19.0384.03000

FISCAL NOTE

Requested by Legislative Council
02/05/2019

Amendment to: Engrossed HB 1380

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures					$15,100,000	
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1380 limits the dollar increases in property tax levied to 3% and limits the increase deducted from the funding formula to 3%. This limit does not apply to school districts until after school year 2021.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

HB 1380 would reduce the maximum increase of the contribution from property tax to the integrated funding formula from 12% to 3% after the 2021 school year. The bill allows the voters to authorize a temporary increase to exceed the 3% limit. The deduction from the formula would be adjusted for any increase the voters authorize.

The actual impact of HB 1380 will depend on the actions of the local school district and any voter approval that may be sought.

The department does not currently collect enough data to know the total effect on school districts.

This bill would include the dollars levied for tuition and the miscellaneous fund into the 3% increase limit. Currently the miscellaneous levy authority is capped at 12 mills and a school district is able to levy the amount to cover tuition expenses they are required to pay.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The 3% limitation will apply to school districts after year 2021 and will limit the increase in local funding from property taxes.

HB 1180 effectively shifts an estimated $15.1 million from local sources to state sources required to fund the K-12 formula.

Adjusting the maximum increase in property tax contribution from 12% to 3% will increase the state share of the funding formula until all school districts are at 60 mills and taxable valuation is growing at a rate of less than 3%.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Adam Tescher

Agency: Department of Public Instruction

Telephone: 701-328-3291

Date Prepared: 02/06/2019

19.0384.02000

FISCAL NOTE
Requested by Legislative Council
01/10/2019

Bill/Resolution No.: HB 1380

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			$19,000,000		$37,000,000	
Appropriations			$19,000,000		$37,000,000	

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1380 limits the dollar increases in property tax levied to 3% and limits the increase deducted from the funding formula to 3%.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

HB 1380 would reduce the maximum increase of the contribution from property tax to the integrated funding formula from 12% to 3%. The bill allows the voters to authorize a temporary increase to exceed the 3% limit. The deduction from the formula would be adjusted for any increase the voters authorize.

The actual impact of HB 1380, if enacted, will depend on the actions of the local school district and any voter approval that may be sought.

The department does not currently collect enough data to know the total effect on school districts.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The 3% limitation will apply to school districts and will limit the increase in local funding from property taxes.

HB 1180 effectively shifts an estimated $19 million from local sources to state sources required to fund the K-12 formula.

Adjusting the maximum increase in property tax contribution from 12% to 3% will increase the state share of the funding formula until all school districts are at 60 mills and taxable valuation is growing at a rate of less than 3%.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Adam Tescher

