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2003 HOUSE FINANCE AND TAXATION

HCR 3002

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR 3002

House Finance and Taxation Committee

Conference Committee

Hearing Date January 15, 2003

Tape Number	Side A	Side B	Meter #
1	X		3.9
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. WESLEY BELTER, CHAIRMAN Called the hearing to order.

WADE WILLIAMS, NORTH DAKOTA ASSOCIATION OF COUNTIES Testified in support of the bill. This resolution is a study to change from a county administered child support to a state administered child support. Because of the budget constraints the state is going through, the bill was left on the table. Through a series of resolutions, this resolution came out as a response to the ideas. The study is to find out what kind of effect it would have on the counties.

REP. DROVDAL Related to his area, and asked the question, why don't we study all lands, so we have it as a comparison for acreage, and for reference down the road.

WADE WILLIAMS I don't see how that can hurt, you certainly live in an area that has a lot of federal land. The discussion during the interim committee, didn't center around that particular area, but I am certain, having that much exempt land, does have an affect on the county.

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House Finance and Taxation Committee
Bill/Resolution Number HCR 3002
Hearing Date January 15, 2003

KEN YANTES, NORTH DAKOTA TOWNSHIP'S ASSOCIATION Testified in support of the resolution. He stated they had a board meeting earlier this year, and the representatives from around the state, had the same thoughts. He stated he did some research with other auditors in the state of North Dakota. He felt this study would help all of the auditors.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-15-03 Tape #1, Side A, Meter #13

JENNIFER CLARK, LEGISLATIVE COUNCIL STAFF Appeared before the committee to give a background on the discussions during the interim committee. See testimony of July 1 interim committee meeting.

Rep. Belter decided to hold the resolution for action later in the day.

COMMITTEE ACTION 1-15-03, later in the day, Tape #1, Side A, Meter #14

REP. DROVDAL Submitted amendments to add to the study resolution. The amendments would give the total amount of tax exempt property in each county.

REP. DROVDAL Made a motion to adopt the amendments as presented.

REP. WINRICH Second the motion. Motion carried.

REP. DROVDAL Made a motion for a **DO PASS AS AMENDED.**

REP. WINRICH Second the motion. **MOTION CARRIED.**

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House Finance and Taxation Committee
Bill/Resolution Number HCR 3002
Hearing Date January 15, 2003

11 YES 0 NO 3 ABSENT

REP. S. KELSH Was given the floor assignment.

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Salvatore Riccardi
Operator's Signature

10/16/03
Date

FR

Date: 1-15-03
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HCR 3002

House FINANCE & TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Rep. Drovdal Seconded By Rep. Winkich

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	✓				
DROVDAL, VICE-CHAIR	✓				
CLARK	A				
FROELICH	✓				
GROSZ	✓				
HEADLAND	✓				
IVERSON	✓				
KELSH	✓				
KLEIN	✓				
NICHOLAS	A				
SCHMIDT	✓				
WEILER	✓				
WIKENHEISER	A				
WINKICH	✓				

Total (Yes) 11 No 0

Absent 3

Floor Assignment Rep. S. Kelsh

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

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Yolanda Richardson 10/6/03
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)
January 17, 2003 8:17 a.m.

Module No: HR-09-0702
Carrier: S. Kelsh
Insert LC: 33016.0101 Title: .0200

REPORT OF STANDING COMMITTEE
HCR 3002: Finance and Taxation Committee (Rep. Belter, Chairman) recommends
AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS**
(11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). HCR 3002 was placed on the
Sixth order on the calendar.

Page 1, line 1, after "study" insert "the total amount of tax-exempt property by county;"

Page 1, line 3, replace the comma with a semicolon and after "these" insert "tax-exempt"

Page 1, line 18, after "study" insert "the total amount of tax-exempt property by county;"

Page 1, line 20, replace the comma with a semicolon and after "these" insert "tax-exempt"

Renumber accordingly

2003 SENATE FINANCE AND TAXATION

HCR 3002

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Salvatore Rickford
Operator's Signature

10/16/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR3002

Senate Finance and Taxation Committee

Conference Committee

Hearing Date March 5, 2003

Tape Number	Side A	Side B	Meter #
1	X		76-880

Committee Clerk Signature *Mary K. ...*

Minutes:

Senator Urlacher opened the hearing on HCR3002. All committee members are present. This resolution directs the Legislative Council to study the total amount of tax-exempt property by county, the loss of tax revenues from flooded property and from previously taxable property that is purchased by tax-exempt entities.

