17.0202.09000

FISCAL NOTE
Requested by Legislative Council
04/20/2017

Amendment to: HB 1361

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1361 First Engrossment with Conference Committee Amendments generally limits the dollar increases in property taxes levied by all taxing districts except schools to 3% per year.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1361 First Engrossment with Conference Committee Amendments limits the allowable amount of property tax increases in dollars to 3% per year, with certain allowable adjustment for new property, exempt property, etc. The bill allows the 3% limitation to be exceeded by a vote the district's electors, for a single taxable year at a time.

Section 2 of the bill deals with reporting by counties and compiling and reporting of property tax growth by the tax commissioner. Section 3 repeals an outdated requirement for county certification of taxes levied by taxing districts.

The fiscal impact of Section 1 of the bill cannot be determined because it will be dependent upon the property tax growth that would have occurred without these limitations, and the actions of the voters within taxing districts throughout the state.

Sections 2 and 3 do not have a fiscal impact, other than some administrative costs.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 04/21/2017

17.0202.08000

FISCAL NOTE
Requested by Legislative Council
04/13/2017

Bill/Resolution No.: HB 1361

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1361 First Engrossment with Senate Amendments deals with property tax information reported by county auditors and compiled by the tax commissioner.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1361 First Engrossment with Senate Amendments deals with reporting by counties and compiling and reporting of property tax growth by the tax commissioner. Section 2 repeals an outdated requirement for county certification of taxes levied by taxing districts. There is no fiscal impact to this bill.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 701.328.3402
Date Prepared: 04/14/2017

17.0202.07000

FISCAL NOTE
Requested by Legislative Council
04/12/2017

Amendment to: Engrossed HB 1361

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1361 First Engrossment with Senate Amendments allows voters to impose growth limitations on property taxes imposed by cities, counties, and park districts.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1361 First Engrossment with Senate Amendments enables voters to petition for an election calling for a limitation on the growth of property taxes to 3% over the prior year, with adjustments for changes in the taxability of new and existing property.

A successful election will limit the growth to 3% (after adjustments) for cities, counties, and park districts. Schools are not included in the limitation. This bill will have no impact on the state's support of k-12 education through the school funding formula.

Section 2 of the bill deals with reporting by counties and compiling and reporting of property tax growth by the tax commissioner. There is no fiscal impact to this section.

Section 3 repeals an outdated requirement for county certifications attached to tax lists. There is no fiscal impact to this section.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

It is not known how many taxing districts will be required to hold elections, and what the results will be in terms of limiting growth in property taxes. There will be costs associated with holding the elections that will need to be covered by local taxing districts. The amount of these costs that will occur in the 2017-19 biennium are dependent upon the number and timing of the petitioned elections and therefore cannot be determined.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 04/14/2017

17.0202.06000

FISCAL NOTE
Requested by Legislative Council
04/06/2017

Amendment to: HB 1361

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1361 First Engrossment with Senate Amendments allows voters to impose growth limitations on property taxes imposed by cities, counties, and park districts.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1361 First Engrossment with Senate Amendments enables voters to petition for an election calling for a limitation on the growth of property taxes to 3% over the prior year, with adjustments for changes in the taxability of new and existing property.

A successful election will limit the growth to 3% (after adjustments) for cities, counties, and park districts. Schools are not included in the limitation. This bill will have no impact on the state's support of k-12 education through the school funding formula.

Section 2 of the bill deals with reporting by counties and compiling and reporting of property tax growth by the tax commissioner. There is no fiscal impact to this section.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

It is not known how many taxing districts will be required to hold elections, and what the results will be in terms of limiting growth in property taxes. There will be costs associated with holding the elections that will need to be covered by local taxing districts. The amount of these costs that will occur in the 2017-19 biennium are dependent upon the number and timing of the petitioned elections and therefore cannot be determined.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: `701.328.3402

Date Prepared: 04/09/2017

17.0202.05000

FISCAL NOTE

Requested by Legislative Council
02/09/2017

Amendment to: HB 1361

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			$0		$34,000,000	
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts		$0	$0
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1361 generally limits the dollar increases in property taxes levied by taxing districts to 3% per year.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

HB 1361 limits the allowable amount of property tax increases in dollars to 3% per year, with certain allowable adjustments for new property, exempt property, etc. The bill allows the 3% limitation to be exceeded by a vote of the district's electors, for a single taxable year at a time.

The bill may also limit the growth in the state's 12% state paid property tax credit.

The actual impact of HB 1361, if enacted, will depend on the actions of the local taxing jurisdictions and any voter approval that may be sought.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The 1st engrossment amendments exempt school districts from the 3% limitation for the 2017-19 biennium.

Effective 2019, the 3% limitation will apply to school districts along with a provision to limit the increase in local funding from property taxes considered in the K-12 funding formula to mirror the new restriction on local property tax increases.

The amendments effectively shift an estimated $34 million from local sources to state sources required to fund the K-12 formula for the 2019-2021 biennium. Total formula funding for school districts remains the same.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Jerry Coleman

Agency: Dept. of Public Instruction

Telephone: 701-328-4051

Date Prepared: 02/10/2017

17.0202.04000

FISCAL NOTE
Requested by Legislative Council
01/16/2017

Bill/Resolution No.: HB 1361

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1361 generally limits the dollar increases in property taxes levied by taxing districts to 3% per year.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

HB 1361 limits the allowable amount of property tax increases in dollars to 3% per year, with certain allowable adjustments for new property, exempt property, etc. The bill allows the 3% limitation to be exceeded by a vote of the district's electors, for a single taxable year at a time.

If enacted, HB 1361 will put constraints on the level of increases allowed by school districts as part of the school funding formula. This restriction may result in schools receiving less revenue in total due to the restriction on the local share. The school funding formula assumes the local share fluctuates based on changes in taxable valuation of the district. This bill limits the growth in total tax, but does not affect taxable valuation.

The bill may also limit the growth in the state's 12% state paid property tax credit.

The actual impact of HB 1361, if enacted, will depend on the actions of the local taxing jurisdictions and any voter approval that may be sought.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 01/25/2017

2017 HOUSE FINANCE AND TAXATION

HB 1361

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1361
1/30/2017
27571

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill related to limitations of property tax levies by taxing districts without voter approval.

Minutes:

Attachments 1-8

Chairman Headland: Opened hearing on HB 1361.

Representative Carlson: Introduced bill. Distributed testimony. See attachment #1. Reviewed the explanation of the bill draft pertaining to a three percent property tax levy increase limitation. This is not a new idea. This is a property tax reform bill. Eventually, my hope is to get us out of the property tax business. This moves everything into dollars and cents, not mills. Ended testimony at 10:16 from written testimony. This doesn't have a big effect on our budget but it does on state policy. This is a very important issue for us to address for the state of North Dakota, not only for this session but a long term policy for how we address the property tax.

Chairman Headland: Is it your intent that if approval by the electorate to increase more than the three percent if passed, does that then become part of next year's base?

Representative Carlson: It would be next year's base. This is a year to year process. This says you can have new growth but you can't have the other side of the equation.

Chairman Headland: It doesn't mean they would have to go to the three percent; they could go lower if they didn't need the money.

Representative Carlson: This is the cap. At what point do you want to go through the voting process on every budget that is out there? That's the backside of this; we're getting voter engagement. The voting is the key here. I fully support the people's right to vote on these issues. I think it is our responsibility at home and not our responsibility at the state level.

Chairman Headland: Are there any questions?

Representative Steiner: In another bill there is a formula. Dickinson, Williston, Minot, and possibly Mandan has some debt so there is a state formula that community doesn't vote on. We're very dependent on part of that oil tax revenue that is shared with the state coming back to take care of that debt. If that bill were to get killed and their amount of debt payment was to be severely reduced how would this bill impact Dickinson, Williston, and Minot's situation?

Representative Carlson: I'm not sure how they set up their bonding to pay for this indebtedness. This bill deals with their general fund levy. I'm not sure I have an answer to that, the Tax Department would probably have to answer that for you. There is another bill dealing with the fact that they have bonded on projected revenues to commit to pay for those bond payments but I believe that is separate from this.

Chairman Headland: The bill says that if it was done according to the constitution if it was special assessed then it wouldn't matter. This bill gives them the flexibility to cover their debt.

Representative Carlson: I'm not sure how they bonded their money in the west.

Representative Steiner: Part of their extraordinary growth was the seven years of the Bakken development. The state formula was developed to help that extraordinary growth so if that gets pulled away I'm not sure it's fair to ask people to vote for a tax increase in my district on something that was a state promise for the future. I'm not sure if the community would be asked to cover that if the state backs out.

Representative Carlson: That's a different issue in another bill. The hub city's money is specifically what you're dealing with. In Williston they are asking for about $60 million and is less as it goes to Watford City and Dickinson. I don't think it ties to this bill but we should find out.

Representative Ertelt: Do you have any idea what the average increase is today across the state? I know there are many taxing authorities. I'm wondering how you arrived at the three percent?

Representative Carlson: There was no magic to the three percent other than it was logical. When we looked at the rate of inflation and the Consumer Price Index it fell within the mid twos. It was giving them more of a leeway within that. We want our communities to grow. When you tie everything to a mill system rather than a dollar system they can tell you the mills are exactly the same as last year but the dollars are significantly different.

Representative Olson: Since this bill doesn't address valuation, it just addresses the dollars to be levied and capping them at three percent, I've been made aware of a technical issue. In section 15.1-27-04.1 of century code the districts are required to do a decrease to the foundation aid formula with a max of 12% of the valuation. In order for this bill to go forward with your intent we would have to modify that 12% to also be three percent so their foundation aid formula couldn't be deducted up to 12 percent. Is that something you thought about or do you think that would be an acceptable fix?

Representative Carlson: If it pertains then it would be an acceptable fix. Their formula is much different than everyone else's formula regarding mills and percentages. We'd have to research that. Our intent is not to penalize anyone. If you spend more money over a certain level, then you have to go to a vote of the people to get it. It's a simple concept. There's only one solution to get out of this and that is a good way for us to back out of this and make sure the local voters will have a say in how it goes and then it won't be us not giving enough. This time we don't have the dollars and the first thing they're after is to take over more county services and you get the 12 percent. That's another decision you're going to have to make if that comes across for us to deal with.

Chairman Headland: Are there any further questions?

Representative Trottier: You addressed the time of the vote for the increase of three percent, does this address that it has to be on a primary election, general election, or any certain time?

Representative Carlson: No, it may be in code so that is something you'll have to look up. They have deadlines for their budgets to be done so there are probably some timelines that would fit in with that. I don't know if that would require a special election or not. That's a valid question to have answered.

Chairman Headland: Is there further testimony in support?

Representative Kasper: The answer to Representative Trottier is on the top of page three the first line where it talks about the election. We talk about local control. The politicians would say local control is us, the board, and we were elected to make decisions at the local level. In the legislature we would say it is us, the legislators, because we were elected to make decisions at the state level. Local control is the people. The people are the ones who pay the taxes and who have been frustrated over the years. I've been trying to get some form of property tax reform for years. The people should be able to make the decision. The elected officials at the local level are going to have to make tough decisions just like we are here during this session on our budget. If they don't find a way to keep their budgets below a three percent increase they have to make the sale to the citizens and let the citizens have the final say. This is going to force political subdivisions to find new ways to be efficient and effective. Our governor is looking for new ways to reinvent government, to right size government, to help government make decisions in a different way, and I think this bill will accomplish that and at the local level as well. Let's let the citizens that pay the bill make the final decision.

Chairman Headland: Didn't we pass this bill to the senate last session or one very similar to it?

Representative Kasper: I think we did.

Chairman Headland: Are there any questions? Is there any support for HB 1361? Is there any opposition?

Senator Brad Bekkedahl: In the 30 years that I've been in office there hasn't been one board member that I've worked with at the local level in any entity that doesn't seriously take the job of budgets. It's not a case of them seeing what they can take from the taxpayers. It is the case of making budgets down to the $100 expenditure level when your budgets are in the tens of hundreds of millions of dollars. The process at the local level starts in the month of May when the department heads start to collect their budgets for the year from their staff. Then it goes to two full weeks of full days with committee hearings open to the public and the press that go through every line item of every budget of every department. They decide what are the needs versus what are the wants. At that point we decide on a dollar amount we need to fund the city or the park district for that fiscal year. We then tell the public our budget. We look at dollars, not mills, then look back and calculate back the mills to make it work because that is what North Dakota has always worked on. Do your due deliberations and trust the committee. I'm here to tell you that local elected officials work very hard, just as we do here.

Chairman Headland: Wearing your local government hat, would you agree that citizens generally that support an expansion in one area are going to be more vocal than those that are opposed to it? Taking it to a vote allows everybody their time to have their say. I've been against caps in the past. In the 15 years I've been in this committee we've heard the complaints about property taxes and increases. Do you have a better solution you could offer us?

Senator Brad Bekkedahl: I don't. It's a local control issue, a local decision. You're going to have to deal with the timing of the budget and how you get that to the public in a general, a special election, or a primary election. With the timelines in state law for calling the election process and putting something on the ballot you don't have time to get that to a general election so you're forced into a special election at that point. In Williston, before the boom started our average property tax levy was about 1.8% per year over almost 20 years so we were well below the three percent cap. In the election process you will always have people that if it has anything to do with money out of their pocket are always going to vote no regardless of the benefit to the community, even on school bond issues for children. If you educate the public, just as we have to do in our elective offices, they will always make a good and informed decision.

Representative Mitskog: I appreciate your local comments. Do you think logistically this would work? You could do the budgeting and then go to a vote? I don't see how that could work year after year.

Senator Brad Bekkedahl: I brought it up so the committee is aware that there is something that probably needs to be worked through. Maybe we have to do budgets earlier?

Representative Trottier: In all of your city council budget meetings, how many attend?

Senator Brad Bekkedahl: We used to only have the press there. The city was the only one that had open hearings for two weeks and the press was there every day. They never went to the county or the school board meetings or the park board meetings. We would occasionally get people in with specific questions but not sit there every day for two weeks.

For the last five years it has been standing room only which is a good thing. Not a lot of people come to the budget hearings but we see a lot of people at our hearing processes.

Chairman Headland: Is there further opposition?

Brandt Dick, Superintendent of Underwood School District: Distributed testimony in opposition. See attachment #2. Ended testimony at 45:24.

Chairman Headland: You mentioned you had increased your budget by 12%, my school district has done this as well. What can we do here? You hear the complaints from property taxpayers just like we do. We're trying to fix this. If we address the issue that has been brought up with the mill deduct is this going to be workable for you? Could you live on three percent?

Brandt Dick: Yes, we could live with it. The challenge would be long term. You're going to have districts at 20 mills and other districts at 70 mills because of the difference of valuations. A better approach would be to look at the studies to see if there is a better way. To me, anytime you put in a cap there are other situations that happen. I like the idea of local control to make those decisions. In Underwood the most we've had shown up to our meetings is two or three taxpayers.

Representative Steiner: If the state gave each district a block grant then you worked with something the state sent and the cap attached to that, would that be an easier way to administer it?

Brandt Dick: You have the challenges of determining the amount of that block grant. The potential would be there. It would probably need a study to make sure it is equitable.

Representative Trottier: What is your population of students?

Brandt Dick: We have a preschool through 12th grade so that is about 240 kids.

Representative Trottier: How many principals do you have?

Brandt Dick: We have one K-12 principal and we have a dean of students who helps with the issues of the principal.

Representative Ertelt: Do you foresee you would be denied anything above three percent if you went to a vote?

Brandt Dick: Our community has been very good at supporting our school districts. The bigger issue is the 12% cap on the other side that we would have to deal with. I don't think it's fair to have 12% deducted and only be able to levy the three percent.

Chairman Headland: Is there further opposition?

Broc Lietz, Business Manager for Fargo Public Schools: I want to clarify a few things that I've heard. I am going to speak in opposition but I am open to conversation to investigating further. When I heard that sponsor talk about property tax relief and that we need to provide real property tax relief, I can assure you that the legislature has provided real relief especially in Fargo. Since 2007 when the state flipped the formula where there was higher support coming from the state than from the locals, Fargo Public Schools collects $18 million less today in local property tax than we collected in 2007. We've reduced that mill levy by over 125 mills; the 75 you called for in the 2009 session, the 50 you called for since then, and we've reduced the mill levy beyond that to give back additional relief. The concept that mills haven't gone down and the real relief hasn't existed is simply not true.

Chairman Headland: You're aware the state sent a whole bunch more money than the $18 million?

Broc Lietz: Absolutely. The state has done a phenomenal job at providing that relief and helping the local taxpayer. My point is the taxpayers have seen relief and the state has done a great job of providing that. When you have a 60 mill deduction in the formula and a cap of 12% but then you're going to cap the correction at 3%, you're going to lose state aid as a result unless that gets fixed. The timing issue is important with budgets. We'll end up hearing that we're wasting taxpayer monies on special elections. It's a catch 22 that we get put in as a result. There seems to be a broader conversation and time invested into finding the ultimate fix here. The concern is how properties are valued, not what local districts do with their taxing. There may be a long term solution but there seems to be a lot more questions today than there are answers. I don't think you should tie local subdivisions' hands by a cap and it will have several unintended consequences as a result.

Chairman Headland: Are there any questions? Further opposition?

Terry Traynor, Association of Counties: Distributed testimony. See attachment #3. Ended testimony at 56:30.

Chairman Headland: Is there further opposition?

Bill Wocken, North Dakota League of Cities: Distributed testimony in opposition. See attachment #4. Also submitted testimony from City of Williston and City of Grand Forks. See attachments #5 and 6. Ended testimony at 1:00:57.

Chairman Headland: If that's the case what does the three percent cap hurt if you've been holding your budgets even?

Bill Wocken: For the city of Bismarck, it wouldn't hurt but there are other jurisdictions and other situations where it will not be able to do that.

Chairman Headland: Is there further opposition?

Jim Larson, Director of Finance for the Fargo Park District: Distributed testimony in opposition. See attachment #7. Ended testimony at 1:03:33.

Chairman Headland: Is there further opposition?

Dana Schaar Jahner, North Dakota Recreation and Park Association: Distributed testimony. See attachment #8. Ended testimony at 1:04:15.

Chairman Headland: Is there further testimony in opposition? Seeing none we will close the hearing on HB 1361.

Committee discussion.

Representative Olson: Currently, in section 15.1 with the taxable valuation of the school district, it requires that there is a deduct to the foundation aid formula up to a maximum of 12% of the increase of the value of that school district. We're assuming that a school district is taxing to the maximum ability of 60 mills so if the valuations go up by five percent, the dollars go up by five percent, we reduce their payment by five percent. Right now we're going to cap it at three percent under this bill but technically the deduction would still be five percent. Unless we make that technical change that is what my district is worried about. I'm going to prepare a simple amendment to add to the bill that we would change that maximum deduct to three percent rather than 12% so it's the same as the maximum increase.

Chairman Headland: I think that's a good idea.

Representative Ertelt: Regarding that match, this cap isn't a hard cap so if they want to increase more than the three percent they would be able to put that to the vote of the people. The deduct doesn't necessarily get treated in that manner, correct?

Representative Olson: The deduct happens automatically. It's actually a reverse incentive. They can't lower the mills on the taxes in the district because the state is assuming an increase in value you're receiving. It would continue to occur in this bill where you would be capped at three percent growth in dollars but you wouldn't be capped at three percent deduct in dollars; they would be deducting up to the full twelve. We'll have to fix that before the bill could be passable.

Representative Grueneich: Is there a general consensus this would come out as a do pass?

Vice Chairman Dockter: Once the amendments are brought in we can vote on them and then decide if we want a do pass or a do not pass.

Chairman Headland: I'm in favor of this if we can get the bill fixed and it doesn't cause undue burden on school districts. There is a need to go above three percent. The more we take over is lessened. Many of us have seen these stealth increases because of changes in taxable valuation. This bill is a lot easier to handle than the previous relief bill that put a three percent increase on every property. You may believe that we don't need these types of caps but there are others that are taking full advantage of any additional monies they can get. My local school district gets that 12% increase year after year. I'm supportive of it if we can make it work.

Representative Olson: They also get a 12% decrease year after year on top of the increase so it's really a shift back to the taxpayer. If we're going to do something about property taxes with relation to schools, we have to fix the English Language Learner grant which we are reducing this year. We are way under budget in my school district. We're kicking out an extra $3 million out of general fund monies coming from property taxes to pay for English Language Learners.

Representative Hogan: My concern is based on my county experience and the timing and cost of the elections. You have a high cost year of a flood and you have a lot of extraordinary expenses then you have to get an election in. When we put flood related things on the ballot they get passed. The timing of that would create an unnecessary burden on local jurisdictions. I think it will change all of the timing of budget appropriation. I'm concerned of the unintended consequences of this bill.

Chairman Headland: They have the ability to make those adjustments.

Representative Mitskog: I think we should find out what those costs are with the logistics and the costs to the taxpayers. Most elected officials at the local level are mindful of holding down property tax.

Chairman Headland: I don't necessarily disagree. I think we've identified a problem with the education but realistically my tax bills, without state participation, would be double what they were not too long ago. That happened because valuation went up and levies weren't growing local government.

Representative Mitskog: In Wahpeton every political sub has the same challenges; increased healthcare costs, salaries, etc. What's going to shake out here?

Chairman Headland: I see the voters, the local taxpayers, are going to make the decisions on what areas they want local growth and if they don't want any they're not going to accept increases above this allowed for it to happen. I think it brings the decision locally.

Representative Hatlestad: I see us stripping away any flexibility the local boards have with whatever situation arises.

Chairman Headland: They can react; they can have the voter make the decision.

Representative Hatlestad: We've all looked at our tax bills not wanting to pay it but we wouldn't want to give up any of the services.

Chairman Headland: I don't know that every property taxpayer agrees with the amount of local government growth.

Representative Ertelt: Our system of government is based on checks and balances. I think going above a certain threshold when it comes to taxation and returning that to the voters is a reasonable check and balance. Our political subdivisions today don't seem to be worried too much about the cost of special elections when it comes to increase revenues, school bond issues, etc. To use that argument now to the contrary when it comes to reduced revenues is not fair.

Representative Mitskog: I will reach out and see what the costs are for the local elections because I respectfully disagree with Representative Ertelt.

Chairman Headland: We'll stop for today and I'll make an announcement when we come back in.

Committee discussion ended.

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1361
2/8/2017
28032

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill related to limitations of property tax levies by taxing districts without voter approval.

Minutes:

Attachment #1, 2

Chairman Headland: Emily is here to explain Representative Carlson's amendments. Distributed proposed amendments 17.0202.04002. See attachment #1.

Emily Thompson, Counsel, Legislative Council: Explained the proposed amendments. Distributed language from HB 1357 which provides a legislative management study. See attachment #2. This bill places a cap on the amount property taxes can increase year over year at three percent. During testimony there were concerns expressed to the committee that this may have a negative impact on the (inaudible) under the education funding formula. This amendment addresses some of those concerns. A new section 3 has been added to the bill. This is a duplicate of the section you see in your current bill. It exempts taxing our school districts from this three percent cap for the first two years then after that schools would be subject to the three percent increase limit. The first paragraph on the amendment deals with the state aide funding formula and how that was calculated. Right now they can deduct the amount of 60 mills times the school district's taxable value but it can't exceed more than 12% of what they deducted for the section in the prior year. This makes it match that three percent cap so they can't increase more than three percent from the prior year and they're not expected to deduct more than three percent from the prior year so it syncs those things.

Chairman Headland: Are there any questions? The two-year moratorium for them is to force their hand to come to some kind of conclusion on what needs to be done to match this. We've discovered there are some problems with the education funding formula and hopefully the study will address it and this will be part of that study.

Representative B. Koppelman: This deals with some issues I had and fixing it for the education to take that 12 and change it to three. That takes away any harm to the local school districts from a bill like this. **MADE A MOTION TO ADOPT THE AMENDMENT 17.0202.04002.**

Vice Chairman Dockter: SECONDED

Chairman Headland: Any discussion?

Representative Ertelt: In section 1 the date changed from 2013 to 2019. What impact does that have now until 2019 regarding that 12 percent?

Chairman Headland: In 2013 we changed from an 18% allowable increase and went to 12 percent. Now we're saying after 2019 it will be three percent. There is no change for them until 2019.

Representative Ertelt: Is it still capped at the 12% or isn't there a cap for them until 2019?

Chairman Headland: It will be capped at 12% until they figure out a way to fix it with the mill deduct. There weren't any other options we could come up with.

ROLL CALL VOTE FOR ADOPTING AMENDMENT .04002: 13 YES 1 NO 0 ABSENT

MOTION CARRIED

Representative B. Koppelman: MADE A MOTION FOR A DO PASS AS AMENDED

Representative Olson: SECONDED

Chairman Headland: Any discussion?

ROLL CALL VOTE: 9 YES 5 NO 0 ABSENT

MOTION CARRIED

Representative B. Koppelman will carry this bill.

17.0202.04002
Title.05000

Prepared by the Legislative Council staff for Representative Carlson
February 8, 2017

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1361

Page 1, line 2, replace "and" with "to amend and reenact subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code, relating to determination of school district state aid payments;"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 1, after line 4, insert:

"**SECTION 1. AMENDMENT.** Subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code is amended and reenacted as follows:

4. After determining the product in accordance with subsection 3, the superintendent of public instruction shall:

   a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the school district, provided that after ~~2013~~2019, the amount in dollars subtracted for purposes of this subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than ~~twelve~~three percent or the percentage increase approved by a majority of the qualified electors of the school district pursuant to subsection 3 of section 57-15-02.2; and

   b. Subtract an amount equal to seventy-five percent of all revenues listed in paragraphs 1 through 5, and 7 of subdivision f of subsection 1 and one hundred percent of all revenues listed in paragraphs 6, 8, and 9 of subdivision f of subsection 1."

Page 1, line 9, after the underscored period insert "For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of school districts."

Page 3, after line 5, insert:

"**SECTION 3.** Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

2/16/17 DO
2 of 3

a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase

limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority."

Page 3, line 6, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 3, line 6, replace "This" with "Section 2 of this"

Page 3, line 6, after "for" insert "the first two"

Page 3, line 7, after "2017" insert ", and is thereafter ineffective. Sections 1 and 3 of this Act are effective for taxable years beginning after December 31, 2019"

Renumber accordingly

Date: 2-8-17
Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1361

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 17.0202.04002

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By Rep. Koppelman Seconded By Rep. Dockter

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan	✓	
Vice Chairman Dockter	✓		Representative Mitskog	✓	
Representative Ertelt	✓				
Representative Grueneich	✓				
Representative Hatlestad		✓			
Representative Howe	✓				
Representative Koppelman	✓				
Representative Olson	✓				
Representative Schobinger	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 13 No 1

Absent 0

Floor Assignment ____________

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

Date: 2-8-17
Roll Call Vote #: 2

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1361

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description:

Recommendation:
☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐

Motion Made By Rep. Koppelman Seconded By Rep. Olson

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan		✓
Vice Chairman Dockter	✓		Representative Mitskog		✓
Representative Ertelt	✓				
Representative Grueneich	✓				
Representative Hatlestad		✓			
Representative Howe	✓				
Representative Koppelman	✓				
Representative Olson	✓				
Representative Schobinger	✓				
Representative Steiner		✓			
Representative Toman		✓			
Representative Trottier	✓				

Total (Yes) 9 No 5

Absent 0

Floor Assignment Rep. Koppelman

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

REPORT OF STANDING COMMITTEE

HB 1361: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1361 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "and" with "to amend and reenact subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code, relating to determination of school district state aid payments;"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 1, after line 4, insert:

"**SECTION 1. AMENDMENT.** Subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code is amended and reenacted as follows:

4. After determining the product in accordance with subsection 3, the superintendent of public instruction shall:

   a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the school district, provided that after ~~2013~~2019, the amount in dollars subtracted for purposes of this subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than ~~twelve~~three percent or the percentage increase approved by a majority of the qualified electors of the school district pursuant to subsection 3 of section 57-15-02.2; and

   b. Subtract an amount equal to seventy-five percent of all revenues listed in paragraphs 1 through 5, and 7 of subdivision f of subsection 1 and one hundred percent of all revenues listed in paragraphs 6, 8, and 9 of subdivision f of subsection 1."

Page 1, line 9, after the underscored period insert "For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of school districts."

Page 3, after line 5, insert:

"**SECTION 3.** Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

   a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority."

Page 3, line 6, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 3, line 6, replace "This" with "Section 2 of this"

Page 3, line 6, after "for" insert "the first two"

Page 3, line 7, after "2017" insert ", and is thereafter ineffective. Sections 1 and 3 of this Act are effective for taxable years beginning after December 31, 2019"

Renumber accordingly

2017 SENATE FINANCE AND TAXATION

HB 1361

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

House Bill 1361
3/15/2017
Job #: 29246

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to limitations of property tax levies by taxing districts without voter approval; to amend and reenact subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code, relating to determination of school district state aid payments; to provide an effective date; and to provide an expiration date.

Minutes:

Attachments # 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 10A, 10B, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27

All Senators present.

Chairman Cook: Opened the public hearing on HB 1361.

(0:00:23-0:12:30) Representative Al Carlson, District 41: Introduced HB 1361, handed out **attachment #1**. Upside. The bill before the committee institute's some dollars and cents figures into budgets and puts a cap of 3%, involving the voters in process if the numbers become higher than 3%.

In the last 4-5 biennium, the state has gotten into the property tax relief business. First attempt was an income tax plan; a lot of the money wasn't claimed because it was difficult to figure out. Second attempt was picking up some mills from the school levy and increased it over time to 150 mills towards education, putting a cap number on what could locally be assessed. By doing so, invested billions of dollars in property tax relief.

Taxpayers pay more because of automatic assessment. down on the policies. Keep new growth and not counted against the 3%. Is a cap a good thing? Where do we get involved at the state level? Almost 2 billion dollars into education. Used to be 54%, now in the 75-76% range. The direct benefit of our citizens. As long as the assessments keep rising, the mills will stay the same and I'll pay more money.

We need to address this issue. We talk about affordable housing, we have too many in apartments and not residences. Special assessments and real estate taxes are getting really high. We need to address it at the state level. This bill has some guidelines, when we passed it in the house, we had to remove education. It's a very difficult formula. Schools are 65% of most people's tax bills. 12% direct payment on property tax. The right way to do it was through education. We have a $300 million pool set aside for property tax relief.

This is an attempt to say, you can keep your new growth, but if things come off the tax rolls, you have to deduct those as well. The bill covers everything, gives the exclusion for education.

Chairman Cook: The schools took out? Looks like you just moved them back two years?

Representative Carlson: It's a two-year delay. We have schools that are at 30 mills instead of 60. We have a 100 at 60, 70 districts are below 60. The 12% inflator, the hold harmless clause means that somehow the formula isn't right. If we need to lift someone up and take someone down, there's something wrong with that.

(0:14:00-0:18:51) Representative Jim Kasper, District 46: Testified in support of HB 1361. I'm going to focus on local control. My definition of local control is the citizens of North Dakota are local control. It's not us as legislators, it's not the school boards, city commissioners, county commissioners and not the park board members. It's the citizens. The citizens of North Dakota are tired of property tax increases. Been trying to stop property taxes for 9 sessions.

We have not addressed the problem, and the problem is the increasing property taxes being levied on them by the entities around them. Page 2, line 8 says property taxes may not exceed more than 3%. Page 3, gives an opportunity and don't want 3%, can vote before the people to increase above the 3%. Officials are elected to do their jobs, and the people have spoken. I think we can all agree as legislators, we get emails that tell us we aren't doing our job very good. I can't remember there was an effort for a recall, but that's very seldom. It's time for us to say that the legislator understands your frustration and concern. I hope that you see within your wisdom to give the people the opportunity to say yes or no if the property taxes are going to go up more than 3%. One of my frustration as a legislator is to see all of budgets and appropriations increasing as well. We've had a lot of money in the past. By giving our citizens the local control they deserve I think this bill should be passed.

Chairman Cook: You put a limit of 3% on the increase and you call that local control? Can you explain to me why you don't think we have local control today when we have the truth and taxation part of law where if a political subdivision raises there taxes by $1.00, they have to put an ad in the paper, notify them with a letter, and invite them to come to the meeting. Why is that not local control?

Representative Kasper: That's local information, not local control. People get that in the mail, maybe by the time it comes around. Citizens are given information and they don't know what to do with it. A vote they know what to do with.

Chairman Cook: How do you know they aren't going to be busy on the day of the election and forget about it.

Senator Laffen: How do we explain why city council members, school board members aren't being replaced with more fiscally conservative people. Are people not understanding where property taxes are levied, collected, and spent? Why does this come to us?

Representative Kasper: It comes to us because we make the policy, we make the laws. From the prospective of local elections, I can give you my opinion on that. The cities, councils, and school board, they're nonpartisan. There's a lot of money in the local elections. The most liberal person in the world can make themselves look like a conservative with the right campaign. Money isn't involved in politics. This takes money out. It simply says, if the increase of the property tax levied of higher than 3% is wanted, let them have their voice, let them vote.

Vice Chairman Bekkedahl: I've run in 8 local elections and never spent a dime. I hope people run for the office because they want to serve, not for other reasons.

Representative Kasper: There is a lot of money in politics the other way too.

Vice Chairman Bekkedahl: Have you done any research in other states where they've had caps placed at the state level on local political subdivisions and what the outcomes have been over a period of time? I'm concerned what this will do 20 years in the future?

Representative Kasper: No, I've not done any of the research. In prior years, I've dug into the information. I know it's out there thru NCSL or some of the other agencies that can provide that information for you.

Chairman Cook: I just ran for re-election. I didn't have one person mention that their property taxes were too high. Lots of people thanking me for lower the property taxes the way we have. I think the 12% buy down really catches their attention. There was just an election in Fargo by the school district, where the voters voted overwhelmingly to raise their taxes. Can you speak exactly to where you get the idea that taxes are too high? Those are some indicators that indicate the opposite.

Representative Kasper: In the city of Fargo, out of thousands of voters for the school districts, we only had 6000 people show up and determine that vote of about 80,000 eligible voters. We had a campaign, the school district had 130-150 meetings around the city as to why the measure needed to pass. As far as going door to door, number one question in my district was why the increase in property taxes.

(0:25:37-0:28:15) Dustin Gawrylow, North Dakota Watchdog Network: This bill as it is, I believe may be our last chance to actually provide property tax relief to the citizens. Over the past ten years, the state has spent a lot of money to reduce the impact of property taxes, but not done much to reform the way taxes are calculated and imposed. Having the ability for the locals to vote themselves an exemption for that cap is necessary. Let the local government defend themselves.

(0:28:30-0:30:25) Rob Lindberg, Americans for Prosperity: A group of 10,000 people who advocate on behalf of the tax payers. We see this as giving better control to the local entities. It's tough to recruit candidates for office, that probably why we don't see a whole lot of debate and in depth issues on a lot of things. Local candidates don't get the exposure that they need. The business of running a city should be stable and predictable. A 3% increase per year on the current ownership should be sufficient for their manageable needs. The need to protect the people who own homes because it's a shelter or property because it serves a purpose, and it's not an investable product that moves up and down. **(Attachment #2)**

TESTIMONY IN OPPOSITION

(0:31:05-0:32:33) Dr. Aimee Copas, Executive Director, North Dakota Council of Educational Leaders: Testified in opposition of HB 1361, **attachment #3.**

(0:33:00-0:36:50) Brandt Dick, Superintendent, Underwood School District: Testified in opposition of HB 1361, **attachment #4.**

Senator Dotzenrod: Good to have the testimony, you filled in some of the numbers for us. If you lose 6 students, you lose the foundation aid for those students. If you lost the revenue, you'd need more than the 3% to make up where you were shorted. Are we one year behind when you're shorted by the state.

Brandt Dick: We were paid on the enrollment from the year before. We would have to look at our ending fund balance, deficit spend, or cut programs. The formula is student centered, so for small rural districts it's very difficult. The 12% is the only way to make that revenue up.

