

**Testimony on House Bill 1176**  
**Brenton Holper- City Administrator, Horace**  
**3/17/2025**

Chairman Weber, members of the Senate Finance & Taxation Committee:

Thank you for the opportunity to testify regarding HB 1176. My name is Brenton Holper, City Administrator/Auditor for the City of Horace. I'm here to express concerns regarding HB 1176 as currently written.

Horace is one of the fastest growing cities in North Dakota. In 2024, our growth for single family residential building permits represented over 17% of those issued within the entire state. With this growth comes tremendous challenges in being conscious of property taxes for our residents, while still being able to provide relief when we've been able to. Within the 2024 budget, our City Council was able to reduce the mill rate for our residents. We pride ourselves in being conscious of our mill rate, while keeping a lean staff and building our reserve funds (that were non-existent as recent as 2018) when revenues are positive. We are mindful that we do not levy a property tax that goes beyond the needs of the community.

Although we have concerns regarding HB 1176, we're focusing on just the ones that would most impact our community. These include:

- The 3% cap
  - This would significantly reduce our ability to keep up with both inflation and be able to address the core services that we would be able to provide residents.
  - Over the last 5 years, the average CPI has been approximately 3.8%. A strict 3% cap would mean we would be starting in a deficit.
  - Regarding City employees, we've already been given a heads up that the group health insurance premium is expected to increase at least 12% this year.
- Secondary impacts, due to our relationships with other local government entities such as Cass County (Sheriff and Assessor responsibilities).
  - Like many other communities across the State, the City of Horace partners with Cass County for law enforcement and assessing services with a cost share component. If Cass County faces a significant reduction in property tax revenues, they will be forced to reduce partnerships and/or increase the cost assessed to the City of Horace.
- Credit rating downgrades
  - If the ability to levy property taxes by jurisdictions are limited, we face the prospect of credit rating downgrades from agencies such as Moody's. This in turn would result in higher interest rates on bonds, and higher special assessment interest rates to residents.

A few suggested revisions to HB 1176 include:

- Consider a cap based on the CPI + 2%, with a ceiling of 6% and a floor of 2%. This would help with accounting for services in growing communities, while still providing meaningful reform.
- Allow cities to recognize 50% of the percentage annual growth in addition to the CPI + 2% formula, but not to exceed the ceiling of 6% (i.e. if CPI is 1%, CPI + 2% = 3%; the community grew 6%, half of that growth is an additional 3% for a total allowable increase of 6%).

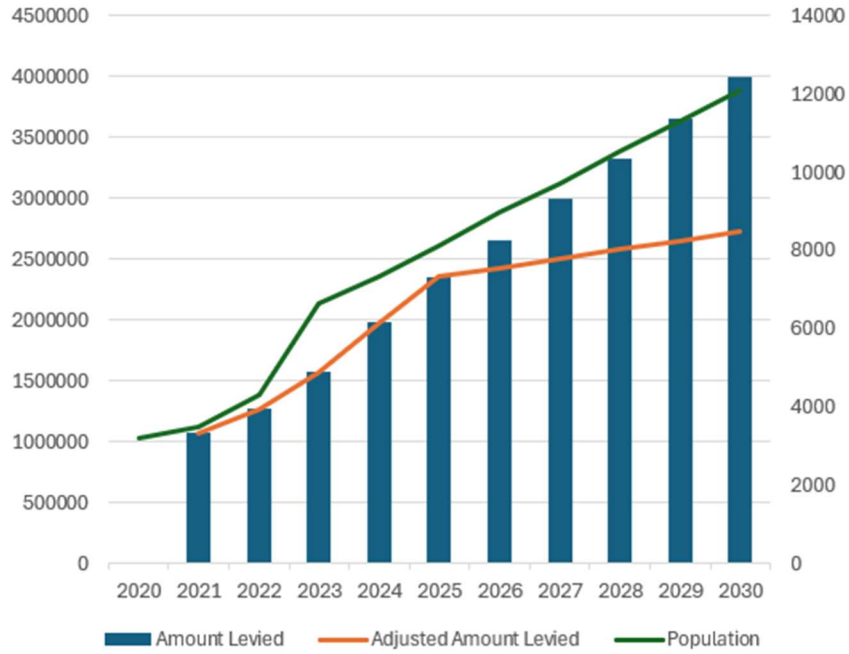
### City of Horace 2026-2030 example

We have compiled an example of what our projections are based on historical trends regarding property tax levies over the next 5 years, looking at both a 3% cap and a max of a 6% cap.

