%	20.00	1,405,162	5.4%	642,281
48	Towner	4,849,415	581,930	12.0%	244,793	5.0%	9.56	259,797	5.4%	(15,003)
49	Traill	12,318,394	1,478,207	12.0%	768,151	6.2%	16.15	659,930	5.4%	108,220
50	Walsh	15,054,165	1,806,500	12.0%	883,045	5.9%	17.00	806,493	5.4%	76,552
51	Ward	89,821,403	10,778,568	12.0%	3,801,625	4.2%	11.09	4,811,981	5.4%	(1,010,356)
52	Wells	8,054,409	966,529	12.0%	761,561	9.5%	20.00	431,497	5.4%	330,064
53	Williams	54,553,304	6,546,397	12.0%	3,871,257	7.1%	11.22	2,922,571	5.4%	948,6[illegible]
	Totals	**$968,981,591**	**$116,277,791**		**$51,911,020**			**$51,911,020**		**$0**
	Average					**5.8%**	**12.49**		**5.4%**	
	Total of Negative Amounts									**($5,370,527)**

#4
4-10-17
SB 2206

2017-19 BIENNIUM ESTIMATED STATE-PAID PROPERTY TAX RELIEF

Item	Amount
Proposed state-paid economic assistance and social services pilot program	$161,000,000
Elementary and secondary education property tax relief - No longer separately identified - Amount shown assumes an 8 percent annual increase from the amount provided in the 2013-15 biennium	895,165,456
Homestead tax credit	14,800,000
Disabled veteran tax credit	8,110,200
Clerk of court - State took over from counties in the 1999-2001 biennium	24,166,012
State administration of child support enforcement - State took over from counties in the 2007-09 biennium with an estimated cost of $7.5 million	Cannot be determined
Total	$1,103,241,668

#5
SB 2206
4-10-17

2016 Tax Year (2017 Budget Year) Social Services Taxes

	County Name	2016 Tax Abstract Total Property Taxes	2016 Social Services Taxes Levied	% of Total Taxes	2016 Social Services Mills
1	Adams	$3,758,204	$311,674	8.3%	19.88
2	*Barnes (2015 tax year)*	*17,277,674*	*1,194,273*	*6.9%*	*16.16*
3	Benson	6,262,305	172,239	2.8%	5.63
4	Billings	2,486,522	142,236	5.7%	7.80
5	Bottineau	11,251,559	648,553	5.8%	11.20
6	Bowman	5,077,360	389,740	7.7%	14.52
7	Burke	5,510,549	199,894	3.6%	6.66
8	Burleigh	107,530,126	5,347,290	5.0%	11.35
9	Cass	217,866,635	7,559,046	3.5%	10.00
10	Cavalier	10,811,182	538,823	5.0%	10.93
11	Dickey	9,125,688	463,807	5.1%	12.10
12	Dividie	6,551,830	205,668	3.1%	5.01
13	Dunn	7,863,528	158,974	2.0%	2.75
14	Eddy	3,230,019	264,689	8.2%	20.00
15	Emmons	5,950,619	150,141	2.5%	4.90
16	Foster	6,500,367	391,367	6.0%	16.00
17	Golden Valley	2,100,402	201,689	9.6%	14.00
18	Grand Forks	89,676,481	5,671,773	6.3%	19.95
19	Grant	4,383,562	350,283	8.0%	17.89
20	Griggs	4,567,567	324,376	7.1%	16.43
21	Hettinger	5,730,261	374,893	6.5%	15.28
22	Kidder	3,452,769	253,880	7.4%	15.00
23	LaMoure	8,794,924	393,963	4.5%	9.99
24	Logan	3,327,295	196,183	5.9%	13.00
25	McHenrey	8,583,907	545,226	6.4%	13.49
26	McIntosh	4,096,443	270,475	6.6%	14.44
27	McKenzie	24,006,615	750,246	3.1%	4.20
28	McLean	14,712,949	775,310	5.3%	10.42
29	Mercer	8,801,529	611,200	6.9%	13.69
30	Morton	34,420,335	1,892,903	5.5%	13.12
31	Mountrail	18,962,540	1,063,297	5.6%	8.52
32	Nelson	5,559,440	334,944	6.0%	13.54
33	Oliver	2,856,568	228,892	8.0%	15.97
34	Pembina	12,896,422	879,552	6.8%	14.55
35	Pierce	6,911,762	269,903	3.9%	8.81
36	Ramsey	14,346,577	1,065,201	7.4%	20.00
37	Ransom	7,845,793	267,896	3.4%	7.89
38	Renville	4,892,906	175,087	3.6%	7.16
39	Richland	24,934,126	959,178	3.8%	11.50
40	Rolette	4,781,187	394,968	8.3%	20.00
41	Sargent	8,021,204	324,500	4.0%	9.63
42	Sheridan	2,519,535	227,766	9.0%	17.06
43	Sioux	910,284	87,171	9.6%	20.00
44	Slope	1,409,061	52,670	3.7%	4.64
45	Stark	48,125,686	2,799,215	5.8%	12.66
46	Steele	5,659,406	119,910	2.1%	4.23
47	Stutsman	27,600,638	2,137,698	7.7%	20.00
48	Towner	5,093,433	252,806	5.0%	9.75
49	Traill	12,833,189	791,250	6.2%	15.83
50	Walsh	15,707,540	1,071,259	6.8%	20.00
51	Ward	90,752,867	4,170,459	4.6%	12.12
52	Wells	9,050,028	759,829	8.4%	19.51
53	Williams	58,842,766	3,200,852	5.4%	8.71
Totals		**$1,034,222,164**	**$52,385,112**		
Average		**$19,513,626**	**$988,398**	**5.8%**	**12.60**
Median		**$7,845,793**	**$389,740**	**5.8%**	**13.00**

#1
SB 2206
4-10-17

17.0760.02007
Title.

Prepared by the Legislative Council staff for
Representative B. Koppelman
April 6, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

In lieu of the amendments as printed on page 1231 and 1232 of the House Journal, Engrossed Senate Bill No. 2206 is amended as follows:

Page 1, line 1, after "50-34" insert ", section 57-15-02.2,"

Page 1, line 3, after "state" insert ", limitations of property tax levies by taxing districts without voter approval,"

Page 1, line 4, replace "sections" with "section"

Page 1, line 4, after the first comma insert "subsection 4 of section 15.1-27-04.1, sections"

Page 1, line 5, after the first comma insert "and"

Page 1, line 7, after the comma insert "determination of school district state aid payments,"

Page 1, line 11, remove the second "and"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code is amended and reenacted as follows:

4. After determining the product in accordance with subsection 3, the superintendent of public instruction shall:

   a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the school district, provided that after ~~2013~~2019, the amount in dollars subtracted for purposes of this subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than ~~twelve~~three percent or the percentage increase approved by a majority of the qualified electors of the school district pursuant to subsection 3 of section 57-15-02.2; and

   b. Subtract an amount equal to seventy-five percent of all revenues listed in paragraphs 1 through 5, and 7 of subdivision f of subsection 1 and one hundred percent of all revenues listed in paragraphs 6, 8, and 9 of subdivision f of subsection 1."

Page 17, after line 17, insert:

"**SECTION 8.** Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of

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school districts. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

#1

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 9. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

    a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

    b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

    c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

    d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount

#1

levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

   a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

   b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

   c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "6,"

Page 22, line 19, remove "8, 9,"

Page 22, line 19, after the fifth comma insert "11, 12, 13,"

Page 22, line 19, replace "13" with "16"

Page 22, line 20, remove "3,"

Page 22, line 20, after the fourth comma insert "6,"

Page 22, line 20, replace "11" with "14"

Page 22, line 21, after the period insert "Section 8 of this Act is effective for the first two taxable years beginning after December 31, 2017, and is thereafter ineffective."

Page 22, line 21, replace "2," with "3,"

Page 22, line 21, replace "12" with "15"

Page 22, line 22, after the period insert "Sections 2 and 9 of this Act are effective for taxable years beginning after December 31, 2019."

#1

Renumber accordingly

4/18/2017 SB2206 attachment #1 pg 1

17.0760.02016
Title.

Prepared by the Legislative Council staff for
Senator Bekkedahl
April 17, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide an appropriation; to provide for a transfer;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for ~~2014~~2016 derived from transferring the county social service costs

4/18/2017 SB 2206 Attachment #1

identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make

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use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

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2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after "**50-34-01.**" insert:

"**State-paid economic assistance and social service pilot program - Application - Report.**

1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

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50-34-02."

Page 7, line 15, remove ""Economic assistance adjusted base year gross expenditures" means an amount"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "5."

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**50-34-02**" with "**50-34-03**"

Page 7, line 25, replace "50-34-07" with "50-34-04"

Page 7, line 27, replace ". Beginning" with ", and for calendar year 2019 on or before"

Page 7, line 28, remove ", and on or before June first of each year thereafter, the director shall"

Page 7, line 29, remove "notify each service area of its formula payment for the subsequent calendar year"

Page 8, line 5, replace "50-34-07" with "50-34-04"

Page 8, line 7, after "less" insert "or a decrease of five percent or less"

Page 8, line 15, after "subtracting" insert "one hundred five percent of"

Page 8, line 15, replace "distributed" with "determined"

Page 8, line 15, replace "2" with "1"

Page 8, line 16, after "a" insert "and add the resulting amount to the amount distributed under subsection 2"

Page 8, line 17, after "payment" insert "as determined under this subdivision"

Page 8, after line 18, insert:

> "d. If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth."

Page 8, line 21, replace "50-34-08" with "50-34-05"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 9, line 29, after "**amounts**" insert "**- Calculation of formula payment**"

Page 10, line 10, remove "a."

Page 10, line 13, remove "adjusted"

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Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 29

Page 10, line 30, replace "twenty-two cents" with:

"4. The director shall calculate the total formula payment by summing the following:

a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data"

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**50-34-08**" with "**50-34-05**"

Page 14, line 18, replace "**50-34-09**" with "**50-34-06**"

Page 14, line 20, replace "50-34-08" with "50-34-05"

Page 14, line 21, replace "50-34-08" with "50-34-05"

Page 14, line 26, remove "and on January first of each year thereafter,"

Page 14, line 27, replace "50-34-08" with "50-34-05"

Page 14, line 28, replace "50-34-02" with "50-34-03"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**50-34-11**" with "**50-34-07**"

Page 16, after line 18, insert:

"**50-34-08. Social services finance fund.**

The social services finance fund is a special fund in the state treasury. Moneys in the fund may be used, subject to legislative appropriation, for the provision of formula payments to service areas pursuant to this chapter."

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

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"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

   c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

   d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

      ~~(1)~~ ~~The~~the base year mill rate of the school district minus sixty mills~~;~~ or

      ~~(2)~~ ~~Fifty~~fifty mills, if the base year is a taxable year before 2013.

   e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34."

Page 21, line 7, replace "2018" with "2017"

Page 21, line 7, replace "2017" with "2016"

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

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Page 21, remove lines 22 and 23

Page 21, line 24, remove "county for the taxable year"

Page 21, after line 24, insert:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 50-34 for taxable years 2017 and 2018 and under chapter 15.1-27~~ and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills."

Page 22, line 11, replace "sections 50-34-02 and" with "section"

Page 22, replace lines 15 through 17 with:

"**SECTION 15. SUSPENSION.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 18. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES.** A total of $160,700,000 is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the social services finance fund in the state treasury, not otherwise appropriated, the sum of $131,100,000 or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

2. The department of human services shall also use $29,600,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance

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and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 19. TRANSFER - PROPERTY TAX RELIEF FUND TO SOCIAL SERVICES FINANCE FUND. The office of management of budget shall transfer the sum of $131,100,000 from the property tax relief fund to the social services finance fund during the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

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FIRST ENGROSSMENT

Sixty-fifth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2206

Introduced by

Senators Bekkedahl, Burckhard, Cook

Representatives Dockter, Nathe, Weisz

A BILL for an Act to create and enact chapter 50-34 and a new section to chapter 57-20 of the North Dakota Century Code, relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies; to amend and reenact sections 11-23-01, 50-01.2-03.2, 50-06-05.8, 50-06-20.1, and 50-06.2-04, subsection 3 of section 57-15-01.1, ~~sections 57-15-06 and~~section 57-15-06.7, and subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code, relating to county and multicounty social service board budgets, the human service grant program, county general fund levy limitations, and property tax statements; to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority; to repeal ~~chapter 50-03 and sections 50-06-20.1, 50-06.2-05, and~~section 57-20-07.2 of the North Dakota Century Code, relating to the ~~county human services fund, the human services grant program, county property tax levy authority for social services, and the~~ state-paid property tax relief credit; ~~and~~to provide for a report to the legislative management; to provide an appropriation; to provide for a transfer; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

~~1.~~ Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or

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improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

~~2.~~ ~~a.~~ ~~The departmental budget submitted by the county social service board in 2015 for the 2016 budget may not exceed an amount determined using the departmental budget submitted in 2014 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for 2014 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year 2015. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:~~

~~(1)~~ ~~Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;~~

~~(2)~~ ~~The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;~~

~~(3)~~ ~~The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;~~

~~(4)~~ ~~The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;~~

~~(5)~~ ~~The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and~~

~~(6)~~ ~~The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of~~

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~~the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.~~

~~b.~~ ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

~~The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.~~

~~d.~~ ~~The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff.~~

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SECTION 2. AMENDMENT. Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for ~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

   (1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

   (2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

   (3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

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(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c. The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

~~—~~The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a

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result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff.

SECTION 3. AMENDMENT. Section 50-01.2-03.2 of the North Dakota Century Code is amended and reenacted as follows:

50-01.2-03.2. County duties ~~- Financing in exceptional circumstances~~.

~~1.~~ Each county social service board shall administer, under the direction and supervision of the department:

~~a.~~1. Locally administered economic assistance and social service programs;

~~b.~~2. Replacement programs with substantially similar goals, benefits, or objectives; and

~~c.~~3. When necessary, experimental, pilot, or transitional programs with substantially similar goals, benefits, or objectives.

~~2. From the abstract of tax list prepared pursuant to section 57-20-04, each county shall annually provide the department of human services a report of the total mills levied for human service purposes pursuant to sections 50-03-01, 50-03-06, and 50-06.2-05, and the countywide value of a mill in each county. Upon receipt of reports from all counties, the department shall determine the statewide average of the mill levies and identify each county that levied ten mills more than that average. Each identified county is entitled to a share of funds appropriated for distribution under this subsection. Each identified county's share is determined by:~~

~~a. Reducing its mill levy necessary to meet the costs of providing human services required under this title by the statewide average mill levy determined under this subsection plus ten mills;~~

~~b. Determining the amount that could have been raised in that county and year through a mill levy in the amount calculated under subdivision a;~~

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~~c. Totaling the amounts determined under subdivision b for all counties entitled to a distribution;~~

~~d. Calculating a decimal fraction equal to each identified county's proportionate share of the total determined under subdivision c; and~~

~~e. Multiplying that decimal fraction times one-half of the biennial appropriation.~~

~~3. Notwithstanding any other provisions of law, the department shall reimburse county social service boards for expenses of locally administered economic assistance programs in counties in which the percentage of that county's average total supplemental nutrition assistance program caseload for the previous fiscal year which reside on federally recognized Indian reservation lands is ten percent or more. The reimbursement must be such that:~~

~~a. An affected county's actual direct costs and indirect costs allocated based on a percentage of each county's direct economic assistance and social services costs for locally administered economic assistance programs will be reimbursed at the percentage of that county's average total supplemental nutrition assistance program caseload for the previous state fiscal year which reside on federally recognized Indian reservation land not to exceed ninety percent;~~

~~b. The affected counties will receive quarterly payments based on the actual county direct and indirect costs, as provided in subdivision a, for the previous state fiscal year;~~

~~c. At the end of each fiscal year the actual quarterly payments paid must be reconciled to the current year of calculation of actual direct and indirect costs as provided in subdivision a and supplemental nutrition assistance program caseload and counties must be compensated accordingly in the first quarter of the new fiscal year; and~~

~~d. The reimbursement will be calculated for each county and reported to the county social service board prior to September first.~~

SECTION 4. AMENDMENT. Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

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50-06-05.8. Department to assume ~~certain~~ costs of ~~certain~~economic assistance and social service programs.

~~Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the~~The department of human services shall pay ~~the local~~each service area's expenses ~~of administration incurred by a county~~for administering economic assistance and social service programs for calendar years after December 31, ~~2015, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, 2015; and the computer processing costs incurred by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996~~2017, based on the formula payment amount calculated for each service area under chapter 50-34.

SECTION 5. AMENDMENT. Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a

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grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section.

SECTION 7. AMENDMENT. Section 50-06.2-04 of the North Dakota Century Code is amended and reenacted as follows:

50-06.2-04. Powers and duties of county agencies.

Each county agency has the following powers and duties under this chapter:

1. To administer comprehensive human services programs for individuals and families at the county level in conformity with state and federal requirements under the direction and supervision of the state agency.

2. To publish and provide to the state agency a county human services plan which must include the following:

   a. A statement of the goals of county human services programs in the county.

   b. Methods used to identify persons in need of services and the social problems to be addressed by the county human services programs.

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c. A description of each county human service proposed and identification of the agency or person proposed to provide the service.

d. The amount of money proposed to be allocated to each service.

e. An agreement to make available those human services required by state law and by federal law or regulation as a condition for the receipt of federal financial participation in programs administered by county agencies under the provisions of this title.

The date of submission of the county human services plan to the state agency must be determined so that the plan is coordinated with the proposed and final comprehensive human services plan.

3. To make available the human services detailed in the comprehensive human services plan which the county agency has included in the approved county plan and to provide such other human services as the county agency determines essential in effectuating the purposes of this chapter within the county. To the extent funding is available under section 50-06.2-03 and chapter 50-24.1, the county plan must include the services enumerated in those sections. The county agency shall make these services available to any individual requesting service and determined eligible on the basis of a functional assessment conducted in accordance with state and federal laws and regulations. The individual shall pay for the services in accordance with a fee scale based on family size and income. The county agency may contract with any qualified service provider in its provision of those enumerated services.

4. To submit annually to the board of county commissioners a budget containing an estimate and supporting data, setting forth the ~~county~~ funds needed to carry out the provisions of this chapter.

SECTION 8. Chapter 50-34 of the North Dakota Century Code is created and enacted as follows:

50-34-01. State-paid economic assistance and social service pilot program - Application - Report.

1. The department of human services shall administer a state-wide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

50-34-02. Definitions.

As used in this chapter, unless the context otherwise requires:

1. "Base year" means calendar year 2015.
2. "Case-month" means the provision of economic assistance or social services to one individual for the period of one month or the provision of energy assistance through the low income home energy assistance program for the period beginning October first of each year and ending May thirty-first of the following year.
3. "Director" means the executive director of the department of human services or the executive director's designee.

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~~4. "Economic assistance adjusted base year gross expenditures" means an amount calculated by increasing the service area's base year economic assistance gross expenditures by five percent per year in calendar years 2016 and 2017.~~

~~5.~~ "Service area" means a county or consolidated group of counties administering economic assistance and social service programs within a designated area.

~~6. "Social service adjusted base year gross expenditures" means an amount calculated by increasing the service area's base year social service gross expenditures by five percent per year in calendar years 2016 and 2017.~~

~~50-34-02~~50-34-03. Formula payments to service areas - Distributions by the director.

1. The director shall calculate the total formula payment for each service area pursuant to section ~~50-34-07~~50-34-04 for each calendar year based on each service area's most recently available case-month data. The director shall notify each service area of the amount of its formula payment for calendar year 2018 on or before August 15, 2017~~. Beginning~~, and for calendar year 2019 on or before June 1, 2018~~, and on or before June first of each year thereafter, the director shall notify each service area of its formula payment for the subsequent calendar year~~.

2. The director shall distribute fifty percent of the amount of each service area's formula payment determined under subsection 1, within the limits of legislative appropriation, on or before January tenth.

3. a. By June first of each year, the director shall recalculate the total formula payment for each service area pursuant to section ~~50-34-07~~50-34-04 for the current calendar year based on each service area's most recently available case-month data.

   b. If the recalculated formula payment results in an increase of five percent or less or a decrease of five percent or less as compared to the formula payment determined under subsection 1, the director shall distribute fifty percent of the amount of each service area's formula payment determined under subsection 1, within the limits of legislative appropriation, on or before June fifteenth.

   c. If the recalculated formula payment results in an increase of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment

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by subtracting one hundred five percent of the amount ~~distributed~~determined under subsection ~~2~~1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth.

d. If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth.

4. For payments disbursed after calendar year 2018, the director shall subtract from a service area's June fifteenth disbursement any amount exceeding the limitation under section ~~50-34-08~~50-34-05.

