

**2021 HOUSE FINANCE AND TAXATION**

**HB 1200**

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Room JW327E, State Capitol

HB 1200  
1/19/2021

A bill relating to limitations on property tax levied by taxing districts without voter approval and relating to the calculation of school district state aid payments.

**Chairman Headland** opened the hearing at 9:00am. Roll call:

<b>Representatives</b>	<b>Present</b>
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	N
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

### Discussion Topics:

- Levying property taxes without voter approval
- Capping local budgets at 2% growth

**Representative K. Koppelman** introduced the bill.

**Kent Costin, Director of Finance for the City of Fargo**, testified in opposition. Testimony #1272.

**Chad Peterson, Chairman of the Cass County Commission**, testified in opposition. Testimony #1370 and 1373.

**Donnell Preskey, North Dakota Association of Counties**, testified in opposition. Testimony #1415.

**Bill Wocken, North Dakota League of Cities**, testified in opposition. Testimony #1297.

**Harold Stewart, City Manager for the City of Minot**, testified in opposition. Testimony #1308.

**Michael Montplaisier, Finance Director for Cass County**, testified in opposition. Testimony #1365.

**Dr. Aimee Copas, Executive Director for the North Dakota Council for Educational Leaders**, testified in opposition. Testimony #1147.

**Mike Bitz, Superintendent of Mandan Public Schools**, testified in opposition. Testimony #1321.

**Brandt Dick, Superintendent for Underwood School District**, testified in opposition. Testimony #1223.

**Mark Vollmer, Superintendent of Minot Public Schools**, testified in opposition.

**Amy DeKok, North Dakota School Boards**, testified in opposition.

**Chairman Headland** closed the hearing at 10:05am.

**Additional written testimony:**

**Bea Streifel, ND CWPAC**, submitted testimony in favor. Testimony #1404.

**Dwayne Heinrich, Mayor for the City of Jamestown**, submitted testimony in opposition. Testimony #1474.

**Allyn Sveen, Auditor for the City of Stanley**, submitted testimony in opposition. Testimony #1332.

**Shannon Schutt, Executive Director for the North Dakota Recreation and Park Association**, submitted testimony in opposition. Testimony #1291.

**Tim Godfrey, Superintendent for Kenmare School District**, submitted testimony in opposition. Testimony #1097.

*Mary Brucker, Committee Clerk*

**City of Fargo**  
**House Finance and Taxation Committee Hearing**  
**HB1200 - 2% Property Tax Caps**  
**1/19/2021**

Chairman Headland and members of the House Finance and Taxation Committee, thank you for the opportunity to testify on HB 1200. I am Kent Costin, Director of Finance of the City of Fargo.

We have testified in previous legislative sessions on the strategy of this bill and wanted to provide a variety of reasons that placing a 2% cap on one of our major revenue sources will have a negative impact on ability to meet the needs of our community.

There are many variables that go into development of municipal budgets and in the end of what can be a difficult process, City leaders are charged with balancing budgets, just like State Legislators. Over my past thirty-four years of managing and reporting City finances, I think of many categories of expenditures that cannot and should not be restrained by placing a 2% property tax cap. Bear in mind that our property tax levy is a major revenue source representing about 32% of our General Fund budget.

Factors that most directly impact our budgets include national, State, and local economic conditions, city growth, federal and state revenue sharing levels, taxation, interest rates, commercial and residential building growth, wage inflation and workforce availability, additional staffing for a growing community, health care and pension benefits, equipment and facility needs, and new debt service on our capital assets investments. All these issues will impact budgets that are partially supported by property taxes. There can be significant volatility in these costs as well as volatility in our revenue sources as well, often greatly more than 2%. Many of these items are uncontrollable and are an essential part of our operating and capital budgets. We manage them diligently and have been able to balance out budgets on a consistent basis without raising property taxes.

We have experienced fuel prices that spiked as much as 60%, health care premiums that trend in double digits, (21% in 2021) and an almost total loss of investment income in recent years. Returns on cash reserves have declined in the past years from 6% - 7% a few years ago to now less than 1%. Our local sales tax collections that have historically produced steady growth declined in 2016 through 2018 and are slowly returning to 2015 levels.

The COVID-19 pandemic of 2020 has impacted our revenue base including our major revenue sources from the State aid and highway funds. Major downward adjustments were approved mid-year 2020 anticipating a decline in State and local revenue sources. We anticipate a recovery could occur once our communities are fully vaccinated, however, there is no way to predict the long-term impact of the pandemic and how many years an economic recovery might take. Cities will need to carefully evaluate their revenue base and adjust as needed to maintain service levels. If Federal and State COVID-19 support dwindle in the future local leaders may need more flexibility in raising revenues.