Agency: Department of Public Instruction

Telephone: 701-328-3291

Date Prepared: 01/15/2019

CoDist	Entity Name	2019-20 Contribution from Property Taxes (12%)	2019-20 Contribution from Property Taxes 3%	Increase to State Funding 2019-20	2020-21 Contribution from Property Taxes (12%)	2020-21 Contribution from Property Taxes (3%)	Increase to State Funding 2020-21	2021-22 Contribution from Property Taxes (12%)	2021-22 Contribution from Property Taxes (3%)	Increase to State Funding 2021-22	2022-23 Contribution from Property Taxes (12%)	2022-23 Contribution from Property Taxes (3%)	Increase to State Funding 2022-23
01-013	Hettinger 13	891,157	888,569	2,588	920,565	915,226	5,339	950,943	942,683	8,260	982,325	970,963	11,362
02-002	Valley City 2	2,269,257	2,269,257	-	2,335,066	2,335,066	-	2,402,783	2,402,783	-	2,472,463	2,472,463	-
02-007	Barnes County North 7	1,814,840	1,811,323	3,517	1,872,915	1,865,663	7,252	1,932,848	1,921,633	11,215	1,994,699	1,979,282	15,417
02-046	Litchville-Marion 46	968,680	968,680	-	993,866	993,866	-	1,019,707	1,019,707	-	1,046,219	1,046,219	-
03-005	Minnewaukan 5	204,404	204,404	-	205,221	205,221	-	206,042	206,042	-	206,866	206,866	-
03-006	Leeds 6	670,586	670,586	-	688,692	688,692	-	707,287	707,287	-	726,384	726,384	-
03-009	Maddock 9	568,992	568,992	-	570,699	570,699	-	572,411	572,411	-	574,128	574,128	-
03-016	Oberon 16	138,185	138,185	-	138,461	138,461	-	138,738	138,738	-	139,016	139,016	-
03-029	Warwick 29	160,101	160,101	-	160,422	160,422	-	160,742	160,742	-	161,064	161,064	-
04-001	Billings Co 1	989,277	909,781	79,496	1,107,990	937,074	170,916	1,175,357	965,186	210,171	1,196,513	994,142	202,371
05-001	Bottineau 1	2,133,947	2,131,878	2,069	2,200,100	2,195,834	4,266	2,268,303	2,261,709	6,594	2,338,620	2,329,560	9,060
05-017	Westhope 17	467,351	467,351	-	469,688	469,688	-	472,037	472,037	-	474,397	474,397	-
05-054	Newburg-United 54	571,452	563,249	8,203	597,167	580,146	17,021	624,040	597,550	26,490	652,121	615,477	36,644
06-001	Bowman County 1	1,399,401	1,399,401	-	1,425,990	1,425,990	-	1,453,084	1,453,084	-	1,480,693	1,480,693	-
06-033	Scranton 33	530,513	530,513	-	536,879	536,879	-	543,322	543,322	-	549,842	549,842	-
07-014	Bowbells 14	480,788	480,788	-	480,788	480,788	-	480,788	480,788	-	480,788	480,788	-
07-027	Powers Lake 27	453,435	416,999	36,436	507,847	429,509	78,338	555,098	442,394	112,704	555,098	455,666	99,432
07-036	Burke Central 36	705,404	705,404	-	705,404	705,404	-	705,404	705,404	-	705,404	705,404	-
08-001	Bismarck 1	28,859,333	28,859,333	-	29,569,272	29,569,272	-	30,296,677	30,296,677	-	31,041,975	31,041,975	-
08-025	Naughton 25	40,497	39,916	581	42,319	41,113	1,206	44,224	42,346	1,878	46,214	43,616	2,598