(0:38:50-0:43:55) Rick Diegel, Superintendent, Kidder County School District: Testified in opposition of HB 1361, **attachment #5.**

Chairman Cook: Every session was the deduct, the formula. Always been the dispute between rich and poor districts. Have you ever seen a session where the formula was correct?

Rick Diegel: Most people just flip to the back to see what they're getting.

Chairman Cook: The major change we made a few sessions ago, where we flipped the formula upside down was the wrong thing to do?

Rick Diegel: I think it matters what school district you're at as far as the wrong way to do. Presented papers two sessions ago, where under the old formula, 3 school districts were at different rates. There needs to be someplace in-between.

Senator Dotzenrod: The 60 mill deduct, you lost $104,000. Is that equal to the amount you gained on the valuation of the $1.7 million. You lost on the deduct, but you gained on the property collections and I don't see that in here.

Rick Diegel: We didn't really gain, my taxable valuation grew, but I'm still limited on the 12% increase. So my mills went down, I did gain in the miscellaneous mills because there isn't a 12% cap on that. It doesn't matter if I gain $50 million in valuation, I can still only ask for 12% more next year than what I got last year.

Senator Dotzenrod: Because the 12% is in dollars, not in valuation times the mills.

(0:47:43-0:51:45) Leslie Bieber, Superintendent, Alexander Public School: Testified in opposition of HB 1361, **attachment #6.**

(0:52:00-0:54:10) Brad Rinas, Superintendent, Washburn Public School District: Testified in opposition of HB 1361, **attachment #7.**

Senator Laffen: You're below your reserve and mills, I would start raising to the max to build a better reserve. So that you have the capital when you need it, because you don't have the ability after that.

Brad Rinas: We don't currently raise taxes; we are currently at the 12%. The buy down of property taxes, and people's taxes continue to go up. All of our property taxes within our school district. We are well below what we taxed before the buy down. We are raising our taxes at 12% now. In a large part, because we've added students and staff. We've added 3 and a half FTE'S in the last 3-4 years, on a budget like mine is significant. We aren't the only district levying below the 60 mills.

(0:56:20-1:00:35) Scott Wegner, Arntson Stewart Wegner PC, Bond Counsel for Political Subdivisions: Testified in opposition of HB 1361, **attachment #8.**

Chairman Cook: If we have revenue bonds that are issued with specialty deficiency levy backing, how come they don't count against the political subdivision's constitutional debt limit?

Scott Wegner: There are very old Supreme Court cases that have looked at that, in the context of special assessments. It's a contingency obligation only and it's only for one year. For that reason, the court doesn't consider it as debt.

(1:01:34-1:04:35) Mike Manstrom, Vice President, Public Finance, Dougherty & Company, LLC: Testified in opposition of HB 1361, **attachment #9.**

Senator Laffen: If the interest rates were to go up on the proposed special assessments, then that deficiency backing kicks in?

Mike Manstrom: Interest rates go up when we sell the bonds. The impacted taxpayers within the district, is set up at 100%, but in reality on receive 90-95%. If it goes to 80% then there's not enough revenue to cash flow the bonds, then the city, county, or park district will need to use the deficiency levy to make up the difference. That language is a security that investors use to be confident the bonds will always be paid.

Senator Laffen: So, interest rates going up, that's all set before the bonds are sold?

Mike Manstrom: If we lose the deficiency pledge, interest rates bid on the bonds will be higher than they are today.

Senator Laffen: Do we need to default to the deficiency backing very often?

Mike Manstrom: It's not common, but it does happen.

Senator Laffen: I do understand the rates will do up regardless.

Vice Chairman Bekkedahl: We're not talking about this bill, losing the general obligation deficiency pledge. What we're talking about is a 3% cap on the pledge.

Mike Manstrom: Not losing, limiting. As soon as you limit it, it's like we don't have it.

Vice Chairman Bekkedahl: The 3% cap may make it ineffectual and put the bonds into default, but it doesn't take them out of legislation that we currently have.

(1:06:40-1:07:55) Blake Crosby, Executive Director, League of Cities: Testified in opposition of HB 1361, **attachment #10 and handed out #10A and #10B.**

(1:08:06-1:15:05) Kent Costin, Director of Finance, City of Fargo: Testified in opposition of HB 1361, **attachment #11.**

Senator Unruh: You're talking about different reductions in the form of percentages. Are those percentages the reduction of mill levies or reduction of dollars?

Kent Costin: We cut our mill rate by 4.25 mills over the last two fiscal years. I believe it was 9% overall, we cut the taxation rate.

Chairman Cook: Revenue went up though because you had increased valuation, correct?

Kent Costin: Correct.

Chairman Cook: You still had to send out a truth and taxation letter?

Kent Costin: Yes. Continued with testimony

Chairman Cook: What percentage of your total budget comes from property taxes?

Kent Costin: Approximately 24%.

(1:19:38-1:22:18) Matthew Marshall, Director, Economic Development, City of West Fargo: Testified in opposition of HB 1361, **attachment #12.**

(1:22:50-1:25:33) Scott Decker, Mayor, Dickinson: Testified in opposition of HB 1361, **attachment #13.**

Chairman Cook: What part of your total budget is made up of property taxes?

Scott Decker: 31%

Chairman Cook: Your sales tax revenue has gone down how much?

Scott Decker: Last year we had to reforecast. I think in 2016, we were down 52% in sales tax.

Chairman Cook: How about state aid distribution?

Scott Decker: That would be a question for our city administrator, who is here.

Shaun Kessel, City Administrator Dickinson: Estimate about $400,000. About 10% of the budget.

Chairman Cook: Regardless of what you do with property tax, your total general fund budget will go down considerable.

Scott Decker: It's safe to assume that.

Chairman Cook: Do you know how much?

Shaun Kessel: Our budget in 2016 was lower than in 2015. We reforecast the 2016 budget mid-year and lowered it again. And we've lowered our 2017 budget compared to the reforecast 16.

Chairman Cook: How much?

Shaun Kessel: In total dollars, probably about $1.5 million, a percentage of 14.5 levy. Last year we passed no raises for any employees. We're doing a midyear 2017 to make up the deficient to the health insurance plans.

(1:28:06-1:32:05) Tom Barry, City Manager, City of Minot: Testified in opposition of HB 1361, **attachment #14.** Provided two examples of how tax caps impacted other states. California, declined dramatically because of Prop 13 in 1978, one of the best became the worst. Massachusetts, schools and public safety. Freeze wages, close town libraries or senior centers because of Proposition 2.5%, which was Massachusetts property tax cap. Capping revenues for local governments, straps them considerably in regards to what services they can provide and how they can respond to economic conditions.

(1:32:10-1:34:12) Maureen Storstad, Finance Director, City of Grand Forks: Testified in opposition of HB 1361, **attachment #15.** Elections become an added cost, and gets to be cumbersome when trying to put a budget together. As far as the City of Grand Forks, decreased 11.45 mills, over the average of 1.8% increase per year, have been under 3% but years with unknowns, cause concerns with local control. All the entities are trying to focus on the effort.

(1:34:30-1:37:17) Jim Larson, Director of Finance, Fargo Park Districts: Testified in opposition of HB 1361, **attachment # 16 and #16A.**

(01:37:44-1:44:23) Bruce Striden, Morton County Commissioner: Testified in opposition to HB 1361, **attachment # 17.**

Chairman Cook: How many times in the last few years have you had to send out truth and taxation notices?

Bruce Striden: We did not.

Chairman Cook: So you haven't raised the taxes in dollars at all in the last 4 years?

Bruce Striden: We try to operate on the new growth that comes on to the new tax growth and use that to cover necessary increases.

Chairman Cook: If the 3% cap had been in place the last 4 years, would you have had the same track record?

Bruce Striden: My general feeling is that if you put caps bills on, what you're going to see happening is a lot of the elected officials that have levying authority are going to automatically take the 3% increase and put it into their budget every year. If we had not been taking increases, we would be faced with a year or two, to budget a much larger amount and go back to the tax payers and request that they allow us that increase. It's expensive and the timeline is difficult.

(1:46:50-1:49:56) Chad Peterson, Chairman, Cass County Commission: Testified in opposition of HB 1361, **attachment #18**.

(1:50:13-1:51:53) Michael Montplaisir, Cass County Auditor: Testified in opposition of HB 1361. Cass County is already scheduled to do 3, and possibly 4 this year. There was mention that they'd never seen recall elections. We may have a 4th election, which will be a recall of a city commissioner in Fargo. The election process takes approximately 2.5 to 3 months from the day of deciding to have the election, until the actual election day. You try throwing that into the budget process it's time consuming and very expensive. A problem I see with the bill. We've been trying to accomplish through notification of tax payers. Tax hearings when people show up and don't know what they're taxes are going to be.

(1:52:05-1:52:40) Larry Syverson, Executive Secretary, North Dakota Township Officers Association: Testified in opposition of HB 1361, **attachment #19**.

Chairman Cook: Closed the public hearing on House Bill 1361.

Received the following additional attachments or testimony in opposition of House Bill 1361.

20. Mary Korsmo, Executive Director, North Dakota state Association of City and County Health Officials
21. Rob Lech, Superintendent, Jamestown Public Schools
22. Broc Lietz, Business Manager, Fargo Public Schools
23. Jim Neubauer, City Administrator, City of Mandan
24. David Tuan, City Administrator, City of Williston
25. Lisa Herbel, Auditor, Bottineau County
26. Donald W. Flaherty, Director of Tax Equalization, Dickey County
27. Packet of Testimony from Dana Schaar Jahner, Executive Director, North Dakota recreation & Park Association with testimony from various park districts.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

House Bill 1361
3/20/2017
Job #: 29421

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to limitations of property tax levies by taxing districts without voter approval; to amend and reenact subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code, relating to determination of school district state aid payments; to provide an effective date; and to provide an expiration date.

Minutes:

Attachment #: 1, 2

All Senators present. Committee work on HB 1361.

Senator Unruh: I was wondering if the counties gave us any information on the increases on an annual basis in terms of dollars for the counties throughout the state. I know that's not an exact comparison if the triggers would have implemented based on provisions in the bill, but even having those numbers for the last 5 years would help me process if counties would hit the cap and what the long term effects would be.

Chairman Cook: Want information from the cities and the counties.

Donnell Preskey, Association of Counties: I sent an email to about 12 counties, have a sample of 4 counties, what their true and full value in the last 5 years, and what their county taxes were.

Vice Chairman Bekkedahl: Work with Blake on the cities, Shouldn't the comparison also take into comparison, the growth in dollars, the base growth versus the new growth.

Senator Unruh: I think that's what we need to make a decision on the policy. If we don't take a look at the numbers we can't know what the effects are. I wouldn't mind removing the schools from the bill if we take action. That's the education committee's responsibility to look at the funding formula.

Chairman Cook: If a county didn't send a letter out under truth and taxation, stating they were raising their taxes, then they're percent of increase was zero. If a county doesn't send a truth and taxation, that means there's not increase. With the 3% cap, there would have been a 3% increase, maybe not. How many sent out truth and taxation letters since it became law.

Senator Unruh: Truth in taxation notices has the increase in taxes of dollars, not mills.

Vice Chairman Bekkedahl: The truth and taxation process, reflected on the preliminary budget, not the final budget. Focus on finals.

Chairman Cook: To show what the degree of problem is out there, if letter wasn't sent out the final budget was zero.

Senator Laffen: Local control. This isn't our place at all, to putting caps on a local subdivision. When Williston was going up and up every year, now they're going down. If we had stifled them with caps, less willing to take them off now. Us getting involved in that decision making at that level would confuse the public. One or two people in the community.

Chairman Cook: I agree with what you said, that's one argument to make.

Senator Dotzenrod: Morton County is sort of a sober thing. We've been in a tremendous growth. Stereotypical criticism, the standard thinking is that they're taking increases and getting stuff for free, reduce the mills in order to get no growth in the budget. Revenue source helping them out that we're not aware of. Most of the subdivisions are pretty responsible.

Chairman Cook: Increase of valuation to property, existing and new that comes on the tax roll. Morton County has lived within new property taxes that's coming onto the tax rolls. That's the ideal way. Have to send out a letter raising the taxes, and people are ok with it, they walk away happy. If they don't understand, then they're not happy.

Senator Laffen: Asked Representative Kasper, why the people aren't voting in more fiscally conservative people, wish I'd followed up with this question. Why is it that no community has every voted out a sitting councilmen, commissioner, park board district?

Chairman Cook: The first time the truth and taxation, your school district, handled the meeting terribly, the next election, all 3 were voted out.

Senator Unruh: We've seen it happen at the Beulah city council and Mercer county commission.

Vice Chairman Bekkedahl: Having the ability with what we went thru to adjust aggressively was a survival mode for us. If I knew know what I'd have going through, we'd probably be taking the 3% now, we'd have to live off reserves.

Senator Unruh: Since the bill does allow for a vote of the people, the people would have supported the 3% cap.

Vice Chairman Bekkedahl: The locals that were suffering, keep property tax lower. New growth was pushed upon them.

(0:13:50-0:15:32) Committee discussed who to go to get data.

(0:15:35-0:19:37) Terry Traynor, Association of Counties: Handed out attachment #1. Questions were asked for clarification of the math and chart details.

(0:19:39-0:22:10) Terry Traynor: Handed out attachment #2 and talked about the contents of it.

Chairman Cook: We haven't even talk about the election and how it would fit in. How do you see it fitting in?

Terry Traynor: The county would have to schedule an election every year for every jurisdiction. Whoever felt the need would have to do their budget early. Once you find out you wouldn't have the 2.5 months' prep time needed. Anyone looking at growth would have to have an issue on the ballot. Schedule for every June or July.

Senator Unruh: If we picked a handful of other counties, could we get information like that. I can work with Donnelle on that.

(0:24:20-0:26:05) Worked on math for different annual increases for residential and commercial properties.

Senator Dotzenrod: The line about Indianapolis, imposed caps, rental properties benefitted the most. Imposition of caps has a way of benefitting rental property.

Vice Chairman Bekkedahl: One more provision of the bill, on page 3, line 13, 1 mill levy, for the state medical center, must be excluded for the mill rate. Does that mean the state exempts themselves from the 3% increase? The state would get whatever the increase was, but the local subdivisions wouldn't.

Terry Traynor: I believe so, I don't know if it's debatable, constitutionally there is a one mill levy.

Meeting adjourned. No action taken.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

House Bill 1361
3/22/2017
Job #: 29546

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to limitations of property tax levies by taxing districts without voter approval; to amend and reenact subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code, relating to determination of school district state aid payments; to provide an effective date; and to provide an expiration date.

Minutes:

Attachment #1

All Senators present. Committee work on HB 1361.

(0:00:16-0:01:50) Proposed amendments were handed out.

(0:01:51-0:03:44) Senator Unruh: Gave a brief description of the intended purposes of the amendments. Had to make changes to the truth and taxation language of the bill due to another bill.

(0:03:47-0:05:18) Discussed language errors that was missed in the amendment process and brief clarification questions.

Senator Dotzenrod: Do we have a mechanism that the tax department gets that information right now, such as was provided in testimony by the counties?

Linda Leadbetter, Office of State Tax Commissioner: The data we receive is as a whole. The abstract of tax list from the county auditors tells us what they have collected, does not give us the percent increase or changes in any specific one without us having to get that level of detail divided out in a different abstract or us having a different way of sorting the data that comes to us. We do not have information that says which jurisdiction went up by any percentage the previous year.

Senator Dotzenrod: Do you get reports by county? Can you select out any county and see what their tax revenue was compared to the previous year?

Linda Leadbetter: We receive an abstract that is the total amount of taxes levied each year, by political subdivision. It's divided out by all the county funds, divides it for the school districts. School districts cross several boundaries in different counties, so we don't have it based on that. It's just the levy we do not know. The levy is what they use to equally distribute the taxes. We don't have the information that says what their other revenue sources were so we don't know if their budget increases or if it was just a levy increase. Or if they did go down, why they went down.

Linda Leadbetter: Yes, we would be able to come up with something that says what the increase is, but it would be total, not new growth. We'd be able to give you a scale that shows if it went up or down. We would not be able to account for what was on existing property and new growth.

Chairman Cook: If you got the 53 truth and taxation statements, you would have information you don't have now and would know an increase, could you compile that data without a lot of work.

Linda Leadbetter: We have the technology, have to make sure we're asking for the right information.

Senator Laffen: The 3% cap is just a gross dollar amount, doesn't consider new growth.

Chairman Cook: It doesn't consider new growth, it's a growth in tax dollars on existing taxpayers.

Senator Laffen: How would they know that? Have to break out the parcels that are new, just on existing.

Chairman Cook: That's what truth and taxation is, if you pay taxes. The tax base in year one, if that base goes up in dollars generated by $1, they have to send a notice out of a tax increase.

Senator Laffen: New properties coming on are not a part of that.

Senator Dotzenrod: Then the following year, new property would become part of the base. It's only new property for one year and then becomes part of the base the next year.

(0:10:20-0:14:53) Committee discussion on when exactly the vote would be triggered in regards to the cap increase. Committee read through the amendments for clearer understanding.

Chairman Cook: We're not going to pass this out right now, going to do some more work on it. Conceptually you see what we're trying to do. We might be able to pass something out that pleases some people, and it doesn't penalize those political subdivisions that aren't abusing the system. And it will identify a political subdivision for some reason or another that seems to be constantly increase property taxes and requires them to go to the voters periodically so they get voter approval. That's the concept behind it.

Senator Dotzenrod: It would be helpful if we had a way to measure what's going on. A system on the subdivisions so they are forced to recognize when things are getting beyond what we think is appropriate. It would really be nice if we had a better way of getting data to look at year to year for the 53 counties to see if the behavior is unusual and rare or if there is a systematic problem.

Meeting adjourned, no action taken.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

House Bill 1361
3/28/2017
Job #: 29743

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to limitations of property tax levies by taxing districts without voter approval; to amend and reenact subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code, relating to determination of school district state aid payments; to provide an effective date; and to provide an expiration date.

Minutes:

Attachments #1, #2

Senator Dotzenrod was absent. Committee work on HB 1361.

Chairman Cook: Handed out attachments #1 and #2.

Linda Leadbetter, State Assessor: presented information on the proposed amendments. (forgot to start the recording at the beginning of her testimony) The format that would be similar to an excel file, we would just have a delimitated file they'd be able to upload to us. We would be able to gather the 2016 and possibly 2015, if we're going to have the counties work towards getting this to us. It would allow you to have some information for the interim and be able to review 2-3 years' worth of information. With the amendments, we're just adding what we believe would be the requirements that we think we would need in our office. Having it open enough to not specifically say exactly what number from each of the maximum mill levy worksheet because those change every year if there are any statutory changes. We've identified that as we deem necessary to compile this information.

(0:00:40-0:02:55) Explained attachment #2 and how it relates to the amendments. Created a couple of different worksheets with the help of the association of counties.

Chairman Cook: Would there be costs associated to accomplish this?

Linda Leadbetter: There would be costs involved, but nothing that would show up on a fiscal note. There would be a responsibility. It would be added to our IT staff to have separate upload created. The office would compile the reports, but would be considered regular functions of our responsibilities.

Chairman Cook: How do we find out if obtaining the information for 2015 is doable?

Linda Leadbetter: As long as we know. We have set up a format for 2016. It's just going to take a few more hours to gather the numbers for 15.

Chairman Cook: So we can feel comfortable amending this bill to 2015 and 2016.

Linda Leadbetter: I can't speak for the counties, but those I did speak to believe it would be easy enough to gather the information. They have the reports, would just need to input to a spreadsheet and provide to us.

Senator Laffen: So we would get this information by county, or divided down to political subdivisions.

Linda Leadbetter: This would be done by levy. So we would have every individual levy. What we do with the information would be per your request. It would be just to the level you wanted. We could do an overall for a certain district that exist in each county. Otherwise it would be done on individual taxing districts so that you can see the ones that are having an impact with an increase or decrease. If consolidated it would have to be sorted by district.

Senator Laffen: This would be a spreadsheet kept internally. We would request to get the information. Do you think we could get to the point where this would be online? And anyone could look at any city or any taxing district and just see kind of the history and add up their own districts.

Linda Leadbetter: We do right now, put the property tax statistical report on our website. So this would just be another report. To the level of detail of information being able to be understood. Once the reports are available wouldn't be anything that would keep us from putting it online.

Chairman Cook: I can see you getting 53 reports just like this one. I can see you getting a request for the 350 cities, high to low, for every school district. It would be nice if we could just sit out there and query ourselves.

Linda Leadbetter: One of the things we have done with the property tax statistical reports, instead of it being a pdf document, it is now on the website as an excel document, so it's not just something you have to read and read. It's sortable for the districts that you choose and print it at that level. Once we have the information within the tax departments program, we can create excel documents.

Chairman Cook: If we pass just this that we have in front of us, come 2019 we're going to have 2015, 16, 17 and by April 1 we'll have 2018.

Linda Leadbetter: If we're putting this into play right now, we would be able to have 3 years by the next interim.

Chairman Cook: We definitely have 3 years next session.

Chairman Cook: My thought was; we have a bill before us that deals with caps. 3% caps. This would give us the information we would next biennium to see what political subdivisions out there are abusing property tax increases. Definitely want to find out their reason. We could put something else on here that if any political subdivision grew by over a certain percentage for 3 consecutive years, they would be required to go to the vote of their people. Or we could just pass this as is and make that determination. Gathering this information is valuable. I know the sponsor of the cap bill is going to disagree with us. Just having this information being able to seen and looked at by the tax payers is going to put cautions into the commissioners to keep them low.

Senator Unruh: I agree whole heartedly. Provides transparency that everyone has wanted but hasn't gotten. I think that's why we've seen the cap bill so many sessions in a row. This is the kind of information that we need and want, that the taxpayers need and want as well. Being able to take into consideration all of the excuses we sometimes hear with increased assessments or new property and all of those things that make property taxes very complicated. This allows us to separate those pieces out, to identify what the issue was and make property taxes easier to understand.

Chairman Cook: I keep going back to the testimony we received from Morton County that they have been living on new growth. Their reports for 2015 and 2016 should be zero because they never sent out truth and taxation letter. So their numbers should be zero and we'll find out.

I told Senator Dotzenrod we would not take any votes while he was gone.

Senator Laffen: The amendments simply just do the reporting, they take the caps part out and changes it to reporting.

Senator Unruh: We have removed the 3 year, 3% trigger for the cap with this.

Meeting adjourned.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

House Bill 1361
3/29/2017
Job #: 29782

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 40-05 of the North Dakota Century Code, relating to approval of property tax incentives granted by a city; to amend and reenact subsection 7 of section 40-57.1-03, section 40-58-20.2, and subsection 3 of section 54-35-26 of the North Dakota Century Code, relating to approval of property tax incentives granted by a city and evaluation of economic development tax incentives; to provide for a legislative management study; and to provide an effective date.

Minutes: No Attachments

(0:00:00-0:02:09) Committee discussion on other minutes.

All Senators present. Committee discussion on HB 1361.

(0:02:10-0:04:17) Chairman Cook explained to Senator Dotzenrod the amendments that were handed out when he was absent.

No action taken.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

House Bill 1361
4/3/2017
Job #: 29888

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to limitations of property tax levies by taxing districts without voter approval; to amend and reenact subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code, relating to determination of school district state aid payments; to provide an effective date; and to provide an expiration date.

Minutes: Attachments: #1, #2

All Senators present. Committee work on HB 1361.

(0:00:42) Chairman Cook: Handed out proposed amendments (attachment #1) and explained what they would do. Handed out attachment #2, Brady drafted language to make it the next primary election or a special election in the year primary is not scheduled.

Senator Unruh moved to adopt amendment 17.0202.05003 with Brady's amendment.

Senator Laffen seconded.

Vice Chairman Bekkedahl: In the original bill, there was intent language that if they voted as a to go over the 3% threshold it was only good for 1 year. The 3% cap would need to be put to a revote each year.

Senator Dotzenrod: The first sentence, may have unused or excess levy authority. Is that mean they are free outside of the election process, to use the unused mill levy, they are not operating under any restrictions that they have excess authority they can use that.

Chairman Cook: I think the key sentence in section 1, "must be applied to limit any property tax levy".

Linda Leadbetter, State Supervisor of Assessments, Office of State Tax Commissioner: The notwithstanding will identify right there that even though they have the authority to go to 105 if they haven't been using it, they can't go higher than 3%. This says the authority is there, but limiting the increase to what the election would be.

(0:06:00) Senator Dotzenrod: I see, I missed the two words on the section, the notwithstanding would be what happens under the provision of this section.

Senator Laffen: I have a fear that every city is going to do 2.9%, every year following the implementation of this because they'll fear that they're going to get voted on and capped for a year. I'm not sure all of the cities are at that high of an increase now. If I'm a city councilman, I'm going to make sure we have lots of resources and spend everything I can get just in case I get capped a year. I'm not sure this will save us money.

Chairman Cook: I had that fear if we imposed the cap, don't have that fear with this. With truth and taxation, any tax increase they do raise, they have to tell the voters they're going to increase. This is something out there that will keep them from being too greedy and could get a cap. County I live in, the worst thing we could do would be to pass this because then they would raise the taxes.

Senator Laffen asked to recess to find out more information about his community taxes.

(0:08:50) Chairman Cook: Recessed the meeting until 9:40 a.m.

Chairman Cook: Called the committee back to order. Discussion on the amendments?

Vice Chairman Bekkedahl: We discussed about further defining the 10% of qualified electors who cast votes in the most recent election in the taxing district. Is there a way to tie it back to the general election? We could have had a mosquito fee charge voted in a special election that might get 500 votes instead of 6,000.

Chairman Cook: When would it take place in the year?

Vice Chairman Bekkedahl: Either spring or fall.

Chairman Cook: We could change it to the last general election.

Vice Chairman Bekkedahl: Move to amend the amendment, so that language reads, the most recent general election in the taxing district.

Senator Unruh: Second

Senator Dotzenrod: We have some levies that are not subject to any limitation. If there is a judgement against your subdivision, I think there are 3 or 4 that are not subject to any limitation. This 3% would not be effective or operative on those?

Chairman Cook: The 3% is a cap on dollars of the amount that your property tax raises. It's the same percentage that would go in the truth and taxation letter. It's a number that's readily available right now, if you think of the new truth and taxation letter that shows the increase and the percentage of the increase.

Senator Dotzenrod: It doesn't happen very often, but if a subdivision gets sued and has a judgement against them, that payment on the judgment is not subject to any mill levy limits in law. That would be exempt from the 3%.

Chairman Cook: I don't think that would be exempt from the truth and taxation, would need to be explained because of the lawsuit.

Senator Laffen: If you were to pass a general obligation bond and raise your mill levy to pay for the bond, is that included in this then, does this limit when we have to raise property taxes to do that?

(0:12:48-0:13:41) Committee looked over the language on page 2, subsection 4b regarding this question.

Roll Call Vote was taken: 4 ayes, 2 nays, 0 absent. Amendment adopted.

Senator Unruh moved a DO PASS, as amended.

Vice Chairman Bekkedahl seconded.

Roll Call Vote was taken: 4 ayes, 2 nays, 0 absent.

Senator Cook will carry the bill.

(0:15:35-0:17:08) Senator Dotzenrod raised concerns about the clarity of some issues.

2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

House Bill 1361
4/10/2017
Job #: 30027

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Jana Bellamy

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 57-15-02.2 of the N.D.C.C., relating to voter imposed limitations on the amount of property tax levied by taxing districts; to amend and reenact section 57-20-04 of the N.D.C.C., relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the N.D.C.C., relating to certification of taxes levied by taxing districts; to provide for a report to the legislative management; and to provide an effective date.

Minutes:

Attachment #1

All Senators present. Committee work on HB 1361.

Chairman Cook: I have some amendments that I believe will remove the concern that was raised by the bond attorneys. I've asked the tax department to try and remove all possible arguments that the bond attorney's placed. You have them before you. (Attachment #1). In sections C and D of these amendments. I asked Emily to provide some language that would not create a penalty for the one mill state hospital levy and the one mill for the Garrison Diversion mill levy. Those are always going to be one mill, if there's property tax valuation increase, then that increase would show up on the cap and I don't want to penalize them for that cap either. That's the purpose of these amendments, to take that and I'd like Linda Leadbetter to come up and speak regarding C and D as to whether or not this will solve the bond attorney's question.

Linda Leadbetter, State Supervisor of Assessment, Office of State Tax Commissioner: I believe as it pertains to the question regarding a bond or special assessment concerns, I believe that these will allow us an opportunity to say that if we are questioned on whether that is part of the increase calculation. We would be able to tell them that could be removed, whether that relieves the concerns of an attorney, for the bonding company, I can't address that. But if we're going to be asked if this is part of the calculation, then we would say it's not part of what we would consider the limitation for what they're looking at it being an increase. We would in the reporting be able to remove that from an idea of whether their taxes were actually increasing. This would be something separate, we would not be limiting that portion of the increase.

Chairman Cook: Ok, in your mind a bond attorney shouldn't have any, but there's no prediction as to whether they will or not. They can always use this to lower their rates.

(0:02:39) Senator Dotzenrod: This document, c and d, refers to language provided by the tax department. These are amendments that need to be drawn up?

Linda Leadbetter: Those are the c and d amendments that were provided that identify. C is taxes or special assessments levied to pay the principal or interest on any obligation of park district, city or county evidence by issuance of bond. D is taxes levied pursuant to law for the proportion of the cost to any park district, city or county for a special improvement project by general taxation. That would allow for the idea that they are paying for that special project through a special assessment levy or through their general fund.

(0:03:50) Chairman Cook: If you go to page 5 of the 5000 version. Subsection 2. A and B are still in here, C and D are new, the old C becomes E, and a new F. That's what these amendments do to that subsection of the bill. My only intent is to remove the argument of the bond authorities, whether or not this stops them from making their claim. I have no idea, but it makes it clear. I'd like to put this amendment on, pass the bill out, get it on the floor for a vote. There are two sections to this bill, the reporting and then the ability for the electors to initiate a vote on mill levy cap. I would imagine on the floor they would get divided and if we lose the election, we lose it. I don't want to lose the reporting mechanism. I think we need to take it to the floor and have that debate. I would welcome a motion to reconsider our earlier action.

(0:05:30) Senator Unruh: So moved.

Senator Bekkedahl seconded.

A voice vote was taken. Motion passed.

(0:05:39) Chairman Cook: I believe all we need is a motion if we could. It is not in council form; she couldn't get it through the procedures in Legislative council in time. I'd like to pass this amendment and before I sign off on it, everyone will be able to view it.

Senator Laffen: Can you let us know when that's ready?

Chairman Cook: Look for an amendment that simply adds c, d, and f.

(0:06:25) Senator Unruh: So moved.

Senator Bekkedahl seconded.

Roll Call Vote was taken: 6 ayes, 0 nays, 0 absent.

Senator Bekkedahl moved a Do Pass, as amended on Engrossed HB 1361.

Senator Unruh seconded.

Senator Dotzenrod: As far as the bond interest and the people that do the bonding. To get their input on this or their reaction, do we have any way to do that.

Chairman Cook: Representative Headland reached out to the League of Cities last Friday to see if they could reach out to bond council. Bond council were not available. This bill will not be on the floor until Wednesday.

A Roll Call Vote was taken: 4 ayes, 2 nays, 0 absent.

Senator Cook will carry the bill.

Adopted by the Senate Finance and Taxation Committee

April 3, 2017

CR
4/13/17
1 of 3

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1361

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to voter imposed limitations on the amount of property tax levied by taxing districts; to amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the North Dakota Century Code, relating to certification of taxes levied by taxing districts; to provide for a report to the legislative management; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts with voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any park district, city, or county. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled.

2. Upon receipt of a petition containing the signatures of at least ten percent of the number of qualified electors of the taxing district who cast votes in the most recent general election in the taxing district, but no fewer than twenty-five signatures, the governing body of the taxing district shall submit to the qualified electors at the next regularly scheduled primary election, or a special election to take place on the second Tuesday in June in a year that a primary election is not scheduled, the question of approving or disapproving the levy limitation under this section. The ballot measure question to approve the levy limitation must include a statement identifying the annual increase in property taxes levied by the taxing district in each of the previous three taxable years as reported in section 57-20-04. Levy limitations approved by electors may not be effective for more than one taxable year.

3. If approved by a majority of qualified electors in a taxing district voting on the question, property taxes levied in dollars by the taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

    a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

4. The limitation on the total amount levied by a taxing district under subsection 3 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.

5. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 2. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

CM
4/3/17
3 of 3

57-20-04. Abstract of tax list to be sent to tax commissioner - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~prepare and transmit to the ~~state~~ tax commissioner~~, in such form as the tax commissioner may prescribe,~~ a complete abstract of the tax list of the auditor's county.

2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.

3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.

4. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.

5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years.

SECTION 3. REPEAL. Section 57-20-05 of the North Dakota Century Code is repealed.

SECTION 4. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2016."

Renumber accordingly

NDLA, Intern 06 - Pelton, Brady

From:	Cook, Dwight C.
Sent:	Monday, April 10, 2017 4:07 PM
To:	NDLA, Intern 06 - Pelton, Brady
Subject:	Fwd: 1361 Additional Language

Sent from my iPhone

Begin forwarded message:

> **From:** "Thompson, Emily L." <emilythompson@nd.gov>
> **Date:** April 10, 2017 at 3:59:19 PM CDT
> **To:** "Cook, Dwight C." <dcook@nd.gov>
> **Subject: 1361 Additional Language**
>
> Hi Senator Cook,
>
> The following contains the language provided by the Tax Department (in blue) and the additional language to address the state hospital levy and Garrison Diversion levy (in green). Additionally, I believe the reference to "section 10" in 4(b) below may be a typo. I believe this should read "section 16". See the language of sections 10 and 16 of article X of the North Dakota Constitution, inserted below.
>
> 4. The limitation on the total amount levied by a taxing district under subsection 3 does not apply to:
>   a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.
>   b. Any irrepealable tax to pay bonded indebtedness levied under section ~~10~~16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.
>   c. Taxes or special assessments levied to pay the principal and interest on any obligations or any park district, city, or county evidenced by the issuance of bonds. (*language provided by the Tax Department – may want to check with the Tax Department to see if this would now be duplicative to the corrected 4(b)*)
>   d. Taxes levied pursuant to law for the proportion of the cost to any park district, city, or county for a special improvement project by general taxation. (*language provided by the Tax Department*)
>   e. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3. (*additional language regarding the state hospital mill levy*)
>   f. The levy, not to exceed one-mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8. (*additional language regarding the Garrison Diversion levy*)
>
> **Article, X, Section 10. [Sate medical center tax]**
>
> Upon the adoption of this amendment to the Constitution of the State of North Dakota there shall be annually levied by the state of North Dakota one mill upon all of the taxable property

within the state of North Dakota which, when collected, shall be covered into the state treasury of the state of North Dakota and placed to the credit of the North Dakota state medical center at the university of North Dakota; said fund shall be expended as the legislature shall direct for the development and maintenance necessary to the efficient operation of the said North Dakota state medical center.

Article X, Section 16. [Political subdivision debt repayment]

Any city, county, township, town, school district or any other political subdivision incurring indebtedness shall, at or before the time of so doing, provide for the collection of an annual tax sufficient to pay the interest and also the principal thereof when due, and all laws or ordinances providing for the payment of the interest or principal of any debt shall be irrepealable until such debt be paid.

Please note, the language above would need to be placed in proper form and style for any resulting amendment to HB 1361.

Thank you,

Emily Thompson
Legal Counsel
North Dakota Legislative Council
600 East Boulevard Ave
Bismarck, ND 58505
emilythompson@nd.gov
701.328.2916

Adopted by the Senate Finance and Taxation Committee

April 10, 2017

ET
4-11-17
p. 1 of 3

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1361

In lieu of the amendments as printed on pages 1274-1277 of the Senate Journal, Engrossed House Bill No. 1361 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to voter imposed limitations on the amount of property tax levied by taxing districts; to amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the North Dakota Century Code, relating to certification of taxes levied by taxing districts; to provide for a report to the legislative management; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts with voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any park district, city, or county. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled.