Ken Yantes, representing the ND Township Officers Association (mtr #132) - We believe that North Dakotans need to study this to determine the factual effects of this tax revenue loss.

Written testimony is attached. Urges a Do Pass.

Senator Wardner (mtr #217) - Question regarding the entities that are tax exempt. Some pay in lieu of taxes. What entities are tax exempt?

Mr. Yantes (mtr #244) - This past year at the Board of Directors Association, heard testimony from local township officers that there was a loss due to a shift of workings of Camp Grafton at Devils Lake. Were able to purchase land which was taken off of the tax rolls and put on

Page 2
Senate Finance and Taxation Committee
Bill/Resolution Number HCR3002
Hearing Date March 5, 2003

government land ownership status. Others included Indian Reservation purchasing land off the reservation, but, did visit with auditors in different counties and Indian Reservations are paying taxes. My assumption, it needs to be studied, are the entities paying taxes or not?

Senator Urlacher (mtr #355) - A few sessions ago, we tried to identify tax exempt property in the state. County assessors did not support that idea. Your calling for a county by county basis. The state as a whole should know what is out there.

Senator Tollefson (mtr #430) - Opinion on the term "in lieu of taxes", seems a misnomer from the standpoint of tax exempt properties. I think that term should be addressed also.

Mr. Yantes (mtr #505) - Believes Senator Tollefson is correct, "in lieu of taxes" is a good thing to study also.

Senator Urlacher (mtr #524) - Would the local counties take on some of that study and report to the legislative committee?

Mr. Yantes (mtr #537) - In Interim Committee, resources need to be called on to get the information. Chairman of the Interim Committee would ask counties for that information.

Senator Urlacher (mtr #607) - Given no further testimony, closed the hearing on HCR3002.

Senator Tollefson moves a Do Pass. Second by Senator Syverson.

General discussion followed by all Senators on the impact of tax exempt property, flooded property and the "in lieu of taxes" term.

Roll call vote 6 yea, 0 nay, 0 absent. Carrier is Senator Syverson.

REPORT OF STANDING COMMITTEE (410)
March 5, 2003 11:57 a.m.

Module No: SR-39-3942
Carrier: Syverson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
HCR 3002, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman)
recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HCR 3002 was placed on the Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

SR-39-3942

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10/16/03
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2003 TESTIMONY

HCR 3002

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10/16/03
Date

ADMINISTRATION OF CHILD SUPPORT STUDY

Chairman Mahoney called on committee counsel to present a bill draft [30115.0100] relating to state administration of child support enforcement system. Committee counsel said the Legislative Council staff worked closely with the Department of Human Services Division of Child Support Enforcement in drafting the bill draft. She said the intent of the bill draft is to change from a county-administered child support system to a state-administered child support system. Most of the amendments in the bill draft, she said, reflect changes in definitions of terms relating to state and local actors in the child support system. She said specific sections dealing with changes in definitions include Sections 14, 29, 39, and 41.

Committee counsel said substantive changes in the law include Sections 4, 5, 6, and 7, which remove the reference to Section 16 of Chapter 148 of the 1989 Session Laws. She said it appears this 1989 provision of the Session Laws became ineffective October 1, 1993. Committee counsel said Section 40 addresses duties of county commissioners, Section 42 addresses the state's duties, and Sections 44 and 53 address county agency duties.

Committee counsel said Section 50, amending NDCC Section 50-09-15.1, does not correctly reflect the amendment requested by the Division of Child Support Enforcement. She said the amendment to Section 50-09-15.1 should provide for overstriking the last sentence "The state agency, prior to distributing the moneys in the child support incentives account, shall invite comments regarding the distribution of the moneys from representatives of the North Dakota state's attorneys association and regional child support offices and other interested persons" and insert new language immediately thereafter "The balance of the child support incentive paid to the state by the office of child support enforcement may only be spent as appropriated by the legislative assembly to carry out the state plan submitted under chapter 50-09 in conformity with title IV-D."