08-028	Wing 28	297,460	297,460	-	304,599	304,599	-	311,910	311,910	-	319,396	319,396	-
08-033	Menoken 33	196,390	196,390	-	200,907	200,907	-	205,528	205,528	-	210,255	210,255	-
08-035	Sterling 35	319,930	319,930	-	329,207	329,207	-	338,754	338,754	-	348,578	348,578	-
08-039	Apple Creek 39	314,830	314,830	-	321,127	321,127	-	327,550	327,550	-	334,101	334,101	-
08-045	Manning 45	28,161	28,161	-	28,640	28,640	-	29,127	29,127	-	29,622	29,622	-
09-001	Fargo 1	23,676,346	23,071,558	604,788	24,741,782	23,763,705	978,077	26,452,374	24,476,616	1,975,758	27,960,160	25,210,914	2,749,246
09-002	Kindred 2	1,570,478	1,547,936	22,542	1,641,149	1,594,374	46,775	1,715,001	1,642,205	72,796	1,792,176	1,691,471	100,705
09-004	Maple Valley 4	1,245,734	1,245,734	-	1,256,946	1,256,946	-	1,268,258	1,268,258	-	1,279,672	1,279,672	-
09-006	West Fargo 6	21,520,612	19,791,277	1,729,335	23,146,598	20,385,015	2,761,583	24,709,457	20,996,565	3,712,892	26,098,129	21,626,462	4,471,667
09-007	Mapleton 7	554,414	516,810	37,604	579,362	532,314	47,048	605,433	548,283	57,150	632,678	564,731	67,947
09-017	Central Cass 17	1,663,619	1,663,619	-	1,705,209	1,705,209	-	1,747,840	1,747,840	-	1,791,536	1,791,536	-
09-080	Page 80	553,420	553,420	-	565,042	565,042	-	576,908	576,908	-	589,023	589,023	-
09-097	Northern Cass 97	1,320,221	1,320,221	-	1,343,985	1,343,985	-	1,368,177	1,368,177	-	1,392,804	1,392,804	-
10-019	Munich 19	757,524	757,524	-	763,585	763,585	-	769,693	769,693	-	775,851	775,851	-
10-023	Langdon Area 23	2,099,581	2,099,581	-	2,137,373	2,137,373	-	2,175,846	2,175,846	-	2,215,011	2,215,011	-
11-040	Ellendale 40	1,048,384	1,048,384	-	1,067,255	1,067,255	-	1,086,466	1,086,466	-	1,106,022	1,106,022	-
11-041	Oakes 41	1,216,394	1,216,394	-	1,220,044	1,220,044	-	1,223,704	1,223,704	-	1,227,375	1,227,375	-
12-001	Divide County 1	1,910,732	1,757,191	153,541	1,978,911	1,809,907	169,004	1,978,911	1,864,204	114,707	1,978,911	1,920,130	58,781
13-016	Killdeer 16	1,705,096	1,568,079	137,017	1,909,708	1,615,121	294,587	2,138,873	1,663,575	475,298	2,395,538	1,713,482	682,056
13-019	Halliday 19	335,783	308,800	26,983	376,077	318,064	58,013	421,206	327,606	93,600	460,062	337,434	122,628
14-002	New Rockford-Sheyenne 2	866,465	866,465	-	878,596	878,596	-	890,896	890,896	-	903,369	903,369	-
15-006	Hazelton-Moffit-Braddock 6	652,842	633,415	19,427	682,220	652,417	29,803	712,920	671,990	40,930	745,001	692,150	52,851
15-010	Bakker 10	209,001	192,206	16,795	234,081	197,972	36,109	258,437	203,911	54,526	270,066	210,028	60,038
15-015	Strasburg 15	519,628	477,873	41,755	554,112	492,209	61,903	579,048	506,975	72,073	605,105	522,184	82,921

