2011 HOUSE FINANCE AND TAXATION

HB 1149

# 2011 HOUSE STANDING COMMITTEE MINUTES

**House Finance and Taxation Committee**
Fort Totten Room, State Capitol

HB 1149
January 17, 2011
12944

☐ Conference Committee

Committee Clerk Signature Mary Brucker

**Explanation or reason for introduction of bill/resolution:**

A Bill relating to the levy limitation for county comprehensive health care insurance employee benefit programs; and to provide an effective date.

**Minutes:** *Attached testimony #1and #2*

**Representative Kaiser:** Sponsor. Support. This bill is related to the current limitation that exists for county comprehensive health care insurance. Currently, the century code allows a tax not exceeding eight mills and limitation in subsection 36 of section of 57-15-.06.7, in other words we give the political subdivisions the authority to levy an amount, to proportion a mill levy, so that they can pay the health insurance costs. The counties are requesting an increase from eight to twelve mills which is a relevantly significant rate increase. They can provide you with specific information on why they are asking for that rate increase. I can tell you as a Chairman of the interim Industry, Business and Labor committee we heard the healthcare legislation. And as the Chairman of the current IBL committee that's hearing the current legislation we just received testimony that if plans cannot maintain their grandfather status the impact of the healthcare legislation will be 7 ½%. Not accounting for any portion of medical or technological inflation. I do know that during the interim there were several political subdivisions that came forward and said based on the guidelines in the federal law we are somewhat convinced at this point in time that we will not be able to maintain grandfather status. Everyone in 2014 in effect loses their grandfather status pretty much. So 2014 is a big date but some groups, if they have a change in the rate at which individuals in their plan participate or in the level of benefits within their plan it then puts all plans in jeopardy. We face the same issue for our public employees. The ND PERS program is working on this as well. That's the purpose of this bill. It's almost entirely designed to address not only what we typically run into which is the standard medical and technological inflation but the impact of the federal health care law.

**Terry Traynor, North Dakota Association of Counties:** Support. Please refer to attached testimony #1.

**Representative Glen Froseth:** On the back there you have your county healthcare levies listed. Are some of the counties listed taking mills from other sources or how can they charge over and above the 8%?

**Terry Traynor:** When the legislature moved off of the sort of floating agricultural land valuation in 1981 and went to a fixed NDSU fixed established valuation for each county's agriculture land, the legislature provided an opportunity to increase those levies based on a percentage basis for, I believe, eight years. If a county was at the maximum in 1981 they were allowed to maintain the dollar value they reached at that point. So even if their valuations were to go down they could still levy the same amount of dollars that they've levied in the past. I think it's a combination in those counties where they have had valuation changes where they took advantage of the growth in the 1980s.

**Chairman Wesley R. Belter:** I believe you made the comment there was an 8% increase in medical costs. Was that by year or biennium?

**Terry Traynor:** It's my understanding is that it's 8% for the biennium.

**Chairman Wesley R. Belter:** In this bill they are asking for a 50% increase in tax. I'm questioning why that much.

**Terry Traynor:** I recognize that. The reason is the small amount that a mill generates in those rural counties that are really at the maximum already and they are also suffering with the inflationary costs that we've had before and the anticipation of what the costs are going to do after 2014.

**Vice Chairman Craig Headland:** Do counties have the abilities to go to the general fund to help fund their health programs?

**Terry Traynor:** Yes they do. Any special dedicated purpose that they have a levy for they can also spend general fund dollars on that, however, 39 of the counties and at their statutory cap in their general fund as well. So their ability to take money from that is very very limited.

**Vice Chairman Craig Headland:** Could you provide us with the counties that are using general fund money already in that area?

**Terry Traynor:** I can survey them. There isn't documentation but I can survey and ask how many are using general fund dollars in that way.

**Representative Patrick Hatlestad:** In those counties where there's nothing listed in terms as a mill levy, is that an indication that they didn't supply the information or they are levying?

**Terry Traynor:** The mill levy information is taken from the abstract of tax list that is filed with the state tax department by the counties. Those counties do not levy that particular levy; they must have room within their general fund or other funds in order to pay that cost. But as you can see most of those are resource counties with both coal or oil revenue and that money goes into their general fund. I suspect that's what their using to pay those costs.

**Representative Bette Grande:** How many counties are in PERS retirement?

**Terry Traynor:** I believe all but one are in PERS retirement. I do have survey data on that and if you're interested I can provide that. The last time we looked it was about 98% of all employees.

