Testimony HB1302

Sam Wagner on behalf of
Dakota Resource Council
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Testimony in Opposition for HB 1148

To the Honorable Chairman of the House Ag Committee and to the representatives of the house. DRC would like to submit the following comments on HB1148.

This bill is well intentioned and we have supported bills like this in the past to increase value added agriculture, but in the light of recent projects such as the North Dakota Soy Processing (NDSP) Soy Crushing facility in Casselton and Fufeng Wet Corn Milling Facility in Grand Forks we have some concerns about the state just giving money away to companies that can more than afford to pay for their own infrastructure.

I would like to give you my own account on what happened with NDSP in Casselton North Dakota because I live there. When the company first announced they would be building a facility outside Casselton, it was promised that they would pay us 1.3 million dollars a year in revenue in the form of property taxes, initially they asked for a PILOT (Payment in Lieu of Taxes) program of 15 years with no taxes. In the end they agreed to pay Casselton 250k a year and an extra 100k a year to the city for 15 years in exchange for not annexing them to the city where they would be forced to pay taxes. The result was our city lost 800 thousand dollars of potential tax revenue a year to a company that was expected to make 84 million dollars in net profit for the first year alone. According to the Grand Forks City meeting minutes, Grand Forks gave Fufeng a 90% PILOT agreement for 10 years and a 75% PILOT agreement for years 11-20. If you're doing the math those respective cities are set to lose out on way more than 15 million dollars in tax revenue alone that could have gone to infrastructure projects. NDSP has also cut deals with Cass County Rural Water to finance their water projects and the Cass County officials to have their roads renovated. And they have quietly got an exemption to pay state taxes for their facility.

We'd also like to remind you that these are foreign corporations that will likely siphon money out of our state, rather than investing in North Dakota.

The question is should the state also be providing similar incentives that are already being given out by city and county governments? If companies like NDSP and Fufeng are getting similar incentives from local governments, does the state government really need to do this because what will likely happen if this bill passes is companies will get local tax incentives and state tax incentives.

If ND wants to provide tax incentives for value added agriculture projects wouldn't it make more sense for the state government to reimburse local governments for tax incentives for these projects, rather than allowing companies to access both local and state tax incentives. In addition, local governments need the tax revenue more than the state government, so shifting the financial burden would make more sense.

We would urge you to recommend a DO NOT PASS vote on this legislation unless amendments are made to address ways for the state to reimburse local governments for lost tax revenue.