CoDist	Entity Name	2019-20 Contribution from Property Taxes (12%)	2019-20 Contribution from Property Taxes 3%	Increase to State Funding 2019-20	2020-21 Contribution from Property Taxes (12%)	2020-21 Contribution from Property Taxes (3%)	Increase to State Funding 2020-21	2021-22 Contribution from Property Taxes (12%)	2021-22 Contribution from Property Taxes (3%)	Increase to State Funding 2021-22	2022-23 Contribution from Property Taxes (12%)	2022-23 Contribution from Property Taxes (3%)	Increase to State Funding 2022-23
15-036	Linton 36	780,072	717,388	62,684	844,606	738,910	105,696	882,613	761,077	121,536	922,331	783,909	138,422
16-049	Carrington 49	1,530,187	1,530,187	-	1,530,187	1,530,187	-	1,530,187	1,530,187	-	1,530,187	1,530,187	-
17-003	Beach 3	697,885	677,574	20,311	721,613	697,901	23,712	746,147	718,838	27,309	771,516	740,403	31,113
17-006	Lone Tree 6	236,245	232,853	3,392	246,876	239,839	7,037	257,985	247,034	10,951	269,594	254,445	15,149
18-001	Grand Forks 1	14,291,030	14,291,030	-	14,611,149	14,611,149	-	14,938,439	14,938,439	-	15,273,060	15,273,060	-
18-044	Larimore 44	887,617	887,617	-	899,156	899,156	-	910,845	910,845	-	922,686	922,686	-
18-061	Thompson 61	817,352	805,620	11,732	854,133	829,789	24,344	892,569	854,683	37,886	932,735	880,323	52,412
18-125	Manvel 125	398,730	398,730	-	401,122	401,122	-	403,529	403,529	-	405,950	405,950	-
18-127	Emerado 127	239,391	239,391	-	239,391	239,391	-	239,391	239,391	-	239,391	239,391	-
18-128	Midway 128	667,448	667,448	-	668,115	668,115	-	668,783	668,783	-	669,452	669,452	-
18-129	Northwood 129	663,420	663,420	-	668,727	668,727	-	674,077	674,077	-	679,470	679,470	-
19-018	Roosevelt 18	342,828	342,828	-	353,113	353,113	-	363,706	363,706	-	374,617	374,617	-
19-049	Elgin-New Leipzig 49	616,055	616,055	-	632,689	632,689	-	649,771	649,771	-	667,315	667,315	-
20-007	Midkota 7	774,011	774,011	-	777,107	777,107	-	780,215	780,215	-	783,336	783,336	-
20-018	Griggs County Central 18	843,818	843,818	-	848,037	848,037	-	852,277	852,277	-	856,539	856,539	-
21-001	Mott-Regent 1	1,162,828	1,146,137	16,691	1,215,155	1,180,521	34,634	1,269,837	1,215,937	53,900	1,326,980	1,252,415	74,565
21-009	New England 9	820,694	812,803	7,891	853,522	837,187	16,335	887,663	862,303	25,360	923,169	888,172	34,997
22-001	Kidder County 1	1,089,300	1,089,300	-	1,104,550	1,104,550	-	1,120,014	1,120,014	-	1,135,694	1,135,694	-
23-003	Edgeley 3	864,075	854,124	9,951	900,366	879,748	20,618	938,182	906,140	32,042	977,585	933,324	44,261
23-007	Kulm 7	665,797	665,797	-	676,449	676,449	-	687,273	687,273	-	698,269	698,269	-
23-008	LaMoure 8	941,741	941,741	-	960,575	960,575	-	979,787	979,787	-	999,383	999,383	-
24-002	Napoleon 2	618,438	613,081	5,357	642,557	631,473	11,084	667,616	650,417	17,199	693,653	669,930	23,723
24-056	Gackle-Streeter 56	638,830	638,830	-	650,968	650,968	-	663,336	663,336	-	675,940	675,940	-
25-001	Velva 1	1,005,793	1,005,793	-	1,016,857	1,016,857	-	1,028,042	1,028,042	-	1,039,351	1,039,351	-
25-014	Anamoose 14	246,141	245,663	478	254,017	253,033	984	262,146	260,624	1,522	270,534	268,443	2,091
25-057	Drake 57	467,060	460,797	6,263	487,611	474,621	12,990	509,066	488,860	20,206	531,465	503,526	27,939
25-060	TGU 60	1,145,927	1,145,927	-	1,163,116	1,163,116	-	1,180,562	1,180,562	-	1,198,271	1,198,271	-
26-004	Zeeland 4	275,972	275,972	-	277,904	277,904	-	279,849	279,849	-	281,808	281,808	-
26-009	Ashley 9	476,195	476,195	-	484,766	484,766	-	493,492	493,492	-	502,375	502,375	-
26-019	Wishek 19	549,366	549,366	-	560,903	560,903	-	572,682	572,682	-	584,709	584,709	-
27-001	McKenzie Co 1	3,555,487	3,269,778	285,709	3,982,145	3,367,871	614,274	4,460,002	3,468,907	991,095	4,995,202	3,572,974	1,422,228
27-002	Alexander 2	1,041,451	957,763	83,688	1,166,425	986,496	179,929	1,306,396	1,016,091	290,305	1,463,164	1,046,574	416,590
27-014	Yellowstone 14	335,259	308,318	26,941	375,490	317,568	57,922	387,890	327,095	60,795	387,890	336,908	50,982
27-018	Earl 18	6,750	6,208	542	7,560	6,394	1,166	8,467	6,586	1,881	9,483	6,784	2,699
27-032	Horse Creek 32	76,612	70,456	6,156	85,805	72,570	13,235	96,102	74,747	21,355	107,634	76,989	30,645
27-036	Mandaree 36	151,470	139,298	12,172	169,646	143,477	26,169	190,004	147,781	42,223	212,804	152,214	60,590
28-001	Wilton 1	763,560	763,560	-	780,358	780,358	-	797,526	797,526	-	815,071	815,071	-
28-004	Washburn 4	850,062	850,062	-	861,113	861,113	-	872,307	872,307	-	883,647	883,647	-
28-008	Underwood 8	799,394	799,394	-	813,783	813,783	-	828,432	828,432	-	843,343	843,343	-
28-050	Max 50	566,815	566,815	-	572,483	572,483	-	578,208	578,208	-	583,990	583,990	-
28-051	Garrison 51	1,291,916	1,291,916	-	1,321,630	1,321,630	-	1,352,028	1,352,028	-	1,383,125	1,383,125	-
28-072	Turtle Lake-Mercer 72	786,996	786,996	-	791,718	791,718	-	796,468	796,468	-	801,247	801,247	-
29-003	Hazen 3	948,371	948,371	-	973,977	973,977	-	1,000,275	1,000,275	-	1,027,282	1,027,282	-
29-027	Beulah 27	1,862,777	1,723,306	139,471	1,946,602	1,775,005	171,597	2,034,199	1,828,255	205,944	2,125,738	1,883,103	242,635