3% cap:

Budget Year	Amount Levied	Adjusted Amount Levied	Population
2020			3200
2021	\$ 1,073,267.00	\$ 1,073,267.00	3500
2022	\$ 1,268,241.00	\$ 1,268,241.00	4300
2023	\$ 1,575,565.00	\$ 1,575,565.00	6655
2024	\$ 1,980,904.00	\$ 1,980,904.00	7344
2025	\$ 2,358,178.00	\$ 2,358,178.00	8132
2026	\$ 2,661,986.00	\$ 2,428,923.34	8962
2027	\$ 2,994,590.00	\$ 2,501,791.04	9731
2028	\$ 3,327,194.00	\$ 2,576,844.77	10526
2029	\$ 3,659,798.00	\$ 2,654,150.11	11325
2030	\$ 3,992,402.00	\$ 2,733,774.62	12112

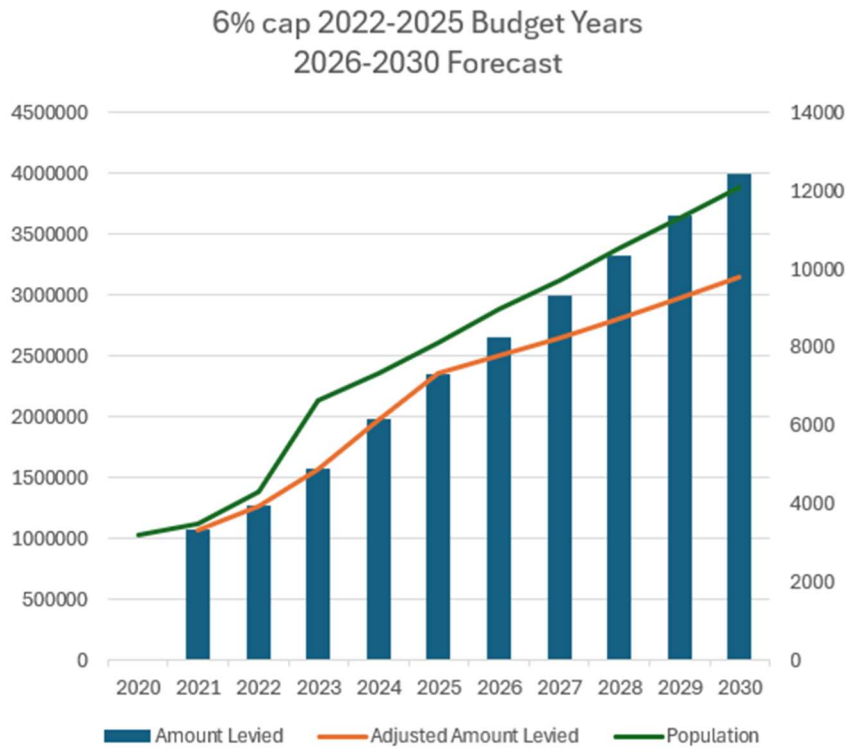
3% cap 2022-2025 Budget Years  
2026-2030 Forecast



Historically, we've been levying less property tax than our population growth. This data reflects a \$3.74 million loss in potential revenue. Factoring in the allowed growth, about \$1mm-1.25mm can be recovered.

6% cap:

Budget Year	Amount Levied	Adjusted Amount Levied	Population
2020			3200
2021	\$ 1,073,267.00	\$ 1,073,267.00	3500
2022	\$ 1,268,241.00	\$ 1,268,241.00	4300
2023	\$ 1,575,565.00	\$ 1,575,565.00	6655
2024	\$ 1,980,904.00	\$ 1,980,904.00	7344
2025	\$ 2,358,178.00	\$ 2,358,178.00	8132
2026	\$ 2,661,986.00	\$ 2,499,668.68	8962
2027	\$ 2,994,590.00	\$ 2,649,648.80	9731
2028	\$ 3,327,194.00	\$ 2,808,627.73	10526
2029	\$ 3,659,798.00	\$ 2,977,145.39	11325
2030	\$ 3,992,402.00	\$ 3,155,774.12	12112



This data reflects a \$2.55 million loss in potential revenue. Factoring in the allowed growth, about \$1.25mm-1.5mm can be recovered.

Comparing the two sets of data, reform and relief are both meaningful and evident, however working with a \$1.05mm deficit rather than \$2.5mm is a lot easier to navigate for all cities and counties, and especially Horace with its lean staff and operations.

We urge this committee to implement a cap based on CPI + 2%, along with a recognition of 50% of the percentage annual growth, with a ceiling of 6% and a floor of 2%. Thank you for your time and consideration.