Testimony Prepared for the
House Appropriations
Human Resources Division
March 10, 2023. By Terry Traynor
North Dakota Association of Counties

RE: Senate Bill 2012 – Zone Funding

Thank you for the opportunity to communicate our Association's support for Senate Bill 2012 and specifically the funding for the 19 human service zones that it contains. NDACo and its 600 county official members, especially the Zone Directors, Commissioners, State's Attorneys, Sheriffs, Auditors and Clerks of Court that have a stake and interest in the delivery of high-quality human services, are supportive of adequate funding for this important joint function of state and county government.

As was so well explained by Kristen Harsbargen and Sara Stolt on Wednesday, almost 90 percent of the zone funding in this budget supports the salary and benefits of the 850 or so county employees that are the direct service providers of economic assistance eligibility, child welfare, and in-home services for the elderly and disabled.

We at the county level are very appreciative of the Department's inclusion of the "state salary adjustment" in this budget and acknowledge that the recent equity study substantiates the need for the 4% and 4% as well as the executive proposal of 6% and 4%.

Kristen and Sara did such an excellent job of explaining the process of Human Service Redesign and the milestones reached. I therefore need not repeat that important information, however, I was asked to provide just a bit of history as to why the issue of "compensation equity" is before you, and why it is so acute.

While we collectively began redesign after the 2017 Session, with state funding in CY2018, the evolution of human service delivery funding has been long and difficult. My first page of illustrations depicts how, since the mid-1990s, the counties and the Legislature have worked to address the unsustainable property tax growth of county social service support. In 1997, counties were relieved of a proportion of grant costs for one state and seven federal programs (including Medicaid), by "swapping" our federal reimbursement received for about half of the county staff costs. As the bottom illustration shows, it had an immediate impact on county spending, but the growth of the remaining grant and the larger staff costs continued. Two more attempts to mitigate this growth were implemented in 2007 and 2015, with similar, albeit smaller, results.

While these efforts certainly helped, it became increasingly clear that there was also a huge “equity” problem in the local funding equation. Unlike expenditures for roads, utilities, and public safety, which tend to grow with property value, social service costs have somewhat of an inverse relation to the capacity to tax property. Counties with relatively large social service costs were most often those with the lower and slower growing property tax bases. This was illustrated to the 2017 Legislature by the comparison of three equally valued homes in three different counties. For their counties to deliver the same, state- and federally mandated services, similarly situated property owners were paying widely different amounts. This, as much as the overall property tax burden, prompted counties to request, and the Legislature to enact the state-funding solution incorporated into the Redesign model.

I have brought this to the committee’s attention because this inequity of taxing capacity had a direct impact on the decision-making at the local level for salaries and benefits for all county employees. Those “property-poor” counties generally paid less – still within the Merit System requirements, but more often near the bottom – and generally had lower contributions to benefits. While these variations were generally known, the county-contained service model and the recognition of the local resource capacity made it somewhat less of an issue. As we moved into Redesign, with the same funding source and the inter- and intra-Zone delivery model, it became all too apparent.

Some of the benefit variation was addressed in the collapse from 48 employing counties down to 19, but as the attached table shows, the benefit variation remains significant. And, as the Department’s consultant determined, salaries are also somewhat varied, but clearly turnover is forcing some change in that area, but it is apparently causing compression so that inequities increase with years of service.

We thank the Legislature for requiring the equity study that has now allowed the Department to outlined what can possibly be done to address it. Our Association understands the pressures that this committee and the Legislature faces in tackling overall spending but urge you to favorably consider addressing this important issue.

Although immaterial to this discussion of SB2012, I feel it is important to include the final graph that shows overall taxation by all 53 counties in relation to all cities over this transition period. Some say that the Legislature’s efforts at property tax relief have not been successful, but I think this Tax Department data tells a different story. I truly believe that those lines would have remained parallel had you not made the bold decisions in 2017 and 2019 to move down the road of Social Service Redesign.