2. Upon receipt of a petition containing the signatures of at least ten percent of the number of qualified electors of the taxing district who cast votes in the most recent general election in the taxing district, but no fewer than twenty-five signatures, the governing body of the taxing district shall submit to the qualified electors at the next regularly scheduled primary election, or a special election to take place on the second Tuesday in June in a year that a primary election is not scheduled, the question of approving or disapproving the levy limitation under this section. The ballot measure question to approve the levy limitation must include a statement identifying the annual increase in property taxes levied by the taxing district in each of the previous three taxable years as reported in section 57-20-04. Levy limitations approved by electors may not be effective for more than one taxable year.

3. If approved by a majority of qualified electors in a taxing district voting on the question, property taxes levied in dollars by the taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

4. The limitation on the total amount levied by a taxing district under subsection 3 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.

d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

e. Taxes or special assessments levied to pay the principal and interest on any obligations of any taxing district evidenced by the issuance of bonds.

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p. 3 of 3

f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

5. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 2. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~prepare and transmit to the ~~state~~ tax commissioner~~, in such form as the tax commissioner may prescribe,~~ a complete abstract of the tax list of the auditor's county.

2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.

3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.

4. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.

5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years.

SECTION 3. REPEAL. Section 57-20-05 of the North Dakota Century Code is repealed.

SECTION 4. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2016."

Renumber accordingly

Date: 4-3-17

Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1361

Senate Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 17.0202.05004

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ______

Motion Made By Bekkedahl Seconded By Unruh

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	X		Senator Jim Dotzenrod		X
Vice Chair Brad Bekkedahl	X				
Senator Lonnie J. Laffen		X			
Senator Jessica Unruh	X				
Senator Scott Meyer	X				

Total (Yes) 4 No 2

Absent 0

Floor Assignment ______

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

Date: 4-3-17

Roll Call Vote #: 2

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1361

Senate Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 17.0202.05004 Title.0600

Recommendation:
- ☐ Adopt Amendment
- ☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
- ☒ As Amended ☐ Rerefer to Appropriations
- ☐ Place on Consent Calendar

Other Actions:
- ☐ Reconsider ☐ ____________

Motion Made By Unruh Seconded By Bekkedahl

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	X		Senator Jim Dotzenrod		X
Vice Chair Brad Bekkedahl	X				
Senator Lonnie J. Laffen		X			
Senator Jessica Unruh	X				
Senator Scott Meyer	X				

Total (Yes) 4 No 2

Absent 0

Floor Assignment Cook

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

Date: 4/10/2017

Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1361

Senate Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: ______________________

Recommendation:
☐ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☒ Reconsider ☐ ______________________

Motion Made By Senator Unruh Seconded By Senator Bekkedahl

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook			Senator Jim Dotzenrod		
Vice Chair Brad Bekkedahl					
Senator Lonnie J. Laffen					
Senator Jessica Unruh					
Senator Scott Meyer					

VOICE VOTE

Total (Yes) ______________________ No ______________________

Absent Motion Passed

Floor Assignment ______________________

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

Date: 4/10/2017

Roll Call Vote #: 2

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1361

Senate Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: Adding C, D, AND F, from attachment #1

Recommendation:
☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By Senator Unruh Seconded By Senator Bekkedahl

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	X		Senator Jim Dotzenrod	X	
Vice Chair Brad Bekkedahl	X				
Senator Lonnie J. Laffen	X				
Senator Jessica Unruh	X				
Senator Scott Meyer	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment ____________

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

Date: 4/10/2017

Roll Call Vote #: 3

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1361

Senate Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 17.0202.05005 Title.07000

Recommendation:
☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐

Motion Made By Senator Bekkedahl Seconded By Senator Unruh

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	X		Senator Jim Dotzenrod		X
Vice Chair Brad Bekkedahl	X				
Senator Lonnie J. Laffen		X			
Senator Jessica Unruh	X				
Senator Scott Meyer	X				

Total (Yes) 4 No 2

Absent 0

Floor Assignment Senator Cook

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

REPORT OF STANDING COMMITTEE

HB 1361, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1361 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to voter imposed limitations on the amount of property tax levied by taxing districts; to amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the North Dakota Century Code, relating to certification of taxes levied by taxing districts; to provide for a report to the legislative management; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts with voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any park district, city, or county. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled.

2. Upon receipt of a petition containing the signatures of at least ten percent of the number of qualified electors of the taxing district who cast votes in the most recent general election in the taxing district, but no fewer than twenty-five signatures, the governing body of the taxing district shall submit to the qualified electors at the next regularly scheduled primary election, or a special election to take place on the second Tuesday in June in a year that a primary election is not scheduled, the question of approving or disapproving the levy limitation under this section. The ballot measure question to approve the levy limitation must include a statement identifying the annual increase in property taxes levied by the taxing district in each of the previous three taxable years as reported in section 57-20-04. Levy limitations approved by electors may not be effective for more than one taxable year.

3. If approved by a majority of qualified electors in a taxing district voting on the question, property taxes levied in dollars by the taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

   a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

   b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

4. The limitation on the total amount levied by a taxing district under subsection 3 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.

5. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 2. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~prepare and transmit to the ~~state~~ tax commissioner~~, in such form as the tax commissioner may prescribe,~~ a complete abstract of the tax list of the auditor's county.

2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.

3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.

4. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.

5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years.

SECTION 3. REPEAL. Section 57-20-05 of the North Dakota Century Code is repealed.

SECTION 4. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2016."

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1361, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1361 was placed on the Sixth order on the calendar.

In lieu of the amendments as printed on pages 1274-1277 of the Senate Journal, Engrossed House Bill No. 1361 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to voter imposed limitations on the amount of property tax levied by taxing districts; to amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the North Dakota Century Code, relating to certification of taxes levied by taxing districts; to provide for a report to the legislative management; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts with voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any park district, city, or county. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled.

2. Upon receipt of a petition containing the signatures of at least ten percent of the number of qualified electors of the taxing district who cast votes in the most recent general election in the taxing district, but no fewer than twenty-five signatures, the governing body of the taxing district shall submit to the qualified electors at the next regularly scheduled primary election, or a special election to take place on the second Tuesday in June in a year that a primary election is not scheduled, the question of approving or disapproving the levy limitation under this section. The ballot measure question to approve the levy limitation must include a statement identifying the annual increase in property taxes levied by the taxing district in each of the previous three taxable years as reported in section 57-20-04. Levy limitations approved by electors may not be effective for more than one taxable year.

3. If approved by a majority of qualified electors in a taxing district voting on the question, property taxes levied in dollars by the taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

    a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

4. The limitation on the total amount levied by a taxing district under subsection 3 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.

d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

e. Taxes or special assessments levied to pay the principal and interest on any obligations of any taxing district evidenced by the issuance of bonds.

f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

5. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 2. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~prepare and transmit to the ~~state~~ tax commissioner~~, in such form as the tax commissioner may prescribe,~~ a complete abstract of the tax list of the auditor's county.

2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.

3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.

4. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.

5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years.

SECTION 3. REPEAL. Section 57-20-05 of the North Dakota Century Code is repealed.

SECTION 4. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2016."

Renumber accordingly

2017 CONFERENCE COMMITTEE

HB 1361

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1361
4/14/2017
30146

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to limitations of property tax levies by taxing districts without voter approval; and to provide an effective date.

Minutes:

No attachments

Chairman Dockter: I don't recognize HB 1361 from how it was in the House. Would somebody from the Senate please go over the changes in the bill?

Senator Cook: Two of us here are in agreement with our House conferees. The problem is that one of us is in agreement with 41 other senators who don't like what we did with this bill and they killed a section of it. The bill as it came out of the Senate had two sections to it; one is still in it which is the reporting section and is very important, the other section was killed when the Senate divided the question with the elector imposed cap of 3% on cities, counties, and park districts. It required a 10% vote of the petition by the elector's majority vote. It required that the petition they carried had it for the last three years of tax increases as provided by the tax commissioner, so there was no debate over what the tax increase was as people sometimes like to play games with numbers. We put that on in place of your legislatively imposed caps which would never pass the Senate. We amended HB 1361 in a way that would help put caps in place if the electors who were paying the taxes wanted to do so. I don't see anything wrong with letting the taxpayer have a say in what his taxes are. We passed a tax increase and voters have a choice of referring that but I see nothing wrong with giving property taxpayers that same right. Unfortunately, there were only five of us in the Senate that voted for it. We've got a bill that if we amended it in any way it makes the majority of us happy and takes it back to the Senate but it's going to get killed. We may have to look for another place to put this reporting requirement. I hate to be the bearer of bad news but facts are facts and that's where we're at.

Chairman Dockter: We're a little more optimistic in the House. Are there any comments from anyone in the House?

Representative B. Koppelman: In the Senate can you share with the House what the main argument for killing it was?

Senator Cook: There is a strong belief that local people are elected and if they don't believe in what their local people do they can vote them out of office. There are a few who like to stir the pot. They all received emails from county commissioners, city commissioners, park directors, etc. and got bombarded. The emails had their effect and the bill went down.

Senator Dotzenrod: Some of the concern was about the bonding and the cost of bonding. There were some of the larger cities that had some of their bond council people look at what we had done and felt it wouldn't really solve the problem but they still had issues with increasing the bonding costs. Another issue that came up with the carrier of the bill when bringing it to the floor was that he went through some of the larger cities increases over the last ten years and listed them off to the members of the Senate. We were looking at averages of about 1.5% or something to that effect. Those were two additional arguments; the bonding and the history of the increases.

Representative B. Koppelman: I understand that we may have some common ground with some of the other conferees that the Senate didn't maybe share in the previous bill, but to me that's a weak argument. If we can't and won't provide the property tax relief we had in the past, then we need to find a mechanism to provide the voters with some reform. I checked the records and didn't find any votes cast by a city in my last election; they're all cast by constituents or by citizens who in some fashion would have had some control. The bonding thing is interesting to me. I don't remember ever being able to sell a bond based on increases in property tax valuation thus tax. They look to see if the revenue source is going to dry up.

Senator Cook: It doesn't make a difference whether you think it's a weak argument or not, the matter is that 42 senators voted no. Sitting here you're preaching to the choir. We have passed major reform and the reform we passed has a major impact on keeping property taxes low. They do not like being dragged across the stage naked by having to tell people we are raising your taxes. That element has done tremendous things in keeping property taxes low. Senator Dotzenrod made the comment that taxes are not being raised and they aren't. Grand Forks was raised one time over 3%, every other time it was zero. Since 2014 in Cass County I think there were a couple of them that went up over 5% but for the most part they are zero. If you don't get a truth in taxation number that number is zero. That has had a major impact on keeping property taxes low. Despite that I'm not opposed to elector imposed caps. The only difference is when the carrier of the bill said his city was averaging 1.8% and he thought they were going to have a vote every year. I have a different opinion; I think if you're averaging 1.8% then you're never going to have a vote. I don't know what we're going to do in this bill to change that around.

Representative B. Koppelman: I'm certainly looking for constructive ideas on what to do. If you look at the historical taxable valuation increase in property over the decades we've seen a different thing happen since the lawsuit that caused true and full valuations to be at 100% all the time because that created the big phantom tax increase we all know happens. Mill levy caps do not have the effectiveness of keeping taxes consistent or growing at a reasonable percent, not growing at an exponential percent like they did in the day when we had a different taxable valuation versus what somebody might sell it for. This concept of tax caps we've sent to the Senate two or three times over the last sessions and the Senate hasn't agreed with us. We need to have a new method for dealing with this now that we do have to have true and full valuation every year. I think we should continue to meet and try and find some solution that is maybe not the same as what the Senate attempted but maybe another approach.

Senator Unruh: I agree with Representative B. Koppelman. A way for us to get to a solution here with the increased assessed values and the mill games we've been playing for the past years is the transparency piece we passed over to you. This allows for us to see all of those numbers. It is very valuable as we move forward if we want to make any further reforms. The bonding concerns were impossible for us to overcome on the Senate side. I would encourage the House members that if you really want to take a look at this and you really want something to pass engage with the folks who are having the bonding concerns and some of the other concerns so that we can change the conversation and try to fix the problems. Maybe we can then move forward with some real reform in this.

Chairman Dockter: We have some work to do. We will continue the discussion on Monday.

Meeting adjourned.

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1361
4/17/2017
30170

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A BILL relating to the abstract of a county tax list and a statewide property tax increase report; relating to certification of taxes levied by taxing districts; and to provide for a report to the legislative management.

Minutes:

No amendments

Chairman Dockter: The last time we met we heard the Senate's side. Representative Koppelman is doing some research but due to Good Friday there was no one available to get the information. He is working on getting some amendments.

Representative B. Koppelman: I should be getting some information back fairly soon. Most of the people were off on Friday and one of them was off today. We're working on getting the information and we're getting close.

Chairman Dockter: The House doesn't like it in the current form so we're looking at some amendments to make some changes. Does the Senate have anything?

Senator Cook: Why don't we just meet when we have the amendments?

Chairman Dockter: Meeting adjourned.

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1361
4/18/2017
30200

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to the abstract of a county tax list and a statewide property tax increase report; relating to certification of taxes levied by taxing districts; and to provide for a report to the legislative management.

Minutes:

Attachments 1-3

Chairman Dockter: Representative Koppelman has some information he would like to provide to the Senate.

Representative B. Koppelman: Distributed proposed amendments 17.0202.05010 (attachment #1) as well as Chapter 40-43 Payment and Compromise of Judgments (attachment #2) and an email from Kent Costin, CPA from the City of Fargo (attachment #3). See attachments 1-3. I was working to try and find the answers to some of the questions we identified in our first meeting and some of the questions that were brought up in the Senate having to do with the voters' ability to place a measure on the ballot to limit either spending or taxing authority of a political subdivision. A lot of language has a similar flavor to it in terms of how it's written to what the Senate had. I did some additional research and spoke with Scott Wagner from Arntson Stewart and Wegner, who is bond counsel for numerous political subdivisions as well as the finance person for the City of Fargo, Kent Costin, and his attorney John Schockley with Ohnstad Twichell that is based in West Fargo about the version that's in front of you. There are a couple of technical tweaks. Explained the amendment. On page 1 of the amendment, section 1 subsection 1, the language is very similar to what was in the Senate's version prior to the division of the bill. Section 2 talks about the 10% or 100 signatures. In speaking with legislators in both chambers it sounded like some had concerns that the 25 signatures were too low of a threshold for some of the small cities. The general gist of this is that we're not saying voters can vote on a 3% cap, it's good for one year, and all the other things that went with that. We're just saying the voters have a right to weigh in on these things. The language is shorter because we didn't need to put all those other time, place, and manner things on that language since this is not specific ballot language, it's just giving them the right to do it. Number 3 is saying it's a simple majority of the electors to do this. Subsection 4 begins with what it does not apply to. (Read through a-e of subsection 4). The two additions I have which are listed on the email from Kent Costin, is 40-24-10 and 40-43-01 which didn't make this amendment. I've attached copied of century code that are highlighting the sections that each of these refer to for your reference. Those four instances are things that the cities really don't have direct control over. I would answer any questions the committee has but at some point it would be nice to get Mr. Wegner to the podium.

Senator Unruh: On page 2 subsection e you're short a reference but you have two listed here and four highlighted here. Do all four highlighted belong in subsection e?

Representative B. Koppelman: That's correct. The email from Kent Costin lists those last two, it just didn't make the draft.

Senator Cook: I appreciate Representative B. Koppelman's effort to solve the bonding challenge. This bill, that if we were to amend this on and take it back to the Senate, will just add another day. It will come right back here the same way it is right now. It's not going to pass I can tell you that. This is so close to what we did that they rejected overwhelmingly, 42 red lights. We're dreaming if we think we're going to get this passed. I'll vote for it but nobody else will.

Representative B. Koppelman: I don't know if I'm quite as willing to admit defeat yet. One of the battle cries against this was the risking of local bonding. With the current version and with what we got from local concerns, I think if the Senate were to turn this down it would have to be on the basis that they don't trust that the people should have any ability to vote on the taxation. I think that's a test we should have. I don't know if we're quite to that point yet.

Chairman Dockter: I think we should try to put this on. If we don't we can just kill the bill.

Representative B. Koppelman: Could we have Mr. Wegner come up to the podium?

Scott Wegner, Arntson Stewart Wegner Law Firm: I was asked to look at the exceptions for financing in the proposed bill and it looks good. This should work to protect financing by the listed entities; cities, counties, and park districts. It allows for city and county deficiency levies that support financing by other political subdivisions which was one of the concerns. Water resource districts or airport authorities, their own bonds are in turn backed by deficiency levies by a city or county. The only thing I would like to see added is in E with the specific century codes listed I had "in related sections." The reason for that is this concept of one political subdivision maybe assessing another is throughout the code and this might not pick up all the sections. A water district can do an assessment project and assess a city. Right now this wouldn't be picked up here and there wouldn't be the ability to put on an excess levy for that. In E I would add something "in related sections."

Senator Dotzenrod: One of the things we heard is in reviewing the bonding ability, the bank ability, or the credit of the political subdivision that the bond companies or bond councils study this over before they set a weight and they would look for any flaws in the ability to be able to get the repayment. If we adopt these provisions, there would really be an impact on the bond rate that would be available to any subdivision if this were the law.

Mr. Wagner: That's correct. This allows financing to continue just as it has before this bill. Any kind of deficiency levies, especially on assessment bonds, would all operate as it does now. This wouldn't impact that financing ability or the general obligation backing which is the key.

Senator Cook: You just mentioned general obligation backing so should we call them general obligation bonds?

Mr. Wagner: It's certainly referred to as a general obligation backing but at the time of issuance the full faith in credit isn't pledged. In other words, exception A on the bottom of page 1 is for general obligation bonds. If a GO bond is issued the constitution requires that an irrepealable levy go on. That's not the case for specials, even though that backing is there it's contingent. Normally that is never invoked because there isn't a default or a deficiency so it's contingent on that event occurring and when those excess mills go on.

Chairman Dockter: I think we should have a chance to digest these amendments and we'll schedule another meeting. Meeting adjourned.

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1361
4/18/2017
30215

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to the abstract of a county tax list and a statewide property tax increase report; relating to certification of taxes levied by taxing districts; and to provide for a report to the legislative management.

Minutes:

Attachment #1

Chairman Dockter: Representative B. Koppelman has some amendments.

Representative B. Koppelman: Distributed corrected proposed amendments 17.0202.05012. See attachment #1. These amendments add the two sections on page 2 subsection 4e. I just wanted to make sure the committee had the proper set of amendments.

Chairman Dockter: Is there any discussion? The House is trying to look for some property tax reform. What are the Senate's thoughts on the amendments? Seeing none meeting is adjourned.

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1361
4/20/2017
30248

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to the abstract of a county tax list and a statewide property tax increase report; relating to certification of taxes levied by taxing districts; and to provide for a report to the legislative management.

Minutes: Attachment #1

Chairman Dockter: Since our last meeting we're wondering if we can reach an agreement or if the Senate has any other ideas?

Senator Laffen: As you've already discussed in the conference committee the Senate doesn't see a need for caps. During our hearings we had almost every city and county come in and show us where they were at. We didn't really see an issue although we hear about it once in a while when we go door to door. People don't like taxes. We didn't see cities and counties abusing property tax levy rates. Grand Forks averaged 1.7 over that five-year window. Cass County came in at 1. something 10 years in a row. We struggled to see that this was a problem. When I look in the red book it ranks North Dakota 46 in terms of property tax levied. We're struggling to see that this is worth putting these caps on all of these political subdivisions. A lot of us don't like governing the ballot box. **MADE A MOTION FOR THE HOUSE TO ACCEDE TO SENATE AMENDMENTS.**

Senator Unruh: SECONDED

Chairman Dockter: Is there any discussion?

ROLL CALL VOTE: 3 YES 3 NO 0 ABSENT

MOTION FAILED

Chairman Dockter: Do we have any other suggestions?

Senator Unruh: Distributed proposed amendments 17.0202.05013, see attachment #1. We've had a lot of discussion amongst ourselves in the conference committee on whether or not the House thinks the Senate will support caps because we haven't voted on it. As a body we amended the bill before we brought it up to the floor. The option we had in the Senate version of the bill after we passed it out of committee allowed a reversed situation so the voters could implement caps on their local governments, but that was rejected. We've still continued the conversation in here whether or not the other option would be something the Senate would be agreeable to. I still don't think they would be agreeable to it but one way for us to find out is to have everybody take a vote on it. The amendments you have in front of you are twofold; the first section restores the cap limit set by the House as sent over to us with a 3% limit on local government with some exclusions which are on page 2 subsection 2. The schools have also been excluded from the cap. Both chambers can be agreeable to removing the schools from the 3% cap. They are currently at 12% in the formula and I think that should be dealt with there. Section 1 is the House version of the bill. Section 2 is what the Senate version of the bill was when we passed it out of our chamber which is the transparency piece which I believe is the critical piece of this bill. In order for the Senate to be convinced that we need to cap local governments we need numbers. We didn't get a lot of numbers in the hearing. We had folks telling us we need to cap local governments because they are out of control. We also heard the other side of the story but we didn't get the numbers we needed. In order for local governments to give us these numbers the state needs to mandate it so it doesn't cost them a bunch of money. The software companies won't charge them if the state is requiring them to give us this information. For us to justify us putting caps on local governments this is information we need and this is how we get it. I brought these amendments to get us moving as we have been stalled for a while. This moves us forward with the conversation with our full chambers and see where this goes. I think this is the best approach I can come up with right now. **MADE A MOTION THE SENATE RECEDE FROM THE SENATE AMENDMENTS AND FURTHER AMEND WITH 17.0202.05013.**

Senator Dotzenrod: SECONDED

Chairman Dockter: Is there any discussion?

Representative B. Koppelman: I have a few questions on the amendments for Senator Unruh. I was lining up the House bill with this so I can see where the differences were. On page 2 of the amendment d, e, and f was the language in the Senate bill. I think those are fine. In the House version it appears that on section 3 there is a lot of the same language that is in section 2. What is the difference there?

Senator Unruh: Which version are you referring to exactly?

Representative B. Koppelman: It's in the .5000 version. This is the version I used when I carried it on the floor on our side.

Senator Unruh: Are you talking about subsection 3?

Representative B. Koppelman: Do you see how it begins similar to section 2? It almost states similar language twice in the House version and not in the amendment.

Chairman Dockter: Terry, can you see if Emily can come down?

Senator Unruh: It looks like it was duplicate language in two parts of the code.

Representative B. Koppelman: It was brought to my attention that the reason section 2 and 3 are nearly identical is because in section 3 the effective date may have been the schools. It may have all been duplicated separately because the schools had a different implementation date. If that's what it is I don't have a problem with not including the schools in here.

Chairman Dockter: We'll wait for Emily.

Representative B. Koppelman: While we're waiting for Emily, I'm wondering if we also want to include some of the language from the previous amendment that mentioned some of the exceptions. Would the Senate be opposed to including some of those exceptions as well to make sure we deal with the bonding issue?

Senator Unruh: I would be amenable to that. I think it would be easy enough for us to do today.

Chairman Dockter: Okay.

Senator Unruh: Could we have the intern take subsection e from Representative B. Koppelman's amendments that references taxes levied under those four different chapters? We could maybe tack that onto my amendments this morning.

Representative B. Koppelman: The one other thing besides the subsection e is version 12 of the amendments that I had offered is the language in c of those amendments. In comparison to letter e in the proposal you just made, they went a little further in the writing to include more in the amendment I had proposed because of the language suggested by bond council. In addition to adding letter e from the amendments of version 12 I would suggest substituting letter c of the 12 amendments and put in place of letter e in the current amendments we're considering.

Senator Unruh: Yes.

Chairman Dockter: Emily, we need clarification to make sure we're looking at the bill correctly.

Representative B. Koppelman: In the current amendment which has been moved, .5013 amendment which is the most recent you prepared, combines what the House passed and what the Senate ultimately passed with the exception of not including the school districts. When we're looking at the .5000 version of the bill section 2 and 3 appear to be identical other than they have different effective dates and one excludes the schools and one might include the schools. If it's our goal not to include the schools in this, then would it be the same as eliminating section 3 from the House version?

Emily Thompson, Counsel, Legislative Council: That is correct. The duplicate sections in the first engrossment, .5000 version, was just to account for the fact that school districts were not part of the consideration in the first biennium but they were considered to be a taxing district as it was defined in that bill going forward for the second biennium. That is the only change. It had duplicate effective dates there. The amendment you have before you indicates a taxing district means any political subdivision empowered to levy taxes with the exception of school districts. The effective date on this bill is for taxable years beginning after December 31, 2017. We don't need that separate section starting after December 31, 2019 for when school districts would have been pulled in the prior bill.

Chairman Dockter: Are there any other questions? We should withdraw the previous motion and make another motion with the additions that were just mentioned.

Senator Unruh: WITHDREW MOTION

Senator Dotzenrod: WITHDREW SECOND

Chairman Dockter: I'm looking for a motion.

Senator Unruh: MADE A MOTION THE SENATE RECEDE FROM THE SENATE AMENDMENTS AND FURTHER AMEND VERSION 17.020205013 REPLACING SUBSECTION E WITH SUBSECTION C OF REPRESENTATIVE KOPPELMAN'S AMENDMENTS AND ADDING SUBSECTION E FROM REPRESENTATIVE KOPPELMAN'S AMENDMENTS.

Representative B. Koppelman: SECONDED

Chairman Dockter: Is there any discussion?

Senator Laffen: As I mentioned earlier I don't think we'll have a lot of appetite for caps on the Senate side. If you ever want the caps the reporting piece in here could get us there. If it comes back and shows there are issues that's the data we need to make that kind of decision. I want to caution us as we get close to the end here and I don't want to lose this bill.

Chairman Dockter: From the House's position this is a good compromise to have both pieces. I think it would be good legislation.

Representative B. Koppelman: There are two things that will come out of this if we pass this here; one is we would have some reporting the Senate suggested and we would also be able to evaluate the effects of the caps we have that are created in this bill. Is 3% the magic number we should have? Are there any mechanisms that need to be adjusted? We would have a two-year period when we would see that. That compiled with the data would show the effect of how the cap had on how much property taxes went up and whether it had any effect on the services the city or county was providing.

Senator Laffen: I'm suggesting that one come before the other. I'm nervous about losing the one that would get us to the other.

Chairman Dockter: The House understands your concern but if you work hard maybe we could get both. Is there any other discussion?

ROLL CALL VOTE: 5 YES 1 NO 0 ABSENT

MOTION CARRIED

Chairman Dockter: The process is this will go to the House and we'll have to see if the report is approved then if it passes we'll send it over to the Senate.

Meeting adjourned.

Adopted by the Conference Committee

4/20/17 DP
1 of 3

April 20, 2017

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1361

That the Senate recede from its amendments as printed on pages 1634 and 1635 of the House Journal and pages 1383-1385 of the Senate Journal and that Engrossed House Bill No. 1361 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to limitations of property tax levies by taxing districts without voter approval; to amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the North Dakota Century Code, relating to certification of taxes levied by taxing districts; to provide for a report to the legislative management; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of school districts. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

    a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

    b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

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c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

e. Taxes or special assessments levied to pay the principal and interest on any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.

f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

g. Taxes levied under sections 40-24-10, 40-43-01, 57-15-41, and 61-21-52.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

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3013

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 2. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~prepare and transmit to the ~~state~~ tax commissioner~~, in such form as the tax commissioner may prescribe,~~ a complete abstract of the tax list of the auditor's county.

2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.

3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.

4. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.

5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years.

SECTION 3. REPEAL. Section 57-20-05 of the North Dakota Century Code is repealed.

SECTION 4. EFFECTIVE DATE. Section 1 of this Act is effective for taxable years beginning after December 31, 2017."

Renumber accordingly

Date:
Roll Call Vote #:

2017 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1361 as (re) engrossed

House Finance and Taxation Committee

Action Taken
- ☐ **HOUSE accede to Senate Amendments**
- ☐ **HOUSE accede to Senate Amendments and further amend**
- ☐ **SENATE recede from Senate amendments**
- ☐ **SENATE recede from Senate amendments and amend as follows**

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: ______________________ Seconded by: ______________________

Representatives	4-14	4-17	4-18	Yes	No		Senators	4-14	4-17	4-18	Yes	No
Chairman Dockter	✓	✓	✓				Sen Cook	✓	✓	✓		
Rep Koppelman	✓	✓	✓				Sen Unruh	✓	✓	✓		
Rep Toman	✓	✓	✓				Sen Dotzenrod	✓	✓	✓		
Total Rep. Vote							Total Senate Vote					

Vote Count Yes: ________ No: ________ Absent: ________

House Carrier ______________________ Senate Carrier ______________________

LC Number ______________________ . ______________________ of amendment

LC Number ______________________ . ______________________ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date:
Roll Call Vote #:

2017 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1361 as (re) engrossed

House Finance and Taxation Committee

Action Taken
- ☐ **HOUSE accede to Senate Amendments**
- ☐ **HOUSE accede to Senate Amendments and further amend**
- ☐ **SENATE recede from Senate amendments**
- ☐ **SENATE recede from Senate amendments and amend as follows**

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: ____________ Seconded by: ____________

Representatives	4-18			Yes	No		Senators	4-18			Yes	No
Chairman Dockter	✓						Sen Cook	✓				
Rep Koppelman	✓						Sen Unruh	✓				
Rep Toman	✓						Sen Dotzenrod	✓				
Total Rep. Vote							Total Senate Vote					

Vote Count Yes: ________ No: ________ Absent: ________

House Carrier ____________ Senate Carrier ____________

LC Number ____________ . ____________ of amendment

LC Number ____________ . ____________ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: 4-20-17
Roll Call Vote #: 1

2017 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1361 as (re) engrossed

House Finance and Taxation Committee
Action Taken ☒ **HOUSE accede to Senate Amendments**
☐ **HOUSE accede to Senate Amendments and further amend**
☐ **SENATE recede from Senate amendments**
☐ **SENATE recede from Senate amendments and amend as follows**

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Sen. Laffen Seconded by: Sen. Unruh

Representatives	4-20			Yes	No	Senators	4-20			Yes	No
Chairman Dockter	✓				✓	Sen Laffen	✓			✓	
Rep Koppelman	✓				✓	Sen Unruh	✓			✓	
Rep Toman	✓				✓	Sen Dotzenrod	✓			✓	
Total Rep. Vote				0	3	Total Senate Vote				3	0

Vote Count Yes: 3 No: 3 Absent: 0

House Carrier ________ Senate Carrier ________

LC Number ________ . ________ of amendment

LC Number ________ . ________ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Motion failed.

Date: 4-20-17
Roll Call Vote #: 2

2017 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1361 as (re) engrossed

House Finance and Taxation Committee

Action Taken
- ☐ **HOUSE accede to Senate Amendments**
- ☐ **HOUSE accede to Senate Amendments and further amend**
- ☐ **SENATE recede from Senate amendments**
- ☒ **SENATE recede from Senate amendments and amend as follows**
  17.02025013 replacing sub. e with sub. c of Rep. Koppelman's amend.
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

and adding subsection e from Rep. Koppelman's amendments.

Motion Made by: Sen. Unruh Seconded by: Rep. Koppelman

Representatives	4-20			Yes	No		Senators	4-20			Yes	No
Chairman Dockter	✓			✓			Sen Laffen	✓			✓	
Rep Koppelman	✓			✓			Sen Unruh	✓			✓	
Rep Toman	✓			✓			Sen Dotzenrod	✓				✓
Total Rep. Vote				3	0		Total Senate Vote				2	1

Vote Count Yes: 5 No: 1 Absent: 0

House Carrier ______ Senate Carrier ______

LC Number 17.0202 . 05014 of amendment

LC Number ______ . 09000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

REPORT OF CONFERENCE COMMITTEE

HB 1361, as engrossed: Your conference committee (Sens. Laffen, Unruh, Dotzenrod and Reps. Dockter, B. Koppelman, Toman) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1634-1635, adopt amendments as follows, and place HB 1361 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1634 and 1635 of the House Journal and pages 1383-1385 of the Senate Journal and that Engrossed House Bill No. 1361 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to limitations of property tax levies by taxing districts without voter approval; to amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the North Dakota Century Code, relating to certification of taxes levied by taxing districts; to provide for a report to the legislative management; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of school districts. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

   a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

   b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

   c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

   a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

   b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

   c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

   d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

   e. Taxes or special assessments levied to pay the principal and interest on any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.

   f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

   g. Taxes levied under sections 40-24-10, 40-43-01, 57-15-41, and 61-21-52.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 2. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~prepare and transmit to the ~~state~~ tax commissioner~~, in such form as the tax commissioner may prescribe,~~ a complete abstract of the tax list of the auditor's county.

2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.

3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.

4. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.

5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years.

SECTION 3. REPEAL. Section 57-20-05 of the North Dakota Century Code is repealed.

SECTION 4. EFFECTIVE DATE. Section 1 of this Act is effective for taxable years beginning after December 31, 2017."

Renumber accordingly

Engrossed HB 1361 was placed on the Seventh order of business on the calendar.

2017 TESTIMONY

HB 1361

EXPLANATION OF BILL DRAFT 17.0202.04000 - PERTAINING TO A THREE PERCENT PROPERTY TAX LEVY INCREASE LIMITATION

This memorandum provides an explanation of a bill draft [17.0202.04000] pertaining to property tax levy increase limitations that would go into effect for taxable years beginning after December 31, 2017.

The bill draft imposes a 3 percent limitation on the dollar amount a taxing district may levy over the amount levied by the taxing district in the prior year, notwithstanding the fact the taxing district may have unused or excess levy authority under any other provision of law. The bill draft applies certain adjustments to the amount of dollars levied in the prior year before the 3 percent maximum increase amount is calculated. The amount of dollars levied in the prior year for purposes of calculating the maximum 3 percent increase must be increased by:

1. The amount that would have been generated by the prior year's mill rate on property and improvements that are taxable in the current year, but were not taxable in the prior year.
2. The amount that would have been generated by the prior year's mill rate on property that was subject to a full or partial exemption in the prior year, but is no longer subject to a full or partial exemption in the current year.

The amount of dollars levied in the prior year for purposes of calculating the maximum 3 percent increase must be decreased by:

1. The amount levied in dollars in the prior year on property that is no longer taxable in the current year.
2. The amount levied in dollars in the prior year as a result of mill levy authority that is no longer available or increased levy authority granted by the electors of the taxing district that has expired.

Property tax generated from the following types of levy authority is not subject to the 3 percent levy increase limitation imposed under the bill draft:

1. New or increased property tax levy authority that was not available in the prior year.
2. Any irrepealable tax levied pursuant to Section 16 of Article X of the Constitution of North Dakota to pay bonded indebtedness.
3. The one-mill levy authority provided under Section 16 of Article X of the Constitution of North Dakota for the state medical center.

A city or county may not use home rule authority to supersede or modify the limitations provided in the bill draft but may exceed the maximum levy amount through a majority vote of the qualified electors in the taxing district authorizing a specified percentage increase. Any increased levy authority approved by the voters may not extend for more than 1 taxable year at a time.

HB 1361 Testimony

Chairman Headland and members of the committee, for the record my name is Brandt Dick, Superintendent of Underwood School District, board member of North Dakota Small Organized Schools (NDSOS), and member of North Dakota Association of School Administrators (NDASA) Legislative Focus Group finance member. I am here to speak in opposition of HB 1361.

Included with my testimony is a copy of Underwood School District's foundation aid worksheets from the last three years. This is presented to show the affects the funding formula has had on our school district and the need to levy additional property taxes each year. Notice in line 30 from the 2016-17 worksheet that the state deducted $724,224.60 of local effort of property tax. Compare that to the number on line 30 from the 2015-16 worksheet. That year the value deducted for local effort was $648,251.86, a $75,972.74 increase in deduction, or an 11.7% increase. To make up for this deduction, we increased our general fund levy by 12%.