**Representative Bette Grande:** And is that the same that applies in the PERS healthcare?

**Terry Traynor:** No it does not. I believe there's only about 37 to 39 counties that are in PERS retirement, the rest either contract with Blue Cross Blue Shield or the larger ones have a self insurance with Blue Cross Blue Shield as a third party administrator. We've been tracking their costs and their cost changes are roughly equivalent to the PERS plan as well.

**Representative Bette Grande:** Could I request a list of those counties participating in PERS and then retirement and healthcare?

**Vice Chairman Craig Headland:** With a lot of the levies there are provisions that allow commissioners to go to the electorate and ask for an increase. Is there any language that would allow them to do this on this particular levy?

**Terry Traynor:** I would say no. That's one of the levies that's not in that category. Our point person on this issue, the County Auditor, Shirley Murray, sent an email message of her testimony. I can pass out a copy. Please refer to testimony # 2.

**Sandy Clark, ND Farm Bureau:** We stand today in opposition to HB 1149 because ND Farm Bureau policy says no new taxes and this bill is definitely a tax increase. We certainly understand the need for healthcare coverage for county employees but we would also concur valuations have increased throughout the counties and that has provided increased revenue. Even in rural counties property valuations of agriculture land have gone up substantially in the last couple years and that represents increased revenue. As valuations rise a mill levy is worth more so we think that should be able to help cover some of these. Like every family faced with financial challenges we have to make choices and we think it's time to start cutting government spending. We may not say that it is in healthcare but we need to decide which services we can live with and which ones we can live without. But we don't think this is the time for tax increases. Furthermore, as a legislature you've seen fit to provide property tax relief to the school funding delivery system. So when other political subdivisions raise their mill levy that negates the property tax relief that you gave the taxpayers. When taxpayers receive their tax statements and they see the higher property tax burdens rather than the lower property tax bill that they expected they begin to have a lot of questions and they begin to wonder where and how. The legislature is charged with setting the parameters for setting the property taxes like the mill levy limitations. We hope you will resist this tax increase by the same token as was pointed out from an 8 mill to a 12 mill increase maybe they can get by with less than that. But we hope that you will give HB 1149 a do not pass recommendation.

**Vice Chairman Craig Headland:** Would the Farm Bureau go along with a provision that would essentially give counties that ability on this particular levy if they were to take it to a vote to the electorate?

**Sandy Clark:** Absolutely. We always support allowing the taxpayers and the citizens of a tax interest an opportunity to vote. What they choose is their priorities.

**Chairman Wesley R. Belter:** No further testimony in opposition. HB 1149 hearing closed.

# 2011 HOUSE STANDING COMMITTEE MINUTES

**House Finance and Taxation Committee**
Fort Totten Room, State Capitol

HB 1149
January 24, 2011
#13320

☐ Conference Committee

| Committee Clerk Signature Mary Brucker |
|---|

**Explanation or reason for introduction of bill/resolution:**

A Bill relating to the levy limitation for county comprehensive health care insurance employee benefit programs; and to provide an effective date.

**Minutes:**

*See attached Amendment*

**Chairman Wesley R. Belter:** Reviewed Representative Owens' amendments. This allows the increase with approval of the majority of the elector voting on it.

**Representative Patrick Hatlestad:** Motion to move the 304 amendments.

**Representative Bette Grande:** Seconded.

**Representative Lonny B. Winrich:** This is a directed levy. The levy can only be used for health insurance. I don't think it can go into the general fund. This is only used to provide for the increasing cost of health insurance.

**Representative Bette Grande:** When I looked at this I only looked at the vote of the people. I'm not sure we had the discussion on removing that 12. Do to the notes that were handed out to us, Representative Winrich, you're right. They are trying to address the issue here with the cost. It shows us and one of my concerns was where they are going to do their health insurance from and other issues. If that's the case then there's probably a need to deal with this mill especially when we're talking about retirement health plans that are out there. I think we probably have to give them the ability to go to the people to ask for those other four mills. I didn't realize the amendment was taking that away from them too.

**Various committee members:** It doesn't take it away.

**Representative Bette Grande:** I misunderstood the amendment. It says remove the overstrike of the 8. I understand now.

**Representative Lonny B. Winrich:** The county really has no control over the cost of health insurance. That is set by the insurance companies. As the state does in terms of health insurance for its employees and so on we simply have to respond to what the insurance companies dictate. I see the counties as being in the same position here. This basically is allowing the insurance companies to raid the county budget. I don't think that's appropriate.

**Representative Patrick Hatlestad:** What I understand here, the voters determine that it's a good idea then they would pass the additional mills and if they didn't then the county would have to limit the dollar amount and put a cap on what they would pay for insurance and the employee would have to pick up the rest.