~~**50-34-03. State-paid property tax relief credit replacement - Distributions by the director.**~~

~~1. On or before October first of each year, the director shall calculate the amount payable to each county in the ensuing budget year as a result of the state-paid property tax relief credit replacement. A county's state-paid property tax relief credit replacement payment must be calculated as follows:~~

~~a. For a county located in a service area that encompasses only one county, subtract the county's service area formula payment determined under subsection 1 of section 50-34-02 from the sum of the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 and fifty percent of the amount the county received in fiscal year 2015 for specified state distributions.~~

~~b. For a county located in a service area that encompasses more than one county, subtract the county's share of the formula payment determined for each service area under subsection 1 of section 50-34-02 from the sum of the amount the~~

~~county received in calendar year 2017 pursuant to section 57-20-07.2 and fifty percent of the county's share of specified state distributions in fiscal year 2015. The county's share of the formula payment and specified state distributions is calculated as the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 proportional to the combined total amounts that all the counties in the service area received in calendar year 2017 pursuant to section 57-20-07.2.~~

~~2. The director shall distribute the amount of each county's state-paid property tax relief credit replacement payment determined under subsection 1, within the limits of legislative appropriation, on or before January thirty-first of each year. The amount calculated for distribution to a county under this section must be applied to reduce a county's general fund levy in accordance with subsection 3.~~

~~3. On or before October fifteenth of each year, the tax commissioner shall notify each county of the amount calculated for distribution to the county under subsection 2. The county auditor shall calculate a county's required mill levy reduction by dividing the amount calculated for distribution to a county under subsection 2 by the county's current year taxable value. If the amount of a county's general fund mill levy is not sufficient to account for the entire required reduction, the county must reduce an additional county-wide levy to account for the remainder of the required reduction.~~

~~4. For purposes of this section, "specified state distributions" means the amount of state and federal funding a county received in fiscal year 2015 for day care licensing, family preservation programs, child abuse and neglect services, Indian county services, and county administration.~~

50-34-04. Baseline funding amounts - Calculation of formula payment.

1. The director shall calculate each service area's base year case-month totals and direct gross expenditures. A service area's direct gross expenditures include the actual amount expended within a service area in the base year for staffing and administrative costs related to the administration of economic assistance and social service programs as well as eligible federally allowable indirect costs. For purposes of this subsection, "eligible federally allowable indirect costs" means twenty-five percent of

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the average of the federally allowable indirect costs allocated to each service area in calendar years 2012, 2013, and 2014.

2. The director shall calculate each service area's base rate per economic assistance case-month by dividing the service area's economic assistance net expenditures by the economic assistance case-months reported for the service area in the base year.

~~a.~~ For purposes of this subsection, "economic assistance net expenditures" means the amount calculated by subtracting the amount paid to the service area in the base year for services reimbursed by medical assistance from the service area's economic assistance ~~adjusted~~ base year gross expenditures.

~~b. For calendar year 2018 formula payment calculations, the base rate per economic assistance case-month is equal to twenty-two dollars and seventy-eight cents. For calendar year 2019 formula payment calculations, the base rate per economic assistance case-month is equal to twenty-three dollars and ninety-two cents.~~

3. The director shall calculate each service area's base rate per social service case-month by dividing the service area's social service net expenditures by the social service case-months reported for the service area in the base year.

~~a.~~ For purposes of this subsection, "social service net expenditures" means the amount calculated by subtracting the amount paid to the service area in the base year for services reimbursed by medical assistance from the service area's social service ~~adjusted~~ base year gross expenditures.

~~b. For calendar year 2018 formula payment calculations, the base rate per social service case-month is equal to five hundred sixty-eight dollars and seventy-eight cents. For calendar year 2019 formula payment calculations, the base rate per social service case-month is equal to five hundred ninety-seven dollars and twenty-two cents~~

4. The director shall calculate the total formula payment by summing the following:

a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data.

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~~**50-34-05. Economic assistance caseload weighting factor - Determination.**~~

~~1. The director shall assign an economic assistance caseload weighting factor of:~~

~~a. 1.00 to each service area with a yearly economic assistance case-month count of at least 250,000;~~

~~b. 1.60 to each service area with a yearly economic assistance case-month count of fewer than 250,000 but at least 45,000;~~

~~c. 1.75 to each service area with a yearly economic assistance case-month count of fewer than 45,000 but at least 22,000;~~

~~d. 2.00 to each service area with a yearly economic assistance case-month count of fewer than 22,000 but at least 8,000;~~

~~e. 2.20 to each service area with a yearly economic assistance case-month count of fewer than 8,000 but at least 5,000; and~~

~~f. 2.35 to each service area with a yearly economic assistance case-month count of fewer than 5,000.~~

~~2. The weighted rate per economic assistance case-month must be determined by multiplying the weighting factor assigned to each service area under this section by the base rate per economic assistance case-month.~~

~~**50-34-06. Social service caseload weighting factor - Determination.**~~

~~1. The director shall assign a social service caseload weighting factor of:~~

~~a. 1.00 to each service area with a yearly social service case-month count of at least 10,000;~~

~~b. 1.35 to each service area with a yearly social service case-month count of fewer than 10,000 but at least 1,800;~~

~~c. 1.50 to each service area with a yearly social service case-month count of fewer than 1,800 but at least 900;~~

~~d. 1.60 to each service area with a yearly social service case-month count of fewer than 900 but at least 210;~~

~~e. 2.00 to each service area with a yearly social service case-month count of fewer than 210 but at least 145; and~~

~~f. 2.50 to each service area with a yearly social service case-month count of fewer than 145.~~

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~~2. The weighted rate per social service case-month must be determined by multiplying the weighting factor assigned to each service area under this section by the base rate per social service case-month.~~

~~50-34-07. Calculation of formula payment - Minimum and maximum allowable increases.~~

~~1. The director shall calculate the total formula payment by summing the following:~~

~~a. The product of the service area's weighted rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.~~

~~b. The product of the service area's weighted rate per social service case-month and the service area's most recently available social service caseload data.~~

~~2. The director shall adjust the total formula payment as calculated in subsection 1 for minimum and maximum allowable increases as follows:~~

~~a. For calendar year 2018 formula payment calculations, the formula payment must be at least one hundred two percent but no more than one hundred ten percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures. However, if the case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's case-month totals reported in the previous year for either economic assistance cases or social service cases, the formula payment may exceed one hundred ten percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures by the amounts calculated in subdivisions c and d of this subsection.~~

~~b. For calendar year 2019 formula payment calculations, the formula payment must be at least one hundred four percent but no more than one hundred twenty percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures. However, if the case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the~~

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~~service area's case-month totals reported in the previous year for either economic assistance cases or social service cases, the formula payment may exceed one hundred twenty percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures by the amounts calculated in subdivisions c and d of this subsection.~~

~~c. If the economic assistance case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's economic assistance case-month totals reported in the previous year, the formula payment may be increased by the amount resulting from multiplying the service area's weighted rate per economic assistance case-month by the number of economic assistance case-months that exceed one hundred and five percent of the economic assistance case-month totals reported in the previous year.~~

~~d. If the social service case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's social service case-month totals reported in the previous year, the formula payment may be increased by the amount resulting from multiplying the service area's weighted rate per social service case-month by the number of social service case-months that exceed one hundred and five percent of the social service case-month totals reported in the previous year.~~

~~3. The director shall adjust the total formula payment as calculated in subsection 2 for reimbursements as follows:~~

~~a. The services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area in the base year must be subtracted from the total formula payment as calculated in subsection 2.~~

~~b. The first ten thousand dollars of services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area, based on the most recently~~

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~~reported reimbursement data, must be added to the total formula payment as calculated in subdivision a of this subsection.~~

~~c. Twenty-five percent of the remaining amount of services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area must be added to the total formula payment as calculated in subdivision b of this subsection.~~

~~50-34-08~~50-34-05. Service area human services fund - Establishment - Fund balance limitations.

Each service area in this state shall maintain a fund to be known as the service area human services fund. All expenditures by the service area for the relief of the needy must be paid from the service area human services fund. If, due to unforeseen or other extenuating circumstances, a service area's formula distribution payment is not sufficient to meet the expenses of that service area, the board of county commissioners may approve a transfer from the county's general fund to the service area human services fund upon a majority vote of all members. The balance of moneys in the fund on January first of each year may not exceed thirty-five percent of the annual budget for the service area in the previous year or one hundred thousand dollars, whichever is greater.

~~50-34-09~~50-34-06. Service area human services fund - Transfer.

If on January 1, 2018, the balance of a service area human services fund exceeds the limitations in section ~~50-34-08~~50-34-05, the county treasurer shall transfer the amount exceeding the limitations in section ~~50-34-08~~50-34-05 to the designated county general fund within that service area. A county receiving a transfer shall reduce its county general fund mill levy for taxable year 2018 by an equivalent amount. If the amount of a county's general fund mill levy is not sufficient to account for the entire required reduction, the county shall reduce an additional county-wide mill levy for taxable year 2018 to account for the remainder of the required reduction. If on January 1, 2019, ~~and on January first of each year thereafter,~~ the balance of a service area human services fund exceeds the limitations in section ~~50-34-08~~50-34-05, the director shall reduce the service area's formula payment as directed in subsection 4 of section ~~50-34-02~~50-34-03.

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~~**50-34-10. Service area consolidations - Caseload weighting factor adjustments - Transition.**~~

~~1. The director shall create and assign a separate caseload weighting factor to any group of service areas that consolidate after December 31, 2017, for the purpose of administering economic assistance and social service programs.~~

~~2. For purposes of this section, a "consolidated service area" means two or more service areas that combine for the purpose of administering economic assistance and social service programs and operate under a single board and a single director and make payments from a merged annual budget and one pool of funds. Consolidations under this section are subject to the procedures provided for multicounty social service districts under chapter 50-01.1.~~

~~3. For the first taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equivalent to that which each separate service area would have received had the consolidation not taken place.~~

~~4. For the second taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to ninety percent of the difference between the weighting factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~5. For the third taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a payment rate equal to eighty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~6. For the fourth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to seventy percent of the difference between the factor calculated in subsection 3 and the rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

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~~7. For the fifth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to sixty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~8. For the sixth taxable year following the consolidation and all future taxable years in which the consolidation continues, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to fifty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~**50-34-11**~~**50-34-07. Authority to withhold funding.**

Notwithstanding subsection 2 of section 50-01.2-06, if a service area fails to perform duties directed or assigned and supervised by the department of human services, the department of human services may withhold funding from the service area. The amount withheld may not exceed double the actual cost of the duty that was not performed, the per activity amount from the formula, the cost to the department of human services, or the amount of a federal penalty imposed as a result of the duty that was not performed.

50-34-08. Social services finance fund.

The social services finance fund is a special fund in the state treasury. Moneys in the fund may be used, subject to legislative appropriation, for the provision of formula payments to service areas pursuant to this chapter.

SECTION 9. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or

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charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

~~(1)~~ ~~The~~ the base year mill rate of the school district minus sixty mills~~;~~ or

~~(2)~~ ~~Fifty~~ fifty mills, if the base year is a taxable year before 2013.

e. ~~If~~Reduced by the base year human services county levy in dollars if the base year is a taxable year before ~~2016,~~2017 ~~the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~.

~~**SECTION 7. AMENDMENT.** Section 57-15-06 of the North Dakota Century Code is amended and reenacted as follows:~~

~~**57-15-06. County general fund levy.**~~

~~The board of county commissioners may levy property taxes for county general fund purposes at a tax rate not exceeding sixty mills per dollar of taxable valuation of property in the county.~~

~~A county that levied more than sixty mills for taxable year 2015 for the combined number of mills levied for general fund purposes plus the number of mills levied for purposes consolidated into the general fund levy by this Act may levy for general fund purposes for taxable year 2016 the same number of mills that was levied for those purposes for taxable year 2015. A county~~

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~~may levy for general fund purposes for taxable year 2017 sixty mills plus seventy-five percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2018 sixty mills plus fifty percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2019 sixty mills plus twenty-five percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015.~~

~~For taxable years after 2016, the maximum county mill levy for general fund purposes determined under this section or section 57-15-01.1 must be reduced by the number of mills determined pursuant to the calculation under section 50-34-03. If the amount of a county's mill levy for general fund purposes is not sufficient to account for the entire reduction required under section 50-34-03, the county must reduce an additional county-wide mill levy to account for the remainder of the required reduction.~~

~~Unless a specific exception is provided by statute, the county general fund levy limitation under this section applies to all property taxes the board of county commissioners is authorized to levy for general county purposes.~~

SECTION 10. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or

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charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

~~(1) The~~the base year mill rate of the school district minus sixty mills~~;~~ or

~~(2) Fifty~~fifty mills, if the base year is a taxable year before 2013.

e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34.

SECTION 11. AMENDMENT. Section 57-15-06.7 of the North Dakota Century Code is amended and reenacted as follows:

57-15-06.7. Additional levies - Exceptions to tax levy limitations in counties.

The tax levy limitations specified in section 57-15-06 do not apply to the following mill levies, which are expressed in mills per dollar of taxable valuation of property in the county:

1. A county supporting an airport or airport authority may levy a tax not exceeding four mills in accordance with section 2-06-15.

2. A county levying a tax for extension work as provided in section 4-08-15 may levy a tax not exceeding two mills and if a majority of the electors of the county have approved additional levy authority under section 4-08-15, the county may levy a voter-approved tax not exceeding an additional tax of two mills.

3. A county levying a tax for historical works in accordance with section 11-11-53 may levy a tax not exceeding one-quarter of one mill, except that if sixty percent of the qualified electors voting on the question of a levy limit increase as provided in section

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11-11-53 shall approve, the tax levy limitation may be increased to not exceeding three-quarters of one mill.

4. A county levying a tax for a county or community hospital association as provided in section 23-18-01 may levy a tax for not more than five years not exceeding eight mills in any one year or, in the alternative, for not more than ten years at a mill rate not exceeding five mills.

5. A county levying a tax for county roads and bridges as provided in section 24-05-01 may levy a tax at a tax rate not exceeding ten mills. When authorized by a majority of the qualified electors voting upon the question at a primary or general election in the county, the county commissioners may levy and collect an additional tax for road and bridge purposes as provided in section 24-05-01, not exceeding a combined additional tax rate of twenty mills.

6. A county levying a tax to establish and maintain a public library service as provided in section 40-38-02 may levy a tax not exceeding four mills.

7. A county levying a tax for a county veterans' service officer's salary, traveling, and office expenses in accordance with section 57-15-06.4 may levy a tax not exceeding two mills.

8. A county levying a tax for capital projects under section 57-15-06.6 may levy a tax not exceeding ten mills. When authorized by a majority of the qualified electors voting upon the question of a specific capital project or projects at a primary or general election in the county, the county commissioners may levy and collect an additional voter-approved tax for capital projects under section 57-15-06.6 not exceeding a tax rate of ten mills per dollar of the taxable valuation of property in the county. After January 1, 2015, approval or re-authorization by electors of increased levy authority under this subsection may not be effective for more than ten taxable years. Any voter-approved levy in excess of ten mills for the purposes specified in section 57-15-06.6 approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved.

9. A county levying a tax for emergency purposes as provided in section 57-15-28 may levy a tax not exceeding two mills in a county with a population of thirty thousand or

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more, four mills in a county with a population under thirty thousand but more than five thousand, or six mills in a county with a population of five thousand or fewer.

10. A county levying a tax for county emergency medical service according to section 57-15-50 may levy a tax not exceeding ten mills.

11. A county levying a tax for weed control as provided in section 4.1-47-14 may levy a tax not exceeding four mills.

12. A county levying a tax for programs and activities for senior citizens according to section 57-15-56 may levy a tax not exceeding two mills.

13. Tax levies made for paying the principal and interest on any obligations of the county evidenced by the issuance of bonds.

14. A county levying a tax for a job development authority as provided in section 11-11.1-04 may levy a tax not exceeding four mills on the taxable valuation of property within the county. However, if any city within the county is levying a tax for support of a job development authority and the total of the county and city levies exceeds four mills, the county tax levy within the city levying under subsection 12 of section 57-15-10 must be reduced so the total levy in the city does not exceed four mills.

15. ~~A county levying an annual tax for human services purposes as provided in section 50-06.2-05 may levy a tax not exceeding the lesser of twenty mills or the number of mills determined by dividing the county budget limitation in dollars as determined under section 11-23-01 by the taxable valuation of the county.~~

~~16.~~ A levy for an extraordinary expenditure under section 11-11-24 approved by the electors of the county before January 1, 2015, may continue to be levied and collected under provisions of law in effect when the levy was approved and for the term it was approved by the electors. When the levy authority for an extraordinary expenditure ends under this subsection, the fund must be closed out and any unobligated balance in the fund must be transferred to the county general fund.

~~17.~~<u>16.</u> Levies dedicated under section 57-15-59 before January 1, 2015, for lease payments may be continued to be levied and collected for the duration of the lease. When the levy authority for lease payments ends under this subsection, the fund must be closed out and any unobligated balance in the fund must be transferred to the county general

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fund. A lease for county facilities effective after December 31, 2014, is subject to the capital projects levy limitations of section 57-15-06.6.

Tax levy or mill levy limitations do not apply to any statute which expressly provides that taxes authorized to be levied therein are not subject to mill levy limitations provided by law.

SECTION 12. AMENDMENT. Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 15.1-27 ~~and under~~, section 57-20-07.2 for taxable years before ~~2018~~2017, and chapter 50-34 for taxable years after ~~2017~~2016.

(1) For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

~~(1)~~ (a) Fifty mills; or

~~(2)~~ (b) The 2012 taxable year mill rate of the school district minus sixty mills.

(2) Legislative tax relief under chapter 50-34 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the ~~sum of the following:~~

~~(a) The~~ number of mills determined by dividing the amount calculated in subsection 1 of section ~~50-34-02~~50-34-03 by the taxable value of taxable property in the county for the taxable year~~; and~~

~~(b) The number of mills determined by dividing the amount calculated in section 50-34-03 by the taxable value of taxable property in the county for the taxable year~~.

SECTION 13. AMENDMENT. Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

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c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 50-34 for taxable years 2017 and 2018 and under chapter 15.1-27~~ and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills.

SECTION 14. A new section to chapter 57-20 of the North Dakota Century Code is created and enacted as follows:

Centrally assessed company credit against payments in lieu of taxes.

1. The owner, operator, or lessee of transmission lines, for which payments in lieu of property taxes are assessed by the state board of equalization under section 57-06-17.3, is entitled to a credit against tax in the amount provided in subsection 3. The credit for each transmission company must be allocated to the counties in the same manner as the tax collected from that company is allocated.

2. The owner, operator, or lessee of electric transmission or distribution property, for which payments in lieu of property taxes are assessed by the state board of equalization under sections 57-33.2-02 or 57-33.2-03, is entitled to a credit against the transmission or distribution tax in the amount provided in subsection 3. The credit for each transmission or distribution company must be allocated and distributed to counties in the same manner as the tax collected from that company is allocated.

3. The amount of credit is determined by multiplying the company's assessed tax by a fraction, the numerator of which is the total of all formula payments calculated for the subsequent calendar year under ~~sections 50-34-02 and~~section 50-34-03 and the

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denominator of which is the total statewide ad valorem property tax levied in the prior taxable year.

4. The tax commissioner shall annually calculate the amount of credit to which a company is entitled under this section.

~~**SECTION 14. REPEAL.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are repealed.~~

~~**SECTION 15. REPEAL.** Section 50-06.2-05 of the North Dakota Century Code is repealed.~~

SECTION 15. SUSPENSION. Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended.

SECTION 17. REPEAL. Section 57-20-07.2 of the North Dakota Century Code is repealed.

SECTION 18. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. A total of $160,700,000 is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the social services finance fund in the state treasury, not otherwise appropriated, the sum of $131,100,000 or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.
2. The department of human services shall also use $29,600,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 19. TRANSFER - PROPERTY TAX RELIEF FUND TO SOCIAL SERVICES FINANCE FUND. The office of management of budget shall transfer the sum of $131,100,000 from the property tax relief fund to the social services finance fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

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SECTION 20. EFFECTIVE DATE - EXPIRATION DATE. ~~Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for taxable years beginning after December 31, 2016. Sections 3, 4, 5, and 11 of this Act become effective on August 1, 2017. Sections 1, 2, and 12 of this Act are effective for taxable years beginning after December 31, 2017~~Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020.

