

Testimony Prepared for the  
**Senate Human Services Committee**

Wednesday, January 6, 2021

By: Terry Traynor, NDACo Executive Director



**RE: Senate Bill 2086 – Social Service Redesign 2.0**

Chair Lee and committee members, thank you for the opportunity to briefly address you regarding the ongoing process of social service redesign. I want to preface my testimony on the bill by thanking this Committee and the Legislature for passage of the enabling legislation last session, as well as DHS staff and the many county officials – zone directors, county auditors, state’s attorneys, and commissioners – that have devoted so many hours to implementing this monumental change.

My conclusion is that the transition, thus far, has gone well considering the short amount of time that we have been at this, but it is not without its difficulties. Some of which are addressed by this bill, but others that I will highlight, probably, must be resolved administratively by the Department – however, it would be my hope that this Committee would express its support and intent regarding their resolution. Most of these revolve around what “local control” means in this new structure.

Looking at the bill, I first wish to raise a concern with Sections 4 and 5. I appreciate the Department’s desire to remove this cost from their budget and shift it back to a county responsibility. But I would suggest that it is no more a county expense than a Department expense. My understanding is that these costs, ordered by State courts, are in response to private custodial disputes, where the county, the human service zone, and the Department are not involved. If this is indeed a governmental responsibility ordered by the State Court, would it be more appropriate in the court budget? I realize, this suggests opening a can of worms that may best be left in the fish house, however, I know that for some small counties, the surprise of such court ordered costs, although rare, can be significant. Keeping the impact in a larger state budget may even out the impact from year to year.

The remaining changes incorporated in sections 1-14 are consistent with corrections counties agree are necessary. The sections addressing the role of the state’s attorney (sections 1,2,6 & 10) are still under review, but so far there have been no changes suggested.

You have already heard of the concerns of zones with how Section 15 addresses the optional transfer of an entire zone to state employment. County commissioners are generally in agreement with zone directors that more meat on the bone is desirable.

The first section where I wish to suggest a specific change is the new language in subsection 5 in of section 16. As written, it appears to allow the Department in responding to overall budget

constraints, to tap host county reserve funds – drawing them down to zero. These reserve funds were preserved in SB2024 last session to address “unforeseen or other extenuating circumstances” within the zone, as stated in the existing language of section 18. While I recognize there are reasons for proposing this – effectively shifting revenue from one zone to the other – it seems to be inconsistent with original goal for the allowable thresholds in Section 18 of the bill. We would respectfully request that the phrase “, in excess of the thresholds established by section 50-35-05.” be added to at the end of that new sentence, or some other wording to prohibit the use of funds, in most cases originally generated by property taxes, from being used to offset state general funds.

While we have no issues with the specific changes in subsection 1 of Section 17, it does address the goal of compensation equity. As you have likely already heard, we have not made as much progress in this area as hoped. Zones are urging the Department to look more broadly at compensation, considering both salary and benefits, and to strive to move this issue along. Relatedly, many “host county decisions” were made 18 months ago largely based on the benefit mix of the counties. Some of those “benefits” are not strictly defined as such in DHS administrative code (i.e., personal days) and zones have been told these must be eliminated – creating a dual system of benefits for host county employees. Obviously, there are significant concerns among zone boards, and we are hopeful that this Committee will urge the Department to do what it can to resolve it in favor of local control.

Counties view the date changes in subsection 4 of Section 17 as essential. Significant property tax resources are dedicated by counties to providing zones with space, utilities, janitorial services, payroll/HR administration, IT support, insurance, vehicles, etc. The allowed reimbursement does not come close to covering these indirect costs, but the loss of this partial support would be a very direct impact on property taxes. As we now have several counties at the 60-mill general fund limitation, increasing these general fund costs would likely be impossible for these counties. The subsection does not address how these reimbursements are made, and it likely should not, as significant administrative work remains to ensure reimbursements are equitable from zone to zone and county to county. We acknowledge the state’s budgetary need to cap indirect cost reimbursements at a fixed amount, however indexing them of 2018 costs does not recognize the growth in rent for those zones that must use private office space, increased insurance costs, compensation for staff providing HR/payroll and IT support, etc. I would hope that as we work through the administrative analysis, the Legislature will be open in future Sessions to adjust this cap to recognize cost growth.

And finally, I wish to note that counties are supportive of the reserve threshold change of Section 18, as it recognizes the effect of moving from 46 county and multi-county budgets to 19 zone budgets, collapsing reserves into the host counties. The prohibition on using these funds for indirect costs was understood, and codifying that is reasonable.

Thank you again for the opportunity to address this important bill.