**Chairman Wesley R. Belter:** The county can still cover it they just have to find the money within their budget.

**Vice Chairman Craig Headland:** Unless we specify that they can't use other monies to provide health insurance it is my belief that they will use other monies collected in the general fund. I like the fact that its' going to the people but maybe we need this amendment to be more restrictive and simply state that if they do go to the 12 mills then they should use the particular monies to provide health insurance. If we're going to dedicate a certain mill levy to one thing then that's what it should be used for. My basis for saying that is if they don't have the money to provide a fully funded health benefit and the voters tell them they don't think their county employees should have a fully funded health benefit then maybe they shouldn't be providing it.

**Representative Shirley Meyer:** In my neck of the woods the health benefits are the only reason we can keep any county employees now. If you take that away when you can get a job in the oil field and your starting salary is $25/hour our counties can't compete with that. The only reason we're maintaining a lot of people there is because of the health benefits. If you limit that and make the employee pick it up we're just going to lose the people.

**Representative Lonny B. Winrich:** The reason the people in the state voted against income tax reductions a couple of years ago were because they were outspent. Elections can be swayed by money. Now that corporations can contribute to election campaigns I think that there is a real question out there whether this gives undue influence to an insurance company. I'm opposed to the amendment.

**Representative Dave Weiler:** I'm going to support the amendment because unfortunately the actions of the last four years of legislature. The legislature now owns property taxes. We're in the game and everybody thinks that we are going to lower their property taxes. They tell us not to raise their property taxes. It's going to be a very big problem in the future with the fact that we have gotten into the property tax game. This amendment as written is one way to simply get back into the minds of the voters in certain counties and districts that their local property taxes are put on by their county commissioner, city commissioner, school districts, and if they can't keep their budgets under control then the people are going to have a little more control over their property taxes. I certainly support this amendment.

Chairman Wesley R. Belter: All those in favor of the proposed amendments?
**VOICE VOTE TAKEN: MOTION CARRIES.**
**Representative Patrick Hatlestad: Moved a DO PASS AS AMENDED.**
**Representative Dave Weiler: Seconded.**

**A roll call vote was taken: AYE 10 NAY 2 ABSENT 2**
**MOTION CARRIED-DO PASS AS AMENDED**
**Representative Patrick Hatlestad will carry HB 1149.**

FISCAL NOTE STATEMENT

House Bill or Resolution No. 1149

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, or school districts. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

Becky Keller
Senior Fiscal Analyst

11.0304.01001
Title.02000

Prepared by the Legislative Council staff for
Representative Owens
January 20, 2011

1/25/11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1149

Page 1, line 9, remove the overstrike over "~~eight~~" and remove "twelve"

Page 1, line 9, after "mills" insert ", which may be increased to twelve mills if approved by a majority of the electors of the county voting on the question,"

Page 1, line 9, after "the" insert "levy is also subject to the"

Renumber accordingly

Date: 1-24-11
Roll Call Vote # 1

# 2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
## BILL/RESOLUTION NO. 1149

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ ~~Amended~~ ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep Hatlestad Seconded By Rep. Grande

| Representatives | Yes | No | Representatives | Yes | No |
|---|---|---|---|---|---|
| Chairman Wesley R. Belter | | | Scot Kelsh | | |
| Vice Chair. Craig Headland | | | Shirley Meyer | | |
| Glen Froseth | | | Lonny B. Winrich | | |
| Bette Grande | | | Steven L. Zaiser | | |
| Patrick Hatlestad | | | | | |
| Mark S. Owens | | | | | |
| Roscoe Streyle | | | | | |
| Wayne Trottier | | | | | |
| Dave Weiler | | | | | |
| Dwight Wrangham | | | | | |
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Total (Yes) No

Absent

Floor Assignment

VOICE VOTE

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

AYE NAY

MOTION CARRIES

Date: 1-24-11
Roll Call Vote # 2

**2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES**
**BILL/RESOLUTION NO. 1149**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ____________

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep Hatlestad Seconded By Rep Weiler

| Representatives | Yes | No | Representatives | Yes | No |
|---|---|---|---|---|---|
| Chairman Wesley R. Belter | ✓ | | Scot Kelsh | | ✓ |
| Vice Chair. Craig Headland | ✓ | | Shirley Meyer | ✓ | |
| Glen Froseth | ✓ | | Lonny B. Winrich | | ✓ |
| Bette Grande | ✓ | | Steven L. Zaiser | AB | |
| Patrick Hatlestad | ✓ | | | | |
| Mark S. Owens | AB | | | | |
| Roscoe Streyle | ✓ | | | | |
| Wayne Trottier | ✓ | | | | |
| Dave Weiler | ✓ | | | | |
| Dwight Wrangham | ✓ | | | | |
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Total (Yes) 10 No 2

Absent 2

Floor Assignment Rep. Hatlestad

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

**REPORT OF STANDING COMMITTEE**

**HB 1149: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (10 YEAS, 2 NAYS, 2 ABSENT AND NOT VOTING). HB 1149 was placed on the Sixth order on the calendar.