4/18/2017 SB2206 Attachment

Human Service Grant Program
Calendar Years 2016 & 2017

	Awarded 2016	Awarded 2017
Adams County	$135,000.00	$133,000.00
Grant County	$0.00	$4,653.87
Morton County	$400,000.00	$400,000.00
Ramsey County	$520,513.00	$520,513.00
Rolette County	$298,891.00	$298,891.00
Sioux County	$48,000.00	$51,400.00
Stutsman County	$131,783.00	$131,783.00
Wells County	$200,000.00	$200,000.00
	$1,734,187.00	**$1,740,240.87**

4/19/2017 SB 2206 Attachment #1 AM Meeting Pg 1

December 31, 2015 County Social Service Fund Balances and Estimated General Fund Mill Levy Reductions

County or Service Area*	Social Services Fund 12/31/15 Ending Balance	2015 Social Services Budget	15% of Budget	Maximum Balance - Higher of 15% or $100,000	Actual 12/31/15 Balance up to Maximum	Excess Balance	2016 Tax Year Taxable Valuation	Potential General Fund Mill Levy Reduction Based on Excess Balance
Adams	(137,860)	540,753	81,113	100,000	0	0	15,677,783	0.00
Barnes	276,599	1,594,441	239,166	239,166	239,166	37,433	77,096,411	0.49
Benson	79,199	1,164,976	174,746	174,746	79,199	0	30,592,354	0.00
Bottineau	512,059	1,172,632	175,895	175,895	175,895	336,164	57,906,513	5.81
Bowman*	303,534	806,056	120,908	120,908	120,908	182,626	38,192,834	4.78
Burke	261,883	373,909	56,086	100,000	100,000	161,883	30,014,057	5.39
Burleigh	2,876,787	8,703,262	1,305,489	1,305,489	1,305,489	1,571,298	471,126,855	3.34
Cass	2,165,013	14,626,729	2,194,009	2,194,009	2,165,013	0	755,904,626	0.00
Cavalier	724,857	893,322	133,998	133,998	133,998	590,859	49,297,661	11.99
Dickey	503,287	899,114	134,867	134,867	134,867	368,420	38,331,137	9.61
Divide	38,114	670,643	100,596	100,596	38,114	0	41,051,398	0.00
Dunn	5,397	496,745	74,512	100,000	5,397	0	57,808,596	0.00
Eddy	19,249	485,129	72,769	100,000	19,249	0	13,234,442	0.00
Emmons	161,508	291,650	43,748	100,000	100,000	61,508	30,641,069	2.01
Foster	224,152	623,139	93,471	100,000	100,000	124,152	24,460,433	5.08
Golden Valley*	359,099	498,091	74,714	100,000	100,000	259,099	32,641,770	7.94
Grand Forks	1,509,741	9,167,572	1,375,136	1,375,136	1,375,136	134,605	284,299,223	0.47
Grant	91,394	443,365	66,505	100,000	91,394	0	19,579,820	0.00
Griggs	33,087	412,445	61,867	100,000	33,087	0	19,742,886	0.00
Hettinger	20,836	600,484	90,073	100,000	20,836	0	24,534,907	0.00
Kidder	159,420	391,960	58,794	100,000	100,000	59,420	16,925,350	3.51
LaMoure	(356,910)	456,579	68,487	100,000	0	0	39,435,677	0.00
Logan	113,286	261,619	39,243	100,000	100,000	13,286	15,090,992	0.88
McHenry	262,994	787,627	118,144	118,144	118,144	144,850	40,417,063	3.58
McIntosh	73,958	345,118	51,768	100,000	73,958	0	18,730,922	0.00
McKenzie	671,449	1,879,735	281,960	281,960	281,960	389,489	178,629,896	2.18
McLean*	319,744	2,803,420	420,513	420,513	319,744	0	146,734,859	0.00
Morton	436,008	3,404,139	510,621	510,621	436,008	0	144,276,095	0.00
Mountrail	507,802	2,220,477	333,072	333,072	333,072	174,730	124,800,094	1.40
Nelson	195,303	470,214	70,532	100,000	100,000	95,303	24,737,332	3.85
Pembina	21,735	1,311,325	196,699	196,699	21,735	0	60,450,275	0.00
Pierce	137,212	802,998	120,450	120,450	120,450	16,762	30,635,963	0.55
Ramsey*	707,299	2,613,931	392,090	392,090	392,090	315,209	79,188,713	3.98
Ransom	146,117	497,538	74,631	100,000	100,000	46,117	33,958,653	1.36
Renville	73,500	372,977	55,947	100,000	73,500	0	24,453,438	0.00
Richland	729,568	1,862,293	279,344	279,344	279,344	450,224	83,406,752	5.40
Rolette	137,007	2,108,334	316,250	316,250	137,007	0	19,748,400	0.00
Sargent	83,528	500,277	75,042	100,000	83,528	0	33,696,777	0.00
Sioux	(66,434)	866,416	129,962	129,962	0	0	4,358,528	0.00
Stark	3,221,431	4,734,498	710,175	710,175	710,175	2,511,256	221,107,018	11.36
Steele	372,714	295,557	44,334	100,000	100,000	272,714	28,347,603	9.62
Stutsman	2,153,619	3,421,560	513,234	513,234	513,234	1,640,385	106,884,843	15.35
Traill	34,177	1,558,436	233,765	233,765	34,177	0	49,984,193	0.00
Walsh	18,856	1,590,074	238,511	238,511	18,856	0	53,562,944	0.00
Ward	1,624,406	7,635,266	1,145,290	1,145,290	1,145,290	479,116	344,094,311	1.39
Wells	63,542	1,199,033	179,855	179,855	63,542	0	38,945,622	0.00
Williams	4,216,634	5,096,026	764,404	764,404	764,404	3,452,230	367,491,593	9.39
Total	**26,085,900**	**93,951,884**	**14,092,783**	**14,739,150**	**12,757,966**	**13,889,139**	**4,442,228,681**	
Average								**2.78**

4/19/2017 SB2206 attachment #1 pg 1

17.0760.02018
Title.

Prepared by the Legislative Council staff for
Senator Dotzenrod
April 19, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 6, remove "and"

Page 1, line 6, after "57-20-07.1" insert ", and section 57-38.1-09"

Page 1, line 8, remove the first "and"

Page 1, line 8, after "statements" insert ", and apportionment of business income"

Page 22, after line 14, insert:

"**SECTION 11. AMENDMENT.** Section 57-38.1-09 of the North Dakota Century Code is amended and reenacted as follows:

57-38.1-09. Business income.

1. Except as permitted under ~~subsections~~subsection 2 ~~through 4~~, all business income must be apportioned to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three.

2. For the first ~~two~~ taxable ~~years~~year beginning after December 31, 2015, a taxpayer that is not a passthrough entity may elect to apportion business income to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus two times the sales factor, and the denominator of which is four.

    a. The election must be made on the return as originally and timely filed in the form and manner prescribed by the tax commissioner.

    b. The election is applicable for all companies in a unitary group and for all companies filing a consolidated North Dakota return.

    c. The election is binding for ~~five consecutive~~the first taxable ~~years~~year after making the election, at which time the election lapses. ~~The election under this subsection also includes the election to use the sales factor under subsections 3 and 4 for the taxable years those subsections apply.~~

    ~~d. Unless a taxpayer makes another election under subsection 4 in the taxable year immediately following the final year of the binding effect of the election under this subsection, the taxpayer must file under subsection 1 for a period of three taxable years before it may make a new election under subsection 4.~~

~~3. For the first taxable year beginning after December 31, 2017, a taxpayer that is not a passthrough entity may elect to apportion business income to this state by multiplying the income by a fraction, the numerator of which is~~

4/19/2017 SB 2206 Attachment #1

~~the property factor plus the payroll factor plus six times the sales factor, and the denominator of which is eight.~~

~~a.~~ ~~The election must be made on the return as originally and timely filed in the form and manner prescribed by the tax commissioner.~~

~~b.~~ ~~The election is applicable for all companies in a unitary group and for all companies filing a consolidated North Dakota return.~~

~~c.~~ ~~The election is binding for five consecutive taxable years after making the election, at which time the election lapses. The election under this subsection also includes the election to use the sales factor under subsection 4 for the taxable years that subsection applies.~~

~~d.~~ ~~Unless a taxpayer makes another election under subsection 4 in the taxable year immediately following the final year of the binding effect of the election under this subsection, the taxpayer must file under subsection 1 for a period of three taxable years before it may make a new election under subsection 4.~~

~~4.~~ ~~For taxable years beginning after December 31, 2018, a taxpayer that is not a passthrough entity may elect to apportion business income to this state by multiplying the income by the sales factor. A taxpayer electing to file using a single sales factor must comply with the following:~~

~~a.~~ ~~The election must be made on the return as originally and timely filed in the form and manner prescribed by the tax commissioner.~~

~~b.~~ ~~The election is applicable for all companies in a unitary group and for all companies filing a consolidated North Dakota return.~~

~~c.~~ ~~The election is binding for five consecutive taxable years after making the election, at which time the election lapses.~~

~~d.~~ ~~Unless a taxpayer makes another election under this subsection in the taxable year immediately following the final year of a prior single sales factor election, the taxpayer must file under subsection 1 for a period of three taxable years before it may make a new single sales factor election.~~"

Page 22, line 19, replace "13" with "14"

Page 22, line 20, after the period insert "Section 11 of this Act is effective for taxable years ending after April 30, 2017."

Page 22, line 20, replace "11" with "12"

Page 22, line 21, replace "12" with "13"

Renumber accordingly

4/19/2017

SB 2206

Attachment #2

pg 1

Original Estimated Fiscal Impact of Sales Factor Election (SB 2292, 2015 Legislature), Current Assumptions Regarding Net Operation Loss Carryforwards and the Impact on Sales Factor Election And Estimated Fiscal Impact of Proposed Repeal of Sales Factor Election (Amendment to SB 2206, 2017 Legislature)

	Original Fiscal Note Assumptions From 2015 Legislature (SB 2292)		Current Economic Assumptions that Include Net Operating Losses Limiting Sales Factor impact to 50% (75% 2019 ++)	
	One Year	**Biennium**	**One Year**	**Biennium**
Double-weighted Sales Factor	$ (15,000,000)	$ (30,000,000)	$ (7,500,000)	$ (15,000,000)
Sales Factor of 6 times (75%)	(32,500,000)	(65,000,000)	(16,250,000)	(32,500,000)
Single Sales Factor - Sales only (100%)	(59,000,000)	(118,000,000)	(44,250,000)	(88,500,000)

Comments: The bill passed with double weighted sales for tax year 2016 and 2017, making fiscal note -$15 million for 2015-17 biennium and -$15 million for first year of 2017-19 biennium. For tax year 2018, the sales factor was weighted as 75%, making the fiscal impact for both years of the 2017-19 biennium -$47.5 million. Starting with tax year 2019, the fiscal impact was -$118 million (plus normal econ. growth) for all future biennia beginning with 2019-21 biennium.

Comments: The 2015 oil price decline resulted in many corporations facing large net operating losses. These are believed to be some of the same corps that otherwise would elect preferential sales factor weighting. It is believed these losses are about equal in tax consequences as the preferential sales factor weighting. Beginning in 2019 some NOL's will be "used up" and a fully phased in sales only will "cost" about 75% as much as originally assumed. In 2021 and beyond, the fiscal impact is again assumed to be -$118 million per biennium, plus normal economic growth.

Fiscal Impact of Proposed Amendment to allow a single year of double-weighted sales factor only: This will reduce the fiscal impact to a single year at -$7.5 million (which is already built into the forecast for 2015-17 biennium). It will reduce the negative impact in the 2017-19 biennium from -$23.750 million to zero, increasing revenues in the 2017-19 biennium by +$23.750 million. It will increase revenues in the 2019-21 bienniu by an estimated +$88.5 million, plus economic growth, and current NOL info.

NOTE: Original SB 2292 (2015 Session) allowed the following election: Tax year 2016 and 2017 - double weighted sales; tax year 2018 - 75% weighted sales; tax year 2019 and 2020 - 100% weighted sales. The election requires a mandatory 5 year preferential sales factor treatment.

Proposed Amendment to SB 2206 (2017 Session) allows the 2016 election of double weighted sales factor only. Reverts back to equally weighted 3 factor formula beginning with tax year 2017.

4/19/2017 SB 2206 Attachment #3 pg 1

17.0760.02017
Title.

Prepared by the Legislative Council staff for
Representative Headland
April 18, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 11, after the semicolon insert "to provide for a legislative management study;"

Page 22, after line 14, insert:

> "**SECTION 11. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM.** During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Page 22, line 19, replace "13" with "14"

Page 22, line 20, replace "11" with "12"

Page 22, line 21, replace "12" with "13"

Renumber accordingly

17.0760.02020
Title.

Prepared by the Legislative Council staff for Conference Committee
April 19, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide for a legislative management study; to provide an appropriation; to provide for a transfer;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for

~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the

human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after "**50-34-01.**" insert:

"**State-paid economic assistance and social service pilot program - Application - Report.**

1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

<u>50-34-02.</u>"

Page 7, line 15, remove ""<u>Economic assistance adjusted base year gross expenditures" means an amount</u>"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "<u>5.</u>"

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**<u>50-34-02</u>**" with "**<u>50-34-03</u>**"

Page 7, line 25, replace "<u>50-34-07</u>" with "<u>50-34-04</u>"

Page 7, line 27, replace "<u>. Beginning</u>" with "<u>, and for calendar year 2019 on or before</u>"

Page 7, line 28, remove "<u>, and on or before June first of each year thereafter, the director shall</u>"

Page 7, line 29, remove "<u>notify each service area of its formula payment for the subsequent calendar year</u>"

Page 8, line 5, replace "<u>50-34-07</u>" with "<u>50-34-04</u>"

Page 8, line 7, after "<u>less</u>" insert "<u>or a decrease of five percent or less</u>"

Page 8, line 15, after "<u>subtracting</u>" insert "<u>one hundred five percent of</u>"

Page 8, line 15, replace "<u>distributed</u>" with "<u>determined</u>"

Page 8, line 15, replace "<u>2</u>" with "<u>1</u>"

Page 8, line 16, after "<u>a</u>" insert "<u>and add the resulting amount to the amount distributed under subsection 2</u>"

Page 8, line 17, after "<u>payment</u>" insert "<u>as determined under this subdivision</u>"

Page 8, after line 18, insert:

"<u>d.</u> <u>If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth.</u>"

Page 8, line 21, replace "<u>50-34-08</u>" with "<u>50-34-05</u>"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 9, line 29, after "**<u>amounts</u>**" insert "**<u>- Calculation of formula payment</u>**"

Page 10, line 10, remove "<u>a.</u>"

Page 10, line 13, remove "<u>adjusted</u>"

Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 29

Page 10, line 30, replace "twenty-two cents" with:

"4. The director shall calculate the total formula payment by summing the following:

a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data"

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**50-34-08**" with "**50-34-05**"

Page 14, line 16, replace "thirty-five percent of the annual budget for the service area in the previous year or one" with "five"

Page 14, line 17, replace ", whichever is greater" with "for a service area that had annual expenditures of two million dollars or greater in calendar year 2015 or one hundred thousand dollars for a service area that had annual expenditures of less than two million dollars in calendar year 2015"

Page 14, line 18, replace "**50-34-09**" with "**50-34-06**"

Page 14, line 20, replace "50-34-08" with "50-34-05"

Page 14, line 21, replace "50-34-08" with "50-34-05"

Page 14, line 26, remove "and on January first of each year thereafter,"

Page 14, line 27, replace "50-34-08" with "50-34-05"

Page 14, line 28, replace "50-34-02" with "50-34-03"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**50-34-11**" with "**50-34-07**"

Page 16, after line 18, insert:

"<u>**50-34-08. Social services finance fund.**</u>

<u>The social services finance fund is a special fund in the state treasury. Moneys in the fund may be used, subject to legislative appropriation, for the provision of formula payments to service areas pursuant to this chapter.</u>"

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

   c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

   d. ~~If the base year is a taxable year before 2013, reduced~~<u>Reduced</u> by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

      ~~(1)~~ ~~The~~<u>the</u> base year mill rate of the school district minus sixty mills~~;~~ or

      ~~(2)~~ ~~Fifty~~<u>fifty</u> mills<u>, if the base year is a taxable year before 2013</u>.

   e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~<u>Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34</u>."

Page 21, line 7, replace "<u>2018</u>" with "<u>2017</u>"

Page 21, line 7, replace "2017" with "2016"

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

Page 21, remove lines 22 and 23

Page 21, line 24, remove "county for the taxable year"

Page 21, after line 24, insert:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 50-34 for taxable years 2017 and 2018 and under chapter 15.1-27 ~~and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills."

Page 22, line 11, replace "sections 50-34-02 and" with "section"

Page 22, replace lines 15 through 17 with:

"**SECTION 15. SUSPENSION.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 18. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM.** During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system.

The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly.

SECTION 19. TRANSFER - TAX RELIEF FUND TO SOCIAL SERVICES FINANCE FUND. The office of management of budget shall transfer the sum of $160,700,000 from the tax relief fund to the social services finance fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 20. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. There is appropriated out of any moneys in the social services finance fund in the state treasury, not otherwise appropriated, the sum of $160,700,000, or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

17.0760.02020

FIRST ENGROSSMENT

Sixty-fifth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2206

Introduced by

Senators Bekkedahl, Burckhard, Cook

Representatives Dockter, Nathe, Weisz

A BILL for an Act to create and enact chapter 50-34 and a new section to chapter 57-20 of the North Dakota Century Code, relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies; to amend and reenact sections 11-23-01, 50-01.2-03.2, 50-06-05.8, 50-06-20.1, and 50-06.2-04, subsection 3 of section 57-15-01.1, ~~sections 57-15-06 and~~section 57-15-06.7, and subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code, relating to county and multicounty social service board budgets, the human service grant program, county general fund levy limitations, and property tax statements; to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority; to repeal ~~chapter 50-03 and sections 50-06-20.1, 50-06.2-05, and~~section 57-20-07.2 of the North Dakota Century Code, relating to the ~~county human services fund, the human services grant program, county property tax levy authority for social services, and the~~ state-paid property tax relief credit; ~~and~~to provide for a report to the legislative management; to provide for a legislative management study; to provide an appropriation; to provide for a transfer; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

~~1.~~ Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or

improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

~~2.~~ ~~a.~~ ~~The departmental budget submitted by the county social service board in 2015 for the 2016 budget may not exceed an amount determined using the departmental budget submitted in 2014 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for 2014 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year 2015. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:~~

~~(1)~~ ~~Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;~~

~~(2)~~ ~~The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;~~

~~(3)~~ ~~The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;~~

~~(4)~~ ~~The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;~~

~~(5)~~ ~~The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and~~

~~(6)~~ ~~The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of~~

~~the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.~~

~~b.~~ ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

~~The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.~~

~~d.~~ ~~The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff.~~

SECTION 2. AMENDMENT. Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~<u>2019</u> for the ~~2016~~<u>2020</u> budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~<u>2016</u> by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for ~~2014~~<u>2016</u> derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~<u>2019</u>. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

~~——~~The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a

result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff.

SECTION 3. AMENDMENT. Section 50-01.2-03.2 of the North Dakota Century Code is amended and reenacted as follows:

50-01.2-03.2. County duties ~~- Financing in exceptional circumstances~~.

~~1.~~ Each county social service board shall administer, under the direction and supervision of the department:

~~a.~~1. Locally administered economic assistance and social service programs;

~~b.~~2. Replacement programs with substantially similar goals, benefits, or objectives; and

~~c.~~3. When necessary, experimental, pilot, or transitional programs with substantially similar goals, benefits, or objectives.

~~2. From the abstract of tax list prepared pursuant to section 57-20-04, each county shall annually provide the department of human services a report of the total mills levied for human service purposes pursuant to sections 50-03-01, 50-03-06, and 50-06.2-05, and the countywide value of a mill in each county. Upon receipt of reports from all counties, the department shall determine the statewide average of the mill levies and identify each county that levied ten mills more than that average. Each identified county is entitled to a share of funds appropriated for distribution under this subsection. Each identified county's share is determined by:~~

~~a. Reducing its mill levy necessary to meet the costs of providing human services required under this title by the statewide average mill levy determined under this subsection plus ten mills;~~

~~b. Determining the amount that could have been raised in that county and year through a mill levy in the amount calculated under subdivision a;~~

~~c. Totaling the amounts determined under subdivision b for all counties entitled to a distribution;~~

~~d. Calculating a decimal fraction equal to each identified county's proportionate share of the total determined under subdivision c; and~~

~~e. Multiplying that decimal fraction times one-half of the biennial appropriation.~~

~~3. Notwithstanding any other provisions of law, the department shall reimburse county social service boards for expenses of locally administered economic assistance programs in counties in which the percentage of that county's average total supplemental nutrition assistance program caseload for the previous fiscal year which reside on federally recognized Indian reservation lands is ten percent or more. The reimbursement must be such that:~~

~~a. An affected county's actual direct costs and indirect costs allocated based on a percentage of each county's direct economic assistance and social services costs for locally administered economic assistance programs will be reimbursed at the percentage of that county's average total supplemental nutrition assistance program caseload for the previous state fiscal year which reside on federally recognized Indian reservation land not to exceed ninety percent;~~

~~b. The affected counties will receive quarterly payments based on the actual county direct and indirect costs, as provided in subdivision a, for the previous state fiscal year;~~

~~c. At the end of each fiscal year the actual quarterly payments paid must be reconciled to the current year of calculation of actual direct and indirect costs as provided in subdivision a and supplemental nutrition assistance program caseload and counties must be compensated accordingly in the first quarter of the new fiscal year; and~~

~~d. The reimbursement will be calculated for each county and reported to the county social service board prior to September first.~~

SECTION 4. AMENDMENT. Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume ~~certain~~ costs of ~~certain~~economic assistance and social service programs.

~~Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the~~The department of human services shall pay ~~the local~~each service area's expenses ~~of administration incurred by a county~~for administering economic assistance and social service programs for calendar years after December 31, ~~2015, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, 2015; and the computer processing costs incurred by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996~~2017, based on the formula payment amount calculated for each service area under chapter 50-34.

SECTION 5. AMENDMENT. Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a

grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section.

SECTION 7. AMENDMENT. Section 50-06.2-04 of the North Dakota Century Code is amended and reenacted as follows:

50-06.2-04. Powers and duties of county agencies.

Each county agency has the following powers and duties under this chapter:

1. To administer comprehensive human services programs for individuals and families at the county level in conformity with state and federal requirements under the direction and supervision of the state agency.
2. To publish and provide to the state agency a county human services plan which must include the following:
    a. A statement of the goals of county human services programs in the county.
    b. Methods used to identify persons in need of services and the social problems to be addressed by the county human services programs.

c. A description of each county human service proposed and identification of the agency or person proposed to provide the service.

d. The amount of money proposed to be allocated to each service.

e. An agreement to make available those human services required by state law and by federal law or regulation as a condition for the receipt of federal financial participation in programs administered by county agencies under the provisions of this title.

The date of submission of the county human services plan to the state agency must be determined so that the plan is coordinated with the proposed and final comprehensive human services plan.

3. To make available the human services detailed in the comprehensive human services plan which the county agency has included in the approved county plan and to provide such other human services as the county agency determines essential in effectuating the purposes of this chapter within the county. To the extent funding is available under section 50-06.2-03 and chapter 50-24.1, the county plan must include the services enumerated in those sections. The county agency shall make these services available to any individual requesting service and determined eligible on the basis of a functional assessment conducted in accordance with state and federal laws and regulations. The individual shall pay for the services in accordance with a fee scale based on family size and income. The county agency may contract with any qualified service provider in its provision of those enumerated services.