Despite the difficulty in managing our budgets, our City Commission has reduced our tax rate by about 6% over the past six years. We believe that we have been good stewards of taxpayer money and do not feel that a property tax cap is necessary. Our conservative approach to budgeting our resources is evident when looking at our spending growth patterns that have declined in recent years.

If our City is spending beyond our ability to sustain our operations, it will eventually impact our services to the Community. Voters are in control of electing City Commissioners and if they feel they are not being served well or if we are not doing a good job of managing our financial affairs they will vote for change. Recently, Fargo instituted approval voting that gives more power to the people when electing our City Commissioners.

The City of Fargo opposes this bill as it will unnecessarily restrict and constrain our ability to manage our financial affairs and serve our citizens in healthy manner. We support a DO NOT PASS vote on this bill.

Thank you for the opportunity to submit our testimony.

Written Testimony To  
THE HOUSE FINANCE AND TAXATION COMMITTEE  
January 19, 2021  
By Michael Montplaisir, Cass County Finance Director  
Cass County Government

REGARDING HOUSE BILL 1200

Mr. Chairman and members of the House Finance and Taxation Committee, I am Michael Montplaisir, Cass County Finance Director. House Bill 1200 puts artificial restriction of 2% on the dollar amount of growth in property taxes levied and attempts to overrule local needs and local citizen approved home rule charters.

Cass County has been a model of efficient use of tax dollars and in collaborating with other local units of government to provide services to hold down not only Cass County's tax levy but other units of government as well. Some of our cooperative efforts to hold down the property tax dollars of Cass County and other local units of government are:

Red River Regional Dispatch Center that covers not only Cass County but Clay County, Minnesota as well. Cass County pays all of the North Dakota costs for the dispatch center, most of it with 911 fees, but the county has to supplement that with general property tax dollars, \$708,000 for 2019, and it looks like about \$600,000 for 2020. Those are dollars that the City of Fargo and West Fargo do not have to levy since the county has taken on the funding for entire Cass County share of costs.

The Cass County Public Safety Communications System to bring our Sheriff, Police, Fire, Emergency Responders, and Public Works communications system up modern technology. Again, using property taxes - we believe it is cheaper for one entity to fund and coordinate the entire project. Our rural responders, fire, ambulance, and EMS units would probably not be able to afford to upgrade their systems without the county paying the cost.

The Career Workforce Academy, something that is a need to provide trained workers in a market that is desperate for them. Again, this a cooperative venture with other local units of government, the private sector, and hopefully the State of North Dakota.

The citizens of Cass County passed a Home Rule Charter in 1994 limiting Cass County levies to 75 Mills, the county has always been appreciative of that limit, which is much lower than other counties. The highest mill rate the county has approved since that time is 69 mills, since 2015 the mills levied has been less than 60 mills and since 2017 less than 50 mills. The county is being prudent with the authority granted by the citizens of Cass County.

An artificial percentage limit of growth of dollars levied does not work for a community with growing needs and costs. Please allow local governments to manage the one source of revenue they have. Our local governments have the best interests of their citizens at heart and provide the needed services that are vital to their communities.

I urge you to give a do not pass to HB 1200.

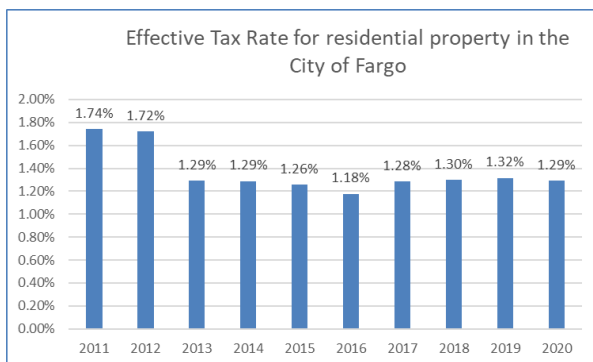
Testimony to the  
**House Finance and Tax Committee**  
 January 19, 2020  
 Chairman Chad Peterson, Cass County Commission

### Regarding: House Bill 1200

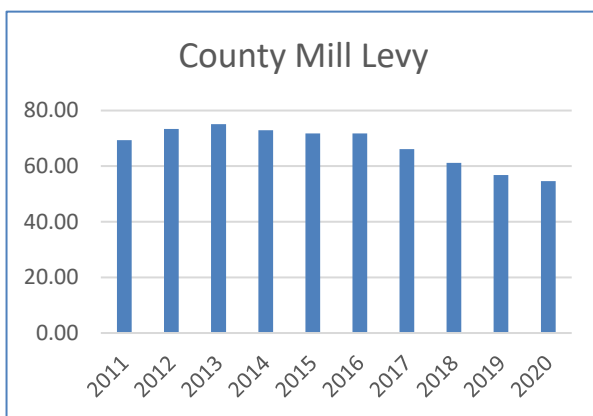
Chairman Headland and committee members, my name is Chad Peterson and I am Chairman of the Cass County Commission and serve on the North Dakota County Commissioners Association Board of Directors. I'm here to request a **DO NOT PASS** of HB 1200 regarding regulation of local government taxation.