Committee counsel said Section 52 creates two new sections to NDCC Chapter 50-09. The first section provides that 2001 is the base year for calculating the amount of county payments to be made to fund the state for state administration of the child support program. She said for years on or after January 1, 2004, each county would pay the state an amount equal to the county's expenditures for administration of the child support program for year 2001, minus any child support incentive payments received by the county during the year 2001. Additionally, she said, there is a provision addressing the value of office space provided by a county for the child support enforcement unit. The second section, she said, provides that the Department of Human Services would employ special assistant attorneys general to carry out the state agency's duties in administering the child support enforcement program. She said the salary of each of the special assistant attorneys general would be paid by the state agency, although appointment and the position would be revocable at the pleasure of the Attorney General.

Committee counsel said Section 57 would provide the Legislative Council the authority to correct references to regional child support agencies and to the public authority as they pertain to the provision of child support enforcement services in any measures enacted by the Fifty-eighth Legislative Assembly. She said the Act would become effective on January 1, 2004. Additionally, she said, if the committee were to recommend this bill draft to the Legislative Council, the bill draft should include an amendment to NDCC Section 14-09-08.6 to change the reference from public authority to child support agency, and the bill draft would need to be corrected to account for the omission of Section 51.

Committee counsel said when she discussed the bill draft with representatives of Central Personnel, the representatives suggested the committee consider clarifying whether the intent is that initially all positions and employees be transferred; whether current employees are grandfathered if there are qualification changes; and whether employees will be required to "reapply."

In response to a question from Representative Boucher, who was sitting with the committee as a member of the Legislative Council, Representative Mahoney said under the bill draft the calculation of the amount a county would be required to pay to the state would take into account incentive money previously distributed to the counties. Committee counsel said the bill draft does not provide property tax relief to counties and does not address concerns that may relate to the amount of child support expenses paid by the counties in the year 2001.

Representative Boucher said he is concerned that although the bill draft may be revenue neutral, the child support enforcement program is not cost neutral.

Representative Ekstrom said the current costs for providing child support enforcement services are not uniform from

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county to county, so what may be a good deal for one county under the bill draft would not be a good deal for another county.

Chairman Mahoney called on Mr. Mike Schwindt, Director, Child Support Enforcement, Department of Human Services, comments regarding the state administration of child support enforcement system bill draft. Mr. Schwindt provided written testimony, a copy of which is on file in the Legislative Council office.

Mr. Schwindt briefly reviewed the 1997 SWAP legislation under which counties became fiscally responsible for the administrative cost of the child support enforcement program and the state became fiscally responsible for certain costs related to nursing homes. He said in 2001 the total cost to the counties for providing the administration of the child support enforcement system was \$4.2 million plus an additional \$300,000 of federal incentive funds, totaling \$4.5 million for the state's child support enforcement program.

Mr. Schwindt reviewed some of the possible efficiencies that may be recognized under a state-administered child support enforcement program, including specialization for tribal cases, specialization for interstate cases, the possibility of a statewide prosecutor to target nonpayment and nonsufficient fund cases, more efficient locator services, increased ease of servicing cases as parties move within the state, and possible consolidation of income withholding orders. Additionally, he addressed some of the possible benefits of providing state-administered customer services. He said even with the provision of a state-administered customer service unit, he would not foresee closing any of the existing eight regional child support enforcement offices due to the need to balance consolidation of services and reasonable access to caseworkers at the local level.

Mr. Schwindt said if the change to state administration occurs, administrative items to consider include salary, classification, and health coverage and leave balances. He said because five of the eight regional units are a part of the county social service boards, they are part of Central Personnel and it is easy to determine that these staffs are properly classified and that the salaries are within the correct pay ranges. However, he said, a review of the other three regional units indicates that all staff are within the appropriate salary ranges except for two individuals who appear to be over the salary range in the amount of \$444 and \$380 per month. These individuals would stay at their pay levels until the pay ranges caught up with the current amount being paid. He said he would expect that all health care coverage would be provided through the standard state policy and in determining leave balances, the department would look to the process used by the Supreme Court when clerks of court were transferred and when the Department of Human Services was created.

Mr. Schwindt said substantive provisions in the bill draft include creation of a new section of law authorizing the state child support agency to employ special assistant attorneys general who would serve at the pleasure of the Attorney General. He said he has discussed the proposed language with staff in the Attorney General's office and does not expect any objections to come from that office. He said the bill draft would also provide for creation of a new section of law identifying the obligation of the counties to maintain their 2001 payment levels for the child support enforcement program. He said the language in the bill draft comes as close as possible to maintaining a financial status quo for the program. He said the bill draft provides for a delayed effective date of January 1, 2004, which coincides with the annual county budget cycle and gives the Department of Human Services sufficient time to handle the transition to a state-administered program.