Page 1, line 9, remove the overstrike over "~~eight~~" and remove "twelve"

Page 1, line 9, after "mills" insert ", which may be increased to twelve mills if approved by a majority of the electors of the county voting on the question,"

Page 1, line 9, after "the" insert "levy is also subject to the"

Renumber accordingly

2011 SENATE FINANCE AND TAXATION

HB 1149

# 2011 SENATE STANDING COMMITTEE MINUTES

**Senate Finance and Taxation Committee**
Lewis and Clark Room, State Capitol

HB 1149
3/2/2011
Job Number 14823

☐ Conference Committee

A Rittmiller

**Explanation or reason for introduction of bill/resolution:**

Relating to the levy limitation for county comprehensive health care insurance employee benefit programs

**Minutes:**

Written Testimony Attached

**Chairman Cook** opened the hearing on HB 1149.

**Terry Traynor, North Dakota Association of Counties** - (See attached testimony A in favor of HB 1149)

**Sandy Clark, North Dakota Farm Bureau** – We stand today in support of HB 1149. Again, the same reasons we gave the last time, we support no new taxes and this is definitely a tax increase as it came in to begin with as the original bill, but we do support the amendment once again to give the patrons the opportunity to vote. We certainly understand the need to provide health care but we do think there has been substantial amount of increase in valuations in the counties and particularly rural counties. Like every family, we are faced with financial challenges, we all have to make choices, and we have to cut government spending, so we don't think this is the time to have tax increases and I make these comments based on the amendment that has been presented to you and we would hope that you would resist that amendment and leave in the opportunity to vote.

**Chairman Cook** asked for testimony opposed to HB 1149. No one came forward.

**Chairman Cook** asked for neutral testimony for HB 1149. No one came forward.

**Chairman Cook** closed the hearing on HB 1149.

# 2011 SENATE STANDING COMMITTEE MINUTES

**Senate Finance and Taxation Committee**
Lewis and Clark Room, State Capitol

HB 1149
4/4/2011
Job Number 16320

☐ Conference Committee

A. Bittmiller

**Explanation or reason for introduction of bill/resolution:**

Relating to the levy limitation for county comprehensive health care insurance employee benefit programs

**Minutes:** Committee Work

**Chairman Cook** opened discussion on HB 1149.

**Senator Oehlke** – It looks like the counties at the 8 mill limit are also the counties that are providing a significant, like 100% of the health insurance and the ones that aren't are maybe at a different level somehow.

**Vice Chairman Miller** – Some of these counties are still putting money from general funds for health care now. How is that allowed?

**Terry Traynor, Association of Counties** – The general fund can be used for any allowable expenditure of county government so if they have a dedicated levy for roads, for social services, for health care, if they have money in their general fund they can use it for that purpose as well. The general fund is like the state general fund.

**Senator Dotzenrod** – Is this the way the bill was introduced or was it amended to put that vote on over in the House?

**Terry Traynor, Association of Counties** – It was amended to put the vote on. It was introduced as a one word change 8 to 12 and then they added the vote.

**Senator Dotzenrod** – If the committee keeps the bill in the form that it's in now with the requirement to have the voters make that decision would the Association of Counties still support the bill?

**Terry Traynor, Association of Counties** – I believe my testimony I made it clear the County Commissioners have asked that you defeat the bill of you leave the vote on. Their intention with this is to prepare the county for health care reform and what they perceive as the cost. Obviously we don't know what those are yet and they felt that by putting the vote on there that precludes any coming back here to discuss this, it will be just too easy to say you've got it, you've got the vote. We would prefer that you kill the bill if you don't choose to take the vote off. Then we can revisit in the future once we have a better understanding of health care reform.

**Senator Hogue –** I will move a Do Not Pass.

Seconded by **Senator Burckhard**.

**Chairman Cook –** Ask the clerk to take the roll. (6-0-1)

Carried by **Vice Chairman Miller**.