Compare this again with line 33 from the 2014-15 school year. The amount deducted that year was $578,796.30. The increase from 14-15 to 15-16 in deduction was $69,455.56, or a 12% increase. Line 44 from the 2015-16 worksheet shows the 12% cap of the increase was used. That year our district did levy an additional 12% property tax to recoup those revenue dollars that were deducted.

My opposition is that if the 3% cap was put into place, and if nothing was changed with NDCC 15.1-27-04.1.4.a districts with any taxable valuations greater than 3% would be deducted an additional amount up to 12%, causing a decrease in foundation aid to those school districts. Long term, the effect of the 12% cap has caused those districts with great taxable value increases to be much below the 60 mills. If this bill is passed, and assuming an adjustment on the amount of increase is implemented to match the 3%, this situation would widen.

The NDASA Legislative Focus Group finance committee is made up of 7 Superintendents and 1 business manager from across the state. We have had very good discussions on the funding formula and the challenges that arise with the formula. We have asked questions like, "What happens if taxable valuations go down?" "Are the weighting factors for schools correct?" "Why are some districts at the maximum levy of 70 mill general fund levy, 12 mills miscellaneous purposes?" "What would happen if the 12% cap was removed?" These and other questions have been discussed at great length.

With the reality of no new money, challenge of some districts seeing growth, others seeing decline, the reality of rural districts trying to find a way to recruit and retain quality instructors, revenue will be needed. We feel local school boards are best empowered to make the decision on what amount is needed to fund the local school district. Now is not the time to limit ability of these districts to address the issues at the local school district levy.

We do feel there are challenges with the present formula, and the Finance Committee previously mentioned would be more than willing to assist and continue to discuss any studies that arise from this session. HB 1357 and HB 1423 are two such studies that could aide in finding solutions to the challenges that have arisen with the funding formula. I will stand for questions.

#2 p.2
1-30-17
HB 1361

STATE AID TO SCHOOLS PAYMENT WORKSHEET

North Dakota Department of Public Instruction
Office of School Finance and Organization

District Name	County District Number	Payment Month	School Year
Underwood 8	28-008	January	2016-17

A. STATE AID FORMULA:

Student membership includes regular school year average daily membership (ADM). ADM for students attending school in Montana and Minnesota (NDCC 15.1-29.01), South Dakota students attending school in North Dakota (NDCC 15.1-29-02.1) under cross border attendance agreements, and students in private or out-of-state placements for purposes other than education (NDCC 15.1-29-14) are also included.

Student Membership	ADM	Weighting Factor	Weighted ADM
1 Pk Special Education	5.15	1.000	5.15
2 Kindergarten	16.27	1.000	16.27
3 Grade 1-6	93.36	1.000	93.36
4 Grade 7-8	24.81	1.000	24.81
5 Grade 9-12	65.21	1.000	65.21
6 Alternate High School	0.00	1.000	0.00
7 Total Average Daily Membership (ADM)			204.80
Other Program Membership			
8 Alt High School (from line 6)	0.00	0.250	0.00
9 Special Ed ADM (from line 7)	204.80	0.082	16.79
10 PK Special Ed ADM (from line 1)	5.15	0.170	0.88
11 Regional Educational Association (if member from line 7)	204.80	0.002	0.41
12 ELL Level 1	0.00	0.330	0.00
13 ELL Level 2	0.00	0.220	0.00
14 ELL Level 3	0.00	0.070	0.00
15 At Risk	66.36	0.025	1.66
16 Home-Education (district supervised)	0.00	0.200	0.00
17 Alt Middle School	0.00	0.150	0.00
Summer Programs			
18 Summer School	0.00	0.600	0.00
19 Special Ed ESY	0.73	1.000	0.73
Isolated School District			
20 > 275 sq miles and < 100 ADM	0.00	0.100	0.00
21 > 600 sq miles and < 50 ADM	0.00	1.100	0.00
22 Total Weighted Average Daily Membership (Add Lines 7 through 21)			225.27
23 School District Size Weighting Factor			1.2300
24 Total Weighted Student Units			277.08
25 Per Student Payment Rate			9,646.00
26 Total Formula Payment			2,672,713.68

Formula Adjustments

27 Transition Maximum Adjustment (from line 65)	3,958,048.45	0.00
28 Transition Minimum Adjustment (from line 70)	3,053,351.67	380,637.99
29 Total Adjusted Formula Amount (total lines 26, 27 and 28)		3,053,351.67
30 Contribution from Property Tax (from line 45)		724,224.60
31 Contribution from Other Local Revenue (from line 39)		195,095.04
32 State Aid Payment (line 29 minus lines 30 and 31)		2,134,032.03

State School Aid Summary

	Entitlement	EFB Offset	Net Entitlement
1 State Aid Formula Payment (from line 32)	2,134,032.03	-	2,134,032.03
2 Transportation (from line 61)	53,358.10	-	53,358.10
3 State Child Placement	11,144.08	-	11,144.08
4 Special Education Contracts - Agency	-	-	-
5 Special Education Contracts - School Placed	-	-	-
6 Special Education - Boarding	-	-	-
7 Special Education - Gifted and Talented	-	-	-
Total State Aid	2,198,534.21	-	2,198,534.21

Excess Fund Balance Offset (from line 49) -

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B. CONTRIBUTION FROM OTHER LOCAL REVENUE

		Total Revenue	Percent	
33	1300 Tuition	23,950.00	75%	17,962.50
34	2999 County	145,858.92	75%	109,394.19
35	US Flood	1,238.02	75%	928.52
36	Electric Generation, Distribution and Transmission Tax	13,903.71	75%	10,427.78
37	Mobile Home and Other In-Lieu Taxes	32,947.96	100%	32,947.96
38	Telecommunications	23,434.09	100%	23,434.09
39	Contribution from Other Local Revenue			195,095.04

C. CONTRIBUTION FROM PROPERTY TAX

40	District Taxable Valuation		12,070,410.00
41	Contribution Mill Rate		60.00
42	Contribution from Property Tax (line 40 times line 41 divided by 1000)		724,224.60
43	Minimum Local Effort Adjustment (NDCC 15.1-27-04.2)	-	-
44	Maximum Contribution Increase Adjustment (NDCC 15.1-27-04.1.4.a.)	726,042.08	-
45	Adjusted Contribution from Property Tax (total lines 42, 43 and 44)		724,224.60

D. EXCESS FUND BALANCE OFFSET

46	General Fund Ending Balance	1,151,915.96
47	General Fund Expenditures	3,282,694.62
48	40%of General Fund Expenditures + $20,000	1,333,077.85
49	Excess Fund Balance Offset (line 46 minus line 48, if less than zero enter zero)	-

E. TRANSPORTATION WORKSHEET

	Transportation Statistics	Rate	Miles	Rides	Total
50	Small Bus Miles	0.550	1,098.0		603.90
51	Large Bus Miles	1.180	35,000.0		41,300.00
52	Rural Rides	0.320		13,712	4,387.84
53	Small In-City Miles	0.550	-		-
54	Large In-City Miles	1.180	2,800.0		3,304.00
55	In-City Rides	0.320		5,004	1,601.28
56	Family - To School	0.270	8,004.0		2,161.08
57	Family - To Bus	0.270	-		-
58	Not Reimbursable	-			
59	Total Transportation Reimbusement				53,358.10
60	Reimbursement Cap --- 90% of transportation expenditures				146,107.16
61	Block Grant Total (lesser of 90% cap or total)				53,358.10

F. BASELINE FUNDING - MINIMUM AND MAXIMUM PAYMENTS

62	Baseline Funding (2012-13 State Aid Formula Payment, MLRG, GF levies and 75%-100% In-lieu)	2,619,945.96
63	Baseline Weighted Student Units (2012-13)	256.77
64	Baseline Funding Rate	$10,203.47

	Adjustment for Maximum	Baseline Funding Rate	Maximum Percent	Weighted Student Units	
65	Maximum Increase Amount	$10,203.47	140%	277.08	3,958,048.45

	Adjustment for Minimum	Baseline Funding Rate	Minimum Percent	Weighted Student Units	
66	Minimum Increase Per Student	$10,203.47	108%	277.08	3,053,351.67
67	Baseline Funding (from line 62)				2,619,945.96
68	Minimum Funding Percentage				100%
69	Minimum Funding Amount				2,619,945.96
70	Minimum Increase Amount (greater of line 66 and 69)				3,053,351.67

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STATE AID TO SCHOOLS PAYMENT WORKSHEET

North Dakota Department of Public Instruction
Office of School Finance and Organization

District Name	County District Number	Payment Month	School Year
Underwood 8	28-008	January	2015-16

A. STATE AID FORMULA:

Student membership includes regular school year average daily membership (ADM). ADM for students attending school in Montana and Minnesota (NDCC 15.1-29.01), South Dakota students attending school in North Dakota (NDCC 15.1-29-02.1) under cross border attendance agreements, and students in private or out-of-state placements for purposes other than education (NDCC 15.1-29-14) are also included.

Student Membership	ADM	Weighting Factor	Weighted ADM
1 Pk Special Education	3.69	1.000	3.69
2 Kindergarten	9.12	1.000	9.12
3 Grade 1-6	95.66	1.000	95.66
4 Grade 7-8	28.88	1.000	28.88
5 Grade 9-12	66.95	1.000	66.95
6 Alternate High School	0.00	1.000	0.00
7 Total Average Daily Membership (ADM)			204.30
Other Program Membership			
8 Alt High School (from line 6)	0.00	0.250	0.00
9 Special Ed ADM (from line 7)	204.30	0.082	16.75
10 PK Special Ed ADM (from line 1)	3.69	0.170	0.63
11 Regional Educational Association (if member from line 7)	204.30	0.002	0.41
12 ELL Level 1	0.00	0.330	0.00
13 ELL Level 2	0.00	0.220	0.00
14 ELL Level 3	0.00	0.070	0.00
15 At Risk	66.60	0.025	1.67
16 Home-Education (district supervised)	0.00	0.200	0.00
17 Alt Middle School	0.00	0.150	0.00
Summer Programs			
18 Summer School	0.69	0.600	0.41
19 Special Ed ESY	0.00	1.000	0.00
Isolated School District			
20 > 275 sq miles and < 100 ADM	0.00	0.100	0.00
21 > 600 sq miles and < 50 ADM	0.00	1.100	0.00

22 Total Weighted Average Daily Membership (Add Lines 7 through 21)	224.17
23 School District Size Weighting Factor	1.2300
24 Total Weighted Student Units	275.73
25 Per Student Payment Rate	9,365.00
26 Total Formula Payment	2,582,211.45

Formula Adjustments		
27 Transition Maximum Adjustment (from line 65)	3,657,423.62	0.00
28 Transition Minimum Adjustment (from line 70)	2,982,206.95	399,995.50
29 Total Adjusted Formula Amount (total lines 26, 27 and 28)		2,982,206.95
30 Contribution from Property Tax (from line 45)		648,251.86
31 Contribution from Other Local Revenue (from line 39)		235,341.21
32 State Aid Payment (line 29 minus lines 30 and 31)		2,098,613.88

State School Aid Summary	**Entitlement**	**EFB Offset**	**Net Entitlement**
1 State Aid Formula Payment (from line 32)	2,098,613.88	-	2,098,613.88
2 Transportation (from line 61)	60,633.64	-	60,633.64
3 State Child Placement	-	-	-
4 Special Education Contracts - Agency	-	-	-
5 Special Education Contracts - School Placed	-	-	-
6 Special Education - Boarding	-	-	-
7 Special Education - Gifted and Talented	-	-	-
Total State Aid	2,159,247.52	-	2,159,247.52
Excess Fund Balance Offset (from line 49)		-	

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B. CONTRIBUTION FROM OTHER LOCAL REVENUE

		Total Revenue	Percent	
33	1300 Tuition	26,605.00	75%	19,953.75
34	2999 County	207,018.50	75%	155,263.88
35	US Flood	1,150.03	75%	862.52
36	Electric Generation, Distribution and Transmission Tax	15,266.19	75%	11,449.64
37	Mobile Home and Other In-Lieu Taxes	24,377.33	100%	24,377.33
38	Telecommunications	23,434.09	100%	23,434.09
39	Contribution from Other Local Revenue			235,341.21

C. CONTRIBUTION FROM PROPERTY TAX

40	District Taxable Valuation		10,946,533.00
41	Contribution Mill Rate		60.00
42	Contribution from Property Tax (line 40 times line 41 divided by 1000)		656,791.98
43	Minimum Local Effort Adjustment (NDCC 15.1-27-04.2)	-	-
44	Maximum Contribution Increase Adjustment (NDCC 15.1-27-04.1.4.a.)	648,251.86	-8,540.12
45	Adjusted Contribution from Property Tax (total lines 42, 43 and 44)		648,251.86

D. EXCESS FUND BALANCE OFFSET

46	General Fund Ending Balance	1,122,805.28
47	General Fund Expenditures	3,376,750.28
48	40%of General Fund Expenditures + $20,000	1,370,700.11
49	Excess Fund Balance Offset (line 46 minus line 48, if less than zero enter zero)	-

E. TRANSPORTATION WORKSHEET

	Transportation Statistics	Rate	Miles	Rides	Total
50	Small Bus Miles	0.550	-		-
51	Large Bus Miles	1.180	43,750.0		51,625.00
52	Rural Rides	0.320		13,124	4,199.68
53	Small In-City Miles	0.550	-		-
54	Large In-City Miles	1.180	2,640.0		3,115.20
55	In-City Rides	0.320		5,293	1,693.76
56	Family - To School	0.270	-		-
57	Family - To Bus	0.270	-		-
58	Not Reimbursable	-			
59	Total Transportation Reimbusement				60,633.64
60	Reimbursement Cap --- 90% of transportation expenditures				151,180.63
61	Block Grant Total (lesser of 90% cap or total)				60,633.64

F. BASELINE FUNDING - MINIMUM AND MAXIMUM PAYMENTS

62	Baseline Funding (2012-13 State Aid Formula Payment, MLRG, GF levies and 75%-100% In-lieu)	2,619,945.96
63	Baseline Weighted Student Units (2012-13)	256.77
64	Baseline Funding Rate	$10,203.47

	Adjustment for Maximum	Baseline Funding Rate	Maximum Percent	Weighted Student Units	
65	Maximum Increase Amount	$10,203.47	130%	275.73	3,657,423.62

	Adjustment for Minimum	Baseline Funding Rate	Minimum Percent	Weighted Student Units	
66	Minimum Increase Per Student	$10,203.47	106%	275.73	2,982,206.95
67	Baseline Funding (from line 62)				2,619,945.96
68	Minimum Funding Percentage				100%
69	Minimum Funding Amount				2,619,945.96
70	Minimum Increase Amount (greater of line 66 and 69)				2,982,206.95

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STATE AID TO SCHOOLS PAYMENT WORKSHEET

North Dakota Department of Public Instruction
Office of School Finance and Organization

District Name	County District Number	Payment Month	School Year
Underwood 8	28-008	January	2014-15

A. STATE AID FORMULA:

Student membership includes regular school year average daily membership (ADM). ADM for students attending school in Montana and Minnesota (NDCC 15.1-29.01), South Dakota students attending school in North Dakota (NDCC 15.1-29-02.1) under cross border attendance agreements, and students in private or out-of-state placements for purposes other than education (NDCC 15.1-29-14) are also included.

Student Membership	ADM	Weighting Factor	Weighted ADM
1 Pk Special Education	6.34	1.000	6.34
2 Kindergarten	15.95	1.000	15.95
3 Grade 1-6	95.54	1.000	95.54
4 Grade 7-8	29.34	1.000	29.34
5 Grade 9-12	64.03	1.000	64.03
6 Alternate High School	0.00	1.000	0.00
7 Total Average Daily Membership (ADM)			211.20
Other Program Membership			
8 Alt High School (from line 6)	0.00	0.250	0.00
9 Special Ed ADM (from line 7)	211.20	0.082	17.32
10 PK Special Ed ADM (from line 1)	6.34	0.170	1.08
11 Data Collection (if PowerSchool from line 7)	211.20	0.003	0.63
12 Regional Educational Association (if member from line 7)	211.20	0.002	0.42
13 ELL Level 1	0.00	0.300	0.00
14 ELL Level 2	0.00	0.200	0.00
15 ELL Level 3	0.00	0.070	0.00
16 At Risk	65.47	0.025	1.64
17 Home-Education (district supervised)	0.00	0.200	0.00
18 Cross Border Attendance (MN, MT)	0.00	0.200	0.00
19 Alt Middle School	0.00	0.150	0.00
Summer Programs			
20 Summer School	1.98	0.600	1.19
21 Migrant Summer	0.00	1.000	0.00
22 Special Ed ESY	0.00	1.000	0.00
Isolated School District			
23 > 275 sq miles and < 100 ADM	0.00	0.100	0.00
24 > 600 sq miles and < 50 ADM	0.00	1.100	0.00
25 Total Weighted Average Daily Membership (Add Lines 7 through 24)			233.48
26 School District Size Weighting Factor			1.2300
27 Total Weighted Student Units			287.18
28 Per Student Payment Rate			9,092.00
29 Total Formula Payment			2,611,040.56
Formula Adjustments			
30 Transition Maximum Adjustment (from line 68)		3,516,279.02	0.00
31 Transition Minimum Adjustment (from line 73)		3,047,441.82	436,401.26
32 Total Adjusted Formula Amount (total lines 29,30 and 31)			3,047,441.82
33 Contribution from Property Tax (from line 48)			578,796.30
34 Contribution from Other Local Revenue (from line 42)			248,976.09
35 State Aid Payment (line 32 minus lines 33 and 34)			2,219,669.43

State School Aid Summary

	Entitlement	EFB Offset	Net Entitlement
1 State Aid Formula Payment (from line 35)	2,219,669.43	-	2,219,669.43
2 Transportation (from line 61)	57,239.64	-	57,239.64
3 State Child Placement	-	-	-
4 Special Education Contracts - Agency	-	-	-
5 Special Education Contracts - School Placed	-	-	-
6 Special Education - Boarding	-	-	-
7 Special Education - Gifted and Talented	-	-	-
Total State Aid	2,276,909.07	-	2,276,909.07

Excess Fund Balance Offset (from line 52) -

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B. CONTRIBUTION FROM OTHER LOCAL REVENUE

		Total Revenue	Percent	
36	1300 Tuition	16,507.00	75%	12,380.25
37	2999 County	241,654.95	75%	181,241.21
38	US Flood	-	75%	-
39	Electric Generation, Distribution and Transmission Tax	16,063.89	75%	12,047.92
40	Mobile Home and Other In-Lieu Taxes	19,872.62	100%	19,872.62
41	Telecommunications	23,434.09	100%	23,434.09
42	Contribution from Other Local Revenue			248,976.09

C. CONTRIBUTION FROM PROPERTY TAX

43	District Taxable Valuation		9,646,605.00
44	Contribution Mill Rate		60.00
45	Contribution from Property Tax (line 43 times line 44 divided by 1000)		578,796.30
46	Minimum Local Effort Adjustment (NDCC 15.1-27-04.2)	-	-
47	Maximum Contribution Increase Adjustment (NDCC 15.1-27-04.1.4.a.)	580,121.14	-
48	Adjusted Contribution from Property Tax (total lines 45, 46 and 47)		578,796.30

D. EXCESS FUND BALANCE OFFSET

49	General Fund Ending Balance	1,034,138.47
50	General Fund Expenditures	2,972,140.77
51	45%of General Fund Expenditures + $20,000	1,357,463.35
52	Excess Fund Balance Offset (line 49 minus line 51, if less than zero enter zero)	-

E. TRANSPORTATION WORKSHEET

	Transportation Statistics	Rate	Miles	Rides	Total
53	Small Bus Miles	0.520	-		-
54	Large Bus Miles	1.130	44,544.0		50,334.72
55	Rural Rides	0.300		13,076	3,922.80
56	Small In-City Miles	0.520	-		-
57	Large In-City Miles	1.130	804.0		908.52
58	In-City Rides	0.300		6,912	2,073.60
59	Family - To School	0.250	-		-
60	Family - To Bus	0.250	-		-
61	Not Reimbursable	-			
62	Total Transportation Reimbusement				57,239.64
63	Reimbursement Cap --- 90% of transportation expenditures				137,265.75
64	Block Grant Total (lesser of 90% cap or total)				57,239.64

F. BASELINE FUNDING - MINIMUM AND MAXIMUM PAYMENTS

65	Baseline Funding (2013-14 State Aid Formula Payment, MLRG, GF levies and 75%-100% In-lieu)	2,619,945.96
66	Baseline Weighted Student Units (2012-13)	256.77
67	Baseline Funding Rate	$10,203.47

	Adjustment for Maximum	Baseline Funding Rate	Maximum Percent	Weighted Student Units	
68	Maximum Increase Amount	$10,203.47	120%	287.18	3,516,279.02

	Adjustment for Maximum	Baseline Funding Rate	Minimum Percent	Weighted Student Units	
69	Minimum Increase Per Student	$10,203.47	104%	287.18	3,047,441.82
70	Baseline Funding (from line 65)				2,619,945.96
71	Minimum Funding Percentage				100%
72	Minimum Funding Amount				2,619,945.96
73	Minimum Increase Amount (greater of line 69 and 72)				3,047,441.82

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Testimony To The
HOUSE FINANCE & TAXATION COMMITTEE
Prepared January 30, 2017 by
Terry Traynor, Assistant Director of the
North Dakota Association of Counties

REGARDING HOUSE BILL No. 1361

Thank you Chairman Headland and committee members for the opportunity to submit testimony regarding House Bill 1361 on behalf of county government. The county officials that make up the North Dakota Association of Counties strongly agree with the goal of this bill, but they believe that the bill would not result in the desired effect, and therefore cannot support it.

We believe everyone is in agreement that reducing the growth in property taxes is important. However, as stated by a Purdue University economist in speaking of the property tax caps imposed several years ago in Indiana: "*The tax cap credit system is just a few hundred words [in law]. But once you start overlaying that on the whole rest of the budgeting and taxing system, then you get these sometimes strange and unexpected results.*"

Bill Sheldrake, president of Policy Analytics is cited in the Indianapolis Business Journal that *rental property – rather than farmers – probably benefited the most* (from the Indiana property tax caps).

Increased state control of local finances was identified as a negative unintended consequence of property tax caps in one of the most recent comprehensive papers on the subject prepared for New York's consideration of the issue in 2014. This paper is available from NDACo's Legislative Blog here: https://drive.google.com/file/d/0B4bYba4CUTL1eVBiQXFmXzdEanM/view?usp=sharing

Probably the most concerning consequence is the dramatic impact to the state's economy. An economic analysis of a Texas proposal for a 3% valuation and/or a 3% property tax limitation concluded with the statement: "*By restricting the capacity of local governments to provide services; appraisal caps, revenue limits, and expenditure limits lead to a reduction in the quality of life and economic performance of the state*." A summary report of this analysis has been posted to the NDACo legislative blog, and can be found here:
https://drive.google.com/file/d/0B4bYba4CUTL1UWdfMkZtZG1tZDg/view?usp=sharing

North Dakota's county officials don't believe, when it comes to county taxes at least, there is a great need for this bill – when looking at taxes over the long term. On the reverse of this sheet, you will see a chart of the actual county taxes paid in Burleigh County (within Bismarck – often considered a high tax jurisdiction) for a parcel that has not had a significant change in valuation due to additions or remodeling. As you can see, when compared to an annual 3% increase, some years are above and some are below, but by the end of the most recent fifteen-year period, the variance from 3% is extremely small – amounting to $1 per year.

When you consider the lower chart – comparing the annual percentage changes – you see that some years the county needed to make a significant adjustment, and many years taxes

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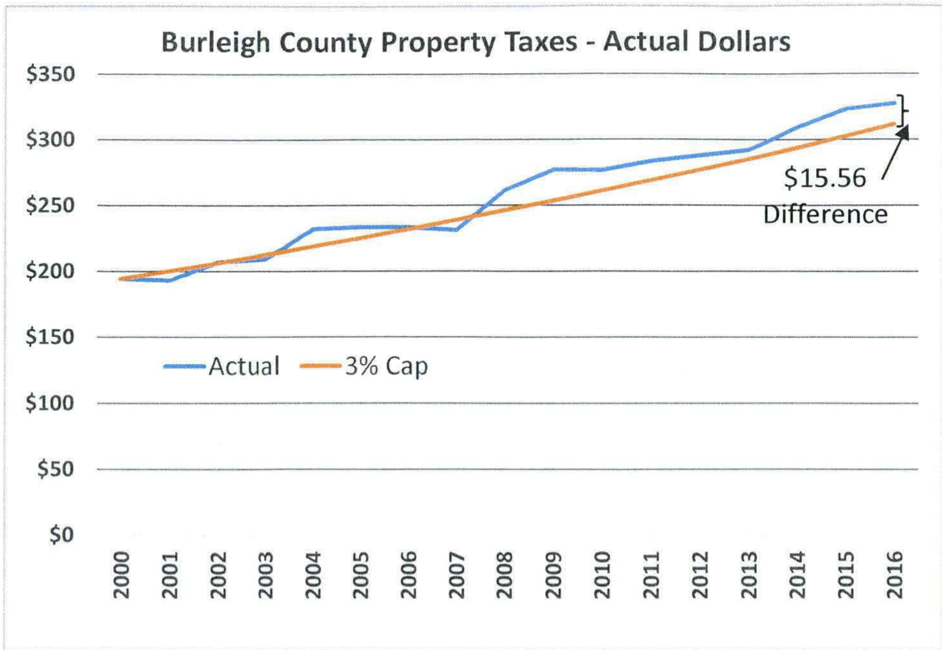
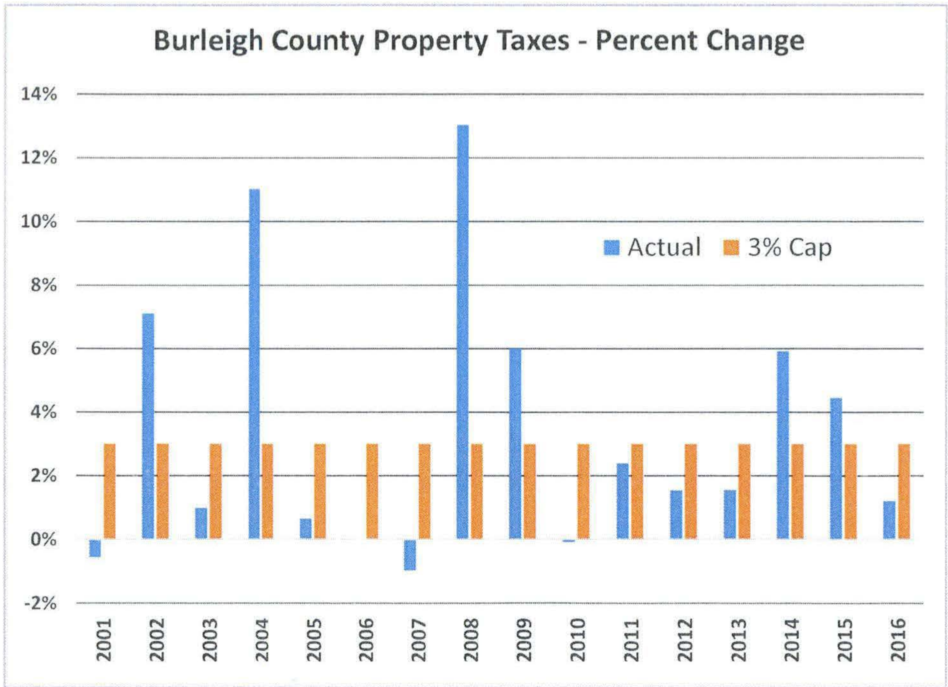
increased by less than 3% or even decreased. Clearly the county commission has been adjusting taxes to meet the very specific budgetary needs of each particular year. It seems that holding a county election six times in fifteen years would ultimately cost this taxpayer more than the $15.56 variance.



And finally, county officials truly believe that this bill would just mandate maximum tax increases each year. As an elected official could not know if the next year, or the year after, would involve a snow emergency, a flood, or a protest, it would only be prudent to "take the maximum" to ensure that any potential increase three, five or fifteen years down the road was preserved and the county board had not jeopardized their citizens.



As a legislature, you have increased the notices of tax adjustment, and we anticipate additional changes this session. Ultimately, control of property taxes is a local responsibility of the governing boards and the citizens. Adequate information and active participation is the key – not artificial limitations that may cause unknown and unintended results.

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Testimony in Opposition to House Bill 1361
January 30, 2017
House Finance and Taxation Committee
Bill Wocken on behalf of the North Dakota League of Cities

Good Morning Mr. Chairman and members of the House Political Subdivisions Committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities in opposition to House Bill 1361. The bill seeks to limit the property tax levy increase from one year to another by any taxing jurisdiction to no more than three percent in dollars.

This concept has been debated several times over the years in legislative proposals. The North Dakota League of Cities does not favor this legislation for several reasons. Imposing a cap of any amount on annual increases in the property tax levy is quite possibly counterproductive. If a taxing entity can produce a budget that requires less than a three percent increase it will be tempted to take the maximum increase so that it will be advantaged for the following year. There is no incentive to reduce the amount of the annual increase. The blame for this increase might be placed on the state.

A second problem is the variability of forces on the city budget. One only needs to look outside this winter to know that snow removal costs are going to be extremely high. One cannot budget for this extreme situation so state law allows taxing jurisdictions to set aside a contingency amount or emergency fund. If that fund is diminished it needs to be

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replenished up to the statutory maximum balance in case another unusual event (snow, flooding, cyber attack, catastrophic building failure, etc.) occurs in the following year.

A further potential complication is the normal increase in unavoidable costs. Floods, breakdowns of major equipment, pipeline protest or other unanticipated events may occur and a taxing jurisdiction would have to respond. Less headline provoking, but of equal concern, are opening of a new fire station and the added staffing requirements of that new station or the increase in a county jail fee or a state ordered property reassessment. These events impact a budget in a single year. A three percent increase would not likely handle these types of issues. In a smaller city with a smaller tax base the impacts are more likely to be magnified by a budget limitation.

There are few local elected officials who enjoy raising property taxes. If any exist, they are usually relieved of their elected office in short order. Voters have sharp pencils and long memories. House Bill 1361 is not needed to hold the line on property taxes. The North Dakota League of Cities respectfully asks for a DO NOT PASS recommendation on this bill.

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City of
WILLISTON
NORTH DAKOTA

PO Box 1306
Williston ND 58802-1306
Phone: 701-577-8100
Fax: 701-577-8880
TDD 711
cityauditor@ci.williston.nd.us

January 27, 2017

Sixty-fifth
Legislative Assembly
of North Dakota

Re: **House Bill No. 1361**
57-15-02.2. Limitation on levies by taxing districts without voter approval.

Dear Chairman Headland and other Honorable Committee Members,

I am writing to express OPPOSITION to HB No. 1361. The City of Williston would like to hold flexibility for our local Board to decide limitations on levies by taxing districts.

Sincerely,

Howard Klug
City Commission President

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Michael R. Brown
Mayor

City of Grand Forks

255 North Fourth Street • P.O. Box 5200 • Grand Forks, ND 58206-5200
(701) 746-2607
Fax: (701) 787-3773

TESTIMONY ON HOUSE BILL 1361

North Dakota House Finance and Taxation Committee

Maureen Storstad, Finance Director
City of Grand Forks, ND

January 30, 2017

Mr. Chairman and members of the committee, my name is Maureen Storstad, and I am the Finance Director for the City of Grand Forks. I want to thank you for the opportunity to provide testimony and express my concern and opposition to this legislation and what is, perhaps, its unintended consequence.

I have to express my concern regarding a significant possible consequence of implementing tax levy limitations:

- Impact on bond rates – Implementing limitations on the annual levy does not consider the impacts to our local taxing entities ability to sell debt at the best rates possible for our citizens and may result in an unintended and incalculable cost to our citizens.
  - Bond rating agencies and investors consider certain criteria when rating or making a decision to buy our bonds. The result of their decision affects the rates at which our citizens pay back the bonds. As we all know, just the slightest increase in payback rates result in substantial increase in the total bill. Some of the factors considered by bond rating agencies and investors are:
    - Operating Margin – this is our ability to pay for services and the service levels set forth by our citizens and elected officials.
    - Financial Flexibility – how much authority do we have to manage our own finances and what type of infringements on this management authority have been put into place?

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- Ability to control costs – What is our ability to make sound long-term decisions, such as replacing capital items, or maintaining infrastructure – that responsibly control existing and anticipated costs?
- Fund Balances – Are fund balances sufficient to meet emergencies? Do we have the financial ability to react to an emergency or have these safety nets for our citizens and community been worn away by spending them down? Our reserves saved our bond rating after the 1997 flood.

I believe placing limitations on local entities will have a negative impact on all the above criteria. This issue needs far more consideration and research before we suffer the unintended consequences of even higher burdens on our residents.

Although the bill does exempt levy limitations directly for debt service, it does not consider the operational impacts and its effects listed above. It does allow for an increase larger than 3 percent if approved by a majority of the electors through a general or special election. We estimate the cost of a special election to be $15,000 to $20,000. The timing of putting together a budget and running an election with the budget dependent on the results of the election would be administratively difficult and cumbersome.

I believe the City of Grand Forks has a good track record of "holding down" property taxes. We have cut 40.58 mills since 2000, as our Mayor, Administration, and Council have made this a priority. Most recently in the past 3 year period we have reduced 11.45 mills.

It is for these reasons that I would recommend a DO NOT PASS recommendation of House Bill 1361.

Thank you for your consideration.

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fargo park DISTRICT™

Testimony of Jim Larson, Director of Finance
Fargo Park District
To Finance and Taxation Committee
In Opposition to HB 1361
Monday, January 30, 2017

Chairman Headland and Members of the Committee, my name is Jim Larson, and I am the Director of Finance for the Fargo Park District. We are opposed to House Bill 1361.

House Bill 1361 caps the tax dollars to a maximum increase of 3% from year to year that a taxing district can levy.

Park Districts already have maximum mill levies for operations, capital and special funds. The proposed cap in HB 1361 is not necessary with the current mill levy limitations as passed in the 2015 Legislative Assembly. These maximum mill levy caps protect the property taxpayer from excessive levying by Park Districts. We understand the call for property tax relief, but do not believe this is the best approach.

The current mill levy system and mill levy caps work. As our various communities experience economic recession or growth, the current mill levy system allows the resources for Park Districts to respond accordingly.

For a community or region of our state experiencing rapid growth, the 3% annual maximum increase in tax dollars will severely cause distress for a Park District as they work to develop Park and Recreation amenities and programming. In the past 17 years, Fargo has experienced rapid growth, adding 27 parks between 3 to 22 acres each, 30 plus miles of recreation trail, and arena, pool and golf facilities because of increased demand for recreational activities. Along with the new facilities, we have renovated or upgraded many other facilities and added many new recreational programs. These new and existing facilities and programs are heavily utilized today.

701 Main Ave ▪ Fargo, ND 58103 ▪ 701.499.6060 ▪ F: 701.499.6069 ▪ www.fargoparks.com

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If park and recreational facilities are not constructed at the time of the growth, many times they never happen. While it might not seem significant at the time, we can identify negative impact in our community as a neighborhood or development area matures without adequate recreational facilities and programs. We have several areas today in the Fargo community where we are trying to develop recreational facilities and programs now where they were not included when the area was initially developed. It is very difficult.

If the proposed 3% cap had been passed as part of the 2001 Legislative Assembly, many of these new facilities would not have been possible. The 3% cap, if passed in 2001, would have reduced the cumulative property tax revenues for the Fargo Park District approximately $16.8 million. Our total general operating budget would be reduced from what is today by 17%, or $2.8 million. The Fargo Park District has a mission to provide quality recreational and leisure services at an affordable price to improve the quality of life for all residents of Fargo. This would not be achievable today if the 3% cap was implemented by the 2001 Legislative Assembly. Our youth program fees are currently set below direct program costs, usually at 50% of direct cost. Adult program fees are set equal or above direct program costs. We must provide youth programs at an affordable level to not limit access to programs based on ability to pay. Today, our fees could be substantially higher or the programs for youth and adults might not be offered with caps in place.