In response to a question from Senator Dever, Mr. Schwindt said under the bill draft a family relying on the receipt of child support would not see any immediate changes; however, the program should become more efficient over time due in part to clarity of who is responsible to provide services.

Representative Boucher said the 1997 SWAP issue has glitches. He said in evaluating whether the state or the county should be responsible for paying for the child support enforcement system, he distinguishes between child support enforcement under which the expenses are administrative in nature and the nursing homes under which the expenses are programmatic expenses. He said overall, he supports state administration of the child support enforcement system as it is a part of the state court system; however, he does have concerns that the counties are incurring additional expenses and that the child support enforcement system is an example of devolution, by which the program has gone from the federal level to the state to the counties, in an attempt to "pass the buck."

In response to a question from Representative Boucher, Mr. Schwindt said under the bill draft the state would not be precluded from contracting with counties to provide a child support enforcement system.

Representative Boucher explained he comes from Indian country, which by nature has unique issues. He said on Indian reservations 100 percent of the funding for child support enforcement is federal, whereas child support enforcement services offered off the reservation are funded 66 percent federal and 34 percent state, regardless of whether the client of the services is a tribal member. He said he questions why an Indian is not treated the same when the Indian is on the reservation as when the Indian is off the reservation and supports making this change at the federal level.

In response to a question from Representative Boucher, Mr. Schwindt said the child support enforcement system at the federal level was essentially designed as a recoupment mechanism for public services. He said the federal government keeps raising the bar to make the child support enforcement system more effective and uses funding as an incentive to reach these higher benchmarks. He said he understands the federal government is in the process of finalizing administrative rules intended to treat Indians more fairly regardless of whether they receive services on an Indian reservation or off the reservation.

In response to a question from Representative Ekstrom, Mr. Schwindt said the intent under the bill draft is not to cut regions from providing customer services. He said under the bill draft, 2001 is set as a base year; however, the bill draft does not immediately address possible future population shifts and possible future increases in administrative costs. However, he said, the funding mechanism can be amended in the future to address these issues.

In response to a question from Senator Christenson, Mr. Schwindt said if the child support enforcement system was changed to a state-administered system, he would not expect customers to notice the changes, as it would be business as usual until there was an opportunity to evaluate the system, and it is possible the Legislative Council would be interested in following the progress in the transition.

In response to a question from Senator Dever, Mr. Schwindt said an example of inconsistencies across the state would include training methods and procedures. He said this is not necessarily a fatal consistency, but there are a variety of additional inconsistencies.

In response to a question from Representative Mahoney, Mr. Schwindt said historically, child support enforcement expenses have increased over time; however, if administrative costs increase, efficiencies under the state-administered program may help offset this increase.

In response to a question from Representative Boucher, Mr. Schwindt said although he does not have the specific statistics, there have been consistent increases in child support enforcement collections.

Chairman Mahoney called on Mr. Edward Forde, Director, County Social Services for Benson, Ramsey, and Towner Counties. Mr. Forde provided written testimony, a copy of which is on file in the Legislative Council office. Additionally, Mr. Forde provided written testimony from Mr. Colin Barstad, Administrator, Lake Region Child Support Enforcement Unit, a copy of which is on file in the Legislative Council office.

Mr. Forde said the counties in the Lake Region Child Support Enforcement Unit--Benson, Cavalier, Eddy, Ramsey, Rolette, Towner, and Wells Counties--go on record as supporting state administration of the child support enforcement system if the system is fully state-funded. Additionally, he said, the County Social Service Directors Association, County Social Services Board Members Association, County Commissioners Association, and the North Dakota Association of Counties also go on record in support of a fully state-funded state administration of regional child support system. However, he said, state administration of child support without state funding is largely where the counties perceive they are under the current system. He said although counties currently have control over some elements of the program, they are seldom consulted or involved in or even acknowledged in relation to policy and program development; therefore, to give up the minimal control the counties now have yet still be required to continue funding the child support system while totally being at the mercy of the state would not be a tenable option for the counties.

Mr. Forde said state administration of the child support enforcement system could have some desirable outcomes in terms of resolving some of the discrepancies under the current system as well as equalizing the administrative structure and workload distribution.