## FISCAL NOTE STATEMENT

House Bill or Resolution No. 1149

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, or school districts. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

Becky Keller
Senior Fiscal Analyst

Date: 4-4-11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1149

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken: ☐ Do Pass ☒ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Hogue Seconded By Senator Burckhard

| Senators | Yes | No | Senators | Yes | No |
|---|---|---|---|---|---|
| | | | | | |
| Dwight Cook – Chairman | X | | Jim Dotzenrod | X | |
| Joe Miller – Vice Chairman | X | | Connie Triplett | | |
| Randy Burckhard | X | | | | |
| David Hogue | X | | | | |
| Dave Oehlke | X | | | | |
| | | | | | |
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Total (Yes) 6 No 0

Absent 1

Floor Assignment Senator Miller

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

**REPORT OF STANDING COMMITTEE**

**HB 1149, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1149 was placed on the Fourteenth order on the calendar.

2011 TESTIMONY

HB 1149

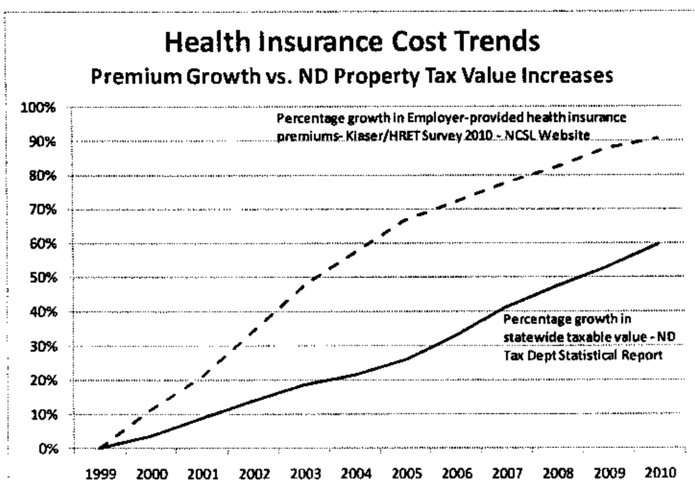
#1 p.1

**Testimony To The**
**HOUSE FINANCE & TAXATION COMMITTEE**
**Prepared January 17, 2010, by**
**Terry Traynor, Assistant Director**
**North Dakota Association of Counties**

**REGARDING HOUSE BILL No. 1149**

Chairman Belter and members of the Committee, the Association of Counties asked Rep. Keiser to sponsor this mill levy increase and we thank him for his interest in getting the bill before you.

Health insurance and particularly health insurance costs have been unavoidable topics for the last several years. Like many business owners, county commissioners have struggled each year with the challenges of staying competitive for employees with limited resources for benefits. As illustrated by the chart, health insurance premium costs have been growing at a much faster rate than property values – the factor which drives a county's (most particularly a rural county's) ability to match inflationary increases of all costs.




As the text of the bill indicates, counties may levy up to 8 mills specifically for "comprehensive health care insurance employee benefit programs." As illustrated in the attached table this dedicated levy is used in 43 counties, of which 27 are at (or beyond) the statutory limit.

Additionally, counties are authorized to use up to 4 mills of their social security/retirement levy for health costs.

A quick survey of 19 of the counties currently at the 8-mill limit indicated that 16 of them are also using the retirement levy for this purpose – and 13 of those are using the entire 4 mills allowed. As the Committee can see from the county list, the problem is generally most significant in the smallest and most rural counties.

The table on the next page also provides information regarding the level of employer (county) support for employee health benefits.