I share this information as a view to the impact of HB 1361. We have many parts of our state that are experiencing rapid growth. While most has been in the western part of the state, there is growth throughout the great state of North Dakota. The 3% tax dollar cap that is proposed will cause communities to not be able to develop parks, recreation facilities and programs that must happen as developments are created in various communities. Today, the impact of the 3% cap might appear minimal, but the

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long term negative impact for our future generations in North Dakota is substantial.

The Fargo Park District is opposed to HB 1361 and urges the committee to recommend a do not pass on this bill. I would be happy to answer any questions. Thank you.

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NDRPA

North Dakota Recreation & Park Association • advancing parks and recreation for quality of life in North Dakota

Testimony of Dana Schaar Jahner
North Dakota Recreation & Park Association
To House Finance and Taxation Committee
In Opposition to HB 1361

Chairman Headland and Members of the Committee, my name is Dana Schaar Jahner, and I am the executive director of the North Dakota Recreation & Park Association (NDRPA). We represent more than 600 members, primarily park districts, and work to advance parks, recreation and conservation for an enhanced quality of life in North Dakota. We are here in opposition to HB 1361.

NDRPA believes public investment in parks and recreation is necessary to achieve positive economic, health, environmental, and social/community benefits for all North Dakotans. Parks and recreation are essential public services and a valuable part of community infrastructure.

North Dakota's park districts build and maintain parks and recreation facilities through a variety of funding sources, including property taxes. Now is not the time to impose a three percent cap on property taxes as mill levy limitations for park districts are already in place. Despite the downturn, communities are still growing. Parks and recreation facilities must be constructed as development happens in order to be cost effective and ensure equitable access to citizens. It is more expensive and sometimes nearly impossible to develop parks, trails and facilities in existing neighborhoods. Further limits on property taxes would make it difficult for park districts to fully meet the needs of their communities.

Providing safe, affordable and accessible recreation opportunities for our citizens and visitors is essential to maintaining North Dakota's commitment to a high quality of life that attracts and retains workforce.

NDRPA urges a do not pass recommendation on HB 1361. Thank you.

1605 EAST CAPITOL AVE | PO BOX 1091 | BISMARCK, NORTH DAKOTA 58502 | 701.355.4458 | www.ndrpa.com

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17.0202.04002
Title.

Prepared by the Legislative Council staff for Representative Carlson
February 7, 2017

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1361

Page 1, line 2, replace "and" with "to amend and reenact subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code, relating to determination of school district state aid payments;"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 1, after line 5, insert:

"**SECTION 1. AMENDMENT.** Subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code is amended and reenacted as follows:

4. After determining the product in accordance with subsection 3, the superintendent of public instruction shall:

   a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the school district, provided that after ~~2013~~2019, the amount in dollars subtracted for purposes of this subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than ~~twelve~~three percent or the percentage increase approved by a majority of the qualified electors of the school district pursuant to subsection 3 of section 57-15-02.2; and

   b. Subtract an amount equal to seventy-five percent of all revenues listed in paragraphs 1 through 5, and 7 of subdivision f of subsection 1 and one hundred percent of all revenues listed in paragraphs 6, 8, and 9 of subdivision f of subsection 1."

Page 1, line 9, after the underscored period insert "For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of school districts."

Page 3, after line 5, insert:

"**SECTION 3.** Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase

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limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority."

Page 3, line 6, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 3, line 6, replace "This" with "Section 2 of this"

Page 3, line 6, after "for" insert "the first two"

Page 3, line 7, after "2017" insert ", and is thereafter ineffective. Sections 1 and 3 of this Act are effective for taxable years beginning after December 31, 2019"

Renumber accordingly

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17.0891.01000

Sixty-fifth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1357

Introduced by

Representatives Beadle, M. Johnson, Roers Jones, Schreiber-Beck

Senators Casper, Oban, Sorvaag

A BILL for an Act to provide for a legislative management study regarding the effects of placing limits on school district levies on the equitable application of the education funding formula.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY. During the 2017-18 interim, the legislative management shall consider studying whether placing a percentage limit on the amount in dollars a school district may levy impacts the equitable application of the elementary and secondary education funding formula. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly.

EXPLANATION OF ENGROSSED HOUSE BILL NO. 1361 [LC 17.0202.05000] - PERTAINING TO A THREE PERCENT PROPERTY TAX LEVY INCREASE LIMITATION

This memorandum provides an explanation of Engrossed House Bill No. 1361 [LC 17.0202.05000] pertaining to property tax levy increase limitations that would go into effect for taxable years beginning after December 31, 2017.

Sections 2 and 3 of the bill are identical, with the exception of the definition of a "taxing district" which is defined to exclude school districts in Section 2 of the bill, and include school districts in Section 3 of the bill. Section 2 of the bill, which does not apply to school districts, is effective for the first 2 taxable years beginning after December 31, 2017, and Section 3 of the bill, which applies to school districts, is effective for taxable years beginning after December 31, 2019.

Sections 2 and 3 of the bill impose a 3 percent limitation on the dollar amount a taxing district may levy over the amount levied by the taxing district in the prior year, notwithstanding the taxing district may have unused or excess levy authority under any other provision of law. The bill applies certain adjustments to the amount of dollars levied in the prior year before the 3 percent maximum increase amount is calculated. The amount of dollars levied in the prior year for purposes of calculating the maximum 3 percent increase must be increased by:

1. The amount that would have been generated by the prior year's mill rate on property and improvements that are taxable in the current year, but were not taxable in the prior year.
2. The amount that would have been generated by the prior year's mill rate on property that was subject to a full or partial exemption in the prior year, but is no longer subject to a full or partial exemption in the current year.

The amount of dollars levied in the prior year for purposes of calculating the maximum 3 percent increase must be decreased by:

1. The amount levied in dollars in the prior year on property that is no longer taxable in the current year.
2. The amount levied in dollars in the prior year as a result of mill levy authority that is no longer available or increased levy authority granted by the electors of the taxing district that has expired.

Property tax generated from the following types of levy authority is not subject to the 3 percent levy increase limitation imposed under the bill:

1. New or increased property tax levy authority that was not available in the prior year.
2. Any irrepealable tax levied pursuant to Section 16 of Article X of the Constitution of North Dakota to pay bonded indebtedness.
3. The one-mill levy authority provided under Section 16 of Article X of the Constitution of North Dakota for the state medical center.

A city or county may not use home rule authority to supersede or modify the limitations provided in the bill, but may exceed the maximum levy amount through a majority vote of the qualified electors in the taxing district authorizing a specified percentage increase. Any increased levy authority approved by the voters may not extend for more than 1 taxable year at a time.

Section 1 of the bill goes into effect at the same time as Section 3 of the bill and pertains to the minimum amount expected to be contributed toward education funding at the local level when determining the amount of state aid to which a school district is entitled. North Dakota Century Code Section 15.1-27-04.1(4) requires a local contribution amount equal to at least 60 mills multiplied by the taxable valuation of the school district, but not to exceed 12 percent more than the amount of dollars subtracted in the previous year, be deducted when determining a school district's state aid payment. The language used in Section 15.1-27-04.1(4) reflects a school district's levy authority, provided in Section 57-15-14.2, which allows a school district to levy an amount in dollars which does not exceed 12 percent more than the amount a school district levied in dollars in the prior year. As the language in Section 3 of the bill would supersede the levy authority provided under Section 57-15-14.2 and cap a school district's levy authority at no more than 3 percent over the amount levied in dollars in the previous year, subject to voter approved increases, Section 1 of the bill contains similar language to ensure the local contribution amount a school district is required to deduct when calculating its state aid payment does not exceed the amount it is authorized to levy under Section 3 of the bill.

3/15/2017 HB 1361 Attachment #2 pg 1

TESTIMONY FOR HB 1361

On behalf of Americans for Prosperity
Rob Lindberg, Lobbyist at Laventure LLC

Good Morning Mr. Chairman and committee members,

For the record, my name is Rob Lindberg and I represent Americans for Prosperity, a taxpayer advocacy group with 10,000 members in North Dakota.

Americans for Prosperity encourages this committee and the Senate to adopt House Bill 1361 as a much needed control on increasing property taxes at the local level.

For more than a decade, the legislature has tackled the challenge of growing property taxes in the state through buy-downs and other measures that attempted to control taxpayer costs such as mill levy limits. The result has been mixed largely because of the complications of multiple political subdivisions, the rules that govern them, and a quickly growing economy. A number of concerns support the need for this bill:

- Property is a stable tax base. It cannot readily flow to meet market changes during times of boom or slowdowns. As such, taxes on property should be predictable as well.
- Likewise, the operations of political subdivisions should be just as predictable and need to increase taxation on local property should be limited.
- Most property owners purchase property with little regard or benefit from year-to-year increasing values. Homes, whether for young families or the elderly on slow-growing fixed incomes, are owned for the purpose of shelter. That their property value increases in a given year means nothing until it is sold years later.

This bill, HB 1361, is a solution that solves these issues while providing flexibility for local governments:

- First, we must remember that HB 1361 allows local voters to approve increases greater than three percent. It is a tool that can be used in future times of high inflation or in times of great changes to the community.
- New construction adds to the property tax levy, giving the resources to meet the needs of a growing community.
- And 1361 excludes education from the limitation. School districts will be able to meet the needs of their students.

North Dakota ranks in the middle for property tax rates in the country, as it does for other taxation such as income and sales taxes. This bill keeps property taxes predictable and stable for property owners and ensures this source of taxation remains reasonable and balanced compared to our other sources of taxation in the state.

3/15/2017 HB1361 Attachment #3 pg1

Testimony in Opposition to HB 1361
NDCEL
Dr. Aimee Copas – Executive Director
3/15/2017

Good morning Chair Cook and members of the committee. My name is Dr. Aimee Copas and I serve as the Executive Director for the North Dakota Council of Educational Leaders representing our school's leaders including the Superintendents, Principals, County Superintendents, Business Officials, Career and Technical Education Directors, Tech Ed Directors, Special Ed Directors, Athletic Directors and REA Directors. We come to you in opposition to HB 1361 which limits property tax increases by taxing districts without voter approval. We believe that voter approval to make good decisions is already done and managed at the voting booth.

This limitation has challenges on its face on the basis of the challenging times we are all facing with budgetary cuts with complementary increases in operational costs which are largely outside of the control of many of our entities. A piece of understanding how this impacts schools must be accompanied with a good understanding of how the funding of our schools actually works on the basis of our foundation aid formula and the fact that **he local levy authority has dwindled in the last decade from 185 mills to 110 mills to 70 mills (60 general fund + 10 board discretionary). Note: These 70 mills are limited by 12% growth regardless of property valuation increases, decreases, cost increases, etc.** We realize that because of the inherent challenges with the K12 Funding formula and the tax cap that schools have been held out for 2 years. The reality is, however, a bad bill is still bad 2 years later.

Our state is operated by a very efficient set of checks and balances brought forth by our method of elected officials. Our locally elected officials have been entrusted with making the decisions locally regarding issues such as schools, cities, and counties. During a difficult financial times is a challenging time to tie the hands of locally elected officials to do their jobs and determine within the current authority that is granted to them the amount of increase that is needed. Frankly, tying the hands of locally elected officials at any time is inappropriate and truly limits the ability of local taxpayers to have a choice – their choice with the closest impact is in their locally elected officials. A piece of what makes us great is our respect for local control. To assume that a statewide mandate of 3% and taking that decision making authority even further away from them truly makes us less effective as a state and as local entities trying to do our best for our local constituents.

With me I have a few school superintendents that will provide specific examples and will be able to accurately answer questions regarding the impact of the 3% cap. With that, I will ask for your recommendation of a Do Not Pass on HB 1361.

3/15/2017 HB 1361 Attachment #4 pg 1

UNDERWOOD SCHOOL DISTRICT NO. 8

123 SUMMIT STREET · PO BOX 100
UNDERWOOD, ND 58576-0100
TELEPHONE (701)442-3201 · FAX (701)442-3704
https://sites.google.com/a/underwoodschool.org/ups/

HB 1361 Testimony

Chairman Cook and members of the committee, for the record my name is Brandt Dick, Superintendent of Underwood School District, board member of North Dakota Small Organized Schools (NDSOS), and member of North Dakota Association of School Administrators (NDASA) Legislative Focus Group finance member. I am here to speak in opposition of HB 1361.

There are two main reasons why I feel HB 1361 is bad policy. The first is that it takes away local control from school boards who are elected to make decisions concerning school district budgets. Setting a 3% limit sets policy that doesn't take into account situations that arise that would require a school district to increase their budget by more than 3%. The reality is that at times, more than 3% increase is needed. Some of the factors that school districts face include, but are not limited to, teaching shortages, updating buses, major issues with aging facilities. Another factor is special assessments that a city levies upon a school district. This coming budget year at Underwood, our budget will need to expand to pay for the $15,000 special assessment by the city for street and water improvements. This would equate to about 1.5% of the 3% increase in our budget that this bill would limit us.

The second reason that this bill is not good policy is the affect it would have on mill levies of different school districts across the state. From the School Finance Facts from the 2015-16 school year, it showed a wide range of mills being levied for general fund purposes. Some of the real low levies are special situations, however, there are some that are low due to the 12% cap. A 3% cap would widen the gap that is already there, and would magnify the inequity already in place of a taxpayer in one school district compared to a taxpayer in another school district. This became evident in a former school district where I served. The budget hearing was visited by many patrons on the edge of that school district that were upset with the increases and felt they would be better off in a neighboring school district. In 2015-16 the difference in those two school district's general fund levies was 16.8 mills. However, another neighboring district of which those taxpayers property was situated would be an increase of an additional 5 mills of the higher of the two districts.

The fiscal note is for $34 million and is correctly stated that would be the case after 2019. This is due to the 60 mill deduct and the reality that every time a cap is put into place with the current school funding formula, it does end up costing the state money. The alternative would be to eliminate caps from school districts and allow total local control.

The NDASA Legislative Focus Group finance committee is made up of 7 Superintendents and 1 business manager from across the state. We have had very good discussions on the funding formula and the challenges that arise with the formula. We have asked questions like, "What happens when taxable valuations go down?" "Are the weighting factors for schools correct?" "Why are some districts at the maximum levy of 70 mill general fund levy, 12 mills miscellaneous purposes?" "What would happen if the 12% cap was removed?" These and other questions have been discussed at great length.

With the reality of no new money, loss of transportation dollars and challenge of some districts seeing growth, others seeing decline, revenue will be needed. We feel local school boards are best empowered to make the decision on what amount is needed to fund the local school district. Now is not the time to limit ability of these districts to address the issues at the local school district levy.

We do feel there are challenges with the present formula, and the Finance Committee previously mentioned would be more than willing to assist and continue to discuss any studies that arise from this session. Hopefully, a better solution than a 3% cap can be found to the challenges that have arisen with the funding formula. I stand for questions and may be reached through email at brandt.dick@underwoodschool.org or by phone at (701) 220-3176.

3/15/2017 HB 1361 Attachment #5 Pg 1

Kidder County Public School District #1

High School Principal - Steele & Tappen
[illegible]ell Schmidt
[illegible]mentary Principal - Steele & Tappen
Ryan Larson
PK-12 Assistant Principal - Tappen
Serena Schmidt
Business Manager
Sonya Larson

RICHARD DIEGEL, Superintendent

Steele Administrative Office
PO Box 380 101 4th St SE
Steele, ND 58482
Phone: 701.475.2243
Fax: 701.475.2737
Secretary: Darci Mittleider

Tappen Administrative Office
PO Box 127 325 2nd St NE
Tappen, ND 58487
Phone: 701.327.4256
Fax: 701.327.4255
Secretary: Rhoda Lachenmeier

Board of Education:
Burdell Johnson, President
Mandy Rath, Vice President
Jason Schmidt, Director
Ty DeWitz, Director
Mona Thompson, Director
Shari Pfaff, Director
Josh Rode, Director

Testimony in opposition to HB 1361

Good morning chairman Cook and members of the Senate Finance and Taxation Committee, my name is Rick Diegel, I am the superintendent of schools in the Kidder County School District and I am testifying in opposition to HB 1361.

- I absolutely get the concerns about rising property taxes, however I feel the enemy here is NOT school districts, the real enemy here is current funding formula. This formula has a "60 mill deduct", which is based on the value of 60 mills in your district. Each year, when taxable valuation increases, the amount that is deducted increases. Therefore, I have to raise local taxes that amount just to stay even.
  - The following are the increases in Kidder County's deduct:
    - For 2014-2015 - $58,974
    - For 2015-2016 - $32,582
    - For 2016-2017 - $100,834 – Still will increase an additional $74,528, however we hit the 12% maximum that can be deducted. This will be made up in future years.
- I also feel that the continual eroding of local control of school boards needs to examined. I feel that we have a mechanism currently in place for patrons to voice their displeasure over rising property tax, and that is district wide school board elections every year. Though it seems like schools continually hear complaining about rising property taxes, when we have school board elections we often times have no one running and someone wins with a minimal amount of write in votes.
- I also believe that of this bill will create huge discrepancies that school districts across the state will very different mill levies. You could have 30 or 40 difference in mill levies among school districts, which contributes greatly to the funding confusion we already have.
- Another problem that we have with the current funding formula is that there is no incentive in the general fund for districts to combine, which is what we discovered last year when Kidder County District and the Robinson School District joined. You may have noticed the large jump in the deduct this year in the information I presented earlier. The reason for this is that Robinson School district

ceased to exist, and joined Kidder County. We gained 3 students from this closure, but also gained $1,735,872 in taxable valuation. Because of the 60 mill deduct, that means simply because of taking in the Robinson School District, my 60 mill deduct increased $104,100. If you take away the gain that I received from students, that is still a $75,000 general fund loss for the Kidder County School District, and I would have gained those 3 students whether I took in the Robinson School District land or not, so the loss is probably the entire $104,100. There is something wrong with a funding formula that punishes a district for joining with another district and punishes our local tax payers.

- Finally, my suggestion is that this be sent to an interim committee that could review the entire funding formula and possible ways to improve it. Unfortunately, if you only try and fix one part, it will adversely affect the other parts and will lead to unintended consequences.

I know this is very confusing, and if any of you would like to sit down privately and discuss it, I'd be happy to do it.

Are there any questions?

3/15/2017 HB 1361 Attachment #5 pg 3

3/15/2017 HB 1361 Attachment #6 pg1

Mr. Chairman Cook, my name is Leslie Bieber and I am here to oppose HB 1361. I am the Superintendent from Alexander Public School, Alexander ND in the NW side of the state. I am here today to discuss two points.

The budget cuts have:

- state per pupil aid is capped for the next 2 years and of course the year 2019 is unpredictable at this point.
- Mills are capped to protect tax payers at 60 mills
- More than likely we will also be facing a transportation cut
- Cuts to the REA funding, ND Lead, CTE, etc. and in order to keep these entities in place it will be up to the schools to make up their budget cuts in their funding.

Even with these cuts and caps: the Alexander Public School staff will not stay silent for 2 years without a raise and inflation doesn't stop in Alexander because of these cuts. Therefore in order to continue to be innovative, in teaching our Alexander students 21st Century Skills we cannot afford to have one more cap placed on our income.

My second point has to do with local control.

- Chart that shows the taxable valuation breakdown for Alexander School District. You can see that property owners only make up 15.5 % but I know that this is an anomaly across the state. EVERY local area has a different taxable valuation breakdown and we all have different needs and in order to successfully fill those needs we have **local** elected officials.
- Alexander School personnel and everyone were all very happy that No Child Left Behind is done and we have a new Federal Education Law ESSA which provides us with local state control because ND prides themselves on having local control.
- ND has a common tax statement across the state which allows the tax payer to view a 3 year breakdown of their taxes. If they are upset with the increase of school property taxes they need to go to the Alexander **local** school board, city tax concerns need to be communicated with the Alexander city officials, county upsets to county officials.
- I am going to give you a parable that was shared with me from Anita Thomas at NDSBA. If you were on the hospital board you would work to have quality doctors, quality nurses and quality custodial staff for cleanliness but you would not scrub up for an appendicitis because there is a better qualified person to handle that situation. In this case the better qualified personnel are the local elected officials and for me at McKenzie County and Alexander.

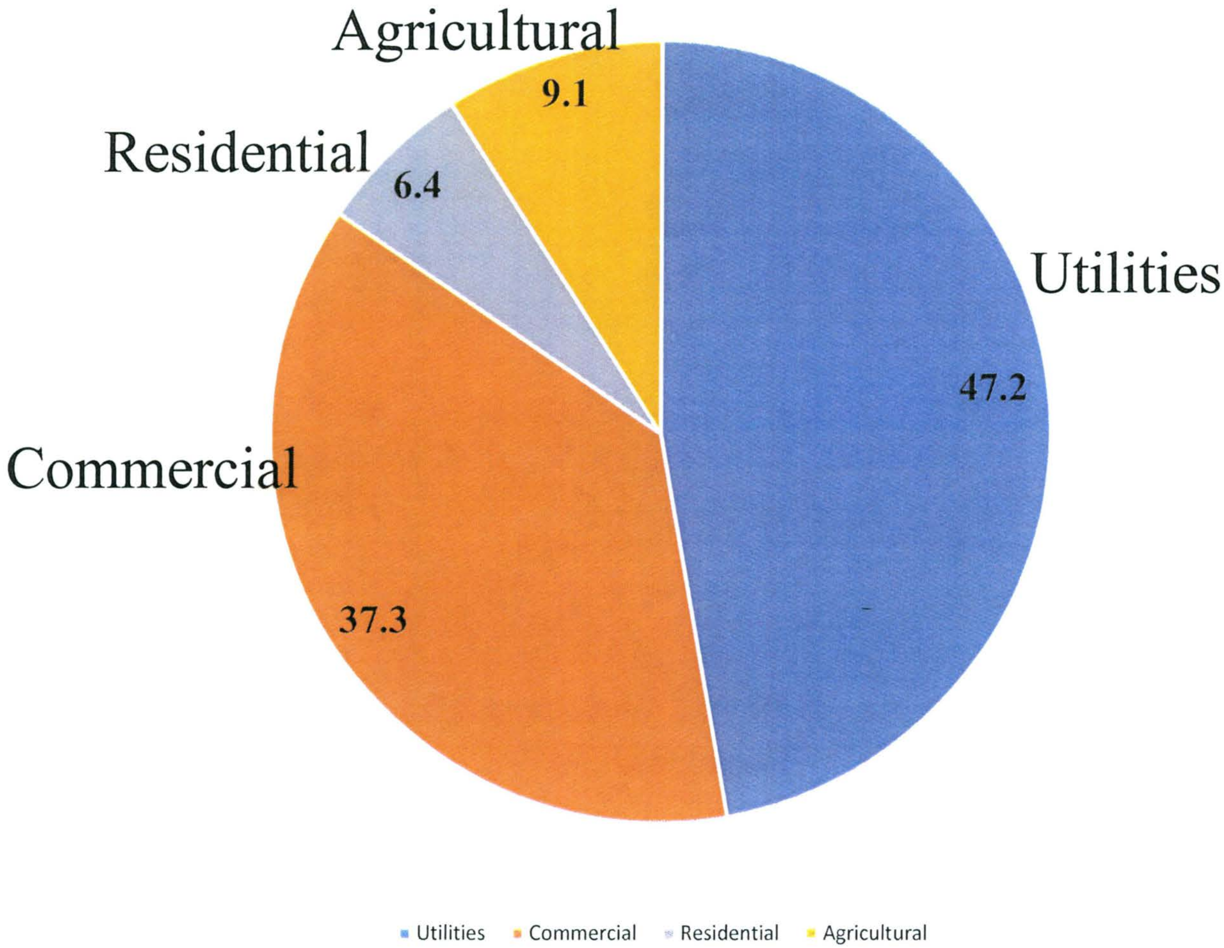
This is not a one size fits all scenario. Please oppose this bill in support of education at Alexander Public School.

Attachment #6 pg 2

HB 1361

3/15/2017

Alexander Public School Taxable Valuation



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pg 1

Senate Finance and Taxation Committee:
Chairman Dwight Cook, Vice Chairman Brad Bekkedahl,
Senator Jim Dotzenrod, Senator Lonnie Laffen,
Senator Scott Meyer, Senator Jessica Unruh

Testimony in Opposition to HB 1361

Respectfully Submitted: March 15, 2017

Bradley Rinas, Superintendent
Washburn Public School District
Washburn, North Dakota

Chairman Cook and Committee Members:

My name is Brad Rinas, and I am the superintendent of the Washburn Public School District. I am here to testify in opposition to HB 1361. As I shared an email with you yesterday regarding HB 1361, I will keep my remarks brief. I hope that my appearance here today, coupled with the email that I sent, underscores how important I believe it is that this bill is defeated.

School boards and school administrators are well aware of the funding shortfall facing this legislature. At a time when funding is tight, school boards and other local governments must not lose the flexibility of local control when dealing with budget issues. I serve a rural school district with a slowly increasing enrollment and a general fund levy that generates just over $700,000 with a levy of 51 mills. When reviewing our budget, two things are immediately evident. Limiting us to a 3% increase in the general fund does not allow us to make the normal staffing decisions that are required in the event that a teaching position needs to be added. And the Washburn School Board has done everything possible to ease the property tax burden and avoid unnecessarily taxing school district patrons.

I am also testifying on behalf of my seven school board members, a group of educated, fiscally conservative men and women of different backgrounds who share my dismay at the number of attempts this legislative session to erode the power of local government. Very simply put, no one is better able to assess the needs of a school district and chart a financial course of action than local school board members who are elected by citizens specifically for that purpose. Undercutting local decision-making authority with bills that are clearly a legislative over-reach is a mistake anytime, but even more so in a climate of reduced revenues, tight budgets, and financial uncertainty.

With that, I conclude my testimony and urge you to vote against HB 1361. If you have any questions, I will be happy to try and answer them.

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HB 1361
Senate Finance and Taxation Committee
March 15, 2017

Mr. Chairman and members of the Committee:

My name is Scott Wegner. I am a member of the law firm of Arntson Stewart Wegner PC with offices in Bismarck & Fargo. We serve as bond counsel to political subdivisions.

HB 1361 enacts a new a section, 57-15-02.2 limiting dollar increases in property taxes levied by political subdivisions to 3% per year, and supersedes any other levy provision in the NDCC. Subsection 2 contains three exceptions. At least two additional exceptions are necessary for HB 1361 to work with current financing law.

> <u>The limitation on the total amount levied by a taxing district under subsection 1 does not apply to</u>:

A. <u>Any tax for deficiencies in special assessment funds or revenue bond funds</u>.

Since 1923, special assessment financing in North Dakota has been backed by an unlimited general obligation deficiency levy in the event collections of special assessments are insufficient to pay debt service on bonds. Eight different political subdivisions are authorized to use special assessments. Five and possibly six of these political subdivisions have the deficiency backing structure. HB 1361 in its current form would drastically change special assessment financing. In addition, certain revenue bonds contain a deficiency levy backing. One example is airport authority bonds.

- Cities
- Counties
- Park Districts
- Water Resource Districts
- Recreation Service Districts
- Townships (HB 1322 pending)
- Airport Authorities (revenue bond deficiency levy)

No deficiency:
- Water Districts
- Irrigation Districts

B. <u>The tax levies authorized by Sections 40-24-10, 57-15-41 and 61-21-52 of the North Dakota Century Code</u>.

Property belonging to political subdivisions is subject to assessment. Assessments against these political subdivisions are in turn passed on as an unlimited mill levy against all taxable property within the political subdivision. Political subdivisions have no way to pay assessments other than through an excess mill levy.

Scott Wegner, Arntson Stewart Wegner PC
(701) 255.1008, *swegner@aswbondlaw.com*

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DOUGHERTY & COMPANY LLC

DATE: March 15, 2017

TO: North Dakota Legislature

FROM: Mike Manstrom
Vice President Public Finance, Dougherty & Company LLC

RE: HB 1361

HB 1361 will have significant effects regarding financing costs when issuing Special Assessments Bonds in North Dakota.

Special Assessment Bonds are the primary financing vehicle used by political subdivisions such as cities, park districts, counties and water districts to fund infrastructure improvements.

Special Assessment Bonds levy a property tax to benefited property owners within the District as their primary security.

North Dakota Century Code also allows the issuer to pledge a General Obligation Deficiency Pledge to be levied if the collection of property tax within the District is not sufficient to fund the annual principal and interest on the bonds.

Without the General Obligation Deficiency Pledge, issuers will default on their issues if the tax revenue from the district is not adequate to make the required debt service.

The General Obligation Deficiency Pledge is viewed by the rating agencies, underwriters and investors as the ultimate security for assessment bonds.

Without the ability of issuers to include the General Obligation Deficiency Pledge, it is anticipated rating agencies will lower the credit rating on existing and new financings of special assessment bonds. Lowering the credit rating will increase the interest costs to issuers thru higher interest rates. Higher interest rates will increase the taxable impact to benefited property owners within the district.

Larger issuers rely on rating assignments to insure the competitive bid process and to insure they receive the most competitive financing in today's markets.

The loss of the deficiency pledge will also impact smaller nonrated issuers as local banks that participate in financing infrastructure improvements will also increase rates to the issuers.

The loss of the General Obligation Deficiency Pledge will increase the long term financing costs to all issuers in North Dakota and increase the property tax levies of the benefited property owners.

120 NORTH THIRD STREET • SUITE 125 • PO BOX 2157 • BISMARCK, NORTH DAKOTA 58501
701.222.1616 • 866.793.8618
MEMBER SIPC & FINRA

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March 15, 2017
Senate Finance and Taxation
Sen. Cook, Chair
HB 1361

For the record, I am Blake Crosby, Executive Director of the North Dakota League of Cities, representing the 357 incorporated cities across the state. Approximately 77% of the population of North Dakota lives in those cities.

I am here in opposition to HB 1361. The bill establishes property tax caps which in and of itself is not only bad public policy, but has historically been proven to be ineffective. The best government is still local government.

Capping property taxes also has implications much beyond just the suppression of a political subdivisions ability to pay for services asked for by its citizens. As you will from persons following me to the podium there is also a negative effect on the bonding environment.

As there are a number of persons waiting to testify who can tell you about the direct effects of a property tax cap, for the sake of time I would respectfully ask that you hold those specific questions for those folks who took the time and made the effort to be here with you this morning.

In behalf of the North Dakota League of Cities I respectfully ask for a DO-NOT-PASS on HB 1361.

THANK YOU FOR YOUR TIME AND CONSIDERATION. I'm sure you are also looking forward to hearing from those in the audience.

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Bismarck City Administration

TESTIMONY TO HOUSE BILL 1361
MARCH 15, 2017
SENATE FINANCE AND TAXATION COMMITTEE
KEITH J. HUNKE, CITY ADMINISTRATOR,
CITY OF BISMARCK

Good morning Mr. Chairman and members of the Finance and Taxation Committee. For the record, my name is Keith Hunke, City Administrator, providing written testimony in response to House Bill 1361.

The City of Bismarck has experienced an increase in the demand for city services over the past several years particularly in the area of public safety. The calls for service for our Public Safety Departments (Police, Fire, E911 Dispatch) have steadily increased during this same period. At the same time, the general fund tax levy for the City of Bismarck has increased as its investment in public safety personnel has increased.

2014 Calls for Service 34,130; Patrol Officers Hired- 3; General Fund Levy $17,662,737 (+4.48%)
2015 Calls for Service 37,233; Patrol Officers Hired- 4; General Fund Levy $18,327,774 (+3.76%)
2016 Calls for Service 43,506; Patrol Officers Hired- 5; General Fund Levy $19,147,240 (+4.47%)
2017 Calls for Service 8,190 to date; Patrol Officers Hired- 8, General Fund Levy $20,010,511 (+4.45%)

In my reading of House Bill 1361, if it was law today, it would have required the City of Bismarck to submit a ballot measure stating the above noted percentage of proposed property tax increases, as compared to the three percent limitation stated in the bill. The ballot measure would then have been considered at a regular or special election. If the ballot measure was approved by qualifying electors of the City of Bismarck, the proposed property tax increases noted above could have been be levied.

Just last week, the City of Bismarck held its inaugural Mayor's Livability Summit. One of the most cited responses received from of the 1,240 Bismarck citizens who participated in the community-wide survey was the importance of having a safe community and safe neighborhoods. It seems pointless to me to have to submit a ballot measure to the citizens of Bismarck asking for approval of a general fund levy increase which is mostly attributed to additional patrol officers when the citizens are in effect requiring this by ranking community and neighborhood safety as one of the most important factors that makes Bismarck a great place to live.

In summary, I believe House Bill 1361 and its three percent cap on local control of Bismarck's property tax levy is not necessary and urge the Senate Finance and Taxation Committee to consider a "Do Not Pass" of House Bill 1361.

Phone: 701-355-1300 ★ FAX: 701-222-6470 ★ 221 N. Fifth St. ★ P.O. Box 5503 ★ Bismarck, ND 58506-5503
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Blake Crosby

From:	Darcie Huwe <DarcieH@wahpeton.com>
Sent:	Tuesday, March 14, 2017 9:36 AM
To:	Dotzenrod, Jim A.
Cc:	Blake Crosby; Representative Alisa Mitskog (amitskog@nd.gov); cschreiberbeck@nd.gov; 'Larry Luick (lluick@nd.gov)'
Subject:	QUESTIONS ON HB 1361

Honorable Senator Dotzenrod:

Our City Attorney, City Assessor and I reviewed HB 1361 line by line and have several questions for the Committee:

1. How will centrally assessed properties play into the 3% calculation? (Our budgets are closing in on adoption before we get the final valuations of the centrally assessed properties in late August)
2. How will payments in lieu of taxes (PILOTS) currently in place factor into the 3% calculation? (we typically use a 5 year declining scale of exemption formula on PILOTS)
3. What happens when a TIF District is dissolved? The dissolution of a very successful TIF District would increase our mill value 5% alone, these properties have always paid taxes, the political subdivisions have not had the property values included in the mill value. The current wording of the bill would prevent capture of this deferred revenue by all political subdivisions in excess of 3%.
4. How do annexations affect this 3% limitation? What is the basis for the prior year levy?
5. The calculation of the exceptions for school districts that may be dealing with a City Assessor, Township Assessor and County Assessor as far as properties subject to exclusion appears overly complicated.

We are concerned the exceptions to the 3% ceiling will be subjective and very difficult to track consistently in calculating the lawful levy authority for each political subdivision. I am also curious what the implications are in the credit review/bond rating process when the effective levy capacity is limited to 3% regardless of the statutory levy capacity.

The City of Wahpeton has levied fewer mills for the past 7 years and held level or decreased the dollars levied for the past 3. The cumulative nature of this bill incents a City to increase 3% annually because the flexibility to increase for specific needs would be lost.

The reductions of intergovernmental revenues in both diminished State Revenue Sharing and Highway Taxes have resulted in a 10% workforce reduction for the City of Wahpeton so far. An approach of "do no additional harm" would be appreciated. Please note my disappointment and opposition to HB 1361.

Thank you for your work on behalf of the residents of south east North Dakota.

Darcie Huwe, Finance Director
City of Wahpeton
1900 4th St. N.
Wahpeton, ND 58075
701-642-8448
darcieh@wahpeton.com

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HB 1361 Legislative Testimony – Senate Finance and Taxation Committee

City of Fargo

March 15, 2017

Honorable Chairman Cook and members of the Senate Finance and Taxation Committee, I am Kent Costin, the Director of Finance for the City of Fargo. Thank you for allowing us to testify on this bill.

HB 1361 as currently drafted has a critical flaw because existing authority for a special assessments deficiency levy is not included in this bill. Current laws provides for property tax levy authority for special assessment deficiencies. While we have not had to use a special assessment deficiency levy, the potential exists during tough economic times and the impact could be substantial.

