

House Finance and Taxation
Chairman Craig Headland
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HB 1446

Chairman Headland and Members of the House Finance and Taxation Committee, my name is David Lakefield and I am the Finance Director for the City of Minot. I would like to thank you for your time to address this bill this morning.

I am unable to support the bill in its current format. I think that most people would agree that property tax relief is generally a good thing, there are a number of uncertainties in the mechanics of this bill that are of concern.

While preparing this testimony, I had a number of questions regarding the sequence of operations. The process outlined appears to provide for payment to the local subdivisions in late June or July. This would be substantially different than the current process where a greater portion of property tax revenues are received early in the year and could potentially cause cash flow problems for some political subdivisions.

Of greater concern was section 15 where it outlines the process for the State Tax Commissioner to prorate the credits if there are not enough funds to pay all of the claims. It is unclear is the

remainder of the tax would still be paid by the property owner and the mechanism to accomplish that.

When I reviewed the Fiscal Note to the bill, it indicates that "If the money available in the legacy property tax relief fund is insufficient to cover the full amount of credits claimed, the tax commissioner is to prorate the credit amounts for payment to each county. This would potentially leave counties and their political subdivisions with a shortfall of revenue equal to the amount of credits claimed but not reimbursed through the primary residence property tax credit program."

This is of great concern to political subdivisions and could have a devastating impact on our ability to provide critical services to our residents.

The bulk of funds raised through property taxes goes to fund the General Fund. The bulk of General Fund spending goes to provide public safety services and administrative services. The bulk of these costs are related to employee salaries and benefits. Minot's 2021 Budget includes a total appropriation of \$45,694,436 for the General Fund. Of that, \$19,793,770 or 43.3% is funded by property taxes. The remainder of the costs are supported by other revenue sources such as fees for services, sales tax, grants, and Federal and State funds. The cost of salaries and benefits for General Fund Departments is \$28,358,748. Public Safety (Police and Fire) accounts for more than half of these costs. It is critical that the source of revenue to provide these critical services is stable and somewhat certain.

While I would be in support of the concept of property tax relief through a funding mechanism such as this, there needs to be some safeguards in place to insure that political subdivisions will be able to raise the funds necessary to support their operations.

Thank you for your time today. I would urge you to give HB 1446 a "do not pass" recommendation.