Mr. Forde said an underlying problem with county financing of the child support enforcement system for the Lake Region Child Support Enforcement Unit is related to how heavily caseloads are impacted from the Turtle Mountain Band

of Chippewa in Rolette County and the Spirit Lake Sioux in Benson County. He said the problems associated with this are critical and require immediate attention and action by the Department of Human Services, the Governor's office, and the Legislative Assembly. Specifically, he said, the temporary assistance for needy families (TANF) caseloads from Benson and Rolette Counties represent 85.9 percent of the TANF caseload in the seven counties served. He said although there was an agreement negotiated between the counties and the state in the 1930s, the Department of Human Services has resisted the Lake Region Child Support Enforcement Unit's efforts to bill this portion of the regional unit's expenses to the department. He said provisions in the 1997 SWAP legislation to help accommodate the high caseloads for the reservation counties appear to be in jeopardy due to legislative cuts at the state level. He said the reality is that TANF caseload trends indicate decreasing caseloads in the nonreservation counties while caseload trends are increasing in the reservation counties; therefore, the Ramsey and Benson Counties shares are likely to continue to increase while the others decrease, further adding to this inequity.

Mr. Forde said although Benson and Rolette Counties are struggling to pay their share, the other counties in Lake Region are growing impatient with the additional expenses they have borne related to service to reservation counties. He said Ramsey County is concerned about the fiscal position it is in as a host county responsible for fronting the expenses for regional unit operation, especially if the other participating counties become unable or are unwilling to pay their share or if the Department of Human Services refuses, discontinues, or reduces fiscal relief to the unit for reservation impact.

Chairman Mahoney called on Mr. Arne Berg, Chairman, Ramsey County Social Service Board, for comments regarding the state administration of child support bill draft. Mr. Berg provided written testimony, a copy of which is on file in the Legislative Council office. He said the Ramsey County board of commissioners and the Ramsey County Social Service Board support the state administration of child support with full funding by the state. He said his fiscal concerns are related to the decrease in taxable property resulting from ongoing flooding as well as decreasing population outside the Indian reservations. He said he does not believe it is right to expect the population in the region to bear the expense of maintaining services to Indian reservations. He said there is concern about the fiscal risk Ramsey County as host county is subject to because it needs to collect over 85 percent of the operating funds from two reservation counties that are struggling to pay. He said he anticipates that with increasing populations and TANF caseloads in the reservation counties, this predicament will only get worse over time.

In response to a question from Representative Mahoney, Mr. Berg said the year 2001 base year in the bill draft is problematic because Lake Region is in the process of shifting how each of the participating counties calculates its contribution. He said in the year 2001 the counties are subsidizing the reservation counties of Benson and Rolette and this would be unfair in establishing an ongoing formula.

Chairman Mahoney called on Mr. Barry Cox, Commissioner, Benson County, for comments regarding the state administration of child support bill draft. Mr. Cox said Benson County is unable to fund its regional obligation through property taxes. He said in Benson County, property is being purchased by the tribe after which the tribe does not pay property tax; therefore, the tax base is decreasing.

In response to a question from Representative Mahoney, Mr. Cox said under the bill draft even using the year 2001 as a base year, the 2001 taxpayers are paying for services the county cannot afford. He said Benson County is receiving subsidies from other counties.

In response to a question from Representative Kasper, Mr. Cox said he is not certain why Benson County is unable to recoup tribal-related child support enforcement expenses from the tribe. He said he has been told that failure by the county to provide child support enforcement services to tribal members is not an option under the law.

In response to a question from Representative Boucher, Mr. Cox said if the state administration of child support enforcement bill draft were implemented, the other counties in the region would stop subsidizing Benson County.

Chairman Mahoney called on Ms. Betty Keegan, Acting County Director, Rolette County Social Services Board, for comments regarding the state administration of child support enforcement bill draft. Ms. Keegan provided written testimony, a copy of which is on file in the Legislative Council office. Ms. Keegan also provided a copy of the region's four-year transition plan to cease subsidizing Rolette and Benson Counties, a copy of which is also on file in the Legislative Council office. Ms. Keegan said the concerns of the Rolette County Social Service Board apply to each county in North Dakota in which an Indian reservation is fully or partially located and are universal as far as the impact upon

counties neighboring Indian reservations.

Ms. Keegan said since the inception of the child support enforcement program, a gentleman's agreement among the seven county social service directors in Region 3 has provided some fiscal relief to Benson and Rolette Counties.