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 governments expenses regardless of a boards 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 the board to try and capture the full 2% annually in anticipation of unforeseen events. 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 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, in Fargo we show the effective tax rate (ETR) has been decreased substantively when compared to 2011 and essentially maintained thereafter.



As an example, Cass county lowered our levies. Had voters not elected to pay for upgrades to 911 services via property tax, we'd be 5 mills lower. 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 1200 regarding local government taxation.





Testimony Prepared for the  
House Finance & Taxation  
January 19<sup>th</sup>, 2021  
Donnell Preskey, NDACo

### RE: Opposition to HB 1200 – Property Tax limitation

Good morning Chairman Headland and committee members. I'm Donnell Preskey with the North Dakota Association of Counties. Thank you for this opportunity to provide testimony in opposition to House Bill 1200 on behalf of our 53 counties and our county officials that are charged with the fair and equitable administration of our property tax system.

We recognize and appreciate the intentions behind this proposed legislation – a reduction in property tax growth that is equitable for all taxpayers. However, we believe this bill would most likely have adverse consequences.

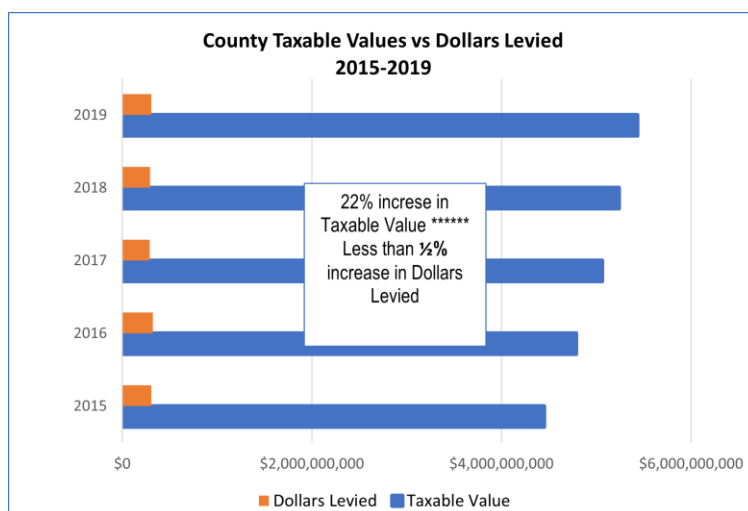
This bill seeks to cap local budgets at 2% growth. Having a cap removes the ability for counties to respond to urgent needs or in addressing extenuating circumstances. Think about the costs associated with a flood, a snow emergency, the construction of a necessary facility, or a protest. Commissioners have no idea of what could occur in the next year or the year after. Therefore, we believe if this bill passes, the result could be the opposite of what is the bill sponsor's intentions. What will occur is local taxing jurisdictions increasing budgets 2% every year, regardless, so they have the funds available for unforeseen situations. We would be reversing a trend that has been happening in a vast majority of our counties, that are holding the line on property taxes.

This is a bill looking to address a problem that really isn't there.

Here's a look at the data.

Looking at the difference between 2018 and 2019 in the change in dollars levied. 11 counties either decreased the amount of dollars levied or had a 0% change. 5 additional counties had an increase between 0 and 2% in the amount of dollars levied.

Comparing data collected over the past five years provides even greater clarity. Since 2015, taxable values have increased 22%; however, the dollars levied has only increased .34%.



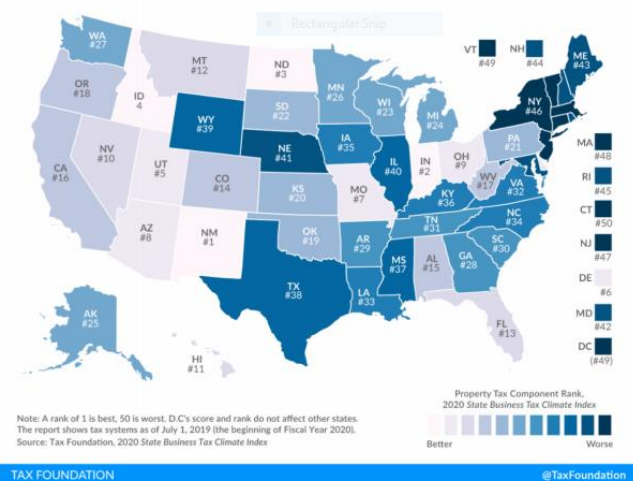
The state funds used to relieve the local tax burden of paying for county social services in 2017 had a positive impact on taxpayers across the state. 47 of our 53 counties did what you expected of them; by lowering levies and decreasing property taxes in at least one of the two years. 18 counties lowered in both '16 and '17. These figures are calculated using the “zero growth” formula – excluding new property – much as HB1200 calculates the cap. These decreases are very unlikely to happen with the restrictions proposed in this bill.