HB 1149 1-17-11 p. 2 of Testimony #1

**County Comprehensive Employee Health Insurance**

| | Percent of Family Health Plan Paid (2010 Survey) | CY09 Health Care Levy (CY10 Budgets) | |
|---|---|---|---|
| | a | b | |
| Adams | 60% | 8.00 | * |
| Barnes | 75% | 3.06 | |
| Benson | 39% | 6.98 | |
| Billings | 100% | | |
| Bottineau | 41% | 8.00 | |
| Bowman | 85% | | |
| Burke | 40% | 7.49 | * |
| Burleigh | 71% | 2.51 | |
| Cass | 79% | Consol.Gen.Fund | |
| Cavalier | 100% | 5.00 | |
| Dickey | 78% | 5.29 | |
| Divide | 100% | 8.00 | |
| Dunn | 100% | 3.93 | |
| Eddy | N/A | 8.00 | |
| Emmons | 100% | 8.00 | * |
| Foster | 69% | 8.00 | |
| Golden Valley | 41% | | |
| Grand Forks | 82% | 8.00 | * |
| Grant | 42% | 8.00 | * |
| Griggs | 42% | | |
| Hettinger | 90% | 8.00 | * |
| Kidder | 70% | 8.00 | |
| LaMoure | 70% | 8.00 | |
| Logan | 80% | 7.96 | |
| McHenry | 100% | 5.14 | |
| McIntosh | 90% | 8.00 | * |
| McKenzie | 85% | | |
| McLean | 100% | | |
| Mercer | 90% | 8.00 | |
| Morton | 65% | | |
| Mountrail | 100% | 5.01 | |
| Nelson | 100% | 8.00 | * |
| Oliver | 100% | 8.00 | * |
| Pembina | 88% | 8.00 | |
| Pierce | 100% | 6.97 | |
| Ramsey | 100% | 8.00 | |
| Ransom | 68% | 10.51 | * |
| Renville | 38% | 8.00 | |
| Richland | 56% | | |
| Rolette | 50% | | |
| Sargent | 75% | 11.00 | |
| Sheridan | 41% | 8.00 | * |
| Sioux | 41% | 15.21 | * |
| Slope | 100% | 5.96 | |
| Stark | 75% | 4.00 | |
| Steele | 41% | 8.00 | |
| Stutsman | 81% | 8.00 | |
| Towner | 50% | 7.51 | |
| Traill | 41% | 4.90 | |
| Walsh | 75% | 7.25 | |
| Ward | 65% | 2.27 | |
| Wells | 92% | 8.00 | * |
| Williams | 100% | | |

Sources: a. Annual NDACo survey of benefits

b. ND Tax Dept. Property Tax Statistical Report

* Also levy 4 mills from retirement levy

The counties indicating they provide 39%-42% of the cost of a family health plan are those that limit the employer share to a single plan or the equivalent cost of a single plan. As you can see, only 14 counties support 100% of a family plan, and most of those are oil-resource counties that face tremendous competition for their heavy equipment operators as well as land record experts and most other skilled employees.

The majority of counties (and virtually all small counties) purchase their health benefits through PERS. Most of the committee members are well aware of the cost increases that this plan has faced over the last decade. We are fortunate that the increases will not be as great in the coming biennium, but they will still exceed the revenue that most counties will be able to generate if they are already at the 8-mill and 4-mill limits.

This problem is complicated by the anticipated changes to the PERS retirement contributions. Almost all county employees are enrolled in the PERS retirement system, and the expected employer-share increase will require additional funds from the county retirement levy, further limiting some counties' ability to use that option for health benefits.

Mr. Chairman and committee members, I hope that this information adequately describes the situation faced by a large number of counties – most of which have few options for raising revenue. County officials would appreciate your support and a "do pass" recommendation.

#2

**HOUSE FINANCE & TAXATION COMMITTEE**
**Prepared January 14, 2011 by**
**Shirley Murray, Sheridan County Auditor**

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## CONCERNING HOUSE BILL 1149

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Chairman Belter and members of the Committee, I am Shirley Murray, the Sheridan County Auditor. I am presenting our county's support of HB 1149 to increase the Comprehensive Health Insurance Levy authority for Counties from 8.00 mills to 12.00 mills.

In Sheridan County, we currently participate in the NDPERS health plan and the county pays the single employee portion of $424.96 per month/$5,099.52 per year of the premium cost for 20 employees for a total of $101,990.40. One mill generates $7,468.00 in Sheridan County, so you can see that the current eight mills will pay for the health benefits of only 12 county employees.

We have allocated these costs to the various special funds as we are allowed, like the 4 mills within the OASIS/Retirement fund, that generates enough premium for another 6 employees but we must still use $12,374.40 from our General fund, Social Services fund, and Highway Distribution fund to pay the remaining 2 employees health benefits. Sheridan County is estimated to see a 7% increase in premiums effective July 1st, 2011. With not many options for counties, it has become difficult to keep up with the rapidly increasing costs of health coverage.

Our county board has been committed to providing a reasonable employee benefit package, and we are hopeful that this can continue. Without the levy authority however it will at some point become impossible for the county commission to even consider the option.

Please give HB 1149 a Do Pass recommendation.