CoDist	Entity Name	2019-20 Contribution from Property Taxes (12%)	2019-20 Contribution from Property Taxes 3%	Increase to State Funding 2019-20	2020-21 Contribution from Property Taxes (12%)	2020-21 Contribution from Property Taxes (3%)	Increase to State Funding 2020-21	2021-22 Contribution from Property Taxes (12%)	2021-22 Contribution from Property Taxes (3%)	Increase to State Funding 2021-22	2022-23 Contribution from Property Taxes (12%)	2022-23 Contribution from Property Taxes (3%)	Increase to State Funding 2022-23
30-001	Mandan 1	8,056,554	7,409,153	647,401	8,501,280	7,631,428	869,852	9,521,434	7,860,371	1,661,063	10,488,989	8,096,182	2,392,807
30-004	Little Heart 4	110,361	101,493	8,868	123,604	104,538	19,066	138,436	107,674	30,762	155,048	110,904	44,144
30-013	Hebron 13	550,473	542,572	7,901	575,245	558,849	16,396	601,131	575,614	25,517	628,181	592,882	35,299
30-017	Sweet Briar 17	63,778	62,863	915	66,648	64,749	1,899	69,647	66,691	2,956	72,781	68,692	4,089
30-039	Flasher 39	478,484	471,615	6,869	500,015	485,763	14,252	522,516	500,336	22,180	546,029	515,346	30,683
30-048	Glen Ullin 48	664,310	634,749	29,561	694,203	653,791	40,412	725,443	673,405	52,038	758,088	693,607	64,481
30-049	New Salem - Almont 49	883,083	812,121	70,962	948,416	836,485	111,931	991,095	861,580	129,515	1,035,694	887,427	148,267
31-001	New Town 1	1,417,549	1,303,639	113,910	1,587,655	1,342,748	244,907	1,778,174	1,383,030	395,144	1,991,555	1,424,521	567,034
31-002	Stanley 2	3,319,205	3,052,483	266,722	3,717,510	3,144,057	573,453	4,163,611	3,238,379	925,232	4,663,244	3,335,530	1,327,714
31-003	Parshall 3	1,079,387	1,076,252	3,135	1,115,007	1,108,540	6,467	1,151,802	1,141,796	10,006	1,189,812	1,176,050	13,762
32-001	Dakota Prairie 1	1,322,502	1,322,502	-	1,344,984	1,344,984	-	1,367,849	1,367,849	-	1,391,102	1,391,102	-
32-066	Lakota 66	591,866	591,866	-	591,866	591,866	-	591,866	591,866	-	591,866	591,866	-
33-001	Center-Stanton 1	631,660	631,660	-	649,346	649,346	-	667,528	667,528	-	686,219	686,219	-
34-006	Cavalier 6	912,757	912,757	-	918,233	918,233	-	923,743	923,743	-	929,285	929,285	-
34-019	Drayton 19	643,449	643,449	-	653,744	653,744	-	664,204	664,204	-	674,831	674,831	-
34-043	St Thomas 43	359,197	359,197	-	360,275	360,275	-	361,356	361,356	-	362,440	362,440	-
34-100	North Border 100	1,603,420	1,603,420	-	1,603,420	1,603,420	-	1,603,420	1,603,420	-	1,603,420	1,603,420	-
34-118	Valley-Edinburg 118	826,271	826,271	-	834,534	834,534	-	842,879	842,879	-	851,308	851,308	-
35-001	Wolford 1	235,079	235,079	-	235,785	235,785	-	236,492	236,492	-	237,201	237,201	-