We also are very much opposed to the portion of this bill that specifies that counties with home rule charters (12 home rule counties in ND) would also fall under the 2% cap mandate. In those counties, citizens have already gone to the polls to show support for the county to be home rule to have greater local control. It is bad policy to change the rules of the game for those counties.

We also question the fairness of allowing the state to be exempt from the 2% cap by allowing the state medical center and the Garrison Diversion Conservancy District to be excluded.

We want to commend the legislature for the property tax relief you have passed on to our citizens over the years through significant school funding, shifting social services to the state. In addition, you have made great efforts to increase transparency and education on property taxes. The uniform tax notice was used for the first time in 2018, which has provided greater opportunities for informed citizen input. 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.

**How Does Your State Rank on Property Taxes?**  
Property Tax Component Rankings, 2020 State Business Tax Climate Index



To close, this map also illustrates that what we are doing as a state is well balanced as the Tax Foundation ranked North Dakota #3 in the nation for the best property tax system. The credit really goes to state lawmakers working effectively with local officials, for providing solid and fair tax policy which has allowed our local officials to do their job in meeting the needs of their communities.

I want to stress again, county officials truly believe this bill would just mandate a NO Tax Decrease – EVER. We urge you to give HB 1200 a Do Not Pass Recommendation.

Testimony in Opposition to House Bill 1200  
January 19, 2021  
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 Finance and Tax Committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities in opposition to House Bill 1200. The bill seeks to limit the property tax levy increase from one year to another by any taxing jurisdiction to no more than two percent in dollars unless an increase is approved at a special election.

This concept has been debated several times over at least the last ten 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 two 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 recall past winters to know that snow removal costs can vary greatly as can other municipal expenses. One cannot budget for all extreme situations so state law allows taxing jurisdictions to set aside a contingency amount or emergency fund. If that fund is diminished it needs to be 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. This bill affects that provision of law. In a time in which all levels of government are facing a great number of uncertainties and recovery from the effects of the COVID 19 virus, this legislation may be crippling. We know that there will be a "new normal" after COVID is controlled but none of us know what that will look like.

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 two 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 of this type.

In a community that is growing there will be costs associated with growth that will not coincide with tax base growth advantages resulting from that growth. For example, streets and utilities need to be installed in a subdivision to allow homes to be built. It is rare for the increased tax base to occur in the same year as the infrastructure investment is made yet, without the infrastructure, growth and tax base expansion would not be possible. If there is no growth the only other option is decline.

This bill allows for an expensive election if a local government needs to exceed the two percent increase cap. Preliminary budgets must be provided to the county auditor by August 10 each year. Prior to 2017, preliminary budgets needed to be complete by the end of September. We often hear from city auditors and city finance directors that the move to August has created a lot of issues with putting together an accurate budget. In order to use the election process allowed by this bill, a city would need to have a preliminary budget completed in March to comply with all the statutory timeframes, as it takes a minimum 64 days to call an election. Additionally, elections are not cheap and this would likely be an expense that was not budgeted in the previous budget.

Local elected officials are responsible for their city's annual budget and the mill levy resulting from it. This legislation would tie their hands unnecessarily. 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 1200 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.

House Finance and Taxation  
Chairman – Representative Craig Headland  
January 19, 2021

### Testimony

By: Harold Stewart  
City Manager, City of Minot  
[harold.stewart@minotnd.org](mailto:harold.stewart@minotnd.org)  
701-857-4750

### HB 1200

Thank you for the opportunity to testify regarding HB 1200 on behalf of the City of Minot. We would like the record to show that the City of Minot is opposed to the changes proposed in this bill.

Minot, like many other communities throughout the State of North Dakota, experienced a significant decrease in many revenue streams this past year that support various operational costs and projects. State Operating revenues received by the City decreased \$2.22 million (27.3% decrease from the prior year), State Capital revenues decreased approximately \$935,000 (34.7% decrease from the prior year), Sales Tax revenues decreased \$3 million (15% decrease from the prior year), and HUB City revenues decreased \$2.28 million (36.3% decrease from the prior year). These decreases represent the financial impacts of the COVID pandemic, the changes in the oil market, and other economic pressures.