4. To submit annually to the board of county commissioners a budget containing an estimate and supporting data, setting forth the ~~county~~ funds needed to carry out the provisions of this chapter.

SECTION 8. Chapter 50-34 of the North Dakota Century Code is created and enacted as follows:

50-34-01. State-paid economic assistance and social service pilot program - Application - Report.

1. The department of human services shall administer a state-wide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

50-34-02. Definitions.

As used in this chapter, unless the context otherwise requires:

1. "Base year" means calendar year 2015.
2. "Case-month" means the provision of economic assistance or social services to one individual for the period of one month or the provision of energy assistance through the low income home energy assistance program for the period beginning October first of each year and ending May thirty-first of the following year.
3. "Director" means the executive director of the department of human services or the executive director's designee.

~~4. "Economic assistance adjusted base year gross expenditures" means an amount calculated by increasing the service area's base year economic assistance gross expenditures by five percent per year in calendar years 2016 and 2017.~~

~~5.~~ "Service area" means a county or consolidated group of counties administering economic assistance and social service programs within a designated area.

~~6. "Social service adjusted base year gross expenditures" means an amount calculated by increasing the service area's base year social service gross expenditures by five percent per year in calendar years 2016 and 2017.~~

~~50-34-02~~**50-34-03. Formula payments to service areas - Distributions by the director.**

1. The director shall calculate the total formula payment for each service area pursuant to section ~~50-34-07~~50-34-04 for each calendar year based on each service area's most recently available case-month data. The director shall notify each service area of the amount of its formula payment for calendar year 2018 on or before August 15, 2017~~. Beginning~~, and for calendar year 2019 on or before June 1, 2018~~, and on or before June first of each year thereafter, the director shall notify each service area of its formula payment for the subsequent calendar year~~.

2. The director shall distribute fifty percent of the amount of each service area's formula payment determined under subsection 1, within the limits of legislative appropriation, on or before January tenth.

3. a. By June first of each year, the director shall recalculate the total formula payment for each service area pursuant to section ~~50-34-07~~50-34-04 for the current calendar year based on each service area's most recently available case-month data.

   b. If the recalculated formula payment results in an increase of five percent or less or a decrease of five percent or less as compared to the formula payment determined under subsection 1, the director shall distribute fifty percent of the amount of each service area's formula payment determined under subsection 1, within the limits of legislative appropriation, on or before June fifteenth.

   c. If the recalculated formula payment results in an increase of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment

by subtracting one hundred five percent of the amount ~~distributed~~determined under subsection ~~2~~1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth.

d. If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth.

4. For payments disbursed after calendar year 2018, the director shall subtract from a service area's June fifteenth disbursement any amount exceeding the limitation under section ~~50-34-08~~50-34-05.

~~**50-34-03. State-paid property tax relief credit replacement - Distributions by the director.**~~

~~1. On or before October first of each year, the director shall calculate the amount payable to each county in the ensuing budget year as a result of the state-paid property tax relief credit replacement. A county's state-paid property tax relief credit replacement payment must be calculated as follows:~~

~~a. For a county located in a service area that encompasses only one county, subtract the county's service area formula payment determined under subsection 1 of section 50-34-02 from the sum of the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 and fifty percent of the amount the county received in fiscal year 2015 for specified state distributions.~~

~~b. For a county located in a service area that encompasses more than one county, subtract the county's share of the formula payment determined for each service area under subsection 1 of section 50-34-02 from the sum of the amount the~~

~~county received in calendar year 2017 pursuant to section 57-20-07.2 and fifty percent of the county's share of specified state distributions in fiscal year 2015. The county's share of the formula payment and specified state distributions is calculated as the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 proportional to the combined total amounts that all the counties in the service area received in calendar year 2017 pursuant to section 57-20-07.2.~~

~~2. The director shall distribute the amount of each county's state-paid property tax relief credit replacement payment determined under subsection 1, within the limits of legislative appropriation, on or before January thirty-first of each year. The amount calculated for distribution to a county under this section must be applied to reduce a county's general fund levy in accordance with subsection 3.~~

~~3. On or before October fifteenth of each year, the tax commissioner shall notify each county of the amount calculated for distribution to the county under subsection 2. The county auditor shall calculate a county's required mill levy reduction by dividing the amount calculated for distribution to a county under subsection 2 by the county's current year taxable value. If the amount of a county's general fund mill levy is not sufficient to account for the entire required reduction, the county must reduce an additional county-wide levy to account for the remainder of the required reduction.~~

~~4. For purposes of this section, "specified state distributions" means the amount of state and federal funding a county received in fiscal year 2015 for day care licensing, family preservation programs, child abuse and neglect services, Indian county services, and county administration.~~

50-34-04. Baseline funding amounts - Calculation of formula payment.

1. The director shall calculate each service area's base year case-month totals and direct gross expenditures. A service area's direct gross expenditures include the actual amount expended within a service area in the base year for staffing and administrative costs related to the administration of economic assistance and social service programs as well as eligible federally allowable indirect costs. For purposes of this subsection, "eligible federally allowable indirect costs" means twenty-five percent of

the average of the federally allowable indirect costs allocated to each service area in calendar years 2012, 2013, and 2014.

2. The director shall calculate each service area's base rate per economic assistance case-month by dividing the service area's economic assistance net expenditures by the economic assistance case-months reported for the service area in the base year.

~~a.~~ For purposes of this subsection, "economic assistance net expenditures" means the amount calculated by subtracting the amount paid to the service area in the base year for services reimbursed by medical assistance from the service area's economic assistance ~~adjusted~~ base year gross expenditures.

~~b. For calendar year 2018 formula payment calculations, the base rate per economic assistance case-month is equal to twenty-two dollars and seventy-eight cents. For calendar year 2019 formula payment calculations, the base rate per economic assistance case-month is equal to twenty-three dollars and ninety-two cents.~~

3. The director shall calculate each service area's base rate per social service case-month by dividing the service area's social service net expenditures by the social service case-months reported for the service area in the base year.

~~a.~~ For purposes of this subsection, "social service net expenditures" means the amount calculated by subtracting the amount paid to the service area in the base year for services reimbursed by medical assistance from the service area's social service ~~adjusted~~ base year gross expenditures.

~~b. For calendar year 2018 formula payment calculations, the base rate per social service case-month is equal to five hundred sixty-eight dollars and seventy-eight cents. For calendar year 2019 formula payment calculations, the base rate per social service case-month is equal to five hundred ninety-seven dollars and twenty-two cents~~

4. The director shall calculate the total formula payment by summing the following:

a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data.

~~**50-34-05. Economic assistance caseload weighting factor - Determination.**~~

~~1. The director shall assign an economic assistance caseload weighting factor of:~~

~~a. 1.00 to each service area with a yearly economic assistance case-month count of at least 250,000;~~

~~b. 1.60 to each service area with a yearly economic assistance case-month count of fewer than 250,000 but at least 45,000;~~

~~c. 1.75 to each service area with a yearly economic assistance case-month count of fewer than 45,000 but at least 22,000;~~

~~d. 2.00 to each service area with a yearly economic assistance case-month count of fewer than 22,000 but at least 8,000;~~

~~e. 2.20 to each service area with a yearly economic assistance case-month count of fewer than 8,000 but at least 5,000; and~~

~~f. 2.35 to each service area with a yearly economic assistance case-month count of fewer than 5,000.~~

~~2. The weighted rate per economic assistance case-month must be determined by multiplying the weighting factor assigned to each service area under this section by the base rate per economic assistance case-month.~~

~~**50-34-06. Social service caseload weighting factor - Determination.**~~

~~1. The director shall assign a social service caseload weighting factor of:~~

~~a. 1.00 to each service area with a yearly social service case-month count of at least 10,000;~~

~~b. 1.35 to each service area with a yearly social service case-month count of fewer than 10,000 but at least 1,800;~~

~~c. 1.50 to each service area with a yearly social service case-month count of fewer than 1,800 but at least 900;~~

~~d. 1.60 to each service area with a yearly social service case-month count of fewer than 900 but at least 210;~~

~~e. 2.00 to each service area with a yearly social service case-month count of fewer than 210 but at least 145; and~~

~~f. 2.50 to each service area with a yearly social service case-month count of fewer than 145.~~

~~2. The weighted rate per social service case-month must be determined by multiplying the weighting factor assigned to each service area under this section by the base rate per social service case-month.~~

~~**50-34-07. Calculation of formula payment - Minimum and maximum allowable increases.**~~

~~1. The director shall calculate the total formula payment by summing the following:~~

~~a. The product of the service area's weighted rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.~~

~~b. The product of the service area's weighted rate per social service case-month and the service area's most recently available social service caseload data.~~

~~2. The director shall adjust the total formula payment as calculated in subsection 1 for minimum and maximum allowable increases as follows:~~

~~a. For calendar year 2018 formula payment calculations, the formula payment must be at least one hundred two percent but no more than one hundred ten percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures. However, if the case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's case-month totals reported in the previous year for either economic assistance cases or social service cases, the formula payment may exceed one hundred ten percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures by the amounts calculated in subdivisions c and d of this subsection.~~

~~b. For calendar year 2019 formula payment calculations, the formula payment must be at least one hundred four percent but no more than one hundred twenty percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures. However, if the case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the~~

~~service area's case-month totals reported in the previous year for either economic assistance cases or social service cases, the formula payment may exceed one hundred twenty percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures by the amounts calculated in subdivisions c and d of this subsection.~~

~~c. If the economic assistance case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's economic assistance case-month totals reported in the previous year, the formula payment may be increased by the amount resulting from multiplying the service area's weighted rate per economic assistance case-month by the number of economic assistance case-months that exceed one hundred and five percent of the economic assistance case-month totals reported in the previous year.~~

~~d. If the social service case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's social service case-month totals reported in the previous year, the formula payment may be increased by the amount resulting from multiplying the service area's weighted rate per social service case-month by the number of social service case-months that exceed one hundred and five percent of the social service case-month totals reported in the previous year.~~

~~3. The director shall adjust the total formula payment as calculated in subsection 2 for reimbursements as follows:~~

~~a. The services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area in the base year must be subtracted from the total formula payment as calculated in subsection 2.~~

~~b. The first ten thousand dollars of services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area, based on the most recently~~

~~reported reimbursement data, must be added to the total formula payment as calculated in subdivision a of this subsection.~~

~~c. Twenty-five percent of the remaining amount of services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area must be added to the total formula payment as calculated in subdivision b of this subsection.~~

~~50-34-08~~50-34-05. Service area human services fund - Establishment - Fund balance limitations.

Each service area in this state shall maintain a fund to be known as the service area human services fund. All expenditures by the service area for the relief of the needy must be paid from the service area human services fund. If, due to unforeseen or other extenuating circumstances, a service area's formula distribution payment is not sufficient to meet the expenses of that service area, the board of county commissioners may approve a transfer from the county's general fund to the service area human services fund upon a majority vote of all members. The balance of moneys in the fund on January first of each year may not exceed ~~thirty-five percent of the annual budget for the service area in the previous year or one~~five hundred thousand dollars~~, whichever is greater~~ for a service area that had annual expenditures of two million dollars or greater in calendar year 2015 or one hundred thousand dollars for a service area that had annual expenditures of less than two million dollars in calendar year 2015.

~~50-34-09~~50-34-06. Service area human services fund - Transfer.

If on January 1, 2018, the balance of a service area human services fund exceeds the limitations in section ~~50-34-08~~50-34-05, the county treasurer shall transfer the amount exceeding the limitations in section ~~50-34-08~~50-34-05 to the designated county general fund within that service area. A county receiving a transfer shall reduce its county general fund mill levy for taxable year 2018 by an equivalent amount. If the amount of a county's general fund mill levy is not sufficient to account for the entire required reduction, the county shall reduce an additional county-wide mill levy for taxable year 2018 to account for the remainder of the required reduction. If on January 1, 2019, ~~and on January first of each year thereafter,~~ the balance of a service area human services fund exceeds the limitations in section ~~50-34-08~~50-34-05, the director shall reduce the service area's formula payment as directed in subsection 4 of section ~~50-34-02~~50-34-03.

~~**50-34-10. Service area consolidations - Caseload weighting factor adjustments - Transition.**~~

~~1. The director shall create and assign a separate caseload weighting factor to any group of service areas that consolidate after December 31, 2017, for the purpose of administering economic assistance and social service programs.~~

~~2. For purposes of this section, a "consolidated service area" means two or more service areas that combine for the purpose of administering economic assistance and social service programs and operate under a single board and a single director and make payments from a merged annual budget and one pool of funds. Consolidations under this section are subject to the procedures provided for multicounty social service districts under chapter 50-01.1.~~

~~3. For the first taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equivalent to that which each separate service area would have received had the consolidation not taken place.~~

~~4. For the second taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to ninety percent of the difference between the weighting factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~5. For the third taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a payment rate equal to eighty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~6. For the fourth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to seventy percent of the difference between the factor calculated in subsection 3 and the rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~7. For the fifth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to sixty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~8. For the sixth taxable year following the consolidation and all future taxable years in which the consolidation continues, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to fifty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~50-34-11~~50-34-07. **Authority to withhold funding.**

Notwithstanding subsection 2 of section 50-01.2-06, if a service area fails to perform duties directed or assigned and supervised by the department of human services, the department of human services may withhold funding from the service area. The amount withheld may not exceed double the actual cost of the duty that was not performed, the per activity amount from the formula, the cost to the department of human services, or the amount of a federal penalty imposed as a result of the duty that was not performed.

50-34-08. Social services finance fund.

The social services finance fund is a special fund in the state treasury. Moneys in the fund may be used, subject to legislative appropriation, for the provision of formula payments to service areas pursuant to this chapter.

SECTION 9. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

~~(1)~~ ~~The~~ the base year mill rate of the school district minus sixty mills~~;~~ or

~~(2)~~ ~~Fifty~~ fifty mills, if the base year is a taxable year before 2013.

e. ~~If~~Reduced by the base year human services county levy in dollars if the base year is a taxable year before ~~2016,~~2017 ~~the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~.

~~**SECTION 7. AMENDMENT.** Section 57-15-06 of the North Dakota Century Code is amended and reenacted as follows:~~

~~**57-15-06. County general fund levy.**~~

~~The board of county commissioners may levy property taxes for county general fund purposes at a tax rate not exceeding sixty mills per dollar of taxable valuation of property in the county.~~

~~A county that levied more than sixty mills for taxable year 2015 for the combined number of mills levied for general fund purposes plus the number of mills levied for purposes consolidated into the general fund levy by this Act may levy for general fund purposes for taxable year 2016 the same number of mills that was levied for those purposes for taxable year 2015. A county~~

~~may levy for general fund purposes for taxable year 2017 sixty mills plus seventy-five percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2018 sixty mills plus fifty percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2019 sixty mills plus twenty-five percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015.~~

~~For taxable years after 2016, the maximum county mill levy for general fund purposes determined under this section or section 57-15-01.1 must be reduced by the number of mills determined pursuant to the calculation under section 50-34-03. If the amount of a county's mill levy for general fund purposes is not sufficient to account for the entire reduction required under section 50-34-03, the county must reduce an additional county-wide mill levy to account for the remainder of the required reduction.~~

~~Unless a specific exception is provided by statute, the county general fund levy limitation under this section applies to all property taxes the board of county commissioners is authorized to levy for general county purposes.~~

SECTION 10. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

~~(1) The~~the base year mill rate of the school district minus sixty mills~~;~~ or

~~(2) Fifty~~fifty mills, if the base year is a taxable year before 2013.

e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34.

SECTION 11. AMENDMENT. Section 57-15-06.7 of the North Dakota Century Code is amended and reenacted as follows:

57-15-06.7. Additional levies - Exceptions to tax levy limitations in counties.

The tax levy limitations specified in section 57-15-06 do not apply to the following mill levies, which are expressed in mills per dollar of taxable valuation of property in the county:

1. A county supporting an airport or airport authority may levy a tax not exceeding four mills in accordance with section 2-06-15.
2. A county levying a tax for extension work as provided in section 4-08-15 may levy a tax not exceeding two mills and if a majority of the electors of the county have approved additional levy authority under section 4-08-15, the county may levy a voter-approved tax not exceeding an additional tax of two mills.
3. A county levying a tax for historical works in accordance with section 11-11-53 may levy a tax not exceeding one-quarter of one mill, except that if sixty percent of the qualified electors voting on the question of a levy limit increase as provided in section

11-11-53 shall approve, the tax levy limitation may be increased to not exceeding three-quarters of one mill.

4. A county levying a tax for a county or community hospital association as provided in section 23-18-01 may levy a tax for not more than five years not exceeding eight mills in any one year or, in the alternative, for not more than ten years at a mill rate not exceeding five mills.

5. A county levying a tax for county roads and bridges as provided in section 24-05-01 may levy a tax at a tax rate not exceeding ten mills. When authorized by a majority of the qualified electors voting upon the question at a primary or general election in the county, the county commissioners may levy and collect an additional tax for road and bridge purposes as provided in section 24-05-01, not exceeding a combined additional tax rate of twenty mills.

6. A county levying a tax to establish and maintain a public library service as provided in section 40-38-02 may levy a tax not exceeding four mills.

7. A county levying a tax for a county veterans' service officer's salary, traveling, and office expenses in accordance with section 57-15-06.4 may levy a tax not exceeding two mills.

8. A county levying a tax for capital projects under section 57-15-06.6 may levy a tax not exceeding ten mills. When authorized by a majority of the qualified electors voting upon the question of a specific capital project or projects at a primary or general election in the county, the county commissioners may levy and collect an additional voter-approved tax for capital projects under section 57-15-06.6 not exceeding a tax rate of ten mills per dollar of the taxable valuation of property in the county. After January 1, 2015, approval or re-authorization by electors of increased levy authority under this subsection may not be effective for more than ten taxable years. Any voter-approved levy in excess of ten mills for the purposes specified in section 57-15-06.6 approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved.

9. A county levying a tax for emergency purposes as provided in section 57-15-28 may levy a tax not exceeding two mills in a county with a population of thirty thousand or

more, four mills in a county with a population under thirty thousand but more than five thousand, or six mills in a county with a population of five thousand or fewer.

10. A county levying a tax for county emergency medical service according to section 57-15-50 may levy a tax not exceeding ten mills.

11. A county levying a tax for weed control as provided in section 4.1-47-14 may levy a tax not exceeding four mills.

12. A county levying a tax for programs and activities for senior citizens according to section 57-15-56 may levy a tax not exceeding two mills.

13. Tax levies made for paying the principal and interest on any obligations of the county evidenced by the issuance of bonds.

14. A county levying a tax for a job development authority as provided in section 11-11.1-04 may levy a tax not exceeding four mills on the taxable valuation of property within the county. However, if any city within the county is levying a tax for support of a job development authority and the total of the county and city levies exceeds four mills, the county tax levy within the city levying under subsection 12 of section 57-15-10 must be reduced so the total levy in the city does not exceed four mills.

15. ~~A county levying an annual tax for human services purposes as provided in section 50-06.2-05 may levy a tax not exceeding the lesser of twenty mills or the number of mills determined by dividing the county budget limitation in dollars as determined under section 11-23-01 by the taxable valuation of the county.~~

~~16.~~ A levy for an extraordinary expenditure under section 11-11-24 approved by the electors of the county before January 1, 2015, may continue to be levied and collected under provisions of law in effect when the levy was approved and for the term it was approved by the electors. When the levy authority for an extraordinary expenditure ends under this subsection, the fund must be closed out and any unobligated balance in the fund must be transferred to the county general fund.

~~17.~~16. Levies dedicated under section 57-15-59 before January 1, 2015, for lease payments may be continued to be levied and collected for the duration of the lease. When the levy authority for lease payments ends under this subsection, the fund must be closed out and any unobligated balance in the fund must be transferred to the county general fund. A lease for county facilities effective after December 31, 2014, is subject to the capital projects levy limitations of section 57-15-06.6.

Tax levy or mill levy limitations do not apply to any statute which expressly provides that taxes authorized to be levied therein are not subject to mill levy limitations provided by law.

SECTION 12. AMENDMENT. Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 15.1-27 ~~and under~~, section 57-20-07.2 for taxable years before ~~2018~~2017, and chapter 50-34 for taxable years after ~~2017~~2016.

(1) For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

~~(1)~~ (a) Fifty mills; or

~~(2)~~ (b) The 2012 taxable year mill rate of the school district minus sixty mills.

(2) Legislative tax relief under chapter 50-34 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the ~~sum of the following:~~

~~(a) The~~ number of mills determined by dividing the amount calculated in subsection 1 of section ~~50-34-02~~50-34-03 by the taxable value of taxable property in the county for the taxable year~~; and~~

~~(b) The number of mills determined by dividing the amount calculated in section 50-34-03 by the taxable value of taxable property in the county for the taxable year~~.

SECTION 13. AMENDMENT. Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 50-34 for taxable years 2017 and 2018 and under chapter 15.1-27 ~~and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills.

SECTION 14. A new section to chapter 57-20 of the North Dakota Century Code is created and enacted as follows:

Centrally assessed company credit against payments in lieu of taxes.

1. The owner, operator, or lessee of transmission lines, for which payments in lieu of property taxes are assessed by the state board of equalization under section 57-06-17.3, is entitled to a credit against tax in the amount provided in subsection 3. The credit for each transmission company must be allocated to the counties in the same manner as the tax collected from that company is allocated.

