

**House Finance and Taxation
Chairman Craig Headland
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**By: David Lakefield
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HB 1461

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.

As a city staff member that is very involved in preparation and management of the annual budget for the City of Minot I would like to highlight a few concerns with the proposed legislation.

As we develop a budget for the city we incorporate priorities that are determined by our elected officials. These priorities include essential services as well as an expected level of service to be provided across the entire organization. The budget is then compiled to provide these services as close to the expected service level at the most cost effective method using the best data available at the time. This process requires us to make a number of assumptions and forecasts.

The City of Minot 2023 budget totaled \$182,627,269 of which \$27,186,821 or 14.9% was funded by property tax. The bulk of the funds raised through property tax are used to fund

public safety, street maintenance and general administrative functions. In the 2023 budget, Minot appropriated \$23,413,081 for public safety activities and another \$5,596,528 for street maintenance. These departments represented a 9.3% increase YOY and these budgets were nearly \$2 million more than what was levied for property tax. The dollar amount levied as property tax increased 4% although the mill rate decreased by 1.3%. This was the result of an increase in taxable value of 5.4%. 41% of this increase came from new construction and the bulk of that was from the Trinity Hospital project. When the new hospital becomes operational, it will cease to be taxable and under this bill would count against any future tax increase. This will make it extremely difficult to even keep pace with inflation in the 2024 budget.

Restrictions such as those imposed by this bill do not allow a local government to be responsive to the needs of their community, does not provide the ability to react to outside economic forces and severely limits the ability to recover from weather related events.

As you are all aware, the Souris River Basin is in the middle of a very large flood control project of which the City of Minot is the primary funding source for the local match. Minot has dedicated a portion of their sales tax revenues to fund this project and has also issued bonds in support of the project. Even though sales tax revenues are projected to be sufficient to service the debt, underwriters look to reduce risk by adding an additional general obligation guarantee. This is possible because the city currently has the ability to raise the revenue via its levy authority should sales tax collections be insufficient. Limits to that ability such as that proposed in this bill could negatively impact the cost and/or capacity to fund these projects via the sale of bonds.

For these reasons, I would request that the committee give HB 1461 a do not pass recommendation.

Thank you.