35-005	Rugby 5	1,494,300	1,494,300	-	1,494,300	1,494,300	-	1,494,300	1,494,300	-	1,494,300	1,494,300	-
36-001	Devils Lake 1	2,598,004	2,575,500	22,504	2,699,326	2,652,765	46,561	2,804,600	2,732,348	72,252	2,913,979	2,814,318	99,661
36-002	Edmore 2	570,503	570,503	-	578,490	578,490	-	586,589	586,589	-	594,801	594,801	-
36-044	Starkweather 44	355,044	355,044	-	355,044	355,044	-	355,044	355,044	-	355,044	355,044	-
37-006	Ft Ransom 6	225,768	225,768	-	225,768	225,768	-	225,768	225,768	-	225,768	225,768	-
37-019	Lisbon 19	1,086,971	1,086,971	-	1,115,232	1,115,232	-	1,144,228	1,144,228	-	1,173,978	1,173,978	-
37-024	Enderlin Area 24	937,463	937,463	-	956,213	956,213	-	975,337	975,337	-	994,844	994,844	-
38-001	Mohall-Lansford-Sherwood 1	1,316,245	1,316,245	-	1,326,775	1,326,775	-	1,337,389	1,337,389	-	1,348,088	1,348,088	-
38-026	Glenburn 26	602,130	602,130	-	605,141	605,141	-	608,166	608,166	-	611,207	611,207	-
39-008	Hankinson 8	716,637	712,486	4,151	742,436	733,861	8,575	769,163	755,877	13,286	796,853	778,553	18,300
39-018	Fairmount 18	360,100	356,638	3,462	374,504	367,337	7,167	389,484	378,357	11,127	405,064	389,708	15,356
39-028	Lidgerwood 28	428,671	428,671	-	433,386	433,386	-	438,153	438,153	-	442,973	442,973	-
39-037	Wahpeton 37	2,179,020	2,128,393	50,627	2,277,076	2,192,245	84,831	2,423,005	2,258,012	164,993	2,555,059	2,325,752	229,307
39-042	Wyndmere 42	735,331	735,331	-	740,479	740,479	-	745,662	745,662	-	750,882	750,882	-
39-044	Richland 44	660,257	660,257	-	672,802	672,802	-	685,585	685,585	-	698,611	698,611	-
40-004	Mt Pleasant 4	786,658	786,658	-	792,952	792,952	-	799,295	799,295	-	805,690	805,690	-
40-029	Rolette 29	327,143	327,143	-	327,470	327,470	-	327,797	327,797	-	328,125	328,125	-
41-002	Milnor 2	447,812	441,384	6,428	467,964	454,626	13,338	489,022	468,265	20,757	511,028	482,313	28,715
41-003	North Sargent 3	452,977	416,577	36,400	487,586	429,074	58,512	509,528	441,946	67,582	532,456	455,204	77,252
41-006	Sargent Central 6	1,062,689	1,058,578	4,111	1,098,821	1,090,335	8,486	1,136,180	1,123,045	13,135	1,174,811	1,156,736	18,075
42-016	Goodrich 16	233,669	230,314	3,355	244,184	237,223	6,961	255,172	244,340	10,832	266,655	251,670	14,985
42-019	McClusky 19	381,440	375,964	5,476	398,605	387,243	11,362	416,542	398,860	17,682	435,286	410,826	24,460
43-003	Solen 3	126,195	116,054	10,141	137,907	119,536	18,371	144,113	123,122	20,991	150,598	126,816	23,782
43-008	Selfridge 8	167,397	167,397	-	167,397	167,397	-	167,397	167,397	-	167,397	167,397	-
44-012	Marmarth 12	154,984	154,984	-	154,984	154,984	-	154,984	154,984	-	154,984	154,984	-