The process of using a general obligation pledge allows Cities to obtain the lowest possible interest rate on special assessment bonds that are used all across the State of North Dakota. If this provision is not reinstated, it will have a serious negative impact on our bond rating and will drive up the cost of homeowner's special assessments. Our financial advisors noted that removing a general obligation tax pledge will increase our interest cost on special assessment bonds by 25 to 50 basis points, costing millions more over the life of the bonds. As an example, the City issued special assessment bonds in the face amount of $41.7 million in 2016. The estimated additional interest paid by taxpayers is $1.5 to $3 million over term of the assessment period if our bond rating declines. There is no gain to the taxpayer by capping property taxes and at the same time pushing up the cost of special assessments. This bill should be amended to include current Section 57-15-41, 40-26-8, and 61-16.1-25 or other NDCC laws that currently allow for assessment deficiencies.

The FM Diversion project will be the largest public works project in our history. Plans are currently underway to issue special assessment debt under current laws to help us secure the lowest costs financing for this critical project. We have issued a request for proposals for qualified vendors to bid on this project next year. A special assessment district has been approved by our citizens that will allow for the issuance of special assessment bonds with a general obligation pledge that will be repaid using sales tax revenues. It is critical to the continued success of this project to secure the special assessment deficiency authority as currently codified in Century code. As funding partners in this project, we would expect that current laws remain as is so that our financial capacity and plans forward are preserved. This is especially important now because we have issued a request for proposals for a

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vendor to construct the FM Diversion project. Our resources to pay this vendor will come partially from special assessment bonds as the backing for our P3 vendor contract awarded next year. We currently have assessment authority for up to $870 million in assessment bonds. The impact of this bill as drafted will cost this project millions in additional financing costs.

During the past few years, our City Commission has been reducing the City's mill levy. We understand the need to control property tax increases and have coordinated with State initiatives to address this issue. Property taxes are the most stable revenue source in our budget and we rely on growth to maintain our budgets. This has become very apparent during the rapid rise and rapid decline of our State aid from sales tax. The ability to manage our tax levies locally are an important tool to help us sustain the quality services provided. We feel that a voter approval process with a one-year authorization is not an efficient or cost effective measure. We cannot predict the frequency or severity of unknown events that could trigger a property tax increase. It seems wasteful to continue to pay for multiple elections if there was a need to raise taxes.

From a practical standpoint, there are many items of expense that are built into governmental budgets. The most significant is our personnel and benefit costs. The City's budget for this category of expense is about $68 million. Our employees like other governmental employees move through a compensation structure from year to year with a 3% spread between pay scale steps. Cost of living adjustments are added during the annual budget process, generally between 1-2%. As a growing community, there are needs to add additional personnel in various programs. We are currently members of the NDPERS health insurance plan whose premiums increase by double digits every biennium. This cost is beyond our control and part of our core benefit costs. Our operations consume about 700,000 gallons of fuel, so each .10-cent increase in the price of fuel costs us about $70,000. We also have a large fleet of vehicles to maintain and replace on an ongoing basis. Large pieces of equipment continue to escalate in price. For example, a fire ladder truck currently costs about $1 million. All of these examples are critical parts of our operational and capital budgets.

On a broader perspective, our General Fund property tax levy is currently $24 million and our public safety costs are $31 million. Our level of taxation does not even cover the cost of our Police and Fire Departments, our most essential governmental function.

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Our City Commission is cognizant of the need to control property tax collections and is making efforts to constrain our budgets as much as possible. We strongly urges a DO NOT PASS recommendation on HB 1361.

Thank you for the opportunity to testify.

City of WEST FARGO
a city on the grow

Testimony on HB 1361
Presented to the Senate Taxation and Finance Committee
Written by Tina Fisk, City Administrator, City of West Fargo
Presented by Matthew Marshall, Director of Economic Development, City of West Fargo
March 15, 2017

Chairman Cook and members of the Senate Taxation and Finance Committee: As a City Administrator, I understand the concerns of taxation of the public. The state Legislature must understand the needs of the state and create policy to manage those needs in a responsible manner. These are the same concerns local governments have for their local citizens. State legislation, such as this, violates Home Rule and eliminates control by the governing body and the taxpayers at the local level. A one-size-fits-all government solution that limits the ability to build and manage effective local budgets, places burdensome requirements on the budgeting processes and does not recognize the true cost of maintaining a political subdivision does not work.

How many of you have ever participated in your local budget hearings? For those that have you know local governing bodies take a lot of pride in building and managing effective budgets that are fiscally responsible for the citizens they are serving. No Commissioner or Council Member takes the budget process for his or her constituents lightly.

Our citizens have voted for their local leaders and Home Rule shows trust by the local people that the governing body best determines the use of their tax dollars. Again, no elected official takes that trust lightly. We do not over tax or over spend, and we work very hard to have balanced budgets that reflect the needs of our communities. This is why we need to keep local concerns local.

This legislation also creates another layer of requirement to an already cumbersome process that will not benefit the public in cost or time allowed to educate themselves on the issue. For example, preliminary hearings are set in August or September and final levy dollars estimated at that time. If the estimated amounts were greater than 3 percent of the prior year, a vote would have to be set up. This voting process would take several weeks or months to complete. This timeline makes it impossible to make the Oct. 10 deadline for final budgets to the county.

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This process would also double efforts to inform citizens of the budget, and cost additional tax dollars to complete. Cities already create budgets, send out required notices and hold hearings to inform the public and keep them involved. Truly, those that want to participate do participate and those that are unhappy are sure to let their local elected officials know.

Finally, this bill does not recognize the true cost of maintaining a political subdivision by capping the spending increase to 3 percent without a vote. This requirements is not only a violation of Home Rule, but it can also create a scenario where local governments are unable to achieve and manage balance local budgets that provide the infrastructure, services and safety due to the community.

Rising costs of services and supplies would exceed 3 percent in most communities – small or large, growing or shrinking. Community growth increases spending, so limits on funding create difficult decisions between public safety and public needs. Communities that are not experiencing growth will still be stagnated by the inability to replace needed equipment, or cover rising costs of street, police and fire service. Ultimately, limiting funds cause communities to make decisions that are not in the public's best interest, like the choice between a police officer to address the rising issue of opioid addiction or a snowplow to maintain emergency snow routes.

Local government is very capable of controlling their spending, balancing their budgets and caring for the constituents that voted for them to run their communities. Additional legislation that limits the ability to set effective budgets, efficiently manage the budgeting process and creates an environment of tough choices is an unnecessary measure that will have significant impact on the quality of life in North Dakota communities. When reviewing HB 1361, ask yourselves this: does the state hold itself to this same standard of a vote required for a spending increase over 3 percent? It has not in the past, would it going forward?

For these reasons, the City of West Fargo respectfully requests a 'do not pass' vote on HB 1361. I would answer any questions that you have at this time, or you can certainly contact me later by email at tina.fisk@westfargond.gov.

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CITY OF DICKINSON

99 2ND STREET EAST • DICKINSON, ND 58601
701.456.7744 www.dickinsongov.com fax 701.456.7723

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  - Street and Fleet
  - Solid Waste
  - Water Reclamation Facility
  - Water/Sewer/Storm Water Utilities

HB 1361

Chairman Cook and members of the Finance and Taxation committee;

My name is Scott Decker and I am the Mayor of Dickinson, ND. I stand before you to encourage a Do NOT Pass recommendation on HB1361.

Circumstances exist that require local political subdivisions as much revenue flexibility as possible when responding to the demands, desires, needs and wants of residents using the services provided by local government and it is up to locally elected officials to set the spending priorities to meet these demands.

The city of Dickinson grew by over 60% from 2011 to 2015. A typical city experiencing "fast" growth is 3% or 4% a year. The city of Dickinson's growth rate during this period was 12%! There is almost a two-year lag between property taxes being levied on new property and collections being made, yet we are responsible for providing services to all of these new properties immediately.

General fund expenses include the police, fire, administration/finance, assessing, information technology, street, engineering, planning, etc. The city of Dickinson is budgeted to receive $4.42 million in property tax revenue in 2017. The budget of the Dickinson Police Department in 2017 is $5 million. This scenario (PD expenses not covered by property tax revenues) is very common in North Dakota. Our General Fund revenue in 2017 is budgeted at $14.5 million so property taxes make up 31% of total general fund revenues. Placing an artificial cap on this very important revenue stream will mean other sources of revenue will need to be utilized because I have yet to have a resident demand fewer services or to decrease service levels.

Residents in Dickinson and throughout the state demand low property taxation. The city of Dickinson has been able keep property taxes in check for the last eight years by operating lean, using a balanced revenue approach and keeping debt relatively low. I envision a scenario if this legislation is enacted that a response by local units of government may be an annual increase in property taxes to ensure enough operating revenue exists to cover the costs of providing services. In other words, this legislation may have the opposite effect of its intent.

Please vote no on HB 1361. Thank you.

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Testimony to the SENATE FINANCE AND TAXATION COMMITTEE
Chairman Dwight Cook
March 15, 2017

By: Tom Barry, City Manager
City of Minot
tom.barry@minotnd.org
701-857-4750

HB 1361

Mr. Chairman and members of the Senate Finance and Taxation Committee, my name is Tom Barry and I serve as the City Manager of the City of Minot. I am here today to testify in opposition to HB 1361. I want to highlight the main points of concern the City of Minot has about this kind of tax policy.

First, caps do not address the many underlying causes for annual increases in local funding, many of which are often outside local control. For example, rising healthcare costs, rising energy costs, growth-related impacts and unfunded government mandates and regulatory requirements are just a few of the impacts we have no control over but must be paid for.

Second, we value local control. The officials who are ultimately responsible for property tax levies in Minot are elected officials. If our citizens believe they are being taxed to high, they should take that up with their locally elected city council representatives.

Third, property tax cap initiatives can lead to some unintended consequences. For example, political subdivisions operating under caps might look for work-arounds by trying to get creative with other less transparent funding sources, or begin to get aggressive in

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zoning more land for development to expand the tax base. Others may take the cap every year for fear of being short in a future year – thus defeating the purpose and intent of keeping property taxes down long-term.

Mr. Chairman and members of the Committee, the best way to help relieve property taxes is to continue on the path that you have been on with regard to the state shouldering the vast majority of education funding and, as you have entertained this session, taking over funding for local social services. Those are components of local property tax that are within your control. Therefore, the I respectfully urge the Senate Finance and Taxation Committee to support local control and ask for a do not pass on HB 1361.

Thank you for allowing me to provide testimony on this piece of legislation. Please do not hesitate to contact me should you have any questions.

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Michael R. Brown
Mayor

City of Grand Forks

255 North Fourth Street • P.O. Box 5200 • Grand Forks, ND 58206-5200 (701) 746-2607
Fax: (701) 787-3773

TESTIMONY ON HOUSE BILL 1361

North Dakota Senate Finance and Taxation Committee

Maureen Storstad, Finance Director
City of Grand Forks, ND

March 15, 2017

Mr. Chairman and members of the committee, my name is Maureen Storstad, and I am the Finance Director for the City of Grand Forks. I want to thank you for the opportunity to provide testimony and express my concern and opposition to this legislation and what is, perhaps, its unintended consequence.

I have to express my concern regarding a significant possible consequence of implementing tax levy limitations:

- Impact on bond rates – Implementing limitations on the annual levy does not consider the impacts to our local taxing entities ability to sell debt at the best rates possible for our citizens and may result in an unintended and incalculable cost to our citizens.
    - Bond rating agencies and investors consider certain criteria when rating or making a decision to buy our bonds. The result of their decision affects the rates at which our citizens pay back the bonds. As we all know, just the slightest increase in payback rates result in substantial increase in the total bill. Some of the factors considered by bond rating agencies and investors are:
        - Operating Margin – this is our ability to pay for services and the service levels set forth by our citizens and elected officials.
        - Financial Flexibility – how much authority do we have to manage our own finances and what type of infringements on this management authority have been put into place?

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- Ability to control costs – What is our ability to make sound long-term decisions, such as replacing capital items, or maintaining infrastructure – that responsibly control existing and anticipated costs?
- Fund Balances – Are fund balances sufficient to meet emergencies? Do we have the financial ability to react to an emergency or have these safety nets for our citizens and community been worn away by spending them down? Our reserves saved our bond rating after the 1997 flood.

I believe placing limitations on local entities will have a negative impact on all the above criteria. This issue needs far more consideration and research before we suffer the unintended consequences of even higher burdens on our residents.

Although the bill does exempt levy limitations directly for debt service, it does not consider the operational impacts and its effects listed above. It does allow for an increase larger than 3 percent if approved by a majority of the electors through a general or special election. We estimate the cost of a special election to be $15,000 to $20,000. The timing of putting together a budget and running an election with the budget dependent on the results of the election would be administratively difficult and cumbersome.

I believe the City of Grand Forks has a good track record of "holding down" property taxes. We have cut 40.58 mills since 2000, as our Mayor, Administration, and Council have made this a priority. Most recently in the past 3 year period we have reduced 11.45 mills.

It is for these reasons that I would recommend a DO NOT PASS recommendation of House Bill 1361.

Thank you for your consideration.

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fargo park DISTRICT™

Testimony of Jim Larson, Director of Finance
Fargo Park District
To Finance and Taxation Committee
In Opposition to HB 1361
Wednesday, March 15, 2017

Chairman Cook and Members of the Committee, my name is Jim Larson, and I am the Director of Finance for the Fargo Park District. The Fargo Park District is opposed to House Bill 1361.

House Bill 1361 caps the tax dollars to a maximum increase of 3% from year to year that a taxing district can levy.

Park Districts already have maximum mill levies for operations, capital and special funds. The proposed cap in HB 1361 is not necessary with the current mill levy limitations as passed in the 2015 Legislative Assembly. These maximum mill levy caps protect the property taxpayer from excessive levying by Park Districts. We understand the call for property tax relief but the local political subdivisions and state have already been effective in providing relief.

The current mill levy system and mill levy caps work. As our various communities experience economic recession or growth, the current mill levy system allows the resources for Park Districts to respond accordingly. I have attached an exhibit showing 11 parcels that were selected randomly. They represent various areas of Fargo and property values. Even though the assessed valuations have increased over the last five years the amount of property taxes paid is less in 2016 than 2012. This represents the success of property tax relief over the last five years.

For a community or region of our state experiencing rapid growth, the 3% annual maximum increase in tax dollars will severely cause distress for a Park District as they work to develop Park and Recreation amenities and programming. In the past 17 years, Fargo has experienced rapid growth,

701 Main Ave ▪ Fargo, ND 58103 ▪ 701.499.6060 ▪ F: 701.499.6069 ▪ www.fargoparks.com

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adding 27 parks between 3 to 22 acres each, 30 plus miles of recreation trail, an arena, pool and golf facilities because of increased demand for recreational activities. Along with the new facilities, we have renovated or upgraded existing facilities and added many new recreational programs. These new and existing facilities and programs are heavily utilized today.

If park and recreational facilities are not constructed at the time of the growth, many times they never happen. While it might not seem significant at the time, we can identify negative impact in our community as a neighborhood or development area matures without adequate recreational facilities and programs. We have several areas today in the Fargo community where we are currently trying to develop recreational facilities and programs where they were not included when the area was initially developed. It is very difficult.

If the proposed 3% cap had been passed as part of the 2001 Legislative Assembly, many of these new facilities would not have been possible. The 3% cap, if passed in 2001, would have reduced the cumulative property tax revenues for the Fargo Park District by approximately $16.8 million. Our total general operating budget would have been reduced from what is today by 17%, or $2.8 million. The Fargo Park District has a mission to provide quality recreational and leisure services at an affordable price to improve the quality of life for all residents of Fargo. This would not be achievable today if the 3% cap was implemented by the 2001 Legislative Assembly. Our youth program fees are currently set below direct program costs, usually at 50% of direct cost and adult program fees are set equal or above direct program costs. We must provide youth programs at an affordable level so that we do limit access to programs based on ability to pay. Today, our fees could be substantially higher or the programs for youth and adults might not be offered with caps in place.

I share this information as a view to the impact of HB 1361. We have many parts of our state that are experiencing rapid growth. While most has been in the western part of the state, there is growth throughout the great

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state of North Dakota. The 3% tax dollar cap that is proposed will negatively impact communities in their ability to develop parks, recreation facilities and programs that are best to occur as developments are created. Today, the impact of the 3% cap might appear minimal, but the long term negative impact for our future generations in North Dakota is substantial.

The Fargo Park District is opposed to HB 1361 and urges the committee to recommend a do not pass on this bill. I would be happy to answer any questions. Thank you.

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Fargo Park District
Schedule of property tax changes in dollars by parcel number which were randomly selected from various parts of Fargo

		Change from 2012 to 2016		
Parcel ID	Address	Tax Payment Dollar Change	Tax Payment % Change	Assessed Valuation Change
01-8449-01370-000	6648 56 Ave S	$ 1,569	88163%	$ 143,400
01-5720-00280-000	6150 Martens Way S	$ (684)	-17%	$ 48,500
01-2293-00620-000	2424 33 St S	$ (1,083)	-29%	$ 57,700
01-0720-01970-000	2922 Edgewood Dr N	$ (786)	-26%	$ 14,400
01-0380-02820-000	1606 7 ST N	$ (418)	-21%	$ 17,600
01-3280-00070-000	1016 5 St N	$ (596)	-23%	$ 18,000
01-2483-00020-000	2106 Sterling Rose Ln S	$ (647)	-13%	$ 81,200
01-0505-00250-000	2219 26 1/2 CT S	$ (221)	-8%	$ 55,500
01-2115-00130-000	2833 Lilac Ln N	$ (1,698)	-20%	$ 80,000
01-0480-01220-000	1017 28 St N	$ (602)	-36%	$ 16,100
01-0740-02271-000	402 23 St S	$ (236)	-12%	$ 34,200

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Attachment #16A

Fargo Park District
Schedule of property tax changes in dollars by parcel numbers which were randomly selected from various parts of Fargo.

		2016			2015			2014		
Parcel ID	Address	Mills	Assessed Value	Property Tax Paid	Mills	Assessed Value	Property Tax Paid	Mills	Assessed Value	Property Tax Paid
01-8449-01370-000	6648 56 Ave S	276.45	$ 143,500	$ 1,571	290.68	$ -	$ 1,245	302.27	$ 18,200	$ 218
01-5720-00280-000	6150 Martens Way S	297.51	$ 280,400	$ 3,304	317.32	$ 254,900	$ 3,203	325.42	$ 254,900	$ 3,285
01-2293-00620-000	2424 33 St S	297.51	$ 271,700	$ 2,597	317.32	$ 230,300	$ 2,407	325.42	$ 211,200	$ 2,722
01-0720-01970-000	2922 Edgewood Dr N	297.51	$ 190,900	$ 2,249	317.32	$ 190,900	$ 2,399	325.42	$ 185,300	$ 2,388
01-0380-02820-000	1606 7 ST N	297.51	$ 131,900	$ 1,547	317.32	$ 131,300	$ 1,650	325.42	$ 120,000	$ 1,547
01-3280-00070-000	1016 5 St N	297.51	$ 167,300	$ 1,971	317.32	$ 149,300	$ 1,876	325.42	$ 149,300	$ 1,924
01-2483-00020-000	2106 Sterling Rose Ln S	297.51	$ 377,500	$ 4,448	317.32	$ 343,200	$ 4,313	325.42	$ 311,100	$ 4,009
01-0505-00250-000	2219 26 1/2 CT S	297.51	$ 217,100	$ 2,558	317.32	$ 185,400	$ 2,330	325.42	$ 171,700	$ 2,213
01-2115-00130-000	2833 Lilac Ln N	297.51	$ 567,900	$ 6,691	317.32	$ 567,900	$ 7,136	325.42	$ 502,500	$ 6,476
01-0480-01220-000	1017 28 St N	297.51	$ 113,100	$ 1,066	317.32	$ 107,000	$ 842	325.42	$ 101,900	$ 1,184
01-0740-02271-000	402 23 St S	297.51	$ 152,400	$ 1,796	317.32	$ 135,900	$ 1,708	325.42	$ 118,200	$ 1,523

3/15/2017

Fargo Park District
Schedule of property tax changes in dollar
Parcels were randomly selected from vari(

		2013			2012		
Parcel ID	Address	Mills	Assessed Value	Property Tax Paid	Mills	Assessed Value	Property Tax Paid
01-8449-01370-000	6648 56 Ave S	302.56	$ 18,200	$ 214	356.98	$ 100	$ 2
01-5720-00280-000	6150 Martens Way S	325.71	$ 231,900	$ 2,991	382.06	$ 231,900	$ 3,987
01-2293-00620-000	2424 33 St S	325.71	$ 211,200	$ 2,724	382.06	$ 214,000	$ 3,680
01-0720-01970-000	2922 Edgewood Dr N	325.71	$ 176,500	$ 2,277	382.06	$ 176,500	$ 3,035
01-0380-02820-000	1606 7 ST N	325.71	$ 114,300	$ 1,474	382.06	$ 114,300	$ 1,965
01-3280-00070-000	1016 5 St N	325.71	$ 149,300	$ 1,926	382.06	$ 149,300	$ 2,567
01-2483-00020-000	2106 Sterling Rose Ln S	325.71	$ 296,300	$ 3,822	382.06	$ 296,300	$ 5,094
01-0505-00250-000	2219 26 1/2 CT S	325.71	$ 171,700	$ 2,215	382.06	$ 161,600	$ 2,779
01-2115-00130-000	2833 Lilac Ln N	325.71	$ 487,900	$ 6,293	382.06	$ 487,900	$ 8,389
01-0480-01220-000	1017 28 St N	325.71	$ 97,000	$ 1,251	382.06	$ 97,000	$ 1,668
01-0740-02271-000	402 23 St S	325.71	$ 118,200	$ 1,525	382.06	$ 118,200	$ 2,032

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#16A

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TESTIMONY ON HB1361- March 15, 2017

Presented by Bruce Strinden – Morton County Commissioner
President, ND County Commissioner's Association

To the

SENATE FINANCE AND TAXATION COMMITTEE

Chairman Cook and members of the committee, my name is Bruce Strinden. I am a Morton County Commissioner, and currently serve as president of the ND County Commissioner's Association.

I'm appearing before you today in opposition to the passage of HB1361. There are 37 chapters in Title 11 of the ND Century Code, the section labeled "Counties". The 13 pages of chapter 11 specify the duties, functions, and powers of the Board of County Commissioners. County government is also referred to in many of the other 65 Titles of the century code. As commissioners, we operate within the rules, laws, parameters, and requirements set forth by the state legislature in our ND Century Code. Each of our counties operates as a miniature version of state government, and we provide the services to citizens at the local level. Commissioners have many responsibilities, but primary among those is cost control and budgeting.

Like the state government, about 80% of our expenditures fall into three areas that are largely based upon need; human Services, public safety, and roads. These budgets, particularly those of roads and public safety are often affected by events beyond our control, like floods, weather issues, and environmental protest activities. We also have no control over the demands for social services assistance. Because of the uncertainties which exist, placing spending caps could, 3/15/2017 HB 1361 #17 pg 2

and no doubt would create difficult circumstances for county commissions. The need to conduct a special election in circumstances which would require going over the cap is not only expensive, but in terms of timeline, nearly prohibitive.

In general, county commissioners do an excellent job of cost containment. On the combined tax statement, the only item we can control is the line of county taxes. We are provided with the amounts needed by the other entities with levy authority. Those are added to the total of taxes on the combined tax statement to be collected and distributed by the county treasurer. County commissioners generally will use new growth that comes onto the tax rolls in a given year to cover needed increases for what is usually increasing costs for salaries and benefits. Our goal is to never increase taxes.

I took the liberty of pulling a Morton county property tax statement for the past ten years to illustrate how carefully we control our spending and reduce mill levies from year to year. Over that 10 year period, we have decreased the number of mills levied each year, with our largest decrease at 18 mills and the smallest decrease at 8 mills. In the 2006 tax year, the total consolidated gross tax on this ranch property and home was $1984.00. The 2016 tax year saw a gross consolidated tax of $1896.00. The change in the gross consolidated tax between 2006 and 2016 was a decrease of 4.6%. The net tax after the state paid 12% credit was $1669.00 in 2016. If the school levy reduction had not been provided by our legislature, the gross taxes on this property would have been running about $1000.00 per year higher in the more recent years. As it is, the school tax amount rose by $108.00 between the 2015 and the 2016 tax year while other line items on the statement remained virtually the same. School taxes still

remain the highest dollar line item on the consolidated tax statements.

The example I provided is to illustrate the job that county commissioners do in budgeting and cost controls every year, and I don't believe Morton County is unique.

Applying spending caps into state law will make the legislature more, rather than less involved in property taxes. Caps have no ability to recognize various financial impacts to local governments. Things such as decreases in State Aid Distribution, Highway Distribution funding, natural disasters, and man-made issues that can affect budgets mean nothing to spending caps. Caps can't reason, or make adjustments or decisions. Only dedicated elected commissioners and department heads can do that. Passage of HB1361 limits the ability of local elected officials to continue the job they have been doing so well. The voters have also shown their willingness to make changes at the ballot box if they are unhappy with the performance of their officials.

We encourage you to keep the necessary flexibility in local government. DO NOT PASS HB1361.

Testimony to the
Senate Finance and Tax Committee
March 15, 2017
Chairman Chad Peterson, Cass County Commission

Regarding: Engrossed House Bill 1361

Chairman Cook and committee members, my name is Chad Peterson and I am Chairman of the Cass County Commission and serve on the North Dakota County Commissioners Association Board of Directors. I'm here to request a **DO NOT PASS** of HB 1361 regarding regulation of local government taxation.

As you may be aware, local governments have any number of outside forces that can impact budgets. From population growth to natural disasters, these impacts can affect the direction of a local government's expenses regardless of a board's fiscal desires. In the case of natural disasters there is often little time to prepare the public for the event, much less anticipate a budget for an unknown level of devastation. Limiting the taxing authority as stated in this bill makes reacting to real world events, both positive and negative, cumbersome and in the end more expensive.

My list of concerns includes, but is not limited to the logistical difficulties of preparing an annual budget, the expense for local governments managing property tax records, the fact it seeks to void home rule authority and the potential for inequities created with implementation of this type of policy in general. Supporters would claim all of these issues are worth the trouble because property taxes are 'out of control.' The problem with that justification is that taxes in places like Cass County have been going down.

Contrary to the opinion of some, property taxes are not 'out of control'. In fact, the rate of taxation has been decreasing over time and continues to do so. To substantiate this, we will show the effective tax rate (ETR) has been decreasing in Cass since 2008. The data attached shows baselines from various communities throughout the area. There are only three areas that show growth of substance. These three are in Casselton, West Fargo and Kindred. In all cases, voters approved bonding for the construction of new schools. Two those increases (West Fargo and Kindred) were short-lived, with the third (Casselton) having just been established last year. When you take the county as a whole you will see the overall ETR has decreased 38.62% from 2008 until 2016.

Tax rates are lower because the legislature elected to 'buy down' school levies and local governments have been listening to concerned voters. As an example, Cass County lowered levies by over 5 mills. The result was roughly two out of every three county tax payers received either a tax decrease or no increase at all even with valuation increases. Pending unforeseen circumstances, I don't see tax rates accelerating in Cass to an 'out of control' level at any time in the future should the citizens continue to do their due diligence and elect sound fiscal representation. And should they choose to deviate from that path and place a 'big spender' in my place, it's their right to do so and a rule created by a centralized government shouldn't be created to prevent them from exercising their will.

Again, I urge a **DO NOT PASS** of HB 1361 regarding local government taxation.

Cass County, North Dakota

A sampling of effective tax rates (ETR) for the years 2008 through 2016 shows that the mill levy buy down program has worked and the effective tax rate has fallen dramatically since 2008, despite increases periodically for building projects.

	2008	2009 (1)	2010 (2)	2011 (3)	2012	2013 (4)	2014	2015	2016 (5)	% Change
Property in Fargo / Fargo PSD	2.05%	1.71%	1.73%	1.74%	1.72%	1.29%	1.29%	1.26%	1.18%	-42.51%
Property in Fargo / WF PSD	1.82%	1.48%	1.50%	1.61%	1.60%	1.20%	1.20%	1.15%	1.09%	-39.82%
Property in West Fargo / WF PSD	1.99%	1.65%	1.67%	1.78%	1.76%	1.34%	1.32%	1.26%	1.16%	-41.64%
Property in Casselton / Central Cass	1.66%	1.43%	1.45%	1.45%	1.40%	1.00%	0.93%	0.91%	0.98%	-41.00%
Property in Kindred / Kindred PSD	1.60%	1.33%	1.60%	1.63%	1.58%	1.20%	1.21%	1.12%	1.12%	-29.96%
Property in Pleasant Twp / Kindred PSD	1.30%	1.02%	1.31%	1.32%	1.27%	0.94%	0.91%	0.90%	0.86%	-33.82%

	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Change
Average ETR for selected Jurisdictions	1.73%	1.44%	1.54%	1.59%	1.55%	1.16%	1.14%	1.10%	1.06%	-38.62%

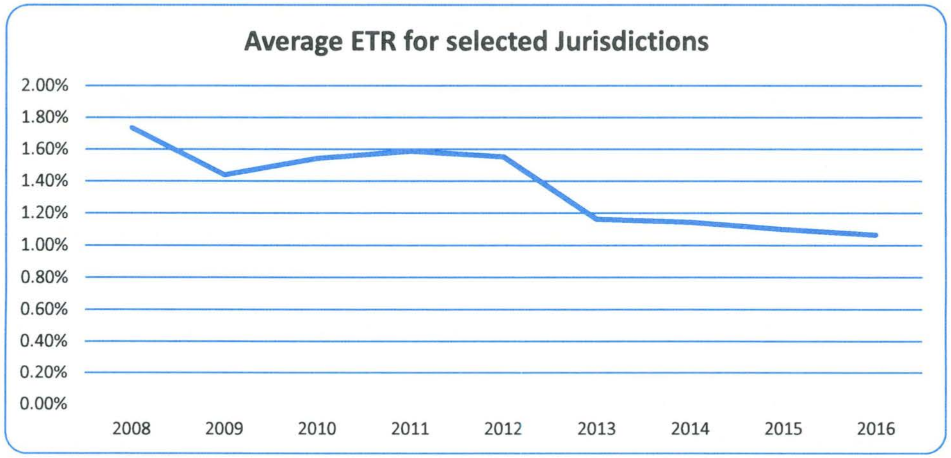
(1) 75 mill school district buy down by Legislature

(2) Courthouse Building Levy added and voter approved bond issue for Kindred PSD

(3) County Emergency and Flood Mitigation Levy added and voter approved bond issue by the West Fargo PSD

(4) Additional school district mill buy down by Legislature

(5) Voter approved bond issue for Central Cass PSD



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HB 1361

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Oppose HB 1361

Senate Finance and Tax Committee

March 15, 2017

Chairman Cook and Committee members,

I am Larry Syverson from Mayville, I am the Chairman of the Board of Supervisors of Roseville Township of Traill County and I am the Executive Secretary of the North Dakota Township Officers Association. NDTOA represents the 5,600 Township Officers that serve in more than 1,100 dues paying member townships.

The last several sessions of the legislature were able to help the townships with "one time" funding grants, and the state aid distributions have also been very large. As a result many townships had been able to greatly reduce their dependence on property tax levies. That has now changed, and now even the income derived from the fuel tax and vehicle registrations is declining.

Townships will have to make up for those losses, and the only options left are to levy a tax against the property within the township or reduce or stop road services.

Next Tuesday, March 21st, is the third Tuesday of March that is the Day of Democracy in North Dakota. Every township resident is invited to assemble for their Township Annual Meeting and with equal standing they will plot the course of their government for the coming year.

The electors at the annual meeting could move and vote to stop all expenses and not levy any taxes; they have that right and ability. However it is my experience that few, if any, will vote against the proposed budget. Those that came in with concerns about spending will see where the last year's spending went and can be a part of directing the future. They came in because they didn't understand the scale of expenses. But they will vote a budget.

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57-15-19. Township tax levies. The electors of each township have power at the annual meeting to vote to raise such sums of money for the repair and construction of roads and bridges, and for all township charges and necessary expenses as they deem expedient, within the limitations prescribed in section 57-15-20, and on the fourth Tuesday in March, or within ten days thereafter, of each year, the board of supervisors of each civil township shall levy annual taxes for the ensuing year, as voted at the annual township meeting, and the tax levy must be limited by the amount voted to be raised at such annual meeting. The electors at such annual meeting may direct the expenditure of the road tax, or a part of it, in an adjoining township under the joint direction of the boards of supervisors of the townships interested and furnishing such funds.

Taxes are levied because citizens need services; they need snow plowed so they can get to work or school. They need roads maintained so they can haul their product to market.

The North Dakota Township Officers Association requests that you allow the budget process to work, give HB 1361 a do not pass recommendation.

Thank you Chairman Cook and Committee members, I will try to answer any questions you may have.

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Senate Finance and Taxation Committee
HB 1361
March 15, 2017

Senator Cook, and members of the Senate Finance and Taxation Committee.

My name is Mary Korsmo and I am the Executive Director for the ND State Association of City and County Health Officials representing North Dakota's local public health units. On behalf of our members, we are in opposition of HB1361.

Local public health units (LPHUs) have already been experiencing funding reductions at the national and state level. With the uncertainty of continued changes at both levels, e.g. grants, state aid, etc., property tax contribution is critical. Local dollars are the most significant funding source local public health units have; the consequences this bill would place on local public health if passed, would be extremely detrimental to the communities we serve.

Local public health units are the safety net for the uninsured and for those no one else wants to treat. While we continue to provide services with less money, the needs continue to rise.

We urge a DO NOT PASS vote on HB 1361.

Thank you.

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Written Testimony on House Bill No. 1361
Presented to the Senate Finance and Taxation Committee
Rob Lech, Superintendent, Jamestown Public School District #1
March 15, 2017

Good morning Chairman Cook and members of the Senate Finance and Taxation Committee. For the record, my name is Rob Lech and I serve as the superintendent for the Jamestown Public Schools. I also serve as the chairperson of the Finance Committee for the North Dakota Association of School Administrators (NDASA) Legislative Focus Group. I am providing written testimony in opposition to House Bill 1361.

As you are aware, NDCC 57-15-14.2 (1) currently limits a school district's ability to levy a tax that exceeds a maximum of 12%, in dollars, in the general fund up to a cap of 70 mills. Although House Bill 1361 delays the enforcement of a 3% cap on school districts until 2019, the passage of House Bill 1361 would create significant financial hardships for school districts when enacted. Please note that for the sake of providing the committee with necessary context on the implementation, I have included an addendum to my testimony that includes a comparison from this year to the next and how a maximum of 12% compares to a maximum of 3% for both the school district and the taxpayer in my district.

House Bill 1361 would create challenges associated with the current funding formula. Even with a 12% cap, there are schools that are not able to provide the full 60 mill local contribution. This is mostly a result of the growth of taxable valuation exceeding the 12% cap, which creates an inequity among taxpayers and creates greater cost to the state. As noted in the addendum, the Jamestown School District levied 65 mills last year. With an estimated

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taxable valuation growth of 5%, a 3% levy cap would decrease the maximum allowable general fund levy in Jamestown at 63.19. Of additional concern is the 3% cap would be inclusive of levies beyond the general fund. There are levies, such as tuition and special assessment, which are often reactionary to circumstances and not within control of the school district.

Additionally, the current formula and changes to the local levy authority have shifted school districts from property-centric to enrollment-centric. Those schools that exhibit declining enrollment are almost always going to see a decrease in state funding regardless of changes to the per pupil amount. School districts have, in the past, been able to mitigate this loss through local contribution. A 3% levy cap would significantly hamper a school district's ability to even maintain present funding levels in an environment of stable or declining enrollment. This importance of this issue to all schools, but particularly our rural schools, should not be understated.

I ask that you support local control and oppose further levy caps through a Do Not Pass Recommendation on House Bill 1361. I would be open to questions and may be reached through email at Robert.Lech@k12.nd.us or through phone at (701) 252-1950.