In addition to the significant decline in revenues, Minot continues to experience the need to fund rising operational costs and infrastructure investments. The City has had to prioritize needs such as the maintenance and replacement of current aging infrastructure, installation of new infrastructure to address growth and capacity needs, investment into wages and benefits to decrease employee turnover due to market competitiveness, and recovery and prevention efforts from the 2011 Flood. Minot is not alone in experiencing declining revenues simultaneous with increasing demand and cost for local government services and infrastructure investment.

Given the previously stated background, the City of Minot would respectfully request this committee to consider the following impacts this proposed bill represents to local jurisdictions:

1. This bill in essence freezes property tax revenues. While there is a 2% growth factor included, over time this will fall grossly behind inflation and market value growth resulting in a revenue decrease over time.
2. The requirement of voter approval for additional funds, while good in theory for transparency purposes, will result in significant reductions in local government services. As revenues continue to decline and expenses for service delivery/infrastructure increase, taxing jurisdictions will have no choice but to reduce or eliminate critical services in the future. This is a pattern observed in other states that have enacted similar state laws.
3. The limitation of voter approved tax increases being limited to one-year increments is cumbersome and ineffective. Seeking voter approval every year increases local election costs resulting in tax dollars not being available for other services and priorities. In addition, this condition creates an unstable environment for taxing jurisdictions to enter sustainable partnerships to meet local needs.

4. Ultimately, this bill erodes local control and erodes the sustainability of local governments.

Local governments exist to provide core protections and services to their constituencies such as public safety, utilities, quality roads, a rich quality of life, and protection of rights. HB 1200 undermines the sustainability of cities to continue to meet these needs for the foreseeable future. As such Minot respectfully requests this bill receive a “do not pass” recommendation from this committee.

Written Testimony To  
THE HOUSE FINANCE AND TAXATION COMMITTEE  
January 19, 2021  
By Michael Montplaisir, Cass County Finance Director  
Cass County Government

REGARDING HOUSE BILL 1200

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An artificial percentage limit of growth of dollars levied does not work for a community with growing needs and costs. Please allow local governments to manage the one source of revenue they have. Our local governments have the best interests of their citizens at heart and provide the needed services that are vital to their communities.

I urge you to give a do not pass to HB 1200.





HB1200 – Property Tax limitations on school districts –

## NDCEL Testimony

Good morning Chairman Headland and members of the Finance and Taxation committee. For the record, my name is Dr. Aimee Copas. I am the Executive Director for the ND Council of Educational Leaders. NDCEL works with our ND School leaders and administrators such as - Superintendents, Business Officials, Principals, Technology Leaders, and most all others in the school building except our teachers and school board members.

We are here today to express concern about HB 1200 and to share with your committee information that may make you agree with this position regarding the negative position this would put school districts in and the state in from a fiscal standpoint.

HB 1200 is bringing to this committee a similar bill that this legislative body has seen for several sessions. While I understand full well the positive intent of this bill to save taxpayers money, the reality is that it may – or may NOT do just that. Furthermore, it erodes the authority of another group of elected officials that have a very real duty and job to perform, and that is our locally elected school boards. This bill effectively limits the boards rightful authority to establish their local tax request with their patrons. School budget hearings are noticed and take place annually and the opportunity is very appropriate to allow those local communities work out the amount they wish to invest in their school.

When addressing the need to keep up with inflationary costs a district could potentially be tasked with, bearing the potential additional expense of an annual vote to simply cover the cost of operation without any unusual cost shifting in any way. This is an unfortunate and unnecessary use of funds.

When we think about conservative ideals – we must consider how we manage through decisions. It is possible that sponsors of this bill feel they are answering to the needs of their constituents or

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education for all students in North Dakota.*

*Executive Director: Aimee Copas-----Assistant Director: Russ Ziegler*



1 of their own beliefs to put a desire to control taxable rates in front of local decision making. In an  
2 effort to center more control in the capital, state lawmakers are restricting local elected officials'  
3 ability to make local quality of life decisions. At the same time in policy committees there is a  
4 deluge of bills before education each session (this one being no different) that often have a claim  
5 to **not** have a fiscal note, but which ultimately do cost school districts money upon their  
6 application. Local school boards must be able to respond and ensure those laws are applied and  
7 that they can be afforded.

8 Last session we worked to partner with the legislature to put in place a plan that would bring ALL  
9 districts onto the formula within 7 years. We must stay the course on this pathway to ensure equity.  
10 Adjusting critical functions within the formula such as this one could derail the work done last  
11 session. We strongly encourage this committee to recommend a do-not-pass on this bill.