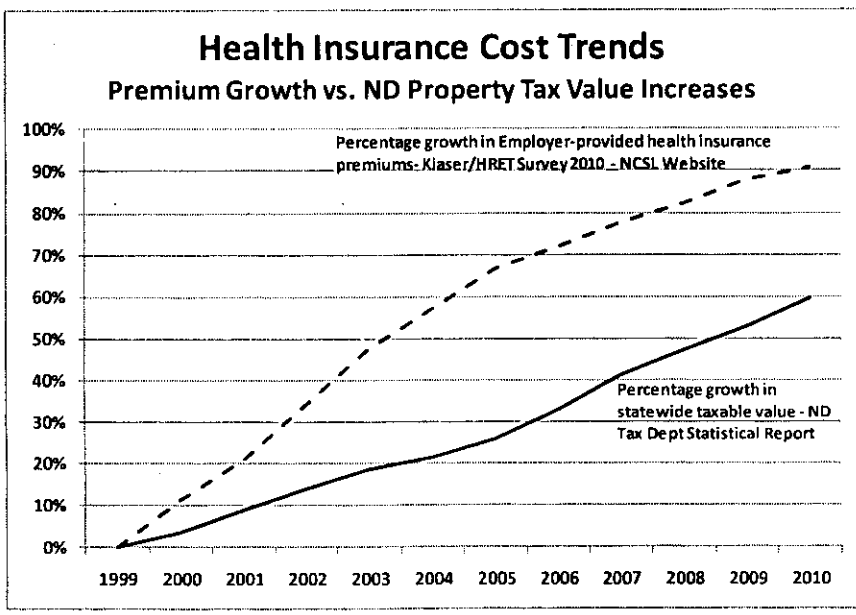
A

**Testimony To The**
**SENATE FINANCE & TAXATION COMMITTEE**
**Prepared March 2, 2011, by**
**Terry Traynor, Assistant Director**
**North Dakota Association of Counties**

**REGARDING ENGROSSED HOUSE BILL No. 1149**

Chairman Cook and members of the Committee, the Association of Counties asked Rep. Keiser and the cosponsors to introduce this optional mill levy increase and we thank them for their interest in getting the bill before you.

Health insurance and particularly health insurance costs have been unavoidable topics for the last several years. Like many business owners, county commissioners have struggled each year with the challenges of staying competitive for employees with limited resources for benefits. As illustrated by the chart, health insurance premium costs have been growing at a much faster rate than property values – the factor which drives a county's (most particularly a rural county's) ability to match inflationary increases of all costs.




As the text of the bill indicates, counties currently may levy up to 8 mills specifically for "comprehensive health care insurance employee benefit programs."

The attached table illustrates that this dedicated levy is used in 43 counties, of which 27 are at (or beyond) the statutory limit.

Additionally, counties are also authorized to use up to 4 mills of their social security/ retirement levy for health costs.

A quick survey of 19 of the counties currently at the 8-mill limit indicated that 16 of them are also using the retirement levy for this purpose – and 13 of those are using the entire 4 mills allowed – and a number of them also use resources from their general fund (if available). As the Committee can see from the county list, the problem is, not surprisingly, most significant in the smallest and most rural counties.

The table also provides information regarding the level of employer (county) support for employee health benefits. The counties indicating that they provide 39%-42% of the cost of a family health plan are those that limit the employer share to the equivalent cost of a single plan. As indicated, only 14 counties support 100% of a family plan, and most of those are oil-resource counties that face tremendous competition for their heavy equipment operators, land record experts and most other skilled employees.

The majority of counties purchase their health benefits through PERS. The committee is well aware of the cost increases that this plan has faced over the last decade. We are fortunate that the increase will not be as great in the coming biennium (Estimated at 7.3%), but it will still exceed the additional revenue that most rural counties will be able to generate if they are already at the 8-mill and 4-mill limits.

This problem is complicated by the anticipated changes to the PERS retirement contributions. Almost all county employees are enrolled in the PERS retirement system, and the expected employer-share increase will require additional funds from the county retirement levy, further limiting some counties' ability to use that option for health benefits.

Mr. Chairman and committee members, I hope that this information adequately describes the situation faced by a majority of our state's counties – most of which have few options for raising revenue.

In the House Committee, it was felt that a citizen vote to permit a levy in excess of the current eight mills should be added. While gaining voter approval of dedicated levies for such things as road repair or extension services can be challenging, county commissioners feel including a required vote for county employee benefits will make its use quite doubtful, and further limit the counties' ability to return to the Legislature once the full impact of health care reform on counties is known.

The House amendment also (in our analysis) is technically flawed, by including the words "the levy" on line 10. This appears to subject the specific health insurance levy to the retirement/social security levy limitation – making the requirement rather confusing.

For these reasons, our Association respectfully requests the Committee's consideration of the attached amendments to remove the language added in the House – and with that change they urge a "do pass" recommendation.