2. The owner, operator, or lessee of electric transmission or distribution property, for which payments in lieu of property taxes are assessed by the state board of equalization under sections 57-33.2-02 or 57-33.2-03, is entitled to a credit against the transmission or distribution tax in the amount provided in subsection 3. The credit for each transmission or distribution company must be allocated and distributed to counties in the same manner as the tax collected from that company is allocated.

3. The amount of credit is determined by multiplying the company's assessed tax by a fraction, the numerator of which is the total of all formula payments calculated for the subsequent calendar year under ~~sections 50-34-02 and~~section 50-34-03 and the

denominator of which is the total statewide ad valorem property tax levied in the prior taxable year.

4. The tax commissioner shall annually calculate the amount of credit to which a company is entitled under this section.

~~**SECTION 14. REPEAL.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are repealed.~~

~~**SECTION 15. REPEAL.** Section 50-06.2-05 of the North Dakota Century Code is repealed.~~

SECTION 15. SUSPENSION. Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended.

SECTION 17. REPEAL. Section 57-20-07.2 of the North Dakota Century Code is repealed.

SECTION 18. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM. During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly.

SECTION 19. TRANSFER - TAX RELIEF FUND TO SOCIAL SERVICES FINANCE FUND. The office of management of budget shall transfer the sum of $160,700,000 from the tax relief fund to the social services finance fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 20. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. There is appropriated out of any moneys in the social services finance fund in the state treasury, not otherwise appropriated, the sum of $160,700,000, or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 21. EFFECTIVE DATE - EXPIRATION DATE. ~~Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for taxable years beginning after December 31, 2016. Sections 3, 4, 5, and 11 of this Act become effective on August 1, 2017. Sections 1, 2, and 12 of this Act are effective for taxable years beginning after December 31, 2017~~Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020.

4-20-17 SB 2206 Attachment #2 AM pg 1

December 31, 2015 County Social Service Fund Balances and Estimated General Fund Mill Levy Reductions

County or Service Area*	Social Services Fund 12/31/15 Ending Balance	2015 Social Services Budget	Maximum Balance	Actual 12/31/15 Balance up to Maximum	Excess Balance	2016 Tax Year Taxable Valuation	Potential General Fund Mill Levy Reduction Based on Excess Balance
Adams	(137,860)	540,753	100,000	0	0	15,677,783	0.00
Barnes	276,599	1,594,441	100,000	100,000	176,599	77,096,411	2.29
Benson	79,199	1,164,976	100,000	79,199	0	30,592,354	0.00
Bottineau	512,059	1,172,632	100,000	100,000	412,059	57,906,513	7.12
Bowman*	303,534	806,056	100,000	100,000	203,534	38,192,834	5.33
Burke	261,883	373,909	100,000	100,000	161,883	30,014,057	5.39
Burleigh	2,876,787	8,703,262	500,000	500,000	2,376,787	471,126,855	5.04
Cass	2,165,013	14,626,729	500,000	500,000	1,665,013	755,904,626	2.20
Cavalier	724,857	893,322	100,000	100,000	624,857	49,297,661	12.68
Dickey	503,287	899,114	100,000	100,000	403,287	38,331,137	10.52
Divide	38,114	670,643	100,000	38,114	0	41,051,398	0.00
Dunn	5,397	496,745	100,000	5,397	0	57,808,596	0.00
Eddy	19,249	485,129	100,000	19,249	0	13,234,442	0.00
Emmons	161,508	291,650	100,000	100,000	61,508	30,641,069	2.01
Foster	224,152	623,139	100,000	100,000	124,152	24,460,433	5.08
Golden Valley*	359,099	498,091	100,000	100,000	259,099	32,641,770	7.94
Grand Forks	1,509,741	9,167,572	500,000	500,000	1,009,741	284,299,223	3.55
Grant	91,394	443,365	100,000	91,394	0	19,579,820	0.00
Griggs	33,087	412,445	100,000	33,087	0	19,742,886	0.00
Hettinger	20,836	600,484	100,000	20,836	0	24,534,907	0.00
Kidder	159,420	391,960	100,000	100,000	59,420	16,925,350	3.51
LaMoure	(356,910)	456,579	100,000	0	0	39,435,677	0.00
Logan	113,286	261,619	100,000	100,000	13,286	15,090,992	0.88
McHenry	262,994	787,627	100,000	100,000	162,994	40,417,063	4.03
McIntosh	73,958	345,118	100,000	73,958	0	18,730,922	0.00
McKenzie	671,449	1,879,735	100,000	100,000	571,449	178,629,896	3.20
McLean*	319,744	2,803,420	500,000	319,744	0	146,734,859	0.00
Morton	436,008	3,404,139	500,000	436,008	0	144,276,095	0.00
Mountrail	507,802	2,220,477	500,000	500,000	7,802	124,800,094	0.06
Nelson	195,303	470,214	100,000	100,000	95,303	24,737,332	3.85
Pembina	21,735	1,311,325	100,000	21,735	0	60,450,275	0.00
Pierce	137,212	802,998	100,000	100,000	37,212	30,635,963	1.21
Ramsey*	707,299	2,613,931	500,000	500,000	207,299	79,188,713	2.62
Ransom	146,117	497,538	100,000	100,000	46,117	33,958,653	1.36
Renville	73,500	372,977	100,000	73,500	0	24,453,438	0.00
Richland	729,568	1,862,293	100,000	100,000	629,568	83,406,752	7.55
Rolette	137,007	2,108,334	500,000	137,007	0	19,748,400	0.00
Sargent	83,528	500,277	100,000	83,528	0	33,696,777	0.00
Sioux	(66,434)	866,416	100,000	0	0	4,358,528	0.00
Stark	3,221,431	4,734,498	500,000	500,000	2,721,431	221,107,018	12.31
Steele	372,714	295,557	100,000	100,000	272,714	28,347,603	9.62
Stutsman	2,153,619	3,421,560	500,000	500,000	1,653,619	106,884,843	15.47
Traill	34,177	1,558,436	100,000	34,177	0	49,984,193	0.00
Walsh	18,856	1,590,074	100,000	18,856	0	53,562,944	0.00
Ward	1,624,406	7,635,266	500,000	500,000	1,124,406	344,094,311	3.27
Wells	63,542	1,199,033	100,000	63,542	0	38,945,622	0.00
Williams	4,216,634	5,096,026	500,000	500,000	3,716,634	367,491,593	10.11
Total	**26,085,900**	**93,951,884**	**9,500,000**	**7,849,331**	**18,797,773**	**4,442,228,681**	
Average							**3.15**

4/20/2017 SB 2206 #1 PM

17.0760.02021
Title.

Prepared by the Legislative Council staff for
Senator Bekkedahl
April 20, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide for a legislative management study; to provide an appropriation;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for

~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the

human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

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2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after "**50-34-01.**" insert:

"**State-paid economic assistance and social service pilot program - Application - Report.**

1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

50-34-02."

Page 7, line 15, remove ""Economic assistance adjusted base year gross expenditures" means an amount"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "5."

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**50-34-02**" with "**50-34-03**"

Page 7, line 25, replace "50-34-07" with "50-34-04"

Page 7, line 27, replace ". Beginning" with ", and for calendar year 2019 on or before"

Page 7, line 28, remove ", and on or before June first of each year thereafter, the director shall"

Page 7, line 29, remove "notify each service area of its formula payment for the subsequent calendar year"

Page 8, line 5, replace "50-34-07" with "50-34-04"

Page 8, line 7, after "less" insert "or a decrease of five percent or less"

Page 8, line 15, after "subtracting" insert "one hundred five percent of"

Page 8, line 15, replace "distributed" with "determined"

Page 8, line 15, replace "2" with "1"

Page 8, line 16, after "a" insert "and add the resulting amount to the amount distributed under subsection 2"

Page 8, line 17, after "payment" insert "as determined under this subdivision"

Page 8, after line 18, insert:

"d. If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth."

Page 8, line 21, replace "50-34-08" with "50-34-05"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 9, line 29, after "**amounts**" insert "**- Calculation of formula payment**"

Page 10, line 10, remove "a."

Page 10, line 13, remove "adjusted"

Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 29

Page 10, line 30, replace "twenty-two cents" with:

> "4. The director shall calculate the total formula payment by summing the following:
>
> a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.
>
> b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data"

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**50-34-08**" with "**50-34-05**"

Page 14, line 16, replace "thirty-five percent of the annual budget for the service area in the previous year or one" with "five"

Page 14, line 17, replace ", whichever is greater" with "for a service area that had annual expenditures of two million dollars or greater in calendar year 2015 or one hundred thousand dollars for a service area that had annual expenditures of less than two million dollars in calendar year 2015"

Page 14, line 18, replace "**50-34-09**" with "**50-34-06**"

Page 14, line 20, replace "50-34-08" with "50-34-05"

Page 14, line 21, replace "50-34-08" with "50-34-05"

Page 14, line 26, remove "and on January first of each year thereafter,"

Page 14, line 27, replace "50-34-08" with "50-34-05"

Page 14, line 28, replace "50-34-02" with "50-34-03"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**50-34-11**" with "**50-34-07**"

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

   c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

   d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

      ~~(1)~~ ~~The~~the base year mill rate of the school district minus sixty mills~~;~~ or

      ~~(2)~~ ~~Fifty~~fifty mills, if the base year is a taxable year before 2013.

   e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34."

Page 21, line 7, replace "2018" with "2017"

Page 21, line 7, replace "2017" with "2016"

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

Page 21, remove lines 22 and 23

Page 21, line 24, remove "<u>county for the taxable year</u>"

Page 21, after line 24, insert:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under <u>chapter 50-34 for taxable years 2017 and 2018 and under </u>chapter 15.1-27~~ and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief <u>under chapter 15.1-27</u> is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills."

Page 22, line 11, replace "<u>sections 50-34-02 and</u>" with "<u>section</u>"

Page 22, replace lines 15 through 17 with:

"**SECTION 15. SUSPENSION.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 18. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM.** During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly.

SECTION 19. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. A total of $160,700,000 is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

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1. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $134,700,000, or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

4/20/2017 SB 2206 Attachment #1A PM

17.0760.02021

FIRST ENGROSSMENT

Sixty-fifth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2206

Introduced by

Senators Bekkedahl, Burckhard, Cook

Representatives Dockter, Nathe, Weisz

A BILL for an Act to create and enact chapter 50-34 and a new section to chapter 57-20 of the North Dakota Century Code, relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies; to amend and reenact sections 11-23-01, 50-01.2-03.2, 50-06-05.8, 50-06-20.1, and 50-06.2-04, subsection 3 of section 57-15-01.1, ~~sections 57-15-06 and~~section 57-15-06.7, and subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code, relating to county and multicounty social service board budgets, the human service grant program, county general fund levy limitations, and property tax statements; to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority; to repeal ~~chapter 50-03 and sections 50-06-20.1, 50-06.2-05, and~~section 57-20-07.2 of the North Dakota Century Code, relating to the ~~county human services fund, the human services grant program, county property tax levy authority for social services, and the~~ state-paid property tax relief credit; ~~and~~to provide for a report to the legislative management; to provide for a legislative management study; to provide an appropriation; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

~~1.~~ Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or

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improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

~~2.~~ ~~a.~~ ~~The departmental budget submitted by the county social service board in 2015 for the 2016 budget may not exceed an amount determined using the departmental budget submitted in 2014 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for 2014 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year 2015. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:~~

~~(1)~~ ~~Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;~~

~~(2)~~ ~~The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;~~

~~(3)~~ ~~The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;~~

~~(4)~~ ~~The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;~~

~~(5)~~ ~~The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and~~

~~(6)~~ ~~The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of~~

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~~the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.~~

~~b.~~ ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

~~The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.~~

~~d.~~ ~~The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff.~~

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SECTION 2. AMENDMENT. Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for ~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

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(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c. The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

——The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a

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result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff.

SECTION 3. AMENDMENT. Section 50-01.2-03.2 of the North Dakota Century Code is amended and reenacted as follows:

50-01.2-03.2. County duties ~~- Financing in exceptional circumstances~~.

~~1.~~ Each county social service board shall administer, under the direction and supervision of the department:

~~a.~~1. Locally administered economic assistance and social service programs;

~~b.~~2. Replacement programs with substantially similar goals, benefits, or objectives; and

~~c.~~3. When necessary, experimental, pilot, or transitional programs with substantially similar goals, benefits, or objectives.

~~2. From the abstract of tax list prepared pursuant to section 57-20-04, each county shall annually provide the department of human services a report of the total mills levied for human service purposes pursuant to sections 50-03-01, 50-03-06, and 50-06.2-05, and the countywide value of a mill in each county. Upon receipt of reports from all counties, the department shall determine the statewide average of the mill levies and identify each county that levied ten mills more than that average. Each identified county is entitled to a share of funds appropriated for distribution under this subsection. Each identified county's share is determined by:~~

~~a. Reducing its mill levy necessary to meet the costs of providing human services required under this title by the statewide average mill levy determined under this subsection plus ten mills;~~

~~b. Determining the amount that could have been raised in that county and year through a mill levy in the amount calculated under subdivision a;~~

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~~c. Totaling the amounts determined under subdivision b for all counties entitled to a distribution;~~

~~d. Calculating a decimal fraction equal to each identified county's proportionate share of the total determined under subdivision c; and~~

~~e. Multiplying that decimal fraction times one-half of the biennial appropriation.~~

~~3. Notwithstanding any other provisions of law, the department shall reimburse county social service boards for expenses of locally administered economic assistance programs in counties in which the percentage of that county's average total supplemental nutrition assistance program caseload for the previous fiscal year which reside on federally recognized Indian reservation lands is ten percent or more. The reimbursement must be such that:~~

~~a. An affected county's actual direct costs and indirect costs allocated based on a percentage of each county's direct economic assistance and social services costs for locally administered economic assistance programs will be reimbursed at the percentage of that county's average total supplemental nutrition assistance program caseload for the previous state fiscal year which reside on federally recognized Indian reservation land not to exceed ninety percent;~~

~~b. The affected counties will receive quarterly payments based on the actual county direct and indirect costs, as provided in subdivision a, for the previous state fiscal year;~~

~~c. At the end of each fiscal year the actual quarterly payments paid must be reconciled to the current year of calculation of actual direct and indirect costs as provided in subdivision a and supplemental nutrition assistance program caseload and counties must be compensated accordingly in the first quarter of the new fiscal year; and~~

~~d. The reimbursement will be calculated for each county and reported to the county social service board prior to September first.~~

SECTION 4. AMENDMENT. Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

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50-06-05.8. Department to assume ~~certain~~ costs of ~~certain~~economic assistance and social service programs.

~~Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the~~The department of human services shall pay ~~the local~~each service area's expenses ~~of administration incurred by a county~~for administering economic assistance and social service programs for calendar years after December 31, ~~2015, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, 2015; and the computer processing costs incurred by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996~~2017, based on the formula payment amount calculated for each service area under chapter 50-34.

SECTION 5. AMENDMENT. Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a

grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department~~ may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section.

SECTION 7. AMENDMENT. Section 50-06.2-04 of the North Dakota Century Code is amended and reenacted as follows:

50-06.2-04. Powers and duties of county agencies.

Each county agency has the following powers and duties under this chapter:

1. To administer comprehensive human services programs for individuals and families at the county level in conformity with state and federal requirements under the direction and supervision of the state agency.

2. To publish and provide to the state agency a county human services plan which must include the following:

   a. A statement of the goals of county human services programs in the county.

   b. Methods used to identify persons in need of services and the social problems to be addressed by the county human services programs.

c. A description of each county human service proposed and identification of the agency or person proposed to provide the service.

d. The amount of money proposed to be allocated to each service.

e. An agreement to make available those human services required by state law and by federal law or regulation as a condition for the receipt of federal financial participation in programs administered by county agencies under the provisions of this title.

The date of submission of the county human services plan to the state agency must be determined so that the plan is coordinated with the proposed and final comprehensive human services plan.

3. To make available the human services detailed in the comprehensive human services plan which the county agency has included in the approved county plan and to provide such other human services as the county agency determines essential in effectuating the purposes of this chapter within the county. To the extent funding is available under section 50-06.2-03 and chapter 50-24.1, the county plan must include the services enumerated in those sections. The county agency shall make these services available to any individual requesting service and determined eligible on the basis of a functional assessment conducted in accordance with state and federal laws and regulations. The individual shall pay for the services in accordance with a fee scale based on family size and income. The county agency may contract with any qualified service provider in its provision of those enumerated services.

4. To submit annually to the board of county commissioners a budget containing an estimate and supporting data, setting forth the ~~county~~ funds needed to carry out the provisions of this chapter.

SECTION 8. Chapter 50-34 of the North Dakota Century Code is created and enacted as follows:

50-34-01. State-paid economic assistance and social service pilot program - Application - Report.

1. The department of human services shall administer a state-wide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.

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2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.

3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.

4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.

5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

50-34-02. Definitions.

As used in this chapter, unless the context otherwise requires:

1. "Base year" means calendar year 2015.
2. "Case-month" means the provision of economic assistance or social services to one individual for the period of one month or the provision of energy assistance through the low income home energy assistance program for the period beginning October first of each year and ending May thirty-first of the following year.
3. "Director" means the executive director of the department of human services or the executive director's designee.

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4. ~~"Economic assistance adjusted base year gross expenditures" means an amount calculated by increasing the service area's base year economic assistance gross expenditures by five percent per year in calendar years 2016 and 2017.~~

~~5.~~ "Service area" means a county or consolidated group of counties administering economic assistance and social service programs within a designated area.

~~6. "Social service adjusted base year gross expenditures" means an amount calculated by increasing the service area's base year social service gross expenditures by five percent per year in calendar years 2016 and 2017.~~

~~50-34-02~~50-34-03. **Formula payments to service areas - Distributions by the director.**

1. The director shall calculate the total formula payment for each service area pursuant to section ~~50-34-07~~50-34-04 for each calendar year based on each service area's most recently available case-month data. The director shall notify each service area of the amount of its formula payment for calendar year 2018 on or before August 15, 2017~~. Beginning~~, and for calendar year 2019 on or before June 1, 2018~~, and on or before June first of each year thereafter, the director shall notify each service area of its formula payment for the subsequent calendar year~~.

2. The director shall distribute fifty percent of the amount of each service area's formula payment determined under subsection 1, within the limits of legislative appropriation, on or before January tenth.

3. a. By June first of each year, the director shall recalculate the total formula payment for each service area pursuant to section ~~50-34-07~~50-34-04 for the current calendar year based on each service area's most recently available case-month data.

   b. If the recalculated formula payment results in an increase of five percent or less or a decrease of five percent or less as compared to the formula payment determined under subsection 1, the director shall distribute fifty percent of the amount of each service area's formula payment determined under subsection 1, within the limits of legislative appropriation, on or before June fifteenth.

   c. If the recalculated formula payment results in an increase of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment

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by subtracting one hundred five percent of the amount ~~distributed~~determined under subsection ~~2~~1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth.

d. If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth.

4. For payments disbursed after calendar year 2018, the director shall subtract from a service area's June fifteenth disbursement any amount exceeding the limitation under section ~~50-34-08~~50-34-05.

~~**50-34-03. State-paid property tax relief credit replacement - Distributions by the director.**~~

~~1. On or before October first of each year, the director shall calculate the amount payable to each county in the ensuing budget year as a result of the state-paid property tax relief credit replacement. A county's state-paid property tax relief credit replacement payment must be calculated as follows:~~

~~a. For a county located in a service area that encompasses only one county, subtract the county's service area formula payment determined under subsection 1 of section 50-34-02 from the sum of the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 and fifty percent of the amount the county received in fiscal year 2015 for specified state distributions.~~

~~b. For a county located in a service area that encompasses more than one county, subtract the county's share of the formula payment determined for each service area under subsection 1 of section 50-34-02 from the sum of the amount the~~

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~~county received in calendar year 2017 pursuant to section 57-20-07.2 and fifty percent of the county's share of specified state distributions in fiscal year 2015. The county's share of the formula payment and specified state distributions is calculated as the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 proportional to the combined total amounts that all the counties in the service area received in calendar year 2017 pursuant to section 57-20-07.2.~~

~~2. The director shall distribute the amount of each county's state-paid property tax relief credit replacement payment determined under subsection 1, within the limits of legislative appropriation, on or before January thirty-first of each year. The amount calculated for distribution to a county under this section must be applied to reduce a county's general fund levy in accordance with subsection 3.~~

~~3. On or before October fifteenth of each year, the tax commissioner shall notify each county of the amount calculated for distribution to the county under subsection 2. The county auditor shall calculate a county's required mill levy reduction by dividing the amount calculated for distribution to a county under subsection 2 by the county's current year taxable value. If the amount of a county's general fund mill levy is not sufficient to account for the entire required reduction, the county must reduce an additional county-wide levy to account for the remainder of the required reduction.~~

~~4. For purposes of this section, "specified state distributions" means the amount of state and federal funding a county received in fiscal year 2015 for day care licensing, family preservation programs, child abuse and neglect services, Indian county services, and county administration.~~

50-34-04. Baseline funding amounts - Calculation of formula payment.

1. The director shall calculate each service area's base year case-month totals and direct gross expenditures. A service area's direct gross expenditures include the actual amount expended within a service area in the base year for staffing and administrative costs related to the administration of economic assistance and social service programs as well as eligible federally allowable indirect costs. For purposes of this subsection, "eligible federally allowable indirect costs" means twenty-five percent of

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the average of the federally allowable indirect costs allocated to each service area in calendar years 2012, 2013, and 2014.