1 Chairmen Headland and members of the Finance and Taxation Committee,

2 Good Morning and thank you for the opportunity to appear before you today in opposition to  
 3 HB 1200. My name is Mike Bitz, and I am fortunate to serve as the superintendent of Mandan Public  
 4 Schools. I am also the president on the North Dakota Superintendent's Association.

5 **I want to be respectful to the sponsors of this bill, I believe they mean well, but one of the**  
 6 **guiding principles of a true conservative, is local control. It is difficult to argue for local control when**  
 7 **decisions are being made in Washington, and then argue against local control when decisions are**  
 8 **being made anywhere other than Bismarck.** The same voters who elected each of you to the legislature  
 9 also cast their ballot for the members of their local school board. If voters have an issue with the  
 10 actions of school board members, they have the ability to make a change. HB 1200 is an attack on local  
 11 control. It should receive a DO NOT PASS from this committee on that issue alone.

12 Aside from the issue of local control, HB 1200 is unnecessary because school districts are not  
 13 abusing their taxing authority. The ND School finance formula is a partnership between the state and  
 14 local school districts. A common misbelief is that the state per pupil payment is \$10,036 per-pupil. In  
 15 reality, the \$10,036 is a per-pupil-guarantee. **Each school district is required to levy a minimum of 60-**  
 16 **mills against the property in the district.** The state then adds to the dollars received from this levy to  
 17 ensure that, regardless of a student's zip code, the local districts will have a minimum of \$10,036 to  
 18 spend on each student. Below is an example of how the state school finance formula affects the  
 19 Mandan Public School District:

20	ND State Per-Pupil-Guarantee	\$10,036.00
21	Minus Revenue from 60-Mill Local Levy	\$ 1,871.41
22	Minus 75% of in-Lieu Revenue (Tuition, Oil, Gas)	<u>\$ 177.90</u>
23	Actual State Per-Pupil Payment	\$ 7,986.69

24 Mandan is considered a property poor school district. As a result, the state payment to  
25 Mandan is higher than it is for most other districts. It is important to remember that **no two**  
26 **school districts receive the same per-pupil-payment from the state.** This is why local control is so  
27 important for school districts

28 If enacted, HB 1200 would have no impact on the 60-mill minimum general fund levy. In fact,  
29 this bill would only impact the 10 discretionary mills allowed in the general fund. **Since the current**  
30 **school funding formula was enacted by the 2013 ND Legislature, Mandan has never levied over the**  
31 **60-mill minimum general fund levy.** Several of my colleagues and I spent time this weekend trying to  
32 find a school district whose 2020-2021 general fund levy would have been limited by HB 1200. We  
33 could not find a single district that went above and beyond what would have been allowed had HB 1200  
34 been codified into law. HB 1200 is legislation trying to solve a problem that does not exist.

35 I appreciate the opportunity to appear before you today and I urge the committee to give HB  
36 1200 a unanimous DO NOT PASS recommendation. I would be happy to stand for any questions you  
37 may have.

**HB 1200 Testimony**

Chairman Headland and members of the committee, for the record my name is Brandt Dick, Superintendent of Underwood School District, North Dakota Small Organized Schools's Board President, and North Dakota Association of School Administrators Legislative Focus Group finance chair. I am here to speak in opposition of HB 1200.

This bill limits local taxing authority's ability to increase their budget by more than 2% without a vote of the people. School Districts would be subject to the decreased amount from the current 12% to 2%. School districts currently have limitations in the total amount they can levy in their general fund—70 mills of their taxable valuation, and a cap of 12 mills in the Miscellaneous Levy. Once a school district is levying at these caps, the only way to go above these caps is by the vote of the people.

The first reason I oppose this bill is that locally elected school board members should have the authority to set their budget as needed to effectively run their local school districts. The present 12% is accepted and decreasing the limit to 2% would further erode the authority of locally elected school boards.

As an example, in Underwood, I provide a revenue forecast of what authority the local school district has in asking for additional local tax dollars. I have been at Underwood School District since 2011, and the board has yet to levy the maximum amount the law would have allowed them to. Local school boards are accountable to local taxpayers, and they need the authority to be able to levy what is needed to adequately fund their schools. Local control is what is needed for school district budgets.

