

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

Monday, March 15, 2021

By: Terry Traynor, NDACo Executive Director



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

Chairman Weisz and committee members, thank you for the opportunity to address 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, likely need to be resolved administratively by the Department – through the studies proposed in this bill.

This was a good bill as introduced and was made a better by amendments in the Senate. Clearly, our Association is in support of its passage. Others have outlined the key provisions that are strongly supported, so in the interest of the Committee’s time, I will address just two points that we hope the committee will examine carefully for possible improvement.

First, Sections 4 and 5 – which are somewhat outside of the “redesign” discussion – but shifted costs from counties to the zones/DHS in SB2024 last session. 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 the costs are no more a county expense than a Department expense. The costs established by these sections are for custody investigations and guardians ad litem, ordered by the state court, in response to private custodial disputes. These cases do not involve foster care or child protection; and the county, the human service zone, and the Department are not involved. If these are indeed a governmental responsibility, should they be a property tax expense? I know that for some small counties, the surprise of such court ordered costs, although rare, can be significant. Keeping the expense in a larger state budget may even out the impact from year to year. This issue was raised in the Senate hearing, but not addressed.

The second issue relates to subsection 4 of Section 21. Counties view the date change in this section as essential, although removing the sunset entirely would be preferable. As this committee knows, significant property tax resources are dedicated by counties to providing zones with space, utilities, janitorial services, payroll/HR administration, IT and legal support, supplies, 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.

Counties are requesting that the overall indirect cost reimbursement limitation be addressed. We acknowledge the state's budgetary need to cap reimbursements at a fixed amount, however indexing them to 2018 costs does not recognize the cost-of-living growth in compensation for county staff providing HR, payroll, legal, and IT support, the increasing rent for those zones that must use privately-owned office space, insurance cost growth, etc. As we now have several counties at the 60-mill general fund limitation, these general fund costs are becoming very problematic for some. NDACo proposed an amendment to this subsection when we testified on HB1012 (DHS Budget Bill) to increase the total reimbursement by the same percentage as state salaries, since much of the total cost is related to staffing. The same language is included at the end of my testimony for this committee's consideration. In the HB1012 hearing the fiscal impact of this was estimated at \$264,000 at 1.5% and \$354,000 at 2%.

Thank you again for the opportunity to address this important bill. As I noted, we clearly support its passage. I will try to answer any questions about the points I have raised or the other important aspects of the bill.

#### **50-35-04. Calculation of formula payment - Expenditures.**

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4. The director, during the period between January 1, ~~2020~~2021, and December 31, ~~2021~~2023, shall calculate payment for indirect costs ~~according to a formula established by the department, during the period between January 1, 2020, and December 31, 2021.~~ Indirect costs of the human service zone may not become direct costs without written approval of the department. The total payment by the department for reimbursement of indirect costs incurred to support human services may not be less than the prorated amount paid to counties for this purpose in state fiscal year 2018 and increased by the percentage allowed for state salary adjustments during the previous biennium, as identified in the indirect cost plan, unless a cost reduction or cost-savings is achieved by the county.