2. The director shall calculate each service area's base rate per economic assistance case-month by dividing the service area's economic assistance net expenditures by the economic assistance case-months reported for the service area in the base year.

~~a.~~ For purposes of this subsection, "economic assistance net expenditures" means the amount calculated by subtracting the amount paid to the service area in the base year for services reimbursed by medical assistance from the service area's economic assistance ~~adjusted~~ base year gross expenditures.

~~b. For calendar year 2018 formula payment calculations, the base rate per economic assistance case-month is equal to twenty-two dollars and seventy-eight cents. For calendar year 2019 formula payment calculations, the base rate per economic assistance case-month is equal to twenty-three dollars and ninety-two cents.~~

3. The director shall calculate each service area's base rate per social service case-month by dividing the service area's social service net expenditures by the social service case-months reported for the service area in the base year.

~~a.~~ For purposes of this subsection, "social service net expenditures" means the amount calculated by subtracting the amount paid to the service area in the base year for services reimbursed by medical assistance from the service area's social service ~~adjusted~~ base year gross expenditures.

~~b. For calendar year 2018 formula payment calculations, the base rate per social service case-month is equal to five hundred sixty-eight dollars and seventy-eight cents. For calendar year 2019 formula payment calculations, the base rate per social service case-month is equal to five hundred ninety-seven dollars and twenty-two cents~~

4. The director shall calculate the total formula payment by summing the following:

a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data.

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~~**50-34-05. Economic assistance caseload weighting factor - Determination.**~~

~~1. The director shall assign an economic assistance caseload weighting factor of:~~

~~a. 1.00 to each service area with a yearly economic assistance case-month count of at least 250,000;~~

~~b. 1.60 to each service area with a yearly economic assistance case-month count of fewer than 250,000 but at least 45,000;~~

~~c. 1.75 to each service area with a yearly economic assistance case-month count of fewer than 45,000 but at least 22,000;~~

~~d. 2.00 to each service area with a yearly economic assistance case-month count of fewer than 22,000 but at least 8,000;~~

~~e. 2.20 to each service area with a yearly economic assistance case-month count of fewer than 8,000 but at least 5,000; and~~

~~f. 2.35 to each service area with a yearly economic assistance case-month count of fewer than 5,000.~~

~~2. The weighted rate per economic assistance case-month must be determined by multiplying the weighting factor assigned to each service area under this section by the base rate per economic assistance case-month.~~

~~**50-34-06. Social service caseload weighting factor - Determination.**~~

~~1. The director shall assign a social service caseload weighting factor of:~~

~~a. 1.00 to each service area with a yearly social service case-month count of at least 10,000;~~

~~b. 1.35 to each service area with a yearly social service case-month count of fewer than 10,000 but at least 1,800;~~

~~c. 1.50 to each service area with a yearly social service case-month count of fewer than 1,800 but at least 900;~~

~~d. 1.60 to each service area with a yearly social service case-month count of fewer than 900 but at least 210;~~

~~e. 2.00 to each service area with a yearly social service case-month count of fewer than 210 but at least 145; and~~

~~f. 2.50 to each service area with a yearly social service case-month count of fewer than 145.~~

~~2. The weighted rate per social service case-month must be determined by multiplying the weighting factor assigned to each service area under this section by the base rate per social service case-month.~~

~~**50-34-07. Calculation of formula payment - Minimum and maximum allowable increases.**~~

~~1. The director shall calculate the total formula payment by summing the following:~~

~~a. The product of the service area's weighted rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.~~

~~b. The product of the service area's weighted rate per social service case-month and the service area's most recently available social service caseload data.~~

~~2. The director shall adjust the total formula payment as calculated in subsection 1 for minimum and maximum allowable increases as follows:~~

~~a. For calendar year 2018 formula payment calculations, the formula payment must be at least one hundred two percent but no more than one hundred ten percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures. However, if the case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's case-month totals reported in the previous year for either economic assistance cases or social service cases, the formula payment may exceed one hundred ten percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures by the amounts calculated in subdivisions c and d of this subsection.~~

~~b. For calendar year 2019 formula payment calculations, the formula payment must be at least one hundred four percent but no more than one hundred twenty percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures. However, if the case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the~~

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~~service area's case-month totals reported in the previous year for either economic assistance cases or social service cases, the formula payment may exceed one hundred twenty percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures by the amounts calculated in subdivisions c and d of this subsection.~~

~~c. If the economic assistance case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's economic assistance case-month totals reported in the previous year, the formula payment may be increased by the amount resulting from multiplying the service area's weighted rate per economic assistance case-month by the number of economic assistance case-months that exceed one hundred and five percent of the economic assistance case-month totals reported in the previous year.~~

~~d. If the social service case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's social service case-month totals reported in the previous year, the formula payment may be increased by the amount resulting from multiplying the service area's weighted rate per social service case-month by the number of social service case-months that exceed one hundred and five percent of the social service case-month totals reported in the previous year.~~

~~3. The director shall adjust the total formula payment as calculated in subsection 2 for reimbursements as follows:~~

~~a. The services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area in the base year must be subtracted from the total formula payment as calculated in subsection 2.~~

~~b. The first ten thousand dollars of services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area, based on the most recently~~

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~~reported reimbursement data, must be added to the total formula payment as calculated in subdivision a of this subsection.~~

~~c. Twenty-five percent of the remaining amount of services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area must be added to the total formula payment as calculated in subdivision b of this subsection.~~

~~50-34-08~~50-34-05. Service area human services fund - Establishment - Fund balance limitations.

Each service area in this state shall maintain a fund to be known as the service area human services fund. All expenditures by the service area for the relief of the needy must be paid from the service area human services fund. If, due to unforeseen or other extenuating circumstances, a service area's formula distribution payment is not sufficient to meet the expenses of that service area, the board of county commissioners may approve a transfer from the county's general fund to the service area human services fund upon a majority vote of all members. The balance of moneys in the fund on January first of each year may not exceed ~~thirty-five percent of the annual budget for the service area in the previous year or one~~five hundred thousand dollars~~, whichever is greater~~ for a service area that had annual expenditures of two million dollars or greater in calendar year 2015 or one hundred thousand dollars for a service area that had annual expenditures of less than two million dollars in calendar year 2015.

~~50-34-09~~50-34-06. Service area human services fund - Transfer.

If on January 1, 2018, the balance of a service area human services fund exceeds the limitations in section ~~50-34-08~~50-34-05, the county treasurer shall transfer the amount exceeding the limitations in section ~~50-34-08~~50-34-05 to the designated county general fund within that service area. A county receiving a transfer shall reduce its county general fund mill levy for taxable year 2018 by an equivalent amount. If the amount of a county's general fund mill levy is not sufficient to account for the entire required reduction, the county shall reduce an additional county-wide mill levy for taxable year 2018 to account for the remainder of the required reduction. If on January 1, 2019~~, and on January first of each year thereafter,~~ the balance of a service area human services fund exceeds the limitations in section ~~50-34-08~~50-34-05, the director shall reduce the service area's formula payment as directed in subsection 4 of section ~~50-34-02~~50-34-03.

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~~**50-34-10. Service area consolidations - Caseload weighting factor adjustments - Transition.**~~

~~1. The director shall create and assign a separate caseload weighting factor to any group of service areas that consolidate after December 31, 2017, for the purpose of administering economic assistance and social service programs.~~

~~2. For purposes of this section, a "consolidated service area" means two or more service areas that combine for the purpose of administering economic assistance and social service programs and operate under a single board and a single director and make payments from a merged annual budget and one pool of funds. Consolidations under this section are subject to the procedures provided for multicounty social service districts under chapter 50-01.1.~~

~~3. For the first taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equivalent to that which each separate service area would have received had the consolidation not taken place.~~

~~4. For the second taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to ninety percent of the difference between the weighting factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~5. For the third taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a payment rate equal to eighty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~6. For the fourth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to seventy percent of the difference between the factor calculated in subsection 3 and the rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

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~~7. For the fifth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to sixty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~8. For the sixth taxable year following the consolidation and all future taxable years in which the consolidation continues, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to fifty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~50-34-11~~50-34-07. **Authority to withhold funding.**

Notwithstanding subsection 2 of section 50-01.2-06, if a service area fails to perform duties directed or assigned and supervised by the department of human services, the department of human services may withhold funding from the service area. The amount withheld may not exceed double the actual cost of the duty that was not performed, the per activity amount from the formula, the cost to the department of human services, or the amount of a federal penalty imposed as a result of the duty that was not performed.

SECTION 9. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

~~(1)~~ ~~The~~ the base year mill rate of the school district minus sixty mills~~;~~ or

~~(2)~~ ~~Fifty~~ fifty mills, if the base year is a taxable year before 2013.

e. ~~If~~Reduced by the base year human services county levy in dollars if the base year is a taxable year before ~~2016,~~2017 ~~the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~.

~~**SECTION 7. AMENDMENT.** Section 57-15-06 of the North Dakota Century Code is amended and reenacted as follows:~~

~~**57-15-06. County general fund levy.**~~

~~The board of county commissioners may levy property taxes for county general fund purposes at a tax rate not exceeding sixty mills per dollar of taxable valuation of property in the county.~~

~~A county that levied more than sixty mills for taxable year 2015 for the combined number of mills levied for general fund purposes plus the number of mills levied for purposes consolidated into the general fund levy by this Act may levy for general fund purposes for taxable year 2016 the same number of mills that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2017 sixty mills plus seventy-five percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2018 sixty mills plus fifty percent of the combined number of mills exceeding sixty that was levied for those purposes~~

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~~for taxable year 2015. A county may levy for general fund purposes for taxable year 2019 sixty mills plus twenty-five percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015.~~

~~For taxable years after 2016, the maximum county mill levy for general fund purposes determined under this section or section 57-15-01.1 must be reduced by the number of mills determined pursuant to the calculation under section 50-34-03. If the amount of a county's mill levy for general fund purposes is not sufficient to account for the entire reduction required under section 50-34-03, the county must reduce an additional county-wide mill levy to account for the remainder of the required reduction.~~

~~Unless a specific exception is provided by statute, the county general fund levy limitation under this section applies to all property taxes the board of county commissioners is authorized to levy for general county purposes.~~

SECTION 10. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:
   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.
   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.
   c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill

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rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

~~(1) The~~the base year mill rate of the school district minus sixty mills~~;~~ or

~~(2) Fifty~~fifty mills, if the base year is a taxable year before 2013.

e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34.

SECTION 11. AMENDMENT. Section 57-15-06.7 of the North Dakota Century Code is amended and reenacted as follows:

57-15-06.7. Additional levies - Exceptions to tax levy limitations in counties.

The tax levy limitations specified in section 57-15-06 do not apply to the following mill levies, which are expressed in mills per dollar of taxable valuation of property in the county:

1. A county supporting an airport or airport authority may levy a tax not exceeding four mills in accordance with section 2-06-15.
2. A county levying a tax for extension work as provided in section 4-08-15 may levy a tax not exceeding two mills and if a majority of the electors of the county have approved additional levy authority under section 4-08-15, the county may levy a voter-approved tax not exceeding an additional tax of two mills.
3. A county levying a tax for historical works in accordance with section 11-11-53 may levy a tax not exceeding one-quarter of one mill, except that if sixty percent of the qualified electors voting on the question of a levy limit increase as provided in section 11-11-53 shall approve, the tax levy limitation may be increased to not exceeding three-quarters of one mill.
4. A county levying a tax for a county or community hospital association as provided in section 23-18-01 may levy a tax for not more than five years not exceeding eight mills

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in any one year or, in the alternative, for not more than ten years at a mill rate not exceeding five mills.

5. A county levying a tax for county roads and bridges as provided in section 24-05-01 may levy a tax at a tax rate not exceeding ten mills. When authorized by a majority of the qualified electors voting upon the question at a primary or general election in the county, the county commissioners may levy and collect an additional tax for road and bridge purposes as provided in section 24-05-01, not exceeding a combined additional tax rate of twenty mills.

6. A county levying a tax to establish and maintain a public library service as provided in section 40-38-02 may levy a tax not exceeding four mills.

7. A county levying a tax for a county veterans' service officer's salary, traveling, and office expenses in accordance with section 57-15-06.4 may levy a tax not exceeding two mills.

8. A county levying a tax for capital projects under section 57-15-06.6 may levy a tax not exceeding ten mills. When authorized by a majority of the qualified electors voting upon the question of a specific capital project or projects at a primary or general election in the county, the county commissioners may levy and collect an additional voter-approved tax for capital projects under section 57-15-06.6 not exceeding a tax rate of ten mills per dollar of the taxable valuation of property in the county. After January 1, 2015, approval or re-authorization by electors of increased levy authority under this subsection may not be effective for more than ten taxable years. Any voter-approved levy in excess of ten mills for the purposes specified in section 57-15-06.6 approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved.

9. A county levying a tax for emergency purposes as provided in section 57-15-28 may levy a tax not exceeding two mills in a county with a population of thirty thousand or more, four mills in a county with a population under thirty thousand but more than five thousand, or six mills in a county with a population of five thousand or fewer.

10. A county levying a tax for county emergency medical service according to section 57-15-50 may levy a tax not exceeding ten mills.

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11. A county levying a tax for weed control as provided in section 4.1-47-14 may levy a tax not exceeding four mills.

12. A county levying a tax for programs and activities for senior citizens according to section 57-15-56 may levy a tax not exceeding two mills.

13. Tax levies made for paying the principal and interest on any obligations of the county evidenced by the issuance of bonds.

14. A county levying a tax for a job development authority as provided in section 11-11.1-04 may levy a tax not exceeding four mills on the taxable valuation of property within the county. However, if any city within the county is levying a tax for support of a job development authority and the total of the county and city levies exceeds four mills, the county tax levy within the city levying under subsection 12 of section 57-15-10 must be reduced so the total levy in the city does not exceed four mills.

15. ~~A county levying an annual tax for human services purposes as provided in section 50-06.2-05 may levy a tax not exceeding the lesser of twenty mills or the number of mills determined by dividing the county budget limitation in dollars as determined under section 11-23-01 by the taxable valuation of the county.~~

~~16.~~ A levy for an extraordinary expenditure under section 11-11-24 approved by the electors of the county before January 1, 2015, may continue to be levied and collected under provisions of law in effect when the levy was approved and for the term it was approved by the electors. When the levy authority for an extraordinary expenditure ends under this subsection, the fund must be closed out and any unobligated balance in the fund must be transferred to the county general fund.

~~17.~~16. Levies dedicated under section 57-15-59 before January 1, 2015, for lease payments may be continued to be levied and collected for the duration of the lease. When the levy authority for lease payments ends under this subsection, the fund must be closed out and any unobligated balance in the fund must be transferred to the county general fund. A lease for county facilities effective after December 31, 2014, is subject to the capital projects levy limitations of section 57-15-06.6.

Tax levy or mill levy limitations do not apply to any statute which expressly provides that taxes authorized to be levied therein are not subject to mill levy limitations provided by law.

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SECTION 12. AMENDMENT. Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 15.1-27 ~~and under~~, section 57-20-07.2 for taxable years before ~~2018~~2017, and chapter 50-34 for taxable years after ~~2017~~2016.

(1) For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

~~(1)~~ (a) Fifty mills; or

~~(2)~~ (b) The 2012 taxable year mill rate of the school district minus sixty mills.

(2) Legislative tax relief under chapter 50-34 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the ~~sum of the following:~~

~~(a)~~ ~~The~~ number of mills determined by dividing the amount calculated in subsection 1 of section ~~50-34-02~~50-34-03 by the taxable value of taxable property in the county for the taxable year~~; and~~

~~(b) The number of mills determined by dividing the amount calculated in section 50-34-03 by the taxable value of taxable property in the county for the taxable year.~~

SECTION 13. AMENDMENT. Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 50-34 for taxable years 2017 and 2018

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and under chapter 15.1-27~~ and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills.

SECTION 14. A new section to chapter 57-20 of the North Dakota Century Code is created and enacted as follows:

Centrally assessed company credit against payments in lieu of taxes.

1. The owner, operator, or lessee of transmission lines, for which payments in lieu of property taxes are assessed by the state board of equalization under section 57-06-17.3, is entitled to a credit against tax in the amount provided in subsection 3. The credit for each transmission company must be allocated to the counties in the same manner as the tax collected from that company is allocated.
2. The owner, operator, or lessee of electric transmission or distribution property, for which payments in lieu of property taxes are assessed by the state board of equalization under sections 57-33.2-02 or 57-33.2-03, is entitled to a credit against the transmission or distribution tax in the amount provided in subsection 3. The credit for each transmission or distribution company must be allocated and distributed to counties in the same manner as the tax collected from that company is allocated.
3. The amount of credit is determined by multiplying the company's assessed tax by a fraction, the numerator of which is the total of all formula payments calculated for the subsequent calendar year under ~~sections 50-34-02 and~~section 50-34-03 and the denominator of which is the total statewide ad valorem property tax levied in the prior taxable year.
4. The tax commissioner shall annually calculate the amount of credit to which a company is entitled under this section.

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~~**SECTION 14. REPEAL.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are repealed.~~

~~**SECTION 15. REPEAL.** Section 50-06.2-05 of the North Dakota Century Code is repealed.~~

SECTION 15. SUSPENSION. Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended.

SECTION 17. REPEAL. Section 57-20-07.2 of the North Dakota Century Code is repealed.

SECTION 18. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM. During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly.

SECTION 19. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. A total of $160,700,000 is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $134,700,000, or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.
2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by

the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 20. EFFECTIVE DATE - EXPIRATION DATE. ~~Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for taxable years beginning after December 31, 2016. Sections 3, 4, 5, and 11 of this Act become effective on August 1, 2017. Sections 1, 2, and 12 of this Act are effective for taxable years beginning after December 31, 2017~~Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020.

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Title.

Prepared by the Legislative Council staff for
Conference Committee
April 20, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2206

That the House recede from its amendments as printed on pages 1405-1411 of the Senate Journal and pages 1607-1614 of the House Journal and that Engrossed Senate Bill No. 2206 be amended as follows:

Page 1, line 5, after the first comma insert "50-06-20.1, and"

Page 1, line 5, replace "sections 57-15-06 and" with "section"

Page 1, line 7, after the comma insert "the human service grant program,"

Page 1, line 8, after the semicolon insert "to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority;"

Page 1, line 8, remove "chapter 50-03 and sections 50-06-20.1,"

Page 1, line 9, replace "50-06.2-05, and" with "section"

Page 1, line 9, remove "county human"

Page 1, remove line 10

Page 1, line 11, remove "services, and the"

Page 1, line 11, replace the second "and" with "to provide for a report to the legislative management; to provide for a legislative management study; to provide an appropriation; to provide for a transfer; to provide an exemption;"

Page 1, line 11, after "date" insert "; and to provide an expiration date"

Page 3, after line 26, insert:

"**SECTION 2. AMENDMENT.** Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for

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~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

(1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

(2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the

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human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~c. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff."

Page 5, after line 28, insert:

"**SECTION 5. AMENDMENT.** Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.

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2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.

3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~<u>sixty-seventh</u> legislative assembly and each succeeding legislative assembly on the funding approved under this section."

Page 7, line 6, after "**<u>50-34-01.</u>**" insert:

"**<u>State-paid economic assistance and social service pilot program - Application - Report.</u>**

<u>1. The department of human services shall administer a statewide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.</u>

<u>2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.</u>

<u>3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.</u>

<u>4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.</u>

<u>5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.</u>

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50-34-02."

Page 7, line 15, remove ""Economic assistance adjusted base year gross expenditures" means an amount"

Page 7, remove lines 16 and 17

Page 7, line 18, remove "5."

Page 7, remove lines 20 through 22

Page 7, line 23, replace "**50-34-02**" with "**50-34-03**"

Page 7, line 25, replace "50-34-07" with "50-34-04"

Page 7, line 27, replace ". Beginning" with ", and for calendar year 2019 on or before"

Page 7, line 28, remove ", and on or before June first of each year thereafter, the director shall"

Page 7, line 29, remove "notify each service area of its formula payment for the subsequent calendar year"

Page 8, line 5, replace "50-34-07" with "50-34-04"

Page 8, line 7, after "less" insert "or a decrease of five percent or less"

Page 8, line 15, after "subtracting" insert "one hundred five percent of"

Page 8, line 15, replace "distributed" with "determined"

Page 8, line 15, replace "2" with "1"

Page 8, line 16, after "a" insert "and add the resulting amount to the amount distributed under subsection 2"

Page 8, line 17, after "payment" insert "as determined under this subdivision"

Page 8, after line 18, insert:

"d. If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth."

Page 8, line 21, replace "50-34-08" with "50-34-05"

Page 8, remove lines 22 through 30

Page 9, remove lines 1 through 28

Page 9, line 29, after "**amounts**" insert "**- Calculation of formula payment**"

Page 10, line 10, remove "a."

Page 10, line 13, remove "adjusted"

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Page 10, remove lines 14 through 18

Page 10, line 22, remove "a."