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Addendum: Lech Written Testimony - House Bill 1361

Taxable Valuation	
2016/2017 School Year	$62,811,000
2017/2018 School Year Estimated at 5%	$65,952,000

2016/2017 Budgetary Information	
Revenue	$ 28,647,407
Expenditures	$ 28,736,151
Difference	$ (88,744)

Mills Levied in 2016/2017 School Year	
General	65.00
Tuition	7.00
Miscellaneous Fund	12.00
Special Reserve	0.00
Building Fund	10.00
Special Assessments	1.00
Sinking and Interest	0.00
Judgment	0.00
TOTAL Mills Levied	95.00

Potential 17/18 Mill Levy at 12% Increase	
General*	69.00
Tuition	7.00
Miscellaneous Fund	12.00
Special Reserve	0.00
Building Fund	10.00
Special Assessment	1.00
Sinking and Interest	0.00
Judgment	0.00
TOTAL Mills Levied	99.00

*Maximum Levy Allowed

Potential 17/18 Mill Levy at 3% Increase	
General*	63.19
Tuition	7.00
Miscellaneous Fund	12.00
Special Reserve	0.00
Building Fund	10.00
Special Assessment	1.00
Sinking and Interest	0.00
Judgment	0.00
TOTAL Mills Levied	93.19

*Maximum Levy Allowed

Total Budgetary Impact of 12% (Inclusive of 0% State Payment)**	
Projected Revenue	$ 29,019,839
Projected Expenditures	$ 28,734,329
Difference - 12%	$ 285,510

**Exclusive of Teacher Negotiations

Total Budgetary Impact of 3% (Inclusive of 0% State Payment)**	
Projected Revenue	$ 28,598,415
Projected Expenditures	$ 28,734,329
Difference - 3%	$ (135,914)

**Exclusive of Teacher Negotiations

$100,000 Home Comparison	
School Portion of 2016/2017 Property Tax	$ 427.50
School Portion of 2017/2018 Property Tax - 12%	$ 445.50
Difference - 12%	**$ 18.00**

$100,000 Home Comparison	
School Portion of 2016/2017 Property Tax	$ 427.50
School Portion of 2017/2018 Property Tax - 3%	$ 419.36
Difference - 3%	**$ (8.14)**

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Senate Finance & Taxation Committee

HB 1361

Presented by: Broc Lietz, Business Manager Fargo Public Schools

Mr. Chairman and members of the committee, my name is Broc Lietz, I am the Business Manager for Fargo Public Schools. I am here today presenting testimony in opposition of HB 1361.

It is important to understand that the elected officials on the Fargo Public Schools Board of Education take their role very seriously and have proven to be good stewards to local taxpayer funds. Establishing the mill rate for political subdivisions to operate their organizations is a local decision best made by local elected officials. In their role of providing governance to the Fargo Public Schools, the Board of Education has consistently reduced the general fund mill levy for taxpayers in the boundary of Fargo Public Schools District #1.

Specifically, the mill levy has been reduced 45.30 mills since 2002, by board action, in addition to the 125 mills of relief provided by previous legislative action, for a total reduction of 170.30 mills. Those 45.30 mills are a direct result of the local board not taking advantage of a growing property tax base. Last week, local taxpayers provided over 73% approval of a specified mill levy for Fargo Public Schools, providing further evidence that the taxpayers trust their local officials to be good stewards of property tax revenue.

In the case of public school districts, the foundation aid formula is specifically tied to local property tax in a manner that no other political subdivision experiences. There is a requirement of a 60 mill local contribution which has limitations for growth. This expected local effort is actually deducted from the foundation aid payment districts receive from the state. With limited growth locally, the deduction decreases, thus placing more financial responsibility on the state for K-12 education. The fiscal note for the next biennium is estimated at $34 million. With property valuations statewide fluctuating rapidly, the impact to public schools varies greatly. As you know, the state already legislates a hard cap for school districts regarding local mill levies, which requires a public vote to exceed, setting a growth cap beyond this requiring another public vote annually seems unnecessary.

On a broader note, in growing communities, which exceed the 3% cap stated in HB 1361, how are political subdivisions supposed to meet the needs of the public if our revenue are capped below the market growth? The expectations of service on our public entities grows annually. The demands on our resources continue to expect more for less. If local leaders are not able to capitalize on the growth of local markets to meet the needs of our constituents, we will be forced to push for additional resources from the state to meet these needs.

Fargo Public Schools encourages you to allow the locally elected officials to perform the jobs they have been elected to in being good stewards of taxpayer dollars while providing the highest quality of services to their constituents.

We request a **DO NOT PASS** recommendation on HB 1361.

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"WHERE THE WEST BEGINS"

CITY OF MANDAN

MANDAN CITY HALL - 205 2nd Avenue NW
MANDAN, NORTH DAKOTA 58554
701-667-3215 • FAX: 701-667-3223 • www.cityofmandan.com

CITY DEPARTMENTS

ADMINISTRATION	667-3215
ASSESSING	667-3232
BUILDING INSPECTION	667-3230
BUSINESS DEVELOPMENT	667-3485
CEMETERY	667-6044
ENGINEER/PLANNING & ZONING	667-3225
FINANCE	667-3213
FIRE	667-3288
HUMAN RESOURCES	667-3217
LANDFILL	667-0184
MUNICIPAL COURT	667-3270
POLICE	667-3455
PUBLIC WORKS	667-3240
WASTEWATER TREATMENT	667-3278
SPECIAL ASSESSMENTS	667-3271
UTILITY BILLING	667-3219
WATER TREATMENT	667-3275

Testimony for Senate Finance & Taxation Committee
HB 1361 – Related to Limitations of Property Tax Levies Without Voter Approval
March 15, 2017

Chairman Cook and members of the committee, I am Jim Neubauer, City Administrator for the City of Mandan. I am here to testify in opposition to HB 1361

There are several unanswered questions related to the implementation of HB 1361.

Limiting the levy capacity of municipalities to three percent, or whatever percent may be chosen, certainly would have an impact on a municipalities bond/credit rating. The City of Mandan property owners have an excellent history of repayment of special assessment debt. However, in the unlikely case whereby the City receives a property due to the lack of payment of taxes or special assessments, a deficiency levy may be utilized to ensure the bond holders would be paid. If HB 1361 would pass, we would assume the bond holders would need to ensure themselves repayment, which may affect the credit rating of the city and in turn all borrowings would be affected in a negative way.

There are several other questions related to implementation of this bill. Questions related to centrally assessed properties (final values are determined in late August), annexations, and how they factor into the equation, tax increment financing districts (when they are dissolved), and how to treat PILOT (Payments in Lieu of Taxes) projects.

There are also decisions made at either the federal or state levels that have a financial impact on local governments, commonly referred to as unfunded mandates. What would happen if the voters say no, we are not going to pay for these, and in turn other services such as police, fire, or public works need to be reduced as a result?

Residents in communities elect their public officials to make decisions on their behalf at the local level. If residents are not satisfied with how the local governing body is handling their taxpayer dollars they can certainly vote them out of office. Decisions at the local level are best left at the local level where they belong.

I urge a do not pass vote on HB 1361.

Thank you and I would be happy to answer any questions you might have or to supply additional information. I can be reached at 701-667-3215 or by e-mail at jneubauer@cityofmandan.com

3/15/2017 HB 1361 Attachment # 24 pg 1

City of
WILLISTON
NORTH DAKOTA

PO Box 1306
Williston ND 58802-1306
Phone: 701-577-8100
Fax: 701-577-8880
TDD 711
cityauditor@ci.williston.nd.us

March 13, 2017

Sixty-fifth
Legislative Assembly
of North Dakota

Re: **House Bill No. 1361**
57-15-02.2. Limitation on levies by taxing districts without voter approval.

Dear Senator Cook and Honorable Committee Members,

I am writing to express OPPOSITION to HB No. 1361. The City of Williston would like to hold flexibility for our local board to decide limitations on levies by taxing districts. I ask that two amendments to HB 1361 be considered as identified by our City bond attorneys.

The bill as currently drafted does not provide an exception for cities and other political subdivisions to impose additional levies that arise because of a deficiency created within a special assessment district. Specifically, N.D.C.C. § 40-26-08 allows North Dakota cities to levy a deficiency levy across all taxable property within a city for deficiencies within a special assessment district that are caused by a property owners failure to pay for any number of reasons. This statutory authority is important for city finances and to assure that North Dakota cities and other political subdivisions can continue to finance municipal improvements through the use of special assessments.

HB 1361 should also include an exception for Water Resource Districts (through county commissions) to levy a similar deficiency levy as authorized in N.D.C.C. §61-16.1-25. As such, HB 1361 should be amended to include two exceptions as follows:

1. Tax levies authorized by Section 57-15-41.
2. Deficiency levies for special assessment and improvement districts as authorized by Sections 40-26-08, 61-16.1-25 and other applicable sections.

Sincerely,

David Tuan
City Administrator

3/15/2017 HB 1361 Attachment #25 Pg 1

Testimony for:
Senate Finance & Tax
3/15/2017
Lisa Herbel, Bottineau County Auditor

Regarding: House Bill 1361

Senate Finance & Taxation Committee, I am requesting you give HB 1361 a Do Not Pass recommendation. Bottineau County is currently building and renovating our 40 year old jail and Sheriff's department. Before the renovation, our jail was unsecure, a dangerous working environment to our staff, and extremely outdated with not enough space to house our prisoners. We were screening the prisoners to determine who we could be allow to be bond out and have them book another time for them to serve their sentencing, or transporting our prisoners to Rugby. It was a less than ideal situation and truly hazardous to our courthouse employees and the citizens of the County. It was a huge relief when the Bank of North Dakota created a loan program that allowed us to borrow against our GPT so we could begin our jail project. In July of this year, we will have a state of the art, secure, and up to date facility. Before our jail was remodeled we had eight beds; when the project is completed at the end of June, we will have the capability to house 24 prisoners.

With the increase of the prisoners our facility will hold, our staff, by law, has to increase. We are now required to have a dispatcher and a correctional officer working 24/7 in comparison to just needing a dispatcher 24/7. Our County Sheriff budget increased from $629,362.00 for 2016 to $690,496.00 for 2017. If the 3% cap would have been in place for 2017, we would have only been able to increase our sheriff budget by $18,881.00, which would not even allowed us to hire a part time correctional officer thereby putting our jail out of compliance as well as creating a hazardous work environment for the current staff.

My case in point; the 3% cap does not allow for extenuating circumstances. With our jail and sheriff's department growing threefold, so do the expenses. The Bottineau Commissioners did not want to raise taxes for this year due to the downturn in the farming and the oil economy, so we cut expenses in other areas, and kept cutting until we were at a zero percent increase. If a 3% cap was implemented in 2018, Bottineau County would actually get penalized for trying to keep our county taxes status quo. In 2018, unfortunately, with the new expenses of operating a safe and up to date jail, our expenses are going to increase and it's going to be impossible to stay below the 3%.

Our Board of County Commissioners are fiscally responsible and I do ask that the burden of taxing, stay at the local level; therefore I ask you to please vote DO NOT PASS on HB 1361.

Please feel free to contact me if you have any further questions or if I can be of any further assistance.

Respectfully submitted,

Lisa Herbel
Bottineau County Auditor
314 W 5th Street
Bottineau ND 58318
701-228-2225

3/15/2017 HB 1361 Attachment #26 pg 1

OFFICE OF TAX EQUALIZATION
P. O. Box 393
Ellendale ND 58436
Phone: (701) 349-3249 Ext. 7
E-mail: dflaherty@nd.gov

DICKEY COUNTY est. 18 81 NORTH DAKOTA

March 15, 2017

2017 Senate Finance and Taxation Committee
Honorable Senator Dwight Cook, Chairman
North Dakota State Capitol

Dear Senator Cook and Members of the Senate Finance and Taxation Committee:

My name is Don Flaherty and I am the Director of Tax Equalization for Dickey County. I am writing you today to speak against HB 1361. I believe that the proposed addition of section 57-15-02.2 to the North Dakota Century Code to place a limit on the annual change of levies to no more than three (3) percent is short sighted and will ultimately have a negative effect on the ability of local government to meet the needs of local taxpayers.

Chapter 57-15 already provides adequate guidance on property tax levies and a reasonable limitation thereof. If the new section 02.2 is added, local government political subdivisions will no longer have the ability to fund needed services for their local jurisdictions as the need arises. Supporters of HB 1361 say that this bill will help the taxpayer by providing stability to changes in their property tax payments. That statement is true in that if passed, local governments will be forced to increase levies by three percent each year to prevent a future shortfall if new services or other fiscal needs present themselves without warning. A prime example of this was the drastic influx of people to the western portions of our state due to the oil boom. Local government was already hampered in meeting the needs of the local electorate because the property tax system has a built in delay factor for revenue generation. If section 02.2 were in place 10 years ago, the western infrastructure of the state would have collapsed and cause a severe economic disaster to not only the local government entities but the state government as well.

Supporters say that this section allows local government to react to sudden financial demands by seeking approval of the electors at a ballot measure outlining the proposed increase above the three (3) percent. Isn't this the true purpose of SB 2288? The average special election takes 60 to 90 days to complete, and if both HB 1361 and SB 2288 were to become law, local government would be forced to conduct annual property tax special elections when sudden needs arise. If the intent of HB 1361 is to encourage fiscal responsibility, then how are we going to accomplish this by incurring the cost of a special election? To me that seems counterproductive.

HB 1361 is an unnecessary addition to state law and I strongly urge each of you to vote against it.

Respectfully Submitted,

Donald W. Flaherty
Dickey County Director of Tax Equalization

3/15/2017 HB 1361 Attachment #27 pg 1

NDRPA

North Dakota Recreation & Park Association • advancing parks and recreation for quality of life in North Dakota

Testimony of Dana Schaar Jahner
North Dakota Recreation & Park Association
To Senate Finance and Taxation Committee
In Opposition to HB 1361

Chairman Cook and Members of the Committee, my name is Dana Schaar Jahner, and I am the executive director of the North Dakota Recreation & Park Association (NDRPA). We represent more than 600 members, primarily park districts, and work to advance parks, recreation and conservation for an enhanced quality of life in North Dakota. We are here in opposition to HB 1361.

NDRPA believes public investment in parks and recreation is necessary to achieve positive economic, health, environmental, and social/community benefits for all North Dakotans. Parks and recreation are essential public services and a valuable part of community infrastructure. Providing safe, affordable and accessible recreation opportunities for citizens and visitors is essential to maintaining the state's commitment to a high quality of life that attracts and retains workforce and engages tourists.

North Dakota's park districts build and maintain parks and recreation facilities through a variety of funding sources, including property taxes. Now is not the time to impose a three percent cap on property taxes. Despite the downturn, communities are still growing. Parks and recreation facilities must be constructed as development happens in order to be cost effective and ensure equitable access to citizens. It is more expensive and sometimes nearly impossible to develop parks, trails and facilities in existing neighborhoods.

Arbitrary limits on property taxes would limit park districts' abilities to meet the needs of their individual communities and impose funding limitations on local park board commissioners who are elected to make such decisions for the betterment of their district.

NDRPA urges a do not pass recommendation on HB 1361. Thank you.

1605 EAST CAPITOL AVE | PO BOX 1091 | BISMARCK, NORTH DAKOTA 58502 | 701.355.4458 | www.ndrpa.com

3/15/2017 HB 1361 Attachment # 27 pg 2

BISMARCK PARKS AND RECREATION DISTRICT
Est. 1927

Let's Play!

TO: Senate Finance and Taxation Committee

FROM: Wayne Munson, President
Board of Park Commissioners

RE: Written Testimony in Opposition to HB 1361

DATE: March 15, 2017

Chairman Cook and Members of the Committee:

Bismarck Parks and Recreation District's mission is to work with the community to provide residents and visitors the highest quality park, program, facility and event experience. Our core purpose is to provide affordable, accessible, and sustainable public park and recreation services, including partnering with local organizations to provide for a healthier community.

The Bismarck Parks and Recreation District is in opposition to HB 1361 for the following reasons

- Political Subdivision Boards are elected by the citizens of their community. Passage of HB 1361 will restrict the local board's ability to effectively govern their organization.

- It's difficult to set a threshold (3%) that works for all communities. The local board has the best understanding and is in the best position to determine local budget needs while answering to the local taxpayers.

- Cost and timeliness of a special election to request taxpayer approval on any increase that exceeds 3% are major deterrents with this bill.

Bismarck Parks and Recreation District encourages a do-not-pass recommendation on HB 1361. Thank you.

400 East Front Avenue | Bismarck, ND 58504 | P: (701) 222-6455 F: (701) 221-6838 | bisparks@bisparks.org | www.bisparks.org

3/15/2017 HB 1361 Attachment #27 pg 3

Testimony of James Kramer
Dickinson Parks & Recreation
North Dakota Recreation & Parks Association
To Senate, Finance and Taxation Committee
In Opposition to HB 1361

Chairman Cook and members of the committee, my name is James Kramer and I am the Director of Parks and Recreation in Dickinson, ND, and the Public Policy Chair for the North Dakota Recreation and Parks Association. I also had the opportunity to work with Governor Dalrymple's Task Force for Property Tax Reform in North Dakota—that group's work was approved last legislative session. This tax force worked hard for over one year, meeting to review and analyze tax levies by political subdivisions. The outcome was a combination of tax levies eliminated, consolidated and capped. The decisions were made by a group of people who represented the political subdivisions, legislators and citizens, as well as the Governor and his staff.

Now is not the time to throw a random limit on local Park Boards after the task force spent a year diligently making recommendations.

Local Park Board Commissions are elected by the citizens of their respective communities, please let them make the decisions they were elected to do.

I urge a do not pass recommendation on HB 1361.

Thank-you.

3/15/2017 HB 1361 Attachment #27 pg 4

gfparks GRAND FORKS PARK DISTRICT

To: Senate Finance and Taxation Committee
Re: Opposition to HB 1361
Date: March 13, 2017

Chairman Cook and Members of the Committee,

I am opposed to HB 1361, property tax caps. I feel that this takes away local control from the elected officials that are Park Commissioners. I am also concerned with the potential unintended consequences such as increased bond interest rates, increased pressure on user fees, reduced flexibility, and other related items. In addition, Senate Bill No. 2288 (consolidated taxpayer notice) will help improve communication to local taxpayers about potential property tax increases.

I am asking the Senate Finance and Taxation Committee to make a do not pass recommendation.

Bill Palmiscno

Bill Palmiscno
Executive Director
Grand Forks Park District

Written Testimony of Ron Merritt
Executive Director, Minot Park District
To Senate Finance and Taxation Committee
In Opposition to HB 1361

Chairman Cook and Members of the Committee, my name is Ron Merritt, and I am the Executive Director of the Minot Park District. I am writing this testimony on behalf of the Minot Park District in opposition to HB 1361.

The Minot Park District believes it is very important to invest in public parks and recreation in order to provide quality of life for the citizens of our community. This kind of investment contributes to the economic health of our community. We are providing safe, affordable and accessible recreation opportunities for citizens and visitors, which helps to attract and retain a quality workforce here in Minot. Facilities and attractions drive tourism, increase opportunities for events, tournaments, festivals and other activities that contribute to a healthy community.

The Minot Park District builds and maintains parks and facilities through a variety of funding sources, including property taxes. We leverage all available funding methods for projects, and are proud of the fact that we use partnerships extensively in order to accomplish major projects. Our community has gone through tremendous growth in the last few years, and is poised to continue growing. Now is not the time to impose a 3 percent cap on property taxes. Our board approved a zero growth budget for 2017, and has done so in the past. We have also made increases based on the needs of our community, which can change rapidly. Natural disasters such as the flood of 2011, or the high snowfall this winter can have huge impacts on local budgets. Parks , trails and facilities need to be built while development is happening in order to be cost effective, and it is very difficult to go back to an existing neighborhood to complete these projects after the fact. No one can predict the next natural disaster or severe weather event that causes an emergency fund to be used up and need to be replenished.

Imposing a strict cap of a small percentage would limit our ability to meet the needs of our community and impose a funding limitation on our local park board commissioners who are elected to make these decisions for the best interest of our community. Our board has proven to be capable of limiting growth when appropriate, and also growing when appropriate for our community.

The Minot Park District urges a do not pass recommendation on HB 1361. Thank you.

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VCPR
Valley City Parks & Recreation

Valley City Parks & Recreation

North Dakota Legislative 2017 Session

HB 1361

March 14, 2017

We are writing on behalf of the Valley City Park District. We have some concerns over HB 1361. As the Park District Director, I have been involved with Park Districts my entire professional career. In that time, I have had 23 budget hearings, and I have only had one person show up to discuss the budget. This person wasn't even upset about the budget but just wanted to be more informed.

The Park Board is an elected position. They are tasked with keeping up with the local community needs. They are also responsible fiduciary to the public; if not, the public has the ability to vote them out of office.

The proposed bill really handcuffs the local control. Park Districts do not have the ability to call an election. We would need to go to the City and see if they will let us call an election; they may or may not depending if they need to raise theirs. If they do allow us to have an election, we now have to spend more taxpayer dollars.

There is already a cap on the number of mills we are allowed without a vote. We really think this is an unnecessary measure for us.

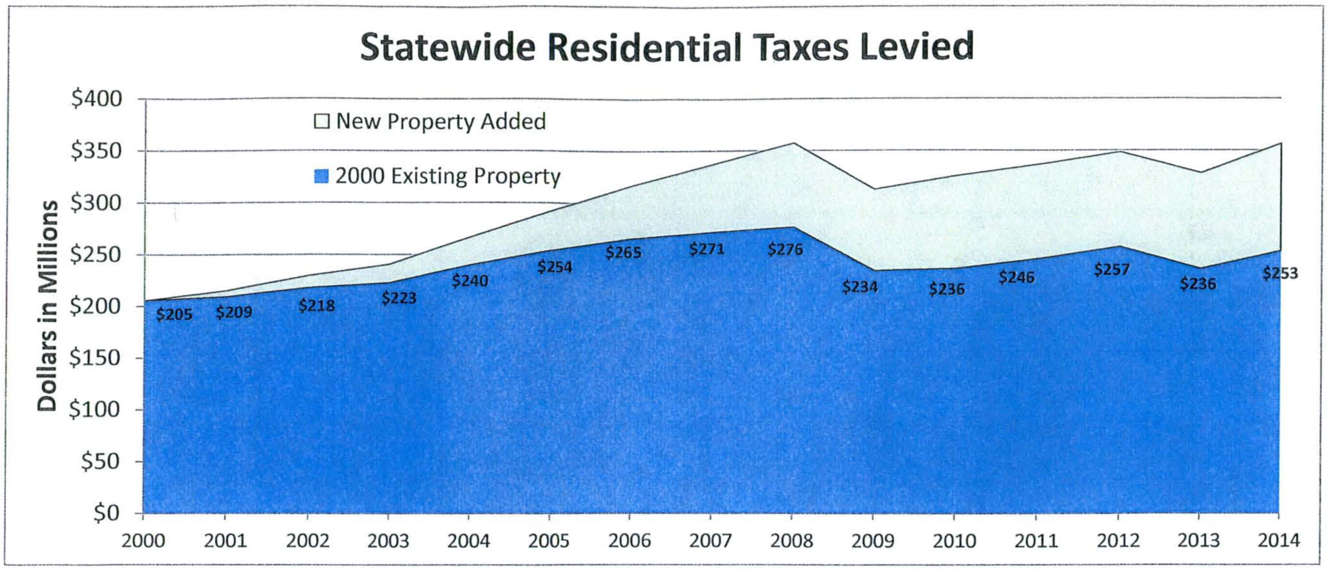
Sincerely,

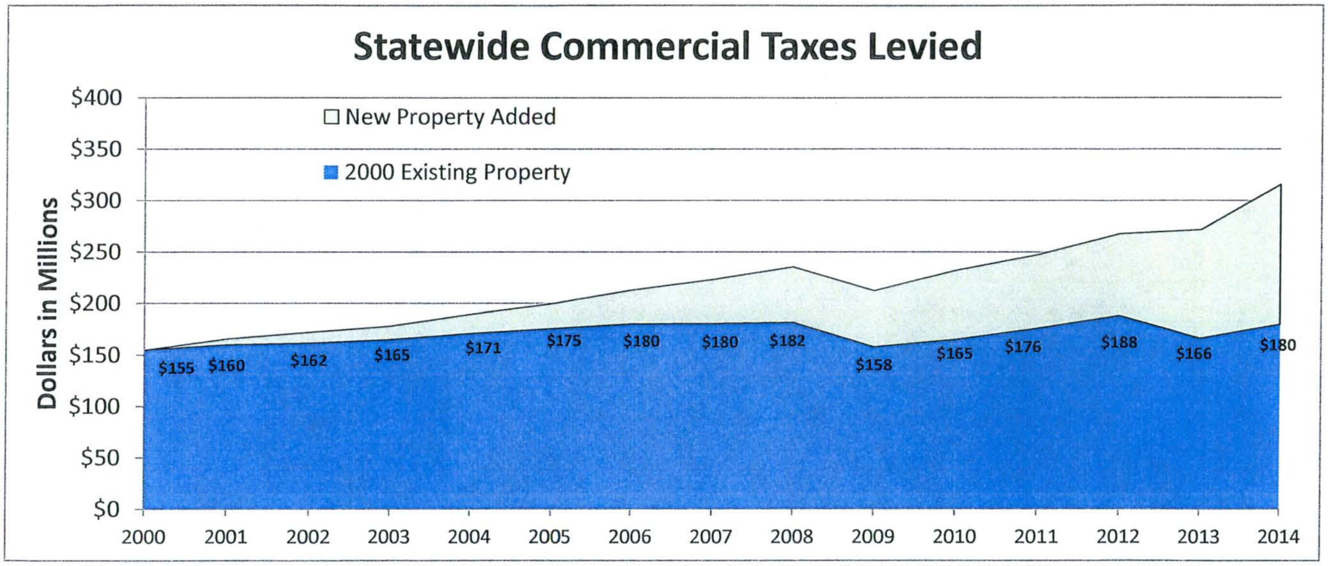
Tyler Jacobson, Director
Valley City Park District

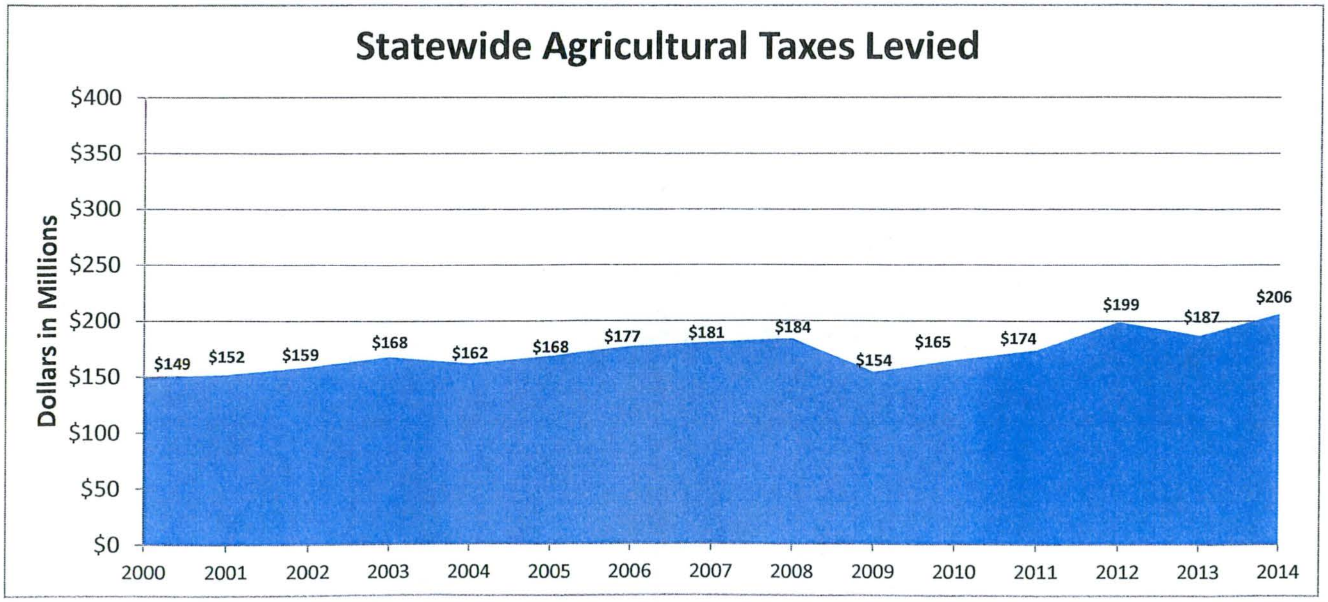
Dick Gulmon, President
Valley City Park Board

140 4th Street SW • P.O. Box 422 • Valley City, ND 58072-0422
Ph: (701) 845-3294 • Fax: (701) 845-2067 • www.vcparks.com

3/20/2017 HB 1361 Attachment #1 Pg 1







Statewide Valuation Change - New vs. Existing Property

	Residential property total value	Increase due to new property	Increase due to value growth of existng	Increase in total value	Percent of new property to total value		Commercial property total value	Increase due to new property	Increase due to value growth of existng	Increase in total value	Percent of new property to total value
2000	$9,840.00	$270.20			2.70%		$5,483.00	$172.10			3.10%
2001	$10,069.00	$281.20	($52.20)	$229.00	2.80%		$5,569.00	$192.40	($106.40)	$86.00	3.50%
2002	$10,728.00	$248.10	$410.90	$659.00	2.30%		$5,973.00	$162.60	$241.40	$404.00	2.70%
2003	$11,273.00	$256.90	$288.10	$545.00	2.30%		$6,185.00	$67.20	$144.80	$212.00	1.10%
2004	$12,099.00	$320.10	$505.90	$826.00	2.60%		$6,470.00	$170.30	$114.70	$285.00	2.60%
2005	$13,221.00	$395.80	$726.20	$1,122.00	3.00%		$6,784.00	$141.90	$172.10	$314.00	2.10%
2006	$14,631.00	$456.00	$954.00	$1,410.00	3.10%		$7,235.00	$240.00	$211.00	$451.00	3.30%
2007	$16,197.00	$553.70	$1,012.30	$1,566.00	3.40%		$7,921.00	$297.70	$388.30	$686.00	3.80%
2008	$17,701.00	$574.80	$929.20	$1,504.00	3.20%		$8,655.00	$321.90	$412.10	$734.00	3.70%
2009	$19,143.00	$476.20	$965.80	$1,442.00	2.50%		$9,270.00	$271.60	$343.40	$615.00	2.90%
2010	$20,355.00	$473.40	$738.60	$1,212.00	2.30%		$9,828.00	$310.60	$247.40	$558.00	3.20%
2011	$21,248.30	$483.10	$410.20	$893.30	2.30%		$10,350.00	$364.40	$157.60	$522.00	3.50%
2012	$22,225.40	$325.40	$651.70	$977.10	1.50%		$10,993.60	$379.40	$264.20	$643.60	3.50%
2013	$27,348.00	$3,189.00	$2,025.00	$1,164.00	4.26%		$15,800.00	$2,962.00	$1,356.00	$1,606.00	10.16%
2014	$30,289.00	$2,941.00	$1,888.00	$1,053.00	3.48%		$19,289.00	$3,489.00	$2,150.00	$1,339.00	6.94%

Statewide Ad Valorem Taxes

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Real Estate										
Rural Agricultural	167,725,516	176450842.59	180084435.40	182548569.34	153447345.79	163916124.43	173156216.96	198265985.93	185773169.59	205110302.96
Rural Residential	40,854,188	44250707.91	49074523.19	54767231.90	47428398.52	50043148.65	52724431.99	54196089.86	49841547.54	56240784.48
Rural Commercial	14,576,510	15787123.46	16073905.52	18068574.93	15585474.19	16768206.97	18707647.64	21388575.45	23518020.25	29675964.84
Urban Agricultural	727,870	782853.96	862763.35	1321953.04	778970.02	819203.91	846528.95	963335.11	944288.09	1045601.71
Urban Residential	251,117,067	272162870.13	287549980.86	302265516.87	264749738.71	275041694.94	283713050.15	293836305.53	278241818.70	299940009.92
Urban Commercial	152,443,863	164039131.96	175086810.90	183522084.69	161628914.93	170029219.53	178704214.33	194115986.01	193202668.54	224409954.31
Centrally Assessed										
Railroads	5,972,166	6242619.16	6515796.42	7470366.23	7537067.67	8544751.03	8536691.04	7998759.77	8087962.34	8359151.33
Electric, Gas and Heating	9,014,626	9501151.85	8489655.37	9244781.30	10360117.92	12602183.43	12342325.23	12882953.06	12545020.16	12241506.78
Pipelines	17,357,569	17210320.29	16802866.90	17189396.78	17233350.58	24223710.77	29037897.56	31293914.34	34079325.21	41269212.62
Total Ad Valorem Taxes	659,789,376	706427621.31	740540737.91	776398475.08	678749378.33	721988243.66	757769003.85	814941905.06	786233820.42	878292488.95

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HB 1361
Attachment #1
Pg 2

3/20/2017 HB 1361 Attachment #2 pg 1

Testimony To The
HOUSE FINANCE & TAXATION COMMITTEE
Prepared March 15, 2017 by the
North Dakota Association of Counties

REGARDING ENGROSSED HOUSE BILL No. 1361

Thank you Chairman Cook and committee members for the opportunity to submit testimony regarding House Bill 1361 on behalf of county government. The county officials that make up the North Dakota Association of Counties strongly agree with the goal of this bill, but they believe that the bill would not result in the desired effect, and therefore cannot support it.

We believe everyone is in agreement that reducing the growth in property taxes is important. However, as stated by a Purdue University economist in speaking of the property tax caps imposed several years ago in Indiana: *"The tax cap credit system is just a few hundred words [in law]. But once you start overlaying that on the whole rest of the budgeting and taxing system, then you get these sometimes strange and unexpected results."*

Bill Sheldrake, president of Policy Analytics is cited in the Indianapolis Business Journal that *rental property – rather than farmers – probably benefited the most* (from the Indiana property tax caps).