Without the change, the county commissioners association has asked that the bill be given a "do not pass" recommendation, so that we can revisit this issue with a clean slate in the future.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL No. 1149

Page 1, line 8, overstrike "eight" and insert immediately thereafter "twelve"

Page 1, line 9, remove ", which may be increased to twelve mills if approved by a majority of electors"

Page 1, line 9, remove "of the county voting on the question," and "levy is also subject to the"

Renumber accordingly

# County Comprehensive Employee Health Insurance

| | Percent of Family Health Plan Paid (2010 Survey) | CY09 Health Care Levy (CY10 Budgets) | Additional Funds from County General Fund for Health | Health Ins. Plan |
|---|---|---|---|---|
| Adams | 60% | 8.00 * | $23,856 | NDPERS |
| Barnes | 75% | 3.06 | $242,670 | NDPERS |
| Benson | 39% | 6.98 | Response Pending | NDPERS & BCBS & Other |
| Billings | 100% | | $190,000 | NDPERS |
| Bottineau | 41% | 8.00 | Response Pending | NDPERS |
| Bowman | 85% | | $102,000 | NDPERS |
| Burke | 40% | 7.49 * | $50,000 | NDPERS |
| Burleigh | 71% | 2.51 | $0 | BC/BS |
| Cass | 79% | Consol.Gen.Fund | $1,549,077 | Self Insured - BCBS Admin |
| Cavalier | 100% | 5.00 | $0 | NDPERS |
| Dickey | 78% | 5.29 | Response Pending | NDPERS |
| Divide | 100% | 8.00 | $325,000 | NDPERS |
| Dunn | 100% | 3.93 | $575,000 | NDPERS |
| Eddy | N/A | 8.00 | Response Pending | NDPERS |
| Emmons | 100% | 8.00 * | $67,315 | NDPERS |
| Foster | 69% | 8.00 | $0 | NDPERS |
| Golden Valley | 41% | | $96,900 | BC/BS |
| Grand Forks | 82% | 8.00 * | $0 | BC/BS |
| Grant | 42% | 8.00 * | $0 | NDPERS |
| Griggs | 42% | | $0 | NDPERS |
| Hettinger | 90% | 8.00 * | $18,500 | BC/BS |
| Kidder | 70% | 8.00 | $31,128 | NDPERS |
| LaMoure | 70% | 8.00 | Response Pending | NDPERS |
| Logan | 80% | 7.96 | Response Pending | NDPERS |
| McHenry | 100% | 5.14 | $0 | NDPERS |
| McIntosh | 90% | 8.00 * | $110,000 | NDPERS |
| McKenzie | 85% | | $446,900 | Self Insured - BCBS Admin |
| McLean | 100% | | $770,000 | NDPERS |
| Mercer | 90% | 8.00 | $411,568 | Self Insured - BCBS Admin |
| Morton | 65% | | $0 | NDPERS |
| Mountrail | 100% | 5.01 | $415,475 | NDPERS |
| Nelson | 100% | 8.00 * | $94,000 | NDPERS |
| Oliver | 100% | 8.00 * | $0 | NDPERS |
| Pembina | 88% | 8.00 | $0 | NDPERS & BCBS |
| Pierce | 100% | 6.97 | $75,000 | NDPERS |
| Ramsey | 100% | 8.00 | $0 | Self Insured - BCBS Admin |
| Ransom | 68% | 10.51 * | $0 | NDPERS |
| Renville | 38% | 8.00 | $0 | BC/BS |
| Richland | 56% | | Response Pending | NDPERS & BCBS |
| Rolette | 50% | | $47,110 | NDPERS |
| Sargent | 75% | 11.00 | $0 | NDPERS |
| Sheridan | 41% | 8.00 * | $0 | NDPERS |
| Sioux | 41% | 15.21 * | $15,000 | BC/BS |
| Slope | 100% | 5.96 | $92,000 | BC/BS |
| Stark | 75% | 4.00 | $0 | NDPERS & BCBS |
| Steele | 41% | 8.00 | $0 | NDPERS |
| Stutsman | 81% | 8.00 | $0 | NDPERS |
| Towner | 50% | 7.51 | $0 | NDPERS |
| Traill | 41% | 4.90 | $17,000 | NDPERS |
| Walsh | 75% | 7.25 | $18,300 | BC/BS |
| Ward | 65% | 2.27 | $383,505 | NDPERS |
| Wells | 92% | 8.00 * | $176,800 | BC/BS |
| Williams | 100% | | $989,340 | Self Insured - BCBS Admin |

Sources: a. Annual NDACo Survey of Benefits

b. ND Tax Dept. Property Tax Statistical Report

* Also levy 4 mills from retirement levy