The second and more pressing need for 94 school districts in the state is the reality that cuts in revenue from the state are forthcoming. There are 94 school districts that are considered transition minimum schools, and receive \$49.2 million dollars in additional revenue. These schools, due to hold harmless clauses, baseline funding levels set, etc. are receiving more revenue than the school funding formula generates. The 66<sup>th</sup> Legislative Assembly adjusted this for these school districts so that beginning in 2021-22, these districts would see an annual 15% cut in the amount of excess dollars they are currently receiving from the state. Underwood is a transition minimum school district in that we receive an additional \$345,536 than if we were on the formula. This next school year, that amount will be cut by 15%, then an additional 15% until we are on the formula in seven years. While we know this is coming, we have tried to make sure we do not ask for these dollars until the cuts happen. This bill would hurt our ability to ask for these dollars we are being cut to maintain our present budget, not even accounting for the cost of living increases needed.

In conclusion, I feel the present 12% limit, as well as other caps and limitations are sufficient, and further reductions are not needed. I will stand for questions.

Thank you for your work on this bill! I support HB 1200. As a ND property owner I support this bill and recommend to pass this bill!

Thank you!

CITY OF JAMESTOWN



NORTH DAKOTA

OFFICE OF MAYOR  
102 THIRD AVENUE SOUTHEAST  
JAMESTOWN, NORTH DAKOTA 58401

PHONE (701) 252-5900  
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January 18, 2021

Honorable Craig Headland, Chairman  
House Finance and Taxation Committee  
North Dakota House of Representatives

RE: House Bill 1200

Dear Chairman Headland and Members of the Committee:

I am writing to you today to speak in opposition to House Bill 1200. Although I serve as the Mayor of Jamestown, I have not asked the City Council to weigh in on this matter, so I am writing on my own behalf in opposition to this bill.

Unfortunately, those of us at the bottom of the food chain who are responsible for paying bills sometimes find ourselves in a position where there is simply no alternative except for raising taxes to maintain sound local government. We may not like it, but that is the truth. We have elections in the city every two years. This is the vehicle for voter approval of the job we are doing.

I have in the past invited members of the legislature to come to our budget meetings or hearings and publicly comment on any portion of our budget they feel to be improper and explain their position to our residents. For every action there is a reaction. No one took me up on that offer.

There is another problem here that simply has to do with practicality. With the time constraints on when our budgets must be submitted, there simply would not be sufficient time in most cases to hold an election after it became obvious that an increase above 2% would be necessary. And let's not forget there are property-rich cities and property-poor cities and in many cases that has really nothing to do with how well the city is or is not being run, but often by geography or other quirks of fate.

Jamestown for example is as you all know a wonderful small town, but much of our heavier industry is located out of the city limits and we also have an above average percentage of tax-exempt properties. This leaves a position where we have one of the higher mill rates of the 10 largest cities. However, if we had the same per-capita tax valuation as the average of the other nine larger cities, we would be the lowest mill levy and that mill levy would raise \$500,000 more than what our now highest or second highest mill levy raises.

These are decisions that must be left to where they can be best decided and that is at the local level.

Thank you very much for your thoughtful consideration.

Yours Truly,

Dwaine Heinrich, Mayor  
City of Jamestown, North Dakota



#1332

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January 18, 2021

HB # 1200 (1/19/2021 Hearing – 9:00 A.M.)

Dear Chair Headland and Honorable Members of the House Finance and Taxation Committee:

I am respectfully requesting you to support a **“DO NOT PASS”** on House Bill #1200 relating to limitations on property tax levied by taxing districts without voter approval.

House Bill #1200 restricts the ability of local governments to operate efficiently by limiting a tax increase by no more than two percent, with exceptions as presented in the proposed bill. Maximum levy limitations are imposed pursuant to State Law; I am asking that your trust the people we elect at the local levels of government that they do not place any unnecessary tax burdens on the citizens.

Stanley City levies 39.70 mills for their General Fund bringing in approximately \$600,000. The maximum levy can be at 105 mills for the General Fund. Assuming there are cities that already levy 105 mills or close to, this would restrict the ability for those cities that have been conservative and are not near the maximum levy. A 2% increase would only allow Stanley City to increase \$12,000 in their General Fund based on the same taxable valuation.

Please do not place this unnecessary burden on local governments, your support for a **“DO NOT PASS”** on House Bill #1200 is greatly appreciated.

Sincerely,  
Allyn Sveen  
Stanley City Auditor

E-mail: District #2 & #4 House Representatives  
[bertanderson@nd.gov](mailto:bertanderson@nd.gov)  
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**Testimony of Shannon Schutt  
North Dakota Recreation & Park Association  
To House Finance and Taxation Committee  
In Opposition to HB 1200  
Tuesday, January 19, 2021**

Chairman Headland and Members of the Committee, my name is Shannon Schutt, and I am the executive director of the North Dakota Recreation & Park Association (NDRPA). We represent more than 900 members, primarily park districts, and work to advance parks, recreation and conservation for an enhanced quality of life in North Dakota. We are in opposition to HB 1200.