Page 10, line 25, remove "adjusted"

Page 10, remove lines 26 through 29

Page 10, line 30, replace "twenty-two cents" with:

"4. The director shall calculate the total formula payment by summing the following:

a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data"

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 though 6

Page 14, line 7, replace "**50-34-08**" with "**50-34-05**"

Page 14, line 16, replace "thirty-five percent of the annual budget for the service area in the previous year or one" with "five"

Page 14, line 17, replace ", whichever is greater" with "for a service area that had annual expenditures of two million dollars or greater in calendar year 2015 or one hundred thousand dollars for a service area that had annual expenditures of less than two million dollars in calendar year 2015"

Page 14, line 18, replace "**50-34-09**" with "**50-34-06**"

Page 14, line 20, replace "50-34-08" with "50-34-05"

Page 14, line 21, replace "50-34-08" with "50-34-05"

Page 14, line 26, remove "and on January first of each year thereafter,"

Page 14, line 27, replace "50-34-08" with "50-34-05"

Page 14, line 28, replace "50-34-02" with "50-34-03"

Page 15, remove lines 1 through 30

Page 16, remove lines 1 through 11

Page 16, line 12, replace "**50-34-11**" with "**50-34-07**"

Page 16, after line 18, insert:

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"**50-34-08. Social services finance fund.**

The social services finance fund is a special fund in the state treasury. Moneys in the fund may be used, subject to legislative appropriation, for the provision of formula payments to service areas pursuant to this chapter."

Page 17, remove lines 18 through 31

Page 18, replace lines 1 through 12 with:

"**SECTION 10. AMENDMENT.** Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

    a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

    b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

    c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

    d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

        ~~(1)~~ ~~The~~the base year mill rate of the school district minus sixty mills~~;~~ or

        ~~(2)~~ ~~Fifty~~fifty mills, if the base year is a taxable year before 2013.

    e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34."

Page 21, line 7, replace "2018" with "2017"

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Page 21, line 7, replace "2017" with "2016"

Page 21, line 18, remove "sum of the following:"

Page 21, line 19, remove "(a) The"

Page 21, line 20, replace "50-34-02" with "50-34-03"

Page 21, line 21, remove "; and"

Page 21, remove lines 22 and 23

Page 21, line 24, remove "county for the taxable year"

Page 21, after line 24, insert:

"**SECTION 13. AMENDMENT.** Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 50-34 for taxable years 2017 and 2018 and under chapter 15.1-27 ~~and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills."

Page 22, line 11, replace "sections 50-34-02 and" with "section"

Page 22, replace lines 15 through 17 with:

"**SECTION 15. SUSPENSION.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended."

Page 22, after line 18, insert:

"**SECTION 18. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM.** During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system.

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The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly.

SECTION 19. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. A total of $160,700,000 is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the social services finance fund in the state treasury, not otherwise appropriated, the sum of $134,700,000, or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 20. TRANSFER - TAX RELIEF FUND TO SOCIAL SERVICES FINANCE FUND. The office of management and budget shall transfer the sum of $134,700,000 from the tax relief fund to the social services finance fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 21. EXEMPTION - BUDGET ALLOTMENTS. The sum of $26,000,000 appropriated from the general fund to the department of human services for the state-paid economic assistance and social services pilot program in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, is not subject to the provisions of section 54-44.1-12, and the director of the office of management and budget may not include this amount in calculations used to determine transfers from the budget stabilization fund under section 54-27.2-03 for the biennium beginning July 1, 2017, and ending June 30, 2019."

Page 22, line 19, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 22, line 19, remove "Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for"

Page 22, remove lines 20 and 21

Page 22, replace "beginning after December 31, 2017" with "Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020"

Renumber accordingly

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FIRST ENGROSSMENT

Sixty-fifth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2206

Introduced by

Senators Bekkedahl, Burckhard, Cook

Representatives Dockter, Nathe, Weisz

A BILL for an Act to create and enact chapter 50-34 and a new section to chapter 57-20 of the North Dakota Century Code, relating to the transition of funding responsibility for county social services from the counties to the state and a credit against payments in lieu of taxes paid by centrally assessed companies; to amend and reenact sections 11-23-01, 50-01.2-03.2, 50-06-05.8, 50-06-20.1, and 50-06.2-04, subsection 3 of section 57-15-01.1, ~~sections 57-15-06 and~~section 57-15-06.7, and subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code, relating to county and multicounty social service board budgets, the human service grant program, county general fund levy limitations, and property tax statements; to suspend chapter 50-03 and sections 50-06-20.1 and 50-06.2-05 of the North Dakota Century Code, relating to county human services funds, the human services grant program, and county human services levy authority; to repeal ~~chapter 50-03 and sections 50-06-20.1, 50-06.2-05, and~~section 57-20-07.2 of the North Dakota Century Code, relating to the ~~county human services fund, the human services grant program, county property tax levy authority for social services, and the~~ state-paid property tax relief credit; ~~and~~to provide for a report to the legislative management; to provide for a legislative management study; to provide an appropriation; to provide for a transfer; to provide an exemption; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

~~1.~~ Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement

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of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

~~2.~~ ~~a.~~ ~~The departmental budget submitted by the county social service board in 2015 for the 2016 budget may not exceed an amount determined using the departmental budget submitted in 2014 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for 2014 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year 2015. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:~~

~~(1)~~ ~~Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;~~

~~(2)~~ ~~The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;~~

~~(3)~~ ~~The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;~~

~~(4)~~ ~~The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;~~

~~(5)~~ ~~The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and~~

~~(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.~~

~~b. The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c. The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

~~The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.~~

~~d. The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under~~

~~subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff.~~

SECTION 2. AMENDMENT. Section 11-23-01 of the North Dakota Century Code is amended and reenacted as follows:

11-23-01. Officers required to furnish commissioners with departmental budget.

1. Every officer in charge of any institution, office, or undertaking supported wholly or in part by the county shall file with the board of county commissioners a departmental budget that is prescribed by the state auditor. The departmental budget must include an itemized statement of the estimated amount of money that will be required for the maintenance, operation, or improvement of the institution, office, or undertaking for the ensuing year. The board of county commissioners may require additional information to clarify the departmental budget.

2. a. The departmental budget submitted by the county social service board in ~~2015~~2019 for the ~~2016~~2020 budget may not exceed an amount determined using the departmental budget submitted in ~~2014~~2016 by the county social service board as a starting point, subtracting the reduction in the county's social service funding responsibility for ~~2014~~2016 derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services, and applying to the resulting amount the percentage salary and benefits increase provided by legislative appropriations for state employees for taxable year ~~2015~~2019. For purposes of this subdivision, the reduction in the county's social service funding responsibility derived from transferring the county social service costs identified in this subdivision from the county social service board to the department of human services includes the following:

    (1) Foster care and subsidized adoption costs that would have been paid by the county after December 31, 2015;

    (2) The county's share of grant costs for medical assistance in the form of payments for care furnished to recipients of therapeutic foster care services which would have been paid by the county after December 31, 2015;

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(3) The county's share of the costs for service payments to the elderly and disabled which would have been paid by the county after December 15, 2015;

(4) The county's share of salary and benefits for family preservation services pursuant to section 50-06-05.8 which would have been paid by the county after December 31, 2015;

(5) The county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program which would have been paid by the county after December 31, 2015; and

(6) The computer processing costs which would have been paid by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

b. ~~The departmental budget submitted by the county social service board in 2016 for the 2017 budget may not exceed an amount determined using the 2015 departmental budget as a starting point and applying to that amount the percentage salary and benefits increase provided by legislative appropriations for state employees for 2016.~~

~~c.~~ ~~The budget must include a statement identifying the total savings to the county as shown by a reduction in the amounts that otherwise would have been paid by the county to the department of human services for the costs identified in subdivision a. The department of human services shall determine the appropriate amount of what each county's costs would have been to help identify each county's total savings.~~

The county share of the human service budget must be funded entirely from the county's property tax levy for that purpose and the county may not use funds from any other source to supplement the human services budget, with the exception that the county may make use of the identifiable amount of other sources the county has used to supplement its human services budget for 2015 and the county may use grant funds that may be available to the county under section 50-06-20.1.

~~d.~~<u>c.</u> The department of human services shall develop a process to review a request from a county social service board for any proposed increase in staff needed as a result of significantly increased caseloads for state-funded human services programs, if the increase in staff would result in the county exceeding the budget limitation established under this subsection. As part of its review process, the department shall review countywide caseload information and consider the option of multicounty sharing of staff. If the department approves a request for a proposed increase in staff, the county budget limitation established under subdivision b may be increased by the amount determined necessary by the department to fund the approved additional staff.

SECTION 3. AMENDMENT. Section 50-01.2-03.2 of the North Dakota Century Code is amended and reenacted as follows:

50-01.2-03.2. County duties ~~- Financing in exceptional circumstances~~.

~~1.~~ Each county social service board shall administer, under the direction and supervision of the department:

~~a.~~<u>1.</u> Locally administered economic assistance <u>and social service</u> programs;

~~b.~~<u>2.</u> Replacement programs with substantially similar goals, benefits, or objectives; and

~~c.~~<u>3.</u> When necessary, experimental, pilot, or transitional programs with substantially similar goals, benefits, or objectives.

~~2.~~ ~~From the abstract of tax list prepared pursuant to section 57-20-04, each county shall annually provide the department of human services a report of the total mills levied for human service purposes pursuant to sections 50-03-01, 50-03-06, and 50-06.2-05, and the countywide value of a mill in each county. Upon receipt of reports from all counties, the department shall determine the statewide average of the mill levies and identify each county that levied ten mills more than that average. Each identified county is entitled to a share of funds appropriated for distribution under this subsection. Each identified county's share is determined by:~~

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~~a. Reducing its mill levy necessary to meet the costs of providing human services required under this title by the statewide average mill levy determined under this subsection plus ten mills;~~

~~b. Determining the amount that could have been raised in that county and year through a mill levy in the amount calculated under subdivision a;~~

~~c. Totaling the amounts determined under subdivision b for all counties entitled to a distribution;~~

~~d. Calculating a decimal fraction equal to each identified county's proportionate share of the total determined under subdivision c; and~~

~~e. Multiplying that decimal fraction times one-half of the biennial appropriation.~~

~~3. Notwithstanding any other provisions of law, the department shall reimburse county social service boards for expenses of locally administered economic assistance programs in counties in which the percentage of that county's average total supplemental nutrition assistance program caseload for the previous fiscal year which reside on federally recognized Indian reservation lands is ten percent or more. The reimbursement must be such that:~~

~~a. An affected county's actual direct costs and indirect costs allocated based on a percentage of each county's direct economic assistance and social services costs for locally administered economic assistance programs will be reimbursed at the percentage of that county's average total supplemental nutrition assistance program caseload for the previous state fiscal year which reside on federally recognized Indian reservation land not to exceed ninety percent;~~

~~b. The affected counties will receive quarterly payments based on the actual county direct and indirect costs, as provided in subdivision a, for the previous state fiscal year;~~

~~c. At the end of each fiscal year the actual quarterly payments paid must be reconciled to the current year of calculation of actual direct and indirect costs as provided in subdivision a and supplemental nutrition assistance program caseload and counties must be compensated accordingly in the first quarter of the new fiscal year; and~~

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~~d. The reimbursement will be calculated for each county and reported to the county social service board prior to September first.~~

SECTION 4. AMENDMENT. Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume ~~certain~~ costs of ~~certain~~economic assistance and social service programs.

~~Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the~~The department of human services shall pay ~~the local~~each service area's expenses ~~of administration incurred by a county~~for administering economic assistance and social service programs for calendar years after December 31, ~~2015, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, 2015; and the computer processing costs incurred by the county after December 31, 2015, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996~~2017, based on the formula payment amount calculated for each service area under chapter 50-34.

SECTION 5. AMENDMENT. Section 50-06-05.8 of the North Dakota Century Code is amended and reenacted as follows:

50-06-05.8. Department to assume certain costs of certain social service programs.

Notwithstanding section 50-06.2-05, or any other provision in title 50 to the contrary, and in addition to the programs identified in section 50-06-20, the department of human services shall pay the local expenses of administration incurred by a county after December 31, ~~2015~~2019, for family preservation programs; a county's share of the cost of the electronic benefits transfers for the supplemental nutrition assistance program incurred after December 31, ~~2015~~2019; and the computer processing costs incurred by the county after December 31, ~~2015~~2019, which exceed the county's costs of operation of the technical eligibility computer system in calendar year 1995 increased by the increase in the consumer price index for all urban consumers (all items, United States city average) after January 1, 1996.

SECTION 6. AMENDMENT. Section 50-06-20.1 of the North Dakota Century Code is amended and reenacted as follows:

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50-06-20.1. Human services grant program - Eligible counties - Reports.

1. ~~If the authority for counties to use emergency expenditures to address an emergency created by unusual and unanticipated demands on the counties' human services fund under chapter 50-03 is eliminated, the~~The department shall ~~establish~~administer a grant program to assist certain counties. An eligible county is one that historically has utilized the emergency expenditures process set forth in chapter 50-03 and which is adjacent to or part of an Indian reservation in this state, which contains Indian trust lands within the service area of a federally recognized Indian tribe which are occupied by enrolled members of that tribe, or which includes the state hospital created pursuant to subsection 8 of section 12 of article IX of the Constitution of North Dakota.
2. The grant program established in this section must be implemented through rulemaking under chapter 28-32. The department ~~may adopt emergency rules, without application of the grounds for emergency rulemaking otherwise required under section 28-32-03, to set out the policies and procedures for the disbursement of grants and~~ may not award more than one million nine hundred thousand dollars during the first year of a biennium, and no more than two million dollars during the second year of a biennium. The department shall notify a county of its approved funding no later than September first of each year of the biennium. The department shall issue an annual payment to counties receiving funds under this chapter in January of each year of the biennium.
3. The department shall report to the budget section annually and to the appropriations committees of the ~~sixty-fifth~~sixty-seventh legislative assembly and each succeeding legislative assembly on the funding approved under this section.

SECTION 7. AMENDMENT. Section 50-06.2-04 of the North Dakota Century Code is amended and reenacted as follows:

50-06.2-04. Powers and duties of county agencies.

Each county agency has the following powers and duties under this chapter:

1. To administer comprehensive human services programs for individuals and families at the county level in conformity with state and federal requirements under the direction and supervision of the state agency.

2. To publish and provide to the state agency a county human services plan which must include the following:
   a. A statement of the goals of county human services programs in the county.
   b. Methods used to identify persons in need of services and the social problems to be addressed by the county human services programs.
   c. A description of each county human service proposed and identification of the agency or person proposed to provide the service.
   d. The amount of money proposed to be allocated to each service.
   e. An agreement to make available those human services required by state law and by federal law or regulation as a condition for the receipt of federal financial participation in programs administered by county agencies under the provisions of this title.

   The date of submission of the county human services plan to the state agency must be determined so that the plan is coordinated with the proposed and final comprehensive human services plan.
3. To make available the human services detailed in the comprehensive human services plan which the county agency has included in the approved county plan and to provide such other human services as the county agency determines essential in effectuating the purposes of this chapter within the county. To the extent funding is available under section 50-06.2-03 and chapter 50-24.1, the county plan must include the services enumerated in those sections. The county agency shall make these services available to any individual requesting service and determined eligible on the basis of a functional assessment conducted in accordance with state and federal laws and regulations. The individual shall pay for the services in accordance with a fee scale based on family size and income. The county agency may contract with any qualified service provider in its provision of those enumerated services.
4. To submit annually to the board of county commissioners a budget containing an estimate and supporting data, setting forth the ~~county~~ funds needed to carry out the provisions of this chapter.

SECTION 8. Chapter 50-34 of the North Dakota Century Code is created and enacted as follows:

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50-34-01. State-paid economic assistance and social service pilot program - Application - Report.

1. The department of human services shall administer a state-wide pilot program for state funding of staffing and administrative costs related to the administration of economic assistance and social service programs.
2. Payments must be distributed to service areas pursuant to the formula in section 50-34-04 with the first formula payment distributions commencing in January 2018.
3. Services areas shall cooperate with the department of human service to adopt administrative and operational cost savings methodologies and determine options for consolidations.
4. The director shall appoint a committee to study the operation of the pilot program and develop a plan for the permanent implementation of the formula established in section 50-34-04.
5. Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance; considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue; options for efficiencies and aggregation; analysis of the potential reduction in social service offices, organizations, and staff due to consolidations; the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services; and considerations for oversight and chain of command within social services and human services. The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

50-34-02. Definitions.

As used in this chapter, unless the context otherwise requires:

1. "Base year" means calendar year 2015.

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2. "Case-month" means the provision of economic assistance or social services to one individual for the period of one month or the provision of energy assistance through the low income home energy assistance program for the period beginning October first of each year and ending May thirty-first of the following year.

3. "Director" means the executive director of the department of human services or the executive director's designee.

4. ~~"Economic assistance adjusted base year gross expenditures" means an amount calculated by increasing the service area's base year economic assistance gross expenditures by five percent per year in calendar years 2016 and 2017.~~

~~5.~~ "Service area" means a county or consolidated group of counties administering economic assistance and social service programs within a designated area.

~~6. "Social service adjusted base year gross expenditures" means an amount calculated by increasing the service area's base year social service gross expenditures by five percent per year in calendar years 2016 and 2017.~~

~~50-34-02~~50-34-03. Formula payments to service areas - Distributions by the director.

1. The director shall calculate the total formula payment for each service area pursuant to section ~~50-34-07~~50-34-04 for each calendar year based on each service area's most recently available case-month data. The director shall notify each service area of the amount of its formula payment for calendar year 2018 on or before August 15, 2017~~. Beginning~~, and for calendar year 2019 on or before June 1, 2018~~, and on or before June first of each year thereafter, the director shall notify each service area of its formula payment for the subsequent calendar year~~.

2. The director shall distribute fifty percent of the amount of each service area's formula payment determined under subsection 1, within the limits of legislative appropriation, on or before January tenth.

3. a. By June first of each year, the director shall recalculate the total formula payment for each service area pursuant to section ~~50-34-07~~50-34-04 for the current calendar year based on each service area's most recently available case-month data.

   b. If the recalculated formula payment results in an increase of five percent or less or a decrease of five percent or less as compared to the formula payment determined under subsection 1, the director shall distribute fifty percent of the amount of each service area's formula payment determined under subsection 1, within the limits of legislative appropriation, on or before June fifteenth.

c. If the recalculated formula payment results in an increase of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting one hundred five percent of the amount ~~distributed~~determined under subsection ~~2~~1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth.

d. If the recalculated formula payment results in a decrease of more than five percent as compared to the formula payment determined under subsection 1, the director shall calculate the remainder of each service area's formula payment by subtracting ninety-five percent of the amount determined under subsection 1 from the amount determined under subdivision a and add the resulting amount to the amount distributed under subsection 2. The director shall distribute the remainder of each service area's formula payment as determined under this subdivision, within the limits of legislative appropriation, on or before June fifteenth.

4. For payments disbursed after calendar year 2018, the director shall subtract from a service area's June fifteenth disbursement any amount exceeding the limitation under section ~~50-34-08~~50-34-05.

~~**50-34-03. State-paid property tax relief credit replacement - Distributions by the director.**~~

~~1. On or before October first of each year, the director shall calculate the amount payable to each county in the ensuing budget year as a result of the state-paid property tax relief credit replacement. A county's state-paid property tax relief credit replacement payment must be calculated as follows:~~

~~a. For a county located in a service area that encompasses only one county, subtract the county's service area formula payment determined under~~

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~~subsection 1 of section 50-34-02 from the sum of the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 and fifty percent of the amount the county received in fiscal year 2015 for specified state distributions.~~

~~b. For a county located in a service area that encompasses more than one county, subtract the county's share of the formula payment determined for each service area under subsection 1 of section 50-34-02 from the sum of the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 and fifty percent of the county's share of specified state distributions in fiscal year 2015. The county's share of the formula payment and specified state distributions is calculated as the amount the county received in calendar year 2017 pursuant to section 57-20-07.2 proportional to the combined total amounts that all the counties in the service area received in calendar year 2017 pursuant to section 57-20-07.2.~~

~~2. The director shall distribute the amount of each county's state-paid property tax relief credit replacement payment determined under subsection 1, within the limits of legislative appropriation, on or before January thirty-first of each year. The amount calculated for distribution to a county under this section must be applied to reduce a county's general fund levy in accordance with subsection 3.~~

~~3. On or before October fifteenth of each year, the tax commissioner shall notify each county of the amount calculated for distribution to the county under subsection 2. The county auditor shall calculate a county's required mill levy reduction by dividing the amount calculated for distribution to a county under subsection 2 by the county's current year taxable value. If the amount of a county's general fund mill levy is not sufficient to account for the entire required reduction, the county must reduce an additional county-wide levy to account for the remainder of the required reduction.~~

~~4. For purposes of this section, "specified state distributions" means the amount of state and federal funding a county received in fiscal year 2015 for day care licensing, family preservation programs, child abuse and neglect services, Indian county services, and county administration.~~

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50-34-04. Baseline funding amounts - Calculation of formula payment.

1. The director shall calculate each service area's base year case-month totals and direct gross expenditures. A service area's direct gross expenditures include the actual amount expended within a service area in the base year for staffing and administrative costs related to the administration of economic assistance and social service programs as well as eligible federally allowable indirect costs. For purposes of this subsection, "eligible federally allowable indirect costs" means twenty-five percent of the average of the federally allowable indirect costs allocated to each service area in calendar years 2012, 2013, and 2014.

2. The director shall calculate each service area's base rate per economic assistance case-month by dividing the service area's economic assistance net expenditures by the economic assistance case-months reported for the service area in the base year.

   ~~a.~~ For purposes of this subsection, "economic assistance net expenditures" means the amount calculated by subtracting the amount paid to the service area in the base year for services reimbursed by medical assistance from the service area's economic assistance ~~adjusted~~ base year gross expenditures.

   ~~b. For calendar year 2018 formula payment calculations, the base rate per economic assistance case-month is equal to twenty-two dollars and seventy-eight cents. For calendar year 2019 formula payment calculations, the base rate per economic assistance case-month is equal to twenty-three dollars and ninety-two cents.~~

3. The director shall calculate each service area's base rate per social service case-month by dividing the service area's social service net expenditures by the social service case-months reported for the service area in the base year.