CoDist	Entity Name	2019-20 Contribution from Property Taxes (12%)	2019-20 Contribution from Property Taxes 3%	Increase to State Funding 2019-20	2020-21 Contribution from Property Taxes (12%)	2020-21 Contribution from Property Taxes (3%)	Increase to State Funding 2020-21	2021-22 Contribution from Property Taxes (12%)	2021-22 Contribution from Property Taxes (3%)	Increase to State Funding 2021-22	2022-23 Contribution from Property Taxes (12%)	2022-23 Contribution from Property Taxes (3%)	Increase to State Funding 2022-23
44-032	Central Elementary 32	-	-	-	-	-	-	-	-	-	-	-	-
45-001	Dickinson 1	8,501,736	7,818,561	683,175	9,478,686	8,053,118	1,425,568	8,605,015	8,294,712	310,303	8,198,858	8,198,858	-
45-009	South Heart 9	878,929	808,301	70,628	984,400	832,550	151,850	1,102,528	857,527	245,001	1,127,602	883,253	244,349
45-013	Belfield 13	627,592	621,132	6,460	627,592	627,592	-	627,592	627,592	-	627,592	627,592	-
45-034	Richardton-Taylor 34	762,931	762,931	-	765,983	765,983	-	769,047	769,047	-	772,123	772,123	-
46-010	Hope 10	691,154	691,154	-	691,154	691,154	-	691,154	691,154	-	691,154	691,154	-
46-019	Finley-Sharon 19	627,571	627,571	-	630,081	630,081	-	632,602	632,602	-	635,132	635,132	-
47-001	Jamestown 1	4,109,688	4,070,172	39,516	4,274,075	4,192,277	81,798	4,445,038	4,318,045	126,993	4,622,840	4,447,586	175,254
47-003	Medina 3	461,526	461,526	-	467,988	467,988	-	474,539	474,539	-	481,183	481,183	-
47-010	Pingree-Buchanan 10	483,934	483,934	-	490,709	490,709	-	497,579	497,579	-	504,545	504,545	-
47-014	Montpelier 14	379,720	379,720	-	386,935	386,935	-	394,287	394,287	-	401,778	401,778	-
47-019	Kensal 19	304,803	304,803	-	308,460	308,460	-	312,162	312,162	-	315,908	315,908	-
48-010	North Star 10	1,035,908	1,035,908	-	1,041,088	1,041,088	-	1,046,293	1,046,293	-	1,051,525	1,051,525	-
49-003	Central Valley 3	798,746	787,281	11,465	834,689	810,899	23,790	872,250	835,226	37,024	911,502	860,283	51,219
49-007	Hatton 7	505,744	505,744	-	519,399	519,399	-	533,422	533,422	-	547,825	547,825	-
49-009	Hillsboro 9	1,160,788	1,159,662	1,126	1,196,772	1,194,452	2,320	1,233,872	1,230,286	3,586	1,272,122	1,267,195	4,927
49-014	May-Port CG 14	1,354,098	1,354,098	-	1,394,721	1,394,721	-	1,436,563	1,436,563	-	1,479,660	1,479,660	-
50-003	Grafton 3	974,622	974,622	-	989,241	989,241	-	1,004,080	1,004,080	-	1,019,141	1,019,141	-
50-005	Fordville-Lankin 5	341,038	341,038	-	345,471	345,471	-	349,963	349,963	-	354,512	354,512	-
50-008	Park River Area 8	876,446	866,353	10,093	913,256	892,344	20,912	951,613	919,114	32,499	991,581	946,687	44,894
50-020	Minto 20	406,512	406,512	-	413,829	413,829	-	421,278	421,278	-	428,861	428,861	-
51-001	Minot 1	12,628,666	12,628,666	-	12,628,666	12,628,666	-	11,884,762	11,884,762	-	11,529,407	11,529,407	-
51-004	Nedrose 4	1,395,172	1,395,172	-	1,395,172	1,395,172	-	1,395,172	1,395,172	-	1,395,172	1,395,172	-
51-007	United 7	1,165,556	1,165,556	-	1,199,357	1,199,357	-	1,234,139	1,234,139	-	1,269,929	1,269,929	-
51-016	Sawyer 16	413,565	413,565	-	419,355	419,355	-	425,226	425,226	-	431,179	431,179	-
51-028	Kenmare 28	1,105,140	1,105,140	-	1,105,140	1,105,140	-	1,105,140	1,105,140	-	1,105,140	1,105,140	-
51-041	Surrey 41	597,300	597,300	-	597,300	597,300	-	597,300	597,300	-	597,300	597,300	-
51-070	South Prairie 70	791,990	791,990	-	791,990	791,990	-	791,990	791,990	-	791,990	791,990	-
51-161	Lewis and Clark 161	1,821,518	1,821,518	-	1,847,020	1,847,020	-	1,872,878	1,872,878	-	1,899,098	1,899,098	-
52-025	Fessenden-Bowdon 25	984,269	984,269	-	987,221	987,221	-	990,183	990,183	-	993,154	993,154	-
52-038	Harvey 38	1,240,083	1,240,083	-	1,262,405	1,262,405	-	1,285,128	1,285,128	-	1,308,260	1,308,260	-
53-001	Williston 1	6,412,676	5,897,372	515,304	6,831,667	6,074,293	757,374	6,831,667	6,256,522	575,145	6,831,667	6,444,218	387,449
53-002	Nesson 2	1,241,580	1,141,811	99,769	1,390,570	1,176,065	214,505	1,557,438	1,211,347	346,091	1,744,331	1,247,687	496,644
53-006	Eight Mile 6	327,971	301,616	26,355	367,328	310,664	56,664	411,407	319,984	91,423	460,776	329,584	131,192
53-008	New 8	3,670,604	3,375,645	294,959	4,111,076	3,476,914	634,162	4,604,405	3,581,221	1,023,184	5,156,934	3,688,658	1,468,276
53-015	Tioga 15	1,957,098	1,799,831	157,267	2,191,950	1,853,826	338,124	2,454,984	1,909,441	545,543	2,749,582	1,966,724	782,858
53-099	Grenora 99	840,818	773,252	67,566	941,716	796,450	145,266	1,054,722	820,344	234,378	1,154,045	844,954	309,091
Grand Total				6,908,688			12,104,098			16,246,771			20,771,091

