

Testimony Prepared for the
House Finance and Taxation Committee

January 24, 2023

By: Jason Benson, Cass County Engineer



RE: Oppose HB 1367 – Relating to adoption and referral of preliminary budgets of cities, counties, school districts, and park districts; and to provide an effective date.

Chairman Headland and House Finance and Taxation Committee members, thank you for the opportunity to provide testimony on HB 1367. I am Jason Benson, the Cass County Engineer, and I also serve on the legislative committee for the ND Association of County Engineers. I am here to oppose the bill as proposed.

I have worked for the Cass County Highway Department for 22 years and I have served as the Cass County Engineer since 2011. Back in 2011 our budget hearings took place the third week of August, with the budget being approved at the second County Commission meeting of September. In 2017 the North Dakota Century Code was changed to where preliminary budgets must be to the County Auditor by August 10th.

To give the County Auditor adequate time to prepare and process all the city, school district, and park board preliminary budgets we now hold our County budget hearing the third week of July. To allow the County Auditor to collect department budgets and prepare for the budget hearing, department budgets are usually submitted 7-10 days prior to the hearing, or roughly the Friday after the 4th of July.

This new law will now require the preliminary budget be submitted by July 10th of each year. This means our budget hearings will not shift to the third week of June. This also means department budgets will now be submitted the at the end of the first week in June. This calendar shift has a direct impact on road and bridge budgeting, as well as other department budgeting.

Due to our late springs, load restrictions on County roads usually are not lifted until the middle or late May every year. This means most County road and bridge project are not started until early June. From a budgeting standpoint, we do not know exactly how we will end the budget year until we have a good feel for how our major construction projects are going. Some projects come in close to the bid price, while other projects come in under the bid price, and sometimes projects surpass the bid price due to unforeseen conditions. For most Counties, their road and bridge projects make up 50%-75% of their budget. How we end the year and the amount of carry over funding in our road and bridge funds helps determine the projects we can do the next year. Of course, it is not just projects, but also includes fuel prices, and other budget line items that can fluctuate in price throughout the year.

When I started as the County Engineer in 2011, we had from early June to early August to get many of our projects completed or well on their way. We were also more than 60% of the way

through the budget year, so we had a better idea on how fuel prices and other price changes would impact the budget. This made for a more accurate end of year budget estimate and resulted in a more accurate future year budget. Currently, with our budget being submitted in early July we now have a more unclear vision of how our projects will turn out as many of our projects are started and we are 50% of the way through the budget year. If this bill passes as written, we will now be submitting our budget in early June prior to most of our projects starting and with almost 60% of the budget year remaining.

You may be asking yourself, so what, how does this impact the budget. Generally, departments budget to end the year with between 10%-15% of their funds as a principle of fiscal policy so that there is not a risk of busting the budget. For example, if a County highway department has a \$5 million budget, you would strive to end the year with \$500,000 remaining. Throughout the year departments evaluate where their budget is based on project costs and other changes. If it is determined that budget costs have been favorable, you may project to end the year with \$700,000. This \$200,000 in additional carryover can have a huge impact on your next year's budget. It could be the difference between being able to afford a bridge replacement project, pave an extra mile or two of overlay, or replace that 20-year-old piece of equipment with burdensome maintenance costs.

Chairman Headland and committee members, I want to reiterate that NDACE opposes the bill as written. Approving these changes will mean an even earlier budgeting process that will result in more guesswork being applied in the budgeting process.