However, she said, after 30 years of financially bailing out Benson and Rolette Counties, the neighboring counties have decided they will no longer provide financial assistance to reduce the costs of child support enforcement administration for the two counties. She explained a four-year transition plan has been put into place, whereby in yearly increments, the cost of administration of the unit will be shifted from the neighboring counties to Benson and Rolette Counties. She said the critical message she hopes to impart to the committee is the matter of fairness as well as financial impossibility. With this transition, she said, Rolette County is expected to absorb an additional \$60,816.94 per year in child support enforcement administration costs at the end of the four-year transition period. She said as 2002 comes to an end, Rolette County social services will have incurred a quarter of a million dollars in the red. She said this is not a result of poor management or poor planning, rather it is a matter of insufficient tax revenues in Rolette County due to costs greater than can be funded through local taxes.

Ms. Keegan said Rolette County social services administers 24.33 percent of the state's TANF caseload. She said the state presently funds 49 percent of the regional child support unit through an effort known as Lake Region Reservation Project; however, the Indian caseload of this regional unit makes up 85 percent of the total caseload with most of these parents and children residing on one of the reservations.

Ms. Keegan offered the following recommendations for the committee's consideration:

1. State administration of the child support program with 100 percent state funding.
2. Immediate 100 percent full state funding of child support efforts on behalf of the eight Indian counties and administration of those eight counties only if 100 percent of funding is provided by the state.

Representative Boucher said two of the townships in Rolette County are part of the reservation; however, additional Indian trust land is located off the reservation. He said this trust land is nontaxable. Additionally, he said, it is illegal to deny an Indian social services simply because the Indian has chosen not to receive these services on the reservation.

In response to a question from Representative Kasper, Ms. Keegan said civil rights law prevents the counties from turning away applicants for services based upon race. She said tribal governments are aware of the large size of tribal caseloads in Rolette and Benson Counties.

In response to a question from Representative Mahoney, Ms. Keegan said although the state funds 49 percent of the operating costs for Rolette County, with the current financial status of the Department of Human Services, there are indications that next biennium the county will receive only 95 percent of this amount.

Chairman Mahoney called on Mr. Bob Leonard, Rolette County Commissioner and County Social Services Board member, for comments on the state administration of child support enforcement bill draft. Mr. Leonard provided written testimony, a copy of which is on file in the Legislative Council office. Mr. Leonard addressed the amount of Rolette County property that is reservation land or trust land and the tax value of taxable property in Rolette County. He said the situation in Rolette County will not be improving anytime soon because as the Native American population increases, the tribe buys additional taxable real estate on which to locate home sites and moves that same real estate from taxable to nontaxable status. Therefore, he said, it is likely the county's revenue will continue to decline while social service costs continue to grow in proportion to the economically stressed but growing Native American population. He explained that currently Rolette County levies 22.35 mills for social services, which is the maximum allowed by law; however, an additional 28 mills would need to be levied to meet the county's social service obligation. He said without fiscal relief, there will come a day when Rolette County will be forced to close its county social service doors due to lack of operating funds.

Chairman Mahoney called on Ms. Kathy Ziegelmann, Regional Child Support Administrators, for comments regarding the state administration of child support enforcement bill draft. Ms. Ziegelmann said the directors for the eight regional child support enforcement units have had the opportunity to review the bill draft. She said concerns with the bill draft include whether state administration of the program would allow for sufficient funding to provide quality services and whether state administration would have the necessary checks and balances between the state and local actors. She said most of the improved deficiencies that would be gained by going to a state-administered program would be able to be

10/14/2003 10:14:03 AM /8070103.html

1/14/2003

Krista Richardson
Operator's Signature

10/16/03
Date

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recognized under the county-administered program if sufficient funds were made available to the counties. She said overall, the position of the regional administrators is to take a neutral stance on the bill draft.

Chairman Mahoney called on Mr. Wade Williams, Legislative Relations, North Dakota Association of Counties, for comments regarding the state administration of child support enforcement bill draft. Mr. Williams provided written testimony, a copy of which is on file in the Legislative Council office.