   ~~a.~~ For purposes of this subsection, "social service net expenditures" means the amount calculated by subtracting the amount paid to the service area in the base year for services reimbursed by medical assistance from the service area's social service ~~adjusted~~ base year gross expenditures.

   ~~b. For calendar year 2018 formula payment calculations, the base rate per social service case-month is equal to five hundred sixty-eight dollars and seventy-eight cents. For calendar year 2019 formula payment calculations, the base rate per~~

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~~social service case-month is equal to five-hundred ninety-seven dollars and twenty-two cents~~

4. The director shall calculate the total formula payment by summing the following:

a. The product of the service area's rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.

b. The product of the service area's rate per social service case-month and the service area's most recently available social service caseload data.

~~**50-34-05. Economic assistance caseload weighting factor - Determination.**~~

~~1. The director shall assign an economic assistance caseload weighting factor of:~~

~~a. 1.00 to each service area with a yearly economic assistance case-month count of at least 250,000;~~

~~b. 1.60 to each service area with a yearly economic assistance case-month count of fewer than 250,000 but at least 45,000;~~

~~c. 1.75 to each service area with a yearly economic assistance case-month count of fewer than 45,000 but at least 22,000;~~

~~d. 2.00 to each service area with a yearly economic assistance case-month count of fewer than 22,000 but at least 8,000;~~

~~e. 2.20 to each service area with a yearly economic assistance case-month count of fewer than 8,000 but at least 5,000; and~~

~~f. 2.35 to each service area with a yearly economic assistance case-month count of fewer than 5,000.~~

~~2. The weighted rate per economic assistance case-month must be determined by multiplying the weighting factor assigned to each service area under this section by the base rate per economic assistance case-month.~~

~~**50-34-06. Social service caseload weighting factor - Determination.**~~

~~1. The director shall assign a social service caseload weighting factor of:~~

~~a. 1.00 to each service area with a yearly social service case-month count of at least 10,000;~~

~~b. 1.35 to each service area with a yearly social service case-month count of fewer than 10,000 but at least 1,800;~~

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~~c. 1.50 to each service area with a yearly social service case-month count of fewer than 1,800 but at least 900;~~

~~d. 1.60 to each service area with a yearly social service case-month count of fewer than 900 but at least 210;~~

~~e. 2.00 to each service area with a yearly social service case-month count of fewer than 210 but at least 145; and~~

~~f. 2.50 to each service area with a yearly social service case-month count of fewer than 145.~~

~~2. The weighted rate per social service case-month must be determined by multiplying the weighting factor assigned to each service area under this section by the base rate per social service case-month.~~

~~**50-34-07. Calculation of formula payment - Minimum and maximum allowable increases.**~~

~~1. The director shall calculate the total formula payment by summing the following:~~

~~a. The product of the service area's weighted rate per economic assistance case-month and the service area's most recently available economic assistance caseload data.~~

~~b. The product of the service area's weighted rate per social service case-month and the service area's most recently available social service caseload data.~~

~~2. The director shall adjust the total formula payment as calculated in subsection 1 for minimum and maximum allowable increases as follows:~~

~~a. For calendar year 2018 formula payment calculations, the formula payment must be at least one hundred two percent but no more than one hundred ten percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures. However, if the case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's case-month totals reported in the previous year for either economic assistance cases or social service cases, the formula payment may exceed one hundred ten percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted~~

~~base year gross expenditures by the amounts calculated in subdivisions c and d of this subsection.~~

~~b. For calendar year 2019 formula payment calculations, the formula payment must be at least one hundred four percent but no more than one hundred twenty percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures. However, if the case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's case-month totals reported in the previous year for either economic assistance cases or social service cases, the formula payment may exceed one hundred twenty percent of the service area's combined economic assistance adjusted base year gross expenditures and social services adjusted base year gross expenditures by the amounts calculated in subdivisions c and d of this subsection.~~

~~c. If the economic assistance case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's economic assistance case-month totals reported in the previous year, the formula payment may be increased by the amount resulting from multiplying the service area's weighted rate per economic assistance case-month by the number of economic assistance case-months that exceed one hundred and five percent of the economic assistance case-month totals reported in the previous year.~~

~~d. If the social service case-month totals in the service area's most recently available case-month data have increased by more than five percent compared to the service area's social service case-month totals reported in the previous year, the formula payment may be increased by the amount resulting from multiplying the service area's weighted rate per social service case-month by the number of social service case-months that exceed one hundred and five percent of the social service case-month totals reported in the previous year.~~

~~3. The director shall adjust the total formula payment as calculated in subsection 2 for reimbursements as follows:~~

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~~a. The services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area in the base year must be subtracted from the total formula payment as calculated in subsection 2.~~

~~b. The first ten thousand dollars of services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area, based on the most recently reported reimbursement data, must be added to the total formula payment as calculated in subdivision a of this subsection.~~

~~c. Twenty-five percent of the remaining amount of services reimbursed by medical assistance, service payments for the elderly and disabled, and expanded service payments for the elderly and disabled to the service area must be added to the total formula payment as calculated in subdivision b of this subsection.~~

~~50-34-08~~50-34-05. **Service area human services fund - Establishment - Fund balance limitations.**

Each service area in this state shall maintain a fund to be known as the service area human services fund. All expenditures by the service area for the relief of the needy must be paid from the service area human services fund. If, due to unforeseen or other extenuating circumstances, a service area's formula distribution payment is not sufficient to meet the expenses of that service area, the board of county commissioners may approve a transfer from the county's general fund to the service area human services fund upon a majority vote of all members. The balance of moneys in the fund on January first of each year may not exceed ~~thirty-five percent of the annual budget for the service area in the previous year or one~~five hundred thousand dollars~~, whichever is greater~~ for a service area that had annual expenditures of two million dollars or greater in calendar year 2015 or one hundred thousand dollars for a service area that had annual expenditures of less than two million dollars in calendar year 2015.

~~50-34-09~~50-34-06. **Service area human services fund - Transfer.**

If on January 1, 2018, the balance of a service area human services fund exceeds the limitations in section ~~50-34-08~~50-34-05, the county treasurer shall transfer the amount exceeding the limitations in section ~~50-34-08~~50-34-05 to the designated county general fund within that service area. A county receiving a transfer shall reduce its county general fund mill

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levy for taxable year 2018 by an equivalent amount. If the amount of a county's general fund mill levy is not sufficient to account for the entire required reduction, the county shall reduce an additional county-wide mill levy for taxable year 2018 to account for the remainder of the required reduction. If on January 1, 2019~~, and on January first of each year thereafter,~~ the balance of a service area human services fund exceeds the limitations in section ~~50-34-08~~50-34-05, the director shall reduce the service area's formula payment as directed in subsection 4 of section ~~50-34-02~~50-34-03.

~~**50-34-10. Service area consolidations - Caseload weighting factor adjustments - Transition.**~~

~~1. The director shall create and assign a separate caseload weighting factor to any group of service areas that consolidate after December 31, 2017, for the purpose of administering economic assistance and social service programs.~~

~~2. For purposes of this section, a "consolidated service area" means two or more service areas that combine for the purpose of administering economic assistance and social service programs and operate under a single board and a single director and make payments from a merged annual budget and one pool of funds. Consolidations under this section are subject to the procedures provided for multicounty social service districts under chapter 50-01.1.~~

~~3. For the first taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equivalent to that which each separate service area would have received had the consolidation not taken place.~~

~~4. For the second taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to ninety percent of the difference between the weighting factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~5. For the third taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a payment rate equal to eighty percent of the difference between the factor calculated in~~

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~~subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~6. For the fourth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to seventy percent of the difference between the factor calculated in subsection 3 and the rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~7. For the fifth taxable year following the consolidation, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to sixty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~8. For the sixth taxable year following the consolidation and all future taxable years in which the consolidation continues, the director shall calculate a combined weighting factor to allow the consolidated service area to receive a weighted rate equal to fifty percent of the difference between the factor calculated in subsection 3 and the weighted rate that would otherwise be applicable to the consolidated service area based on the combined caseloads.~~

~~50-34-11~~50-34-07. Authority to withhold funding.

Notwithstanding subsection 2 of section 50-01.2-06, if a service area fails to perform duties directed or assigned and supervised by the department of human services, the department of human services may withhold funding from the service area. The amount withheld may not exceed double the actual cost of the duty that was not performed, the per activity amount from the formula, the cost to the department of human services, or the amount of a federal penalty imposed as a result of the duty that was not performed.

50-34-08. Social services finance fund.

The social services finance fund is a special fund in the state treasury. Moneys in the fund may be used, subject to legislative appropriation, for the provision of formula payments to service areas pursuant to this chapter.

SECTION 9. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:
   a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.
   b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.
   c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.
   d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~
      ~~(1)~~ ~~The~~ the base year mill rate of the school district minus sixty mills~~;~~ or
      ~~(2)~~ ~~Fifty~~ fifty mills, if the base year is a taxable year before 2013.
   e. ~~If~~Reduced by the base year human services county levy in dollars if the base year is a taxable year before ~~2016,~~2017 ~~the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~.

~~**SECTION 7. AMENDMENT.** Section 57-15-06 of the North Dakota Century Code is amended and reenacted as follows:~~

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~~**57-15-06. County general fund levy.**~~

~~The board of county commissioners may levy property taxes for county general fund purposes at a tax rate not exceeding sixty mills per dollar of taxable valuation of property in the county.~~

~~A county that levied more than sixty mills for taxable year 2015 for the combined number of mills levied for general fund purposes plus the number of mills levied for purposes consolidated into the general fund levy by this Act may levy for general fund purposes for taxable year 2016 the same number of mills that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2017 sixty mills plus seventy-five percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2018 sixty mills plus fifty percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015. A county may levy for general fund purposes for taxable year 2019 sixty mills plus twenty-five percent of the combined number of mills exceeding sixty that was levied for those purposes for taxable year 2015.~~

~~For taxable years after 2016, the maximum county mill levy for general fund purposes determined under this section or section 57-15-01.1 must be reduced by the number of mills determined pursuant to the calculation under section 50-34-03. If the amount of a county's mill levy for general fund purposes is not sufficient to account for the entire reduction required under section 50-34-03, the county must reduce an additional county-wide mill levy to account for the remainder of the required reduction.~~

~~Unless a specific exception is provided by statute, the county general fund levy limitation under this section applies to all property taxes the board of county commissioners is authorized to levy for general county purposes.~~

SECTION 10. AMENDMENT. Subsection 3 of section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

3. A taxing district may elect to levy the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

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a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.

b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.

c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district. For purposes of this subdivision, an expired temporary mill levy increase does not include a school district general fund mill rate exceeding one hundred ten mills which has expired or has not received approval of electors for an extension under subsection 2 of section 57-64-03.

d. ~~If the base year is a taxable year before 2013, reduced~~Reduced by the amount of state aid under chapter 15.1-27, which is determined by multiplying the budget year taxable valuation of the school district by the lesser of~~:~~

~~(1) The~~the base year mill rate of the school district minus sixty mills~~;~~ or

~~(2) Fifty~~fifty mills, if the base year is a taxable year before 2013.

e. ~~If the base year is a taxable year before 2016, the base year human services county levy in dollars must be reduced to the amount of the county social service board budget levy for the budget year as determined under section 11-23-01~~Increased by the highest amount received by the taxing district in a taxable year under chapter 50-34.

SECTION 11. AMENDMENT. Section 57-15-06.7 of the North Dakota Century Code is amended and reenacted as follows:

57-15-06.7. Additional levies - Exceptions to tax levy limitations in counties.

The tax levy limitations specified in section 57-15-06 do not apply to the following mill levies, which are expressed in mills per dollar of taxable valuation of property in the county:

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1. A county supporting an airport or airport authority may levy a tax not exceeding four mills in accordance with section 2-06-15.
2. A county levying a tax for extension work as provided in section 4-08-15 may levy a tax not exceeding two mills and if a majority of the electors of the county have approved additional levy authority under section 4-08-15, the county may levy a voter-approved tax not exceeding an additional tax of two mills.
3. A county levying a tax for historical works in accordance with section 11-11-53 may levy a tax not exceeding one-quarter of one mill, except that if sixty percent of the qualified electors voting on the question of a levy limit increase as provided in section 11-11-53 shall approve, the tax levy limitation may be increased to not exceeding three-quarters of one mill.
4. A county levying a tax for a county or community hospital association as provided in section 23-18-01 may levy a tax for not more than five years not exceeding eight mills in any one year or, in the alternative, for not more than ten years at a mill rate not exceeding five mills.
5. A county levying a tax for county roads and bridges as provided in section 24-05-01 may levy a tax at a tax rate not exceeding ten mills. When authorized by a majority of the qualified electors voting upon the question at a primary or general election in the county, the county commissioners may levy and collect an additional tax for road and bridge purposes as provided in section 24-05-01, not exceeding a combined additional tax rate of twenty mills.
6. A county levying a tax to establish and maintain a public library service as provided in section 40-38-02 may levy a tax not exceeding four mills.
7. A county levying a tax for a county veterans' service officer's salary, traveling, and office expenses in accordance with section 57-15-06.4 may levy a tax not exceeding two mills.
8. A county levying a tax for capital projects under section 57-15-06.6 may levy a tax not exceeding ten mills. When authorized by a majority of the qualified electors voting upon the question of a specific capital project or projects at a primary or general election in the county, the county commissioners may levy and collect an additional voter-approved tax for capital projects under section 57-15-06.6 not exceeding a tax

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rate of ten mills per dollar of the taxable valuation of property in the county. After January 1, 2015, approval or re-authorization by electors of increased levy authority under this subsection may not be effective for more than ten taxable years. Any voter-approved levy in excess of ten mills for the purposes specified in section 57-15-06.6 approved by the electors before January 1, 2015, remains effective through 2024 or the period of time for which it was approved by the electors, whichever is less, under the provisions of law in effect at the time it was approved.

9. A county levying a tax for emergency purposes as provided in section 57-15-28 may levy a tax not exceeding two mills in a county with a population of thirty thousand or more, four mills in a county with a population under thirty thousand but more than five thousand, or six mills in a county with a population of five thousand or fewer.

10. A county levying a tax for county emergency medical service according to section 57-15-50 may levy a tax not exceeding ten mills.

11. A county levying a tax for weed control as provided in section 4.1-47-14 may levy a tax not exceeding four mills.

12. A county levying a tax for programs and activities for senior citizens according to section 57-15-56 may levy a tax not exceeding two mills.

13. Tax levies made for paying the principal and interest on any obligations of the county evidenced by the issuance of bonds.

14. A county levying a tax for a job development authority as provided in section 11-11.1-04 may levy a tax not exceeding four mills on the taxable valuation of property within the county. However, if any city within the county is levying a tax for support of a job development authority and the total of the county and city levies exceeds four mills, the county tax levy within the city levying under subsection 12 of section 57-15-10 must be reduced so the total levy in the city does not exceed four mills.

15. ~~A county levying an annual tax for human services purposes as provided in section 50-06.2-05 may levy a tax not exceeding the lesser of twenty mills or the number of mills determined by dividing the county budget limitation in dollars as determined under section 11-23-01 by the taxable valuation of the county.~~

~~16.~~ A levy for an extraordinary expenditure under section 11-11-24 approved by the electors of the county before January 1, 2015, may continue to be levied and collected

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under provisions of law in effect when the levy was approved and for the term it was approved by the electors. When the levy authority for an extraordinary expenditure ends under this subsection, the fund must be closed out and any unobligated balance in the fund must be transferred to the county general fund.

~~17.~~16. Levies dedicated under section 57-15-59 before January 1, 2015, for lease payments may be continued to be levied and collected for the duration of the lease. When the levy authority for lease payments ends under this subsection, the fund must be closed out and any unobligated balance in the fund must be transferred to the county general fund. A lease for county facilities effective after December 31, 2014, is subject to the capital projects levy limitations of section 57-15-06.6.

Tax levy or mill levy limitations do not apply to any statute which expressly provides that taxes authorized to be levied therein are not subject to mill levy limitations provided by law.

SECTION 12. AMENDMENT. Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 15.1-27 ~~and under~~, section 57-20-07.2 for taxable years before ~~2018~~2017, and chapter 50-34 for taxable years after ~~2017~~2016.

(1) For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

~~(1)~~ (a) Fifty mills; or

~~(2)~~ (b) The 2012 taxable year mill rate of the school district minus sixty mills.

(2) Legislative tax relief under chapter 50-34 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the ~~sum of the following:~~

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~~(a) The~~ number of mills determined by dividing the amount calculated in subsection 1 of section ~~50-34-02~~50-34-03 by the taxable value of taxable property in the county for the taxable year~~; and~~

~~(b) The number of mills determined by dividing the amount calculated in section 50-34-03 by the taxable value of taxable property in the county for the taxable year~~.

SECTION 13. AMENDMENT. Subdivision c of subsection 1 of section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

c. Provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under chapter 50-34 for taxable years 2017 and 2018 and under chapter 15.1-27~~ and under section 57-20-07.2~~. For purposes of this subdivision, legislative tax relief under chapter 15.1-27 is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under chapter 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of:

(1) Fifty mills; or

(2) The 2012 taxable year mill rate of the school district minus sixty mills.

SECTION 14. A new section to chapter 57-20 of the North Dakota Century Code is created and enacted as follows:

Centrally assessed company credit against payments in lieu of taxes.

1. The owner, operator, or lessee of transmission lines, for which payments in lieu of property taxes are assessed by the state board of equalization under section 57-06-17.3, is entitled to a credit against tax in the amount provided in subsection 3. The credit for each transmission company must be allocated to the counties in the same manner as the tax collected from that company is allocated.

2. The owner, operator, or lessee of electric transmission or distribution property, for which payments in lieu of property taxes are assessed by the state board of

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equalization under sections 57-33.2-02 or 57-33.2-03, is entitled to a credit against the transmission or distribution tax in the amount provided in subsection 3. The credit for each transmission or distribution company must be allocated and distributed to counties in the same manner as the tax collected from that company is allocated.

3. The amount of credit is determined by multiplying the company's assessed tax by a fraction, the numerator of which is the total of all formula payments calculated for the subsequent calendar year under ~~sections 50-34-02 and~~section 50-34-03 and the denominator of which is the total statewide ad valorem property tax levied in the prior taxable year.

4. The tax commissioner shall annually calculate the amount of credit to which a company is entitled under this section.

~~**SECTION 14. REPEAL.** Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are repealed.~~

~~**SECTION 15. REPEAL.** Section 50-06.2-05 of the North Dakota Century Code is repealed.~~

SECTION 15. SUSPENSION. Chapter 50-03 and section 50-06-20.1 of the North Dakota Century Code are suspended.

SECTION 16. SUSPENSION. Section 50-06.2-05 of the North Dakota Century Code is suspended.

SECTION 17. REPEAL. Section 57-20-07.2 of the North Dakota Century Code is repealed.

SECTION 18. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX SYSTEM. During the 2017-18 interim, the legislative management shall consider studying the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study must include consideration of all property classifications and taxing districts and evaluate historical fluctuations in property values, the transparency of the property tax system, the processes and procedures available to taxpayers to contest valuations and assessments, the manner in which property tax information is provided to taxpayers, the process of determining taxing district budgets, and taxpayer participation and input in the property tax system. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly.

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SECTION 19. FUNDING FOR STATE-PAID ECONOMIC ASSISTANCE AND SOCIAL SERVICES PILOT PROGRAM - APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. A total of $160,700,000 is available to the department of human services for the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

1. There is appropriated out of any moneys in the social services finance fund in the state treasury, not otherwise appropriated, the sum of $134,700,000, or so much of the sum as may be necessary, to the department of human services for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.
2. The department of human services shall also use $26,000,000 from the department of human services' general fund appropriation in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, for the purpose of defraying the expenses of the state-paid economic assistance and social services pilot program for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 20. TRANSFER - TAX RELIEF FUND TO SOCIAL SERVICES FINANCE FUND. The office of management and budget shall transfer the sum of $134,700,000 from the tax relief fund to the social services finance fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 21. EXEMPTION - BUDGET ALLOTMENTS. The sum of $26,000,000 appropriated from the general fund to the department of human services for the state-paid economic assistance and social services pilot program in House Bill No. 1012, as approved by the sixty-fifth legislative assembly, is not subject to the provisions of section 54-44.1-12, and the director of the office of management and budget may not include this amount in calculations used to determine transfers from the budget stabilization fund under section 54-27.2-03 for the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 22. EFFECTIVE DATE - EXPIRATION DATE. ~~Sections 6, 7, 8, 9, 10, and 13 of this Act are effective for taxable years beginning after December 31, 2016. Sections 3, 4, 5, and 11 of this Act become effective on August 1, 2017. Sections 1, 2, and 12 of this Act are effective for taxable years beginning after December 31, 2017~~Sections 9, 11, 12, and 16 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter

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ineffective. Sections 14 and 17 of this Act are effective for taxable years beginning after December 31, 2016. Sections 1, 3, 8, and 15 of this Act are effective August 1, 2017, through July 31, 2019, and are thereafter ineffective. Sections 4 and 7 of this Act are effective August 1, 2017, through December 31, 2019, and are thereafter ineffective. Sections 10 and 13 of this Act are effective for taxable years beginning after December 31, 2018. Sections 2 and 6 of this Act become effective on August 1, 2019. Section 5 of this Act becomes effective on January 1, 2020.