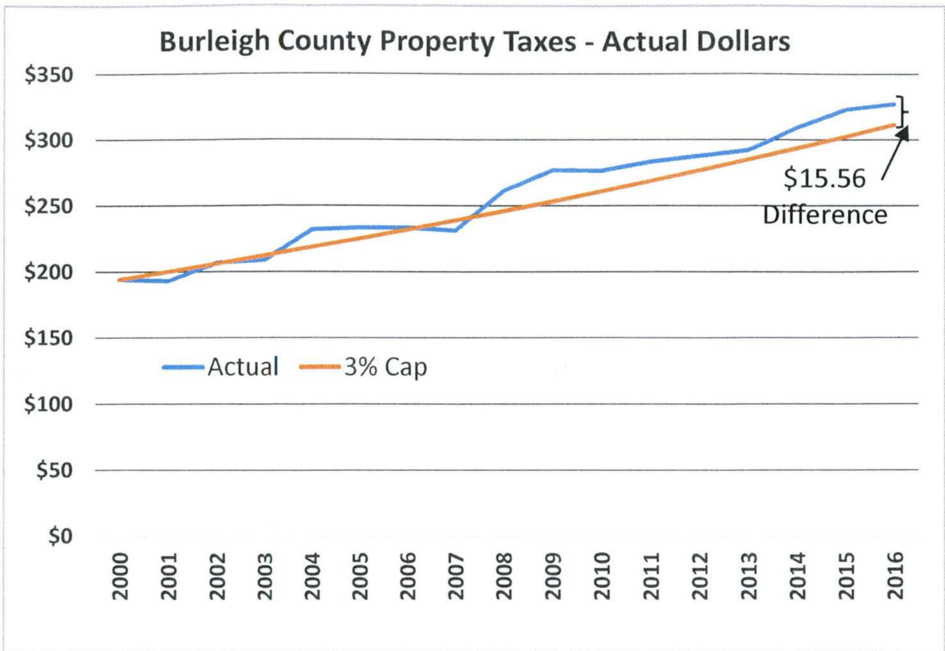
Increased state control of local finances was identified as a negative unintended consequence of property tax caps in one of the most recent comprehensive papers on the subject prepared for New York's consideration of the issue in 2014. This paper is available from NDACo's Legislative Blog here:
https://drive.google.com/file/d/0B4bYba4CUTL1eVBiQXFmXzdEanM/view?usp=sharing

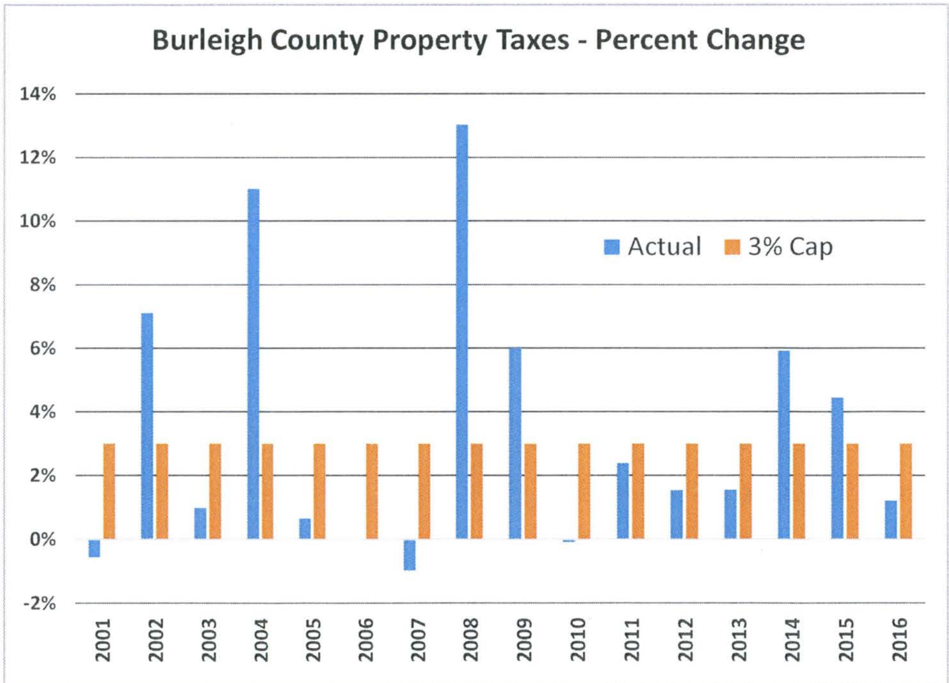
Probably the most concerning consequence is the dramatic impact to the state's economy. An economic analysis of a Texas proposal for a 3% valuation and/or a 3% property tax limitation concluded with the statement: *"By restricting the capacity of local governments to provide services; appraisal caps, revenue limits, and expenditure limits lead to a reduction in the quality of life and economic performance of the state."* A summary report of this analysis has been posted to the NDACo legislative blog, and can be found here:
https://drive.google.com/file/d/0B4bYba4CUTL1UWdfMkZtZG1tZDg/view?usp=sharing

North Dakota's county officials don't believe, when it comes to county taxes at least, there is a great need for this bill – when looking at taxes over the long term. On the reverse of this sheet, you will see a chart of the actual county taxes paid in Burleigh County (within Bismarck – often considered a high tax jurisdiction) for a parcel that has not had a significant change in valuation due to additions or remodeling. As you can see, when compared to an annual 3% increase, some years are above and some are below, but by the end of the most recent fifteen-year period, the variance from 3% is extremely small – amounting to $1 per year.

3/20/2017 HB 1361 Attachment #2 pg 2

When you consider the lower chart – comparing the annual percentage changes – you see that some years the county needed to make a significant adjustment, and many years taxes increased by less than 3% or even decreased. Clearly the county commission has been adjusting taxes to meet the very specific budgetary needs of each particular year. It seems that holding a county election six times in fifteen years would ultimately cost this taxpayer more than the $15.56 variance.





And finally, county officials truly believe that this bill would just mandate maximum tax increases each year. As an elected official could not know if the next year, or the year after, would involve a snow emergency, a flood, or a protest, it would only be prudent to "take the maximum" to ensure that any potential increase three, five or fifteen years down the road was preserved and the county board had not jeopardized their citizens.

As a legislature, you have increased the notices of tax adjustment, and we anticipate additional changes this session. Ultimately, control of property taxes is a local responsibility of the governing boards and the citizens. Adequate information and active participation is the key – not artificial limitations that may cause unknown and unintended results. Please give Engrossed House Bill 1361 a Do Not Pass recommendation.

3/22/2017 HB1361 Attachment #1 Pg 1

17.0202.05002

FIRST ENGROSSMENT

Sixty-fifth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1361

Introduced by

Representatives Carlson, Headland, Kasper, Louser

Senators Armstrong, Casper

A BILL for an Act to create and enact section 57-15-02.2 and a new section to chapter 57-15 of the North Dakota Century Code, relating to limitations of property tax levies by taxing districts without voter approval and a consolidated taxpayer notice containing estimated property tax levies and budget hearing information; to amend and reenact subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code, relating to determination of school district state aid payments; to provide a report to the legislative council; and to provide an effective date~~; and to provide an expiration date~~.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code is amended and reenacted as follows:

4. After determining the product in accordance with subsection 3, the superintendent of public instruction shall:
   a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the school district, provided that after 2013~~2019~~, the amount in dollars subtracted for purposes of this subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than twelve~~three~~ percent or, for school districts subject to the provisions of section 57-15-02.2, the amount in dollars subtracted for purposes of this subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than three percent or the percentage increase approved by a majority of the qualified electors of the school district pursuant to subsection ~~3~~5 of section 57-15-02.2; and
   b. Subtract an amount equal to seventy-five percent of all revenues listed in paragraphs 1 through 5, and 7 of subdivision f of subsection 1 and one hundred

3/22/2017 HB 1361 Attachment #1

percent of all revenues listed in paragraphs 6, 8, and 9 of subdivision f of subsection 1.

~~**SECTION 2.** Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:~~

~~**57-15-02.2. Limitation on levies by taxing districts without voter approval.**~~

~~1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of school districts. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:~~

~~a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.~~

~~b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.~~

~~c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.~~

3/22/2017 HB 1361 Attachment #1

~~d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.~~

~~2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:~~

~~a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.~~

~~b. Any irrepealable tax to pay bonded indebtedness levied under Article X, Section 16, of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.~~

~~c. The one-mill levy for the state medical center authorized by Article X, Section 10, of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.~~

~~3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.~~

~~4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.~~

SECTION 2. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority.

2. This section applies to taxing districts identified on the report provided to the tax commissioner pursuant to subsection 1 of section 3 of this Act, which in the preceding three consecutive taxable years would have exceeded the levy authority allowed after applying the calculation in subsection 3.

3. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

   a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

   b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

   c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

3/22/2017 HB 1361 Attachment #1

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

~~2.~~4. The limitation on the total amount levied by a taxing district under subsection ~~1~~3does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection ~~1~~3.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection ~~1~~3.

~~3.~~5. A levy exceeding the percentage increase limitation under subsection ~~1~~3 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection ~~1~~3, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection ~~1~~3 may be approved by electors for not more than one taxable year at a time.

~~4.~~6. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 3. A new section to chapter 57-15 of the North Dakota Century Code is created and enacted as follows:

3/22/2017 HB 1361 Attachment #1

Estimated property tax and budget hearing notice.

1. On or before August tenth of each year the governing body of a taxing district shall provide to the county auditor in each county in which the taxing district has taxable property a preliminary budget statement and the date, time, and location of the taxing district's public hearing on its property tax levy, which may be no earlier than September seventh. On or before August twenty-fifth of each year the county auditor in each county shall provide the tax commissioner a report of all taxing districts in the county for which the anticipated current year levy in dollars exceeds the amount levied by that taxing district in dollars in the preceding taxable year by more than three percent as calculated under section 57-15-02.2. On or before September tenth of each year the tax commissioner shall provide a report to the legislative council compiling the information from reports received under this subsection.

2. A taxing district that fails to provide the information required under subsection 1 on or before August tenth may not impose a property tax levy in a greater amount of dollars than was imposed by the taxing district in the prior year.

3. By August thirty-first of each year the county treasurer shall provide a written notice to the owner of each parcel of taxable property with a total estimated property tax of at least one hundred dollars. The text of the notice must contain:

   a. The date, time, and location of the public budget hearing for each of the taxing districts in which the property owner's parcel is located, which anticipate levying in excess of one hundred thousand dollars in the current year, and the location at which the taxing district's budget is available for review;

   b. The true and full value of the property based on the best information available;

   c. A column showing the actual property tax levy in dollars against the parcel by the taxing district that levied taxes against the parcel in the immediately preceding taxable year and a column showing the estimated property tax levy in dollars against the parcel by the taxing district levying tax in the taxable year for which the notice applies based on the preliminary budget statements of all taxing jurisdictions;

   d. A column indicating the difference between the taxing district's total levy from the previous year and the taxing district's estimated levy with the word "INCREASE"

3/20/2017 HB 1361 Attachment #1

printed in boldface type if the proposed tax levy is larger in dollars than the levy in dollars in the previous year;

e. Information identifying the estimated property tax savings that will be provided pursuant to section 57-20-07.1 based on the best information available; and

f. A statement that there will be an opportunity for citizens to present oral or written comments regarding each taxing district's property tax levy.

4. Delivery of written notice under this section must be by personal delivery to the property owner, mail addressed to the property owner at the property owner's last-known address, or electronic mail to the property owner directed with verification of receipt to an electronic mail address at which the property owner has consented to receive notice. If a parcel of taxable property is owned by more than one owner, notice must be sent to only one owner of the property. Failure of an owner to receive a notice under this section will not relieve the owner of property tax liability or modify the qualifying date under section 57-20-09 for which an owner may receive a discount for early payment of tax.

5. The tax commissioner shall prescribe suitable forms for written notices under this section.

6. The direct cost of providing taxpayer notices under this section may be allocated in a manner proportionate to the number of notices mailed on behalf of each taxing district that intends to levy in excess of one hundred thousand dollars in property taxes in the current year.

SECTION 4. EFFECTIVE DATE~~ - EXPIRATION DATE~~. ~~Section 2 of this Act is effective for the first two taxable years beginning after December 31, 2017, and is thereafter ineffective. Sections 1 and 3 of this Act are~~This Act is effective for taxable years beginning after December 31, ~~2019~~2017.

3/28/2017 HB 1361 Attachment # 1 pg 1

(17.0202.5002)
March 23, 2017
4:38 PM

AMENDMENTS TO XMAS TREE VERSION OF ENGROSSED HOUSE BILL NO. 1361
*Amendments Do Not Include Changes to Bill Title

Page 5, remove lines 30-31

Page 5, after line 31, insert:

"**SECTION 3.** Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~ prepare and transmit to the state tax commissioner~~, in such form as the tax commissioner may prescribe~~ a complete abstract of the tax list of the auditor's county.
2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the state tax commissioner, a report providing each taxing district's property valuation, property tax levy, and any other information the state tax commissioner determines is necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, the information shall be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.
3. The state tax commissioner shall compile the information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable that was taxable in the preceding year. The report shall be presented to the legislative management committee by April first of each year.
4. The state tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section."
5. On or before December 31, 2017, the county auditor shall also provide a report to the state tax commissioner providing the information identified in subsection 2 for the 2016 tax year.

2015 + 2016

3/28/2017 HB 1361 Attachment #1 pg 2

(17.0202.5002)
March 23, 2017
4:38 PM

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 21

Page 7, after line 21, insert:

"SECTION 4. REPEAL. Section 57-20-05 is repealed."

Page 7 line 25 replace "2017" with "2016"

Renumber accordingly

3/28/2017 HB 1361 Attachment #2 Pg 1

Zero Increase Mills - Valuation and Levy Information

Taxable Valuation	
Previous Tax Year	$102,392,021
Present Tax Year	$106,884,843

Valuation of New Land Growth in District	
Present Tax Year	$2,095,753

Mills Levied in Previous Tax Year	
General	43.61
Park	0.00
Transportation	0.00
HS Tuition	0.00
Judgment	0.00
Asbestos	0.00
Remodeling	0.00
Alternative Ed	0.00
Special Reserve	0.00
Special Assessment	0.00
Building	0.00
Sinking and Interest	0.00
Other Bonding	0.00
TOTAL Mills Levied	43.61

Proposed Mill Levy for Present Tax Year	
General	42.60
Miscellaneous Fund	0.00
HS Tuition	0.00
Special Reserve	0.00
Special Assessment	0.00
Building	0.00
Sinking and Interest	0.00
Judgment Bonding	0.00
57-15.17.1 Bonded Debt	0.00
TOTAL Mills Levied	42.60

Mill Levy	**42.60**

3/28/2017 HB 1361 Attachment #2 pg 2

		Previous Tax Year	Present Tax Year
Taxable Valuation		$102,392,021	$106,884,843
Adjustment for new or lost value			($2,095,753)
Adjusted Taxable Valuation			$104,789,090
	0	43.61	
Calculated Mills for Present Tax Year			**42.61**
Property Tax Revenue		$4,465,316	$4,465,316
Mill Levy			42.60
Property Tax Revenue			$4,553,294
Increase/(Decrease) in Dollars			$87,978
			$4,641,273
Percentage Increase in dollars			**1.93%**

3/28/2017

HB 1361

Attachment #2

pg 3

	Total Taxes Levied Previous Year	Total Taxes Levied Current Year	Net of Taxes Levied on Newly Taxable Property & Newly Exempt Property	Adjusted Total Taxes Levied this year	Increase in Taxes on Existing Property	Percent Tax Increase on Existing Property
	a	b	c	d	e	f=e/d
Burleigh County	4,465,316	4,642,573	(89,279)	4,553,294	87,978	1.97%
City of Bismarck						
Bismarck School District						
Bismarck Park District						
City of Wilton						
City of Moffit						
Sterling Township						
Menoken Township						
Hay Creek Township						

17.0202.05003
Title.

Prepared by the Legislative Council staff for
Senator Cook
March 31, 2017

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1361

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to voter imposed limitations on the amount of property tax levied by taxing districts; to amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the North Dakota Century Code, relating to certification of taxes levied by taxing districts; to provide for a report to the legislative management; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts with voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any park district, city, or county. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled.

2. Upon receipt of a petition containing the signatures of at least ten percent of the number of qualified electors of the taxing district who cast votes in the most recent election in the taxing district, but no fewer than twenty-five signatures, the governing body of the taxing district shall submit to the qualified electors at the next regular election the question of approving or disapproving the levy limitation under this section. The ballot measure question to approve the levy limitation must include a statement identifying the annual increase in property taxes levied by the taxing district in each of the previous three taxable years as reported in section 57-20-04. Levy limitations approved by electors may not be effective for more than one taxable year.

3. If approved by a majority of qualified electors in a taxing district voting on the question, property taxes levied in dollars by the taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

   a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable

4/3/17 HB 1361 Attachment #1

valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

4. The limitation on the total amount levied by a taxing district under subsection 3 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.

5. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 2. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~prepare and transmit to the~~ state~~ tax commissioner~~, in~~

4/3/17 HB1361 Attachment #1

~~such form as the tax commissioner may prescribe,~~ a complete abstract of the tax list of the auditor's county.

2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.

3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.

4. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.

5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years.

SECTION 3. REPEAL. Section 57-20-05 of the North Dakota Century Code is repealed.

SECTION 4. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2016."

Renumber accordingly

4/3/17 HB 1361 Attachment #2 pg 1

PROPOSED AMENDMENTS TO LEGISLATIVE COUNCIL AMENDMENT NO. 17.0202.05003 TO ENGROSSED HOUSE BILL NO. 1361

(Prepared by Legislative Intern Brady Pelton at the request of the Senate Finance and Taxation Committee)

April 3, 2017
9:00 AM
Amendment #: 1.02

Page 1, line 24, replace "regular election" with "regularly scheduled primary election or a special election to take place on the second Tuesday in June in a year that a primary election is not scheduled," 4/10/2017 HB 1361 Attachment #1 Pg. 1

NDLA, Intern 06 - Pelton, Brady

From: Cook, Dwight C.
Sent: Monday, April 10, 2017 4:07 PM
To: NDLA, Intern 06 - Pelton, Brady
Subject: Fwd: 1361 Additional Language

Sent from my iPhone

Begin forwarded message:

> **From:** "Thompson, Emily L." <emilythompson@nd.gov>
> **Date:** April 10, 2017 at 3:59:19 PM CDT
> **To:** "Cook, Dwight C." <dcook@nd.gov>
> **Subject: 1361 Additional Language**
>
> Hi Senator Cook,
>
> The following contains the language provided by the Tax Department (in blue) and the additional language to address the state hospital levy and Garrison Diversion levy (in green). Additionally, I believe the reference to "section 10" in 4(b) below may be a typo. I believe this should read "section 16". See the language of sections 10 and 16 of article X of the North Dakota Constitution, inserted below.
>
> 4. The limitation on the total amount levied by a taxing district under subsection 3 does not apply to:
>   a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.
>   b. Any irrepealable tax to pay bonded indebtedness levied under section ~~10~~16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3.
>   c. Taxes or special assessments levied to pay the principal and interest on any obligations or any park district, city, or county evidenced by the issuance of bonds. (*language provided by the Tax Department – may want to check with the Tax Department to see if this would now be duplicative to the corrected 4(b)*)
>   d. Taxes levied pursuant to law for the proportion of the cost to any park district, city, or county for a special improvement project by general taxation. (*language provided by the Tax Department*)
>   e. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 3. (*additional language regarding the state hospital mill levy*)
>   f. The levy, not to exceed one-mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8. (*additional language regarding the Garrison Diversion levy*)
>
> **Article, X, Section 10. [Sate medical center tax]**
>
> Upon the adoption of this amendment to the Constitution of the State of North Dakota there shall be annually levied by the state of North Dakota one mill upon all of the taxable property

within the state of North Dakota which, when collected, shall be covered into the state treasury of the state of North Dakota and placed to the credit of the North Dakota state medical center at the university of North Dakota; said fund shall be expended as the legislature shall direct for the development and maintenance necessary to the efficient operation of the said North Dakota state medical center.

Article X, Section 16. [Political subdivision debt repayment]

Any city, county, township, town, school district or any other political subdivision incurring indebtedness shall, at or before the time of so doing, provide for the collection of an annual tax sufficient to pay the interest and also the principal thereof when due, and all laws or ordinances providing for the payment of the interest or principal of any debt shall be irrepealable until such debt be paid.

Please note, the language above would need to be placed in proper form and style for any resulting amendment to HB 1361.

Thank you,

Emily Thompson
Legal Counsel
North Dakota Legislative Council
600 East Boulevard Ave
Bismarck, ND 58505
emilythompson@nd.gov
701.328.2916

17.0202.05010
Title.

Prepared by the Legislative Council staff for
Representative B. Koppelman
April 18, 2017

#1
4-18-17
HB 1361

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1361

That the Senate recede from its amendments as printed on pages 1634 and 1635 of the House Journal and pages 1383-1385 of the Senate Journal and that Engrossed House Bill No. 1361 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-15 of the North Dakota Century Code, relating to limitations on levies and expenditures with voter approval; to amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the North Dakota Century Code, relating to certification of taxes levied by taxing districts; and to provide for a report to the legislative management.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 57-15 of the North Dakota Century Code is created and enacted as follows:

Limitations on levies and expenditures with voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any park district, city, or county. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled.

2. Upon receipt of a petition containing the signatures of at least ten percent of the number of qualified electors of the taxing district who cast votes in the most recent general election in the taxing district, but no fewer than one hundred signatures, the governing body of the taxing district shall submit to the qualified electors at the next regularly scheduled primary election, or a special election to take place on the second Tuesday in June in a year that a primary election is not scheduled, the question of limiting the taxing district's expenditures or levy authority.

3. The question of limiting a taxing district's expenditures or levy authority is not effective unless it is approved by a majority of the electors voting on the question.

4. A limitation on the total amount a taxing district may levy pursuant to a ballot question under this section does not apply to:

   a. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.

b. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota.

c. Taxes or special assessments levied to pay the principal and interest of any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.

d. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

e. Taxes levied under sections 57-15-41 and 61-21-52.

5. If the duration of the limitation is not specified on the ballot, the limitation continues until a majority of the electors voting on the question vote to discontinue the limitation.

SECTION 2. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~prepare and transmit to the~~ state~~ tax commissioner~~, in such form as the tax commissioner may prescribe,~~ a complete abstract of the tax list of the auditor's county.

2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.

3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.

4. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.

5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years.

SECTION 3. REPEAL. Section 57-20-05 of the North Dakota Century Code is repealed."

Renumber accordingly

#2 p. 1
4-18-17
HB 1361

CHAPTER 40-43
PAYMENT AND COMPROMISE OF JUDGMENTS

40-43-01. Judgment or a settlement of a claim against municipality - Additional tax levied.

If a final judgment is obtained or a settlement is made of a claim against any municipality in this state, the governing body of the municipality, by resolution, may provide for the levy and collection of an annual tax upon all the taxable property within the municipality for the payment of such judgment or a settlement of a claim. The amount levied under this section for the payment of a judgment or a settlement of a claim against a municipality shall not exceed the limitation in section 57-15-28.1.

40-43-02. Compromise of judgments against municipalities - Tax levy to pay reduced judgment - Tax limitations not applicable.

Repealed by S.L. 2015, ch. 439, § 104.

40-43-03. Negotiable bearer bonds may be issued to pay compromised amount.

Repealed by S.L. 2015, ch. 439, § 104.

40-43-04. Levy of tax to pay principal and interest of bonds - Duty of county auditor.

Repealed by S.L. 2015, ch. 439, § 104.

40-43-05. Funding compromised judgment for negligence based on special assessment warrants - Subrogation rights of municipality.

When warrants payable from special assessments made to pay the cost of a local improvement have been or shall be issued by a municipality and the holder or holders of all or any portion of the issue of such warrants shall procure a final judgment against the municipality in damages based on the municipality's negligence or breach of duty in the levy or collection of the special assessments and such judgment shall be compromised and funded by the issuance of bonds as provided in this chapter, the municipality shall succeed and be subrogated to the rights of the holder or holders of the warrants in and to all remaining uncollected special assessments and to the fund created thereby, and the municipality shall receive payment and distribution from the uncollected special assessments as if it owned and held the warrants affected by the judgment. Moneys acquired in such manner by or for the municipality shall be held apart from its general funds and shall be applied first to the payment of the bonds issued in compromise of the judgment. After payment of all bonds issued in compromise of the judgment, the levy of an annual tax for the payment of the same shall be discontinued, and the municipality shall cover into its general fund any surplus then or thereafter acquired from its interest in the fund created by the special assessments.

40-43-06. Purpose of judgment funding provisions.

This chapter creates additional powers and optional and alternative methods for the single and specific purpose of enabling municipalities to pay and to compromise judgments, to issue bonds to fund and satisfy the same, to levy taxes in amounts necessary for such purposes without respect to limitations otherwise existing, and to scale down such judgments and compromise and fund the same over a period of years.

40-43-07. Political subdivisions authorized to carry liability insurance - Waiver of immunity to extent only of insurance purchased.

Repealed by S.L. 1977, ch. 303, § 18.

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board of city commissioners and the city auditor of said city; such order must recite upon its face the purpose for which such payment is made.

2. Any moneys remaining in a construction fund, after the completion of the payments for any city construction fund project which has cost seventy-five percent or more of the amount in such construction fund at the time of letting the contracts therefor, must be returned to the general fund of the city upon the order of the governing body of such city.
3. Upon the first day of June of each year, the custodian of any city construction fund shall pay into the general fund of such city any moneys which have remained in such fund for a period of ten years or more. The custodian shall consider that all payments which have been paid from the city construction fund for building purposes have been paid from the fund first acquired.

57-15-40. Penalty for unlawful withdrawal of construction fund.
Repealed by S.L. 1975, ch. 106, § 673.

57-15-41. Political subdivision tax levies for payment of special assessments exempt from levy limitations.
No tax levy limitations provided by any statute of this state apply to tax levies by any county, city, school district, park district, or township for the purpose of paying any special assessments or paying debt service on bonds issued to prepay special assessments made in accordance with the provisions of title 40, against property owned by such county, city, school district, park district, or township. Any surplus in the special assessment fund after all of the special assessments for which the fund was created have been paid shall be placed in the general fund of the political subdivision.

57-15-42. City fire department capital improvements and equipment acquisition funding.
The governing body of any city may provide funding from revenues derived from the capital improvements fund levy under section 57-15-38 for a fire department capital improvements and equipment acquisition and maintaining structural and mechanical components for fire department stations. Any levy under this section approved by the electors of a city before January 1, 2015, remains effective for ten taxable years or the period of time for which it was approved by the voters, whichever is less, under the provisions of this section in effect at the time it was approved. When the authority to levy under this section expires in a city, any unobligated balance in the fire department reserve fund must be transferred to the city capital improvements fund.

57-15-43. Tax levy for city having an organized firefighters relief association - Limitations - Disbursement.
Repealed by S.L. 2015, ch. 439, § 104.

57-15-44. City tax levy for acquiring real estate for public building.
Repealed by S.L. 2015, ch. 439, § 104.

57-15-45. Resolution and notice of election.
Repealed by S.L. 1967, ch. 430, § 2.

57-15-46. Form of ballot.
Repealed by S.L. 1967, ch. 430, § 2.

57-15-47. Conduct of election.
Repealed by omission from this code.

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bonds issued for the drain financed by such warrants or bonds. Interest shall be computed from the date of filing the assessment list in the office of the county auditor, or, if bonds are issued for right of way or for construction, extension, or renovation, from the date of first publication of the preliminary bond issue resolution, whichever date is the earlier.

61-21-52. Lien for and enforcement of drain assessments.

Drain costs determined by the board shall be extended upon the proper assessment list of benefited tracts in specific amounts computed according to the proportionate benefits found for each tract affected by the drain or by work done on the drain. A true copy of every such list affecting lands in a city shall be served on the auditor thereof promptly following completion. The assessment list shall then be filed in the office of the county auditor of the proper county or counties and said auditor shall extend upon the tax lists against the land affected the specific amounts of the drain assessments according to the drain assessment list prepared by the board. From and after the filing of a drain assessment list with the county auditor, the specific amounts levied and assessed against each benefited tract shall constitute a special tax thereon and shall be a lien upon such tract until fully paid. Such lien shall have precedence over all other liens except general tax liens, and shall be of equal rank and order with the lien of general taxes and shall not be divested by any judicial sale, tax sale, or foreclosure. This chapter shall be notice to all subsequent encumbrancers of the superior rank of drain liens imposed under the provisions hereof. Special drain taxes shall be collected and enforced as other taxes are collected and enforced and in the same manner as is provided in title 57. If no satisfaction of tax lien is made, the affected property shall pass absolutely to the board on foreclosure of tax lien provided the board pays the amount for satisfaction of lien, except the amounts of drain assessments, and may thereafter be sold by the board at public sale. The governing body of each city against which a drain assessment is made shall include in the earliest possible tax levy the amount assessed against it by the board, which amount shall be extended against all of the taxable property in such city as general taxes are extended, and such levy shall be over and above mill levy limitations prescribed by law. When the cost of any drain, or of an extension or enlargement or renovation thereof, shall be in such amount that the board finds that assessment of such total cost against the affected property for collection in full in a single payment would be unduly burdensome to such property, the board may determine to divide such cost into equal annual amounts to be assessed and collected over a period of not more than fifteen years. Drain costs and drain assessments shall include all expenditures for work and materials for the drain, including anticipated expenses, interest charges, and a reasonable charge for the establishment of a reserve fund with which the board may from time to time purchase tax delinquent property affected by the drain.

61-21-53. Drain bonds.

The board may issue bonds to finance acquiring drain right of way, locating and constructing drains, and funding unpaid drain warrants heretofore issued, or issued hereafter under this chapter. Drain bonds issued in whole or in part to finance expenditures for which warrants have not been issued shall not be authorized until after firm contracts for projected drain work have been made and proper undertakings therefor have been executed and filed, or until after the drain work has been completed. Proceedings for the issuance of bonds shall be initiated by the adoption of a preliminary resolution of the board which shall include information and findings as follows:

1. The maximum amount of drain bonds proposed to be issued.
2. The maximum interest rate such bonds shall bear.
3. Designation of the calendar years in which such bonds shall mature.
4. The complete name of the drain for which such bonds are to be issued.
5. The purpose or purposes for which the proceeds of the bonds will be used, including the total amount of drain warrants to be bought with such proceeds.

When such preliminary resolution has been duly adopted by the board, the board shall proceed to have the text thereof published in a legal newspaper of general circulation in the locality in which the particular drain is situated, and there shall be published with and as a part of such text a statement that from and after the expiration of thirty days next following the date of the first

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annual increase in payment of principal to approximate the annual decrease in the interest on amounts remaining unpaid, extending over a period of not more than thirty years.

40-24-08. Assessments for street beautification extended over a period of not more than ten years.

Special assessments for maintaining grass plots or trees or for parking or other improvements for the beautification of the streets of the municipality shall be payable in equal annual installments or in such annual amounts as will permit the annual increase in payment of principal to approximate the annual decrease in the interest on amounts remaining unpaid, extending over a period of not more than ten years as the governing body may fix by ordinance or resolution.

40-24-09. Payments in full of assessments - Payments to county treasurer or city auditor - Receipts.

The owner of any property against which an assessment shall have been made under this title for the cost of any improvement may pay in full or in part the amount remaining unpaid and the unpaid interest accumulated thereon. The payment in full shall discharge the lien of the assessment upon the owner's property. The payment may be made to the county treasurer upon all installments of the assessments which have been certified to the county auditor and may be made to the city auditor upon all portions of the assessment which have not been certified. Any person desiring to pay any portion of the assessment to the city auditor shall obtain from the city auditor a certificate of the amount due upon the assessment which has not been certified to the county auditor and shall present such certificate to the city auditor. The city auditor shall receive and collect such amount and issue a receipt to the person paying the assessment. The city auditor shall note upon the city auditor's records the payment of the assessment.

40-24-10. One-fifth of cost of improvement may be paid by general assessment within constitutional debt limit.

Any municipality, at the option of its governing body, may provide for the payment by general taxation of all the taxable property in the municipality of not more than one-fifth of the cost of any improvement financed by the levying of special assessments other than the opening and widening of streets or the laying of sewer or water connections from the main to the curb line. Any amount which the municipality shall determine to pay by general assessment shall be considered as a part of the debt of the municipality and shall not be valid unless such amount is within the constitutional debt limit of such municipality. Any incorporated city, by a two-thirds vote of the qualified voters thereof voting upon the question at a general or special election, may increase its limit of indebtedness three percent on the assessed valuation of taxable property in such city beyond five percent of the valuation thereof, and by a majority vote, in like manner, may increase its limit of indebtedness four percent of such valuation without regard to the existing indebtedness of such city for the purpose of constructing or purchasing waterworks for furnishing a supply of water to the inhabitants of such city, or for the purpose of constructing sewers; provided, that such increase or increases must be duly voted before the levy of any general taxes exceeding the existing debt limit may be made to pay part of the cost of any such improvement. In making any contract with reference to any special improvement, the governing body may take into consideration such portion of the cost of the improvement as will be paid by general assessment and may make appropriations and levy taxes and assessments therefor in annual installments extending over the same period of time as is provided in the special assessments for such improvement. The appropriation may be made at such time as occasion may require and shall be included in the municipality's first annual tax levy thereafter. The appropriation and levy, whether it is made as a part of the regular annual appropriation ordinance or otherwise, shall state the specific improvement for which the assessment is made and the tax levied, the amount thereof, and the district in which the improvement is made. The amount of such assessment and the moneys collected thereon shall become a part of the district fund upon which the warrants issued in payment for the improvement are to be drawn.

#3
4-18-17
HB 1361

Koppelman, Ben

From: Kent Costin <KCostin@cityoffargo.com>
Sent: Tuesday, April 18, 2017 2:20 PM
To: Koppelman, Ben
Cc: Tim Mahoney; Bruce Grubb; Michael Redlinger
Subject: Fargo Bonding Feedback on HB 1361
Attachments: 17.0202.05010a.pdf

Ben,

Thank you for your help in clarifying the exemptions in Section 1 (4) of HB 1361. I just spoke with John Shockey about final changes requested.

We request that you add the levy authority currently contained in 40-43-01 and 40-24-10 to Section 1 4 (e) to make sure that all levy authority relating to bond issues and judgements is preserved and not compromised by any form of voter initiative.

Please let me know you received this message since you need it by 2:30 today.

Thanks again,

Kent Costin, CPA | Director of Finance | City of Fargo, North Dakota | 200 3rd St. North, Fargo, ND 58102
o: 701-241-8158 | f: 701-476-6754 | e: kcostin@cityoffargo.com

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HB 1361
4-18-17

17.0202.05012
Title.

Prepared by the Legislative Council staff for
Representative B. Koppelman
April 18, 2017

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1361

That the Senate recede from its amendments as printed on pages 1634 and 1635 of the House Journal and pages 1383-1385 of the Senate Journal and that Engrossed House Bill No. 1361 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-15 of the North Dakota Century Code, relating to limitations on levies and expenditures with voter approval; to amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the North Dakota Century Code, relating to certification of taxes levied by taxing districts; and to provide for a report to the legislative management.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 57-15 of the North Dakota Century Code is created and enacted as follows:

Limitations on levies and expenditures with voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any park district, city, or county. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled.

2. Upon receipt of a petition containing the signatures of at least ten percent of the number of qualified electors of the taxing district who cast votes in the most recent general election in the taxing district, but no fewer than one hundred signatures, the governing body of the taxing district shall submit to the qualified electors at the next regularly scheduled primary election, or a special election to take place on the second Tuesday in June in a year that a primary election is not scheduled, the question of limiting the taxing district's expenditures or levy authority.

3. The question of limiting a taxing district's expenditures or levy authority is not effective unless it is approved by a majority of the electors voting on the question.

4. A limitation on the total amount a taxing district may levy pursuant to a ballot question under this section does not apply to:

   a. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.

#1 p.2

b. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota.

c. Taxes or special assessments levied to pay the principal and interest of any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.

d. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

e. Taxes levied under sections 40-24-10, 40-43-01, 57-15-41, and 61-21-52.

5. If the duration of the limitation is not specified on the ballot, the limitation continues until a majority of the electors voting on the question vote to discontinue the limitation.

SECTION 2. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~prepare and transmit to the~~ state~~ tax commissioner~~, in such form as the tax commissioner may prescribe,~~ a complete abstract of the tax list of the auditor's county.

2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.

3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.

4. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.

5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years.

SECTION 3. REPEAL. Section 57-20-05 of the North Dakota Century Code is repealed."

Renumber accordingly

17.0202.05013
Title.

Prepared by the Legislative Council staff for Senator Unruh
April 19, 2017

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4-20-17

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1361

That the Senate recede from its amendments as printed on pages 1634 and 1635 of the House Journal and pages 1383-1385 of the Senate Journal and that Engrossed House Bill No. 1361 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 57-15-02.2 of the North Dakota Century Code, relating to limitations of property tax levies by taxing districts without voter approval; to amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the abstract of a county tax list and a statewide property tax increase report; to repeal section 57-20-05 of the North Dakota Century Code, relating to certification of taxes levied by taxing districts; to provide for a report to the legislative management; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 57-15-02.2 of the North Dakota Century Code is created and enacted as follows:

57-15-02.2. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of school districts. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

    a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

    b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

   a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

   b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

   c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

   d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

   e. Taxes or special assessments levied to pay the principal and interest on any obligations of any taxing district evidenced by the issuance of bonds.

   f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

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SECTION 2. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall ~~make~~prepare and transmit to the ~~state~~ tax commissioner~~, in such form as the tax commissioner may prescribe,~~ a complete abstract of the tax list of the auditor's county.

2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.

3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.

4. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.

5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years.

SECTION 3. REPEAL. Section 57-20-05 of the North Dakota Century Code is repealed.

SECTION 4. EFFECTIVE DATE. Section 1 of this Act is effective for taxable years beginning after December 31, 2017."

Renumber accordingly