Mr. Williams said many county commissioners have historically viewed child support enforcement as a state function. He said of all the social service programs, child support enforcement is the most heavily regulated by state and federal agencies and county boards have had very little to say about the management of the program. Therefore, he said, when human service fiscal responsibilities were realigned in 1997, the original SWAP proposal placed the child support program and fiscal responsibility for child support enforcement totally with the state. Unfortunately, he said, this proposal created such a negative fiscal effect on the state's budget that the legislation was amended to place the full cost of the eight regional child support enforcement units, less the incentive payments, with the counties. He said as a result of the 1997 SWAP legislation, he estimates \$8 million in county property tax is collected each biennium to pay for the child support enforcement services, services in which county boards have very little control.

Mr. Williams said most of the costs of the child support enforcement system are personnel-related and due to the increasing caseloads and increasing regulations, there has been a corresponding growth in the number of personnel required to run the program. He said the proposal to change to a state-administered system comes at a time when the Department of Human Services is dealing with a deficit and is facing even greater fiscal issues in the next legislative session. The bill draft, he said, reflects this fact, as it proposes to take away the little control counties now have with no reduction in their fiscal responsibilities. He said counties are concerned that moving to a state-administered child support enforcement program may mean state funding reductions for the counties or county cost increases in other programs. He said while the thought of using year 2001 costs as a base year is attractive to some people, the potential for the county portion to grow in the future is a large concern and that is one reason counties will find it difficult to support the bill draft.

Representative Boucher said he views the child support enforcement system as a judicial matter that should be administered by the judicial system.

In response to a question from Representative Boucher, Mr. Williams said he agrees that the child support enforcement system is not perse a service as other social services provided by the social service centers.

Representative Mahoney said child support enforcement can be viewed as a service because the enforcement of child support orders assists in the care of children.

In response to a question from Representative Mahoney, Mr. Williams said although the North Dakota Association of Counties has not taken a formal survey of each county, informal discussions with approximately 20 to 25 counties indicate there is opposition to the bill draft unless there is 100 percent state funding.

Representative Kasper asked whether the committee could study whether the state could require the Indian tribes to financially participate in funding the child support enforcement system. Chairman Mahoney said that issue is larger than the committee's charge; however, the committee can make some inquiries on this issue.

Representative Kasper asked whether the state can stop the tribes from purchasing nonreservation property and taking it out of the state tax rolls. Chairman Mahoney said this issue goes beyond the scope of the committee's study.

Representative Ekstrom said she views the study as going nowhere this interim. She said she is not certain what the state's financial obligation would be if child support enforcement were changed to a state-administered program.

Representative Ruby said he is interested in knowing whether it would be possible for the regions to charge child support obligors a fee for using the child support enforcement program.

Representative Niemeler said she thinks there is additional work that needs to be done before the committee could pursue the state administration of child support enforcement bill draft. Additionally, she said, the alternative may be to work with the child support enforcement regions to implement some of the efficiencies listed by Mr. Schwindt.

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Representative Mahoney said because the funding for the administration of the child support enforcement system under the bill draft would be coming from the state, it seems to follow that having the state administer the program would be more efficient. He said there appear to be inequities under the current system, including the issue of how to fund counties with Indian reservations. He said if the bill draft were pursued, the committee would need to consider evaluating the 2001 base year formula to account for those counties that are currently paying extra to fund Indian counties.

Representative Ekstrom said the counties in the state which are experiencing growth are the Indian counties. She said Indians are residents of this state and deserve to receive services just like any other resident of the state.

Representative Wrangham said moving to a state-administered child support enforcement system does not necessarily solve the problems raised regarding Indian reservations.

Senator Dever said the committee may want to consider the equity of how child support enforcement services are paid for Indian counties and whether there would be a way to spread the cost of child support enforcement services provided to Indian counties over the entire state.

Representative Boucher said it is important to remember that the Indian population is counted in the federal census and that the census figures are used to establish the amount of federal funding the state receives.

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10/16/03
Date

Testimony on HCR3002 North Dakota Township Officers Ass'n
by Ken Yantes

Mr Chairman, and members of the Senate Finance and Tax
Committee

My name is Ken Yantes and I represent about 6000 locally elected
grassroots government leaders, The ND Township Officers
Association.

At our annual membership meeting, township officers have
testified to the losses of taxable property due to land purchases by
tax exempt entities. They speak of lost revenue due to tribal
purchases, federal take over and the undependable payment in lieu
of taxes program.

We believe that North Dakotans need to study this to determine the
factual effects of this tax revenue loss and HCR3002 seeks to do
just that. Please give HCR3002 a do pass vote.

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LaCesta Richardson
Operator's Signature

10/16/03
Date