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 a high quality of life in North Dakota 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. Park board commissioners are elected by the public to make decisions about necessary park district expenditures, including the amount of property tax levied within statutory limits. 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 hinder park districts' abilities to meet the needs of their communities and impose funding limitations, as well as the extra costs of an election, 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 1200. Thank you.

Dear Chairman and members of the committee, thank you for the opportunity to testify pertaining to HB 1200. My name is Tim Godfrey and I'm the superintendent of Kenmare Public Schools. I'd like to start by echoing something my father used to say. I hate paying taxes but can stomach it as long as my money is going towards something that makes our lives better. There isn't much argument that educating our children is one of those things.

When I look at HB 1200, I get further frustrated with the direction of public education. In North Dakota, we have heard the catch phrase "local control" echoed over and over again.

Unfortunately, as an educational leader, I feel that local control has been stripped from us steadily over the years. We have locally elected officials to determine policy and the direction of our school districts. This includes levying taxes on our stakeholders to ensure the effective and efficient operation of our educational program. HB 1200 erodes the ability of these individuals to appropriately do this very thing.

Please take into consideration the annual increases we face each year in teacher and staff salaries and benefits. As it stands now, we are barely able to keep up with inflationary costs when it comes to supporting healthy teacher salaries. This in turn makes it harder to hire and retain high caliber educators. Also, two years ago, Kenmare School district was faced with an 18% increase in medical insurance costs. That increase in cost amounted to several thousands of dollars. As a small rural school district, we don't have the flexibility in our budget to accommodate such a cost without having control over the amount of taxes we are able to levy. And this is just one instance in the fluctuation of expenses for us. We suffered last year with a decrease in transportation revenue due to COVID19. But our expenses for this year's transportation costs will not decrease. How do we make up for this? By using our general

revenue to offset the expense. Kind of a rob Peter to pay Paul scenario. In the end, something will suffer. Whether it be staffing, much needed curriculum, or materials and supplies to support our students' academic and social/emotional well-being.

Besides all the obvious reasons for not supporting HB 1200, please consider the fact that the way this bill is written, it seems convoluted and overly complicated. The current ability for a locally elected school board to approve up to a 12% increase in general fund revenue has adequately supported our ability to educate our children. I feel confident that decreasing that to 2% will negate all we've been able to do and will undermine the ability of North Dakota public schools to educate our children in a way that prepares them for success in their futures.

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Room JW327E, State Capitol

HB 1200  
1/19/2021 PM

A bill relating to limitations on property tax levied by taxing districts without voter approval and relating to the calculation of school district state aid payments.

**Chairman Headland** opened discussion at 2:05pm.

Representatives	Present
Representative Craig Headland	P
Representative Vicky Steiner	P
Representative Dick Anderson	P
Representative Glenn Bosch	P
Representative Jason Dockter	P
Representative Sebastian Ertelt	P
Representative Jay Fisher	P
Representative Patrick Hatlestad	AB
Representative Zachary Ista	P
Representative Tom Kading	P
Representative Ben Koppelman	P
Representative Marvin E. Nelson	P
Representative Nathan Toman	P
Representative Wayne A. Trottier	P

### Discussion Topics:

- 2% cap
- study

Committee discussion.

**Chairman Headland** closed the discussion at 2:15pm.

*Mary Brucker, Committee Clerk*

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Room JW327E, State Capitol

HB 1200  
1/20/2021

A bill relating to limitations on property tax levied by taxing districts without voter approval and relating to the calculation of school district state aid payments.

**Chairman Headland** opened discussion at 10:20am.

<b>Representatives</b>	<b>Present</b>
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	AB
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

### Discussion Topics:

- Calculation of school district state aid payments
- Restriction of 2% on the dollar amount of growth in property taxes levied

**Representative Dockter** discussion with the committee.

**Vice Chairman Steiner** made a motion for a Do Not Pass.

**Representative Hatlestad** seconded the motion.

<b>Representatives</b>	<b>Vote</b>
Representative Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	N
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y

Representative Zachary Ista	Y
Representative Tom Kading	N
Representative Ben Koppelman	N
Representative Marvin E. Nelson	AB
Representative Nathan Toman	N
Representative Wayne A. Trottier	Y

**Motion carried 9-4-1**

**Vice Chairman Steiner will be the bill carrier.**

**Chairman Headland** closed the discussion at 10:30am.

*Mary Brucker, Committee Clerk*

**REPORT OF STANDING COMMITTEE**

**HB 1200: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1200 was placed on the Eleventh order on the calendar.