Timeline

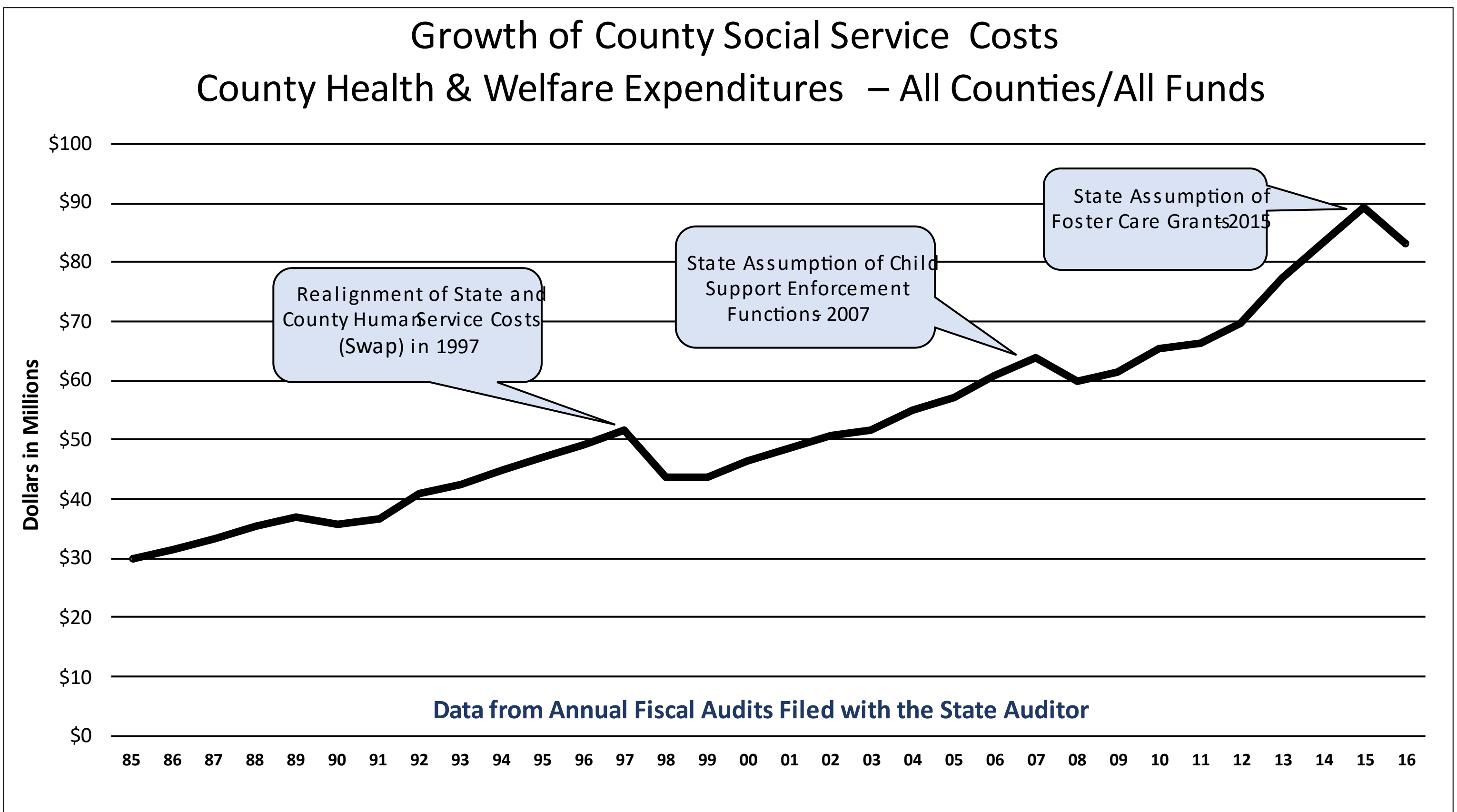
Early 1990's: Social service delivery was one of largest single items in many county budgets, and one that was growing much faster than property values. Counties therefore worked for legislation to shift that burden to statewide collected taxes.

1997: Counties were relieved of the local share of Medicaid payments to hospitals, doctors, and nursing homes, an area over which counties had no authority to approve, set rates, or change. Counties gave up or "swapped" their federal reimbursement for economic assistance staff costs.

2007: The costs and employees of regional child support enforcement offices were shifted to the State.

2015: The county share of foster care maintenance payments was shifted to the state.

-> As a result of these transitions, **property taxpayers were left with about $80 million per year in staff costs** with great variation, **as some taxpayers were paying 8 mills, others over 45 mills**



Comparison of Property Tax Burden for County Human Service Costs

2016 Taxable Value $328,000- $330,000 for all properties

Mercer County

Social Service Taxes - **$120**

Cass County

Social Service Taxes- **$290**

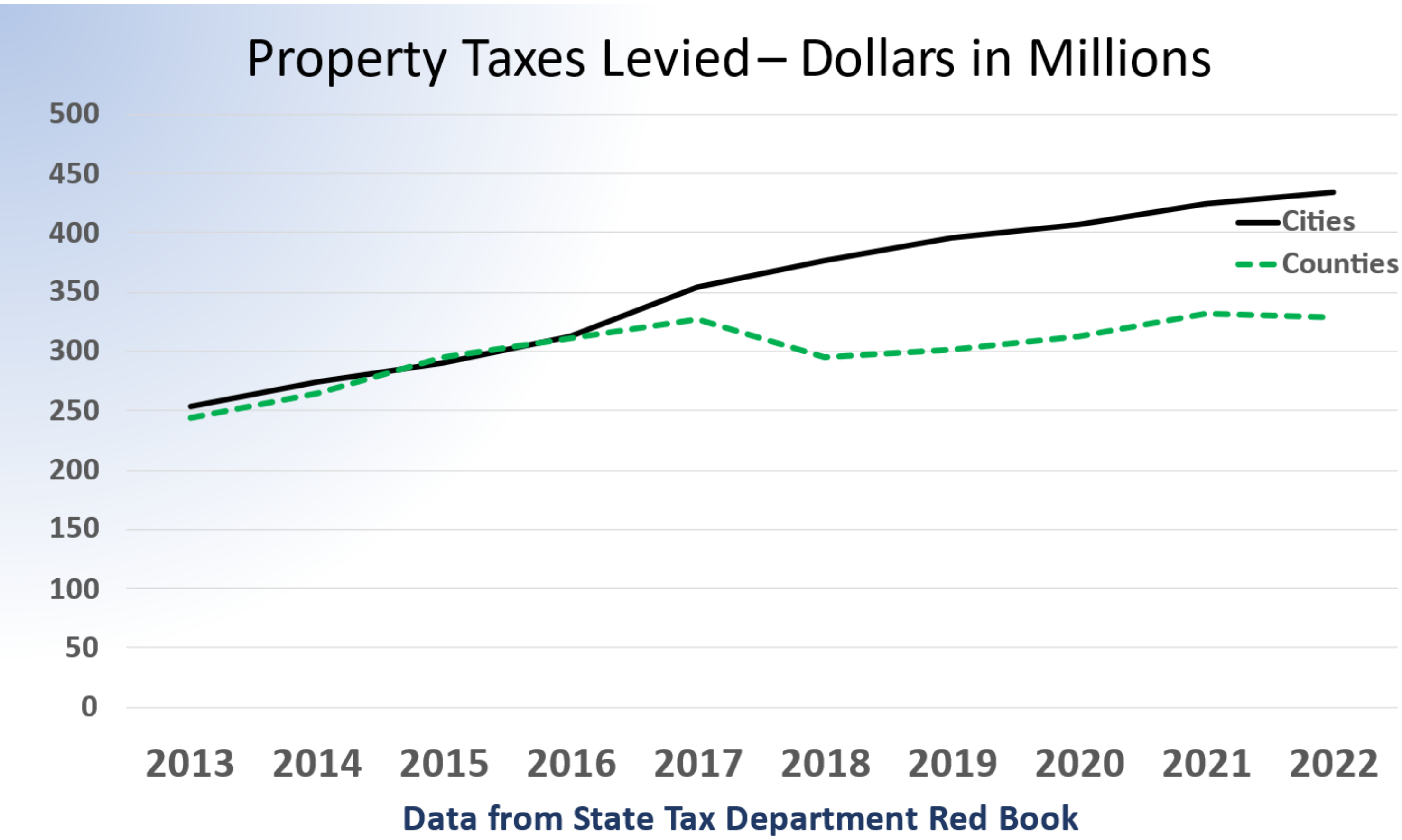
Ramsey County

Social Service Taxes - **$560**

HUMAN SERVICE ZONE HOST COUNTY BENEFITS

NDACo 2022 Salary & Fringe Benefit Survey

Host County County	Employer Percent of Retirement (NDPERS)	Health Insurance Provider	Monthly Single Premium	Employer share of Single Premium	Monthly Family Premium	Employer share of Family Premium	Does Employer Contribute to Other Insurances? Dental	Vison	Life	Disability
Billings	15.26%	BCBS	$ 734	100%	$ 1,774	100%	Yes	Yes	Yes	
Bottineau	15.26%	NDPERS	$ 735	100%	$ 1,776	68%			Yes	
Burleigh	15.26%	Self-Insured	$ 740	95%	$ 1,760	95%			Yes	
Cass	12.26%	Self-Insured	$ 596	93%	$ 1,996	79%	Yes		Yes	
Cavalier	15.26%	NDPERS	$ 735	100%	$ 1,776	100%				
Emmons	15.26%	NDPERS	$ 735	100%	$ 1,776	100%			Yes	
GrandForks	13.26%	BCBS	$ 893	90%	$ 2,321	82%			Yes	
McLean	15.26%	NDPERS	$ 735	100%	$ 1,776	100%			Yes	
Morton	14.26%	NDPERS	$ 735	90%	$ 1,776	80%			Yes	
Mountrail	12.26%	NDPERS	$ 742	100%	$ 1,794	100%	Yes	Yes	Yes	
Nelson	15.26%	NDPERS	$ 734	100%	$ 1,774	100%			Yes	
Ramsey	8.26%	Self-Insured	$ 920	100%	$ 2,393	100%	Yes	Yes	Yes	
Richland	15.26%	NDPERS	$ 735	100%	$ 1,776	56%			Yes	
Slope	15.26%	Self-Insured	$ 815	100%	$ 2,118	100%				
Stutsman	13.26%	Self-Insured	$ 745	95%	$ 1,801	85%	Yes			
Traill	12.26%	BCBS	$ 734	100%	$ 1,774	41%	Yes	Yes	Yes	
Ward	13.26%	NDPERS	$ 727	100%	$ 1,756	100%			Yes	
Wells	14.26%	BCBS	$ 779	100%	$ 2,025	92%	Yes		Yes	
Williams	15.26%	Self-Insured	$ 794	100%	$ 2,064	100%	Yes	Yes	Yes	Yes


Property Taxes Levied – Dollars in Millions
500
450
400
350
300
250
200
150
100
50
0
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Cities
Counties
Data from State Tax Department Red Book