2019 HOUSE FINANCE AND TAXATION

HB 1380

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1380
1/28/2019
31570

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to limitations on property tax levies by taxing districts without voter approval; relating to the determination of school district state aid payment.

Minutes:

Attachments 1-8

Chairman Headland: Opened hearing on HB 1380.

Representative Bellew: Introduced bill. Distributed written testimony, see attachment #1. Ended testimony at 4:06.

Chairman Headland: Is there support for HB 1380?

Dustin Gawrylow, Director of the Watchdog Network: I'm here to speak for some sort of reform. I think, at the very least, creating a way to eliminate the stealth property tax increase that happens with valuations going up would be good. Putting elected officials on the record, even if you did not want to give the public a way to constrain their own government, at least create ways to put their elected officials on the record that they are raising the taxes of the public. That will have a positive effect by them simply being on the record.

Representative Steiner: We hear stories that people don't come to the hearings when they're discussing this locally. Do you have any reflection on that? If the taxpayers really wanted this, they would take care of it at the local level rather than the state reaching out.

Dustin Gawrylow: It's mighty tough for working people to show up for a 5pm meeting. You need to create ways for people to be involved. One of the complaints I hear a lot is they would go but they can't get from work to the hearing in 12 minutes in the bigger cities. Maybe in the smaller towns you could manage that. People can't get involved in the budget process when they can't get to a meeting and they don't really know what's going on in the first place is the issue. They know when it hits their tax statement in the mail. That's why I always say that you have to put the elected officials on the record when people's taxes go up. It just shouldn't happen automatically. If you don't like the idea of putting the people in charge of this sort of thing, then at least put more hoops for local government to increase taxes and increase revenue rather than just letting it happen automatically.

Chairman Headland: Is there further testimony in support?

Paul Henderson, Calvin, ND: As a property owner and land owner, we should never be afraid of public vote. This makes a lot of sense because we're not saying we're going to limit the increase to three mills, we're just saying the opportunity for the taxpayer to vote on whether we want to sustain a higher tax burden at the present time of more than three percent. We're not saying no increases over three percent will ever pass because you can have a situation when the taxpayer can get behind it for special circumstances. I don't think we're going to limit those increases as much as you think. I think we should always be embracing elections; we shouldn't be afraid of that. We are in a down turn in ag and the oil sector so I think there are always needs but there are balances of how much money can taxpayers afford to contribute.

Chairman Headland: Is there further testimony in support? Is there opposition?

Josh Wolsky, Alderman, City Council, City of Minot: Distributed written testimony, see attachments 2 and 3. Ended testimony at 26:31.

Chairman Headland: How did Minot get in the practice of buying down property taxes with sales tax? It looks like you use about a penny. Is that an initiative put forward by the voters?

Josh Wolsky: It was. It goes back quite a long time. Minot has two pennies of sales tax, the first was implemented in the early 90s. Attached to that was a 10% reduction in property tax, a buy down, a subsidy, or a reduction. The next sales tax added an element of property tax buy down directly in 2011, it was 30% of a penny. Some of the other large buckets inside of our sales tax are for things like infrastructure. That in itself becomes an element of property tax subsidy. These were voted in by the citizens. We're pulling a revenue from sales tax to fund our larger infrastructure projects. It is getting into those property tax subsidies.

Chairman Headland: I think this committee and the senate passed similar legislation in the past. In your testimony you claim it's only about 16% of your overall revenue. The citizens are fed up with high property taxes. Would it really be an extreme burden on your city to cap at 16% of your revenue at 3% growth in hopes your other revenues would grow at a quicker pace than that?

Josh Wolsky: I don't like hoping for things. I like the flexibility to make the decisions we need to make. If that were the case over the last few years our other revenue sources, sales tax being the primary one that we fund local operations with, in 2014 was about $27 million and in 2016 or 2017 it was down to $20 million between those two pennies. If we're asked to fund more with sales tax, with that revenue source also declining, I don't know where we would go aside from essentially firing the entirety of our local government; police, fire, and public safety.

Representative B. Koppelman: What do I tell my constituents to do at their local level to make sure that their locals don't tax them more than what they can afford year after year?

Josh Wolsky: I don't have a great answer to that. It starts with us at the local level being honest about the cost of our government. One of the challenges in Minot is with the sales tax subsidies we've been using and then a declining sales tax revenue it allowed us to not fully see the cost of our government. If we're allowing that revenue source to hide the cost of our government from ourselves then we're not doing ourselves any favors. We need to be transparent to what our local governments cost. We have these massive infrastructure challenges we're dealing with. We need to encourage our citizens to show up and start doing the work to being involved. It takes work and it takes time.

Representative Ertelt: At the bottom of page three of your testimony you show your population increased by 35% and yet the annexed land grew by 85% and expenses by 148 percent. Is it possible that Minot grew both the budget and physically beyond what it actually needed to do?

Josh Wolsky: It is entirely possible. One of the significant large annexations of land was related to an economic development project, the port of North Dakota. The larger challenges are infrastructure, the roads, police and fire that goes along with the large annexations of land. The concern is getting fire response times out to the corners of our community. Minot is challenging geographically as well so that creates additional burdens on reaching places within our community with services.

Chairman Headland: The governor is concerned about sprawl in our major cities. What is Minot's outlook? Are they part of the governor's Main Street initiative? It appears with all the land that's been annexed in that sprawl is a concern.

Josh Wolsky: It certainly is. We've had Governor Burgum out to share his Main Street vision. I think many in the state are arriving at this conversation at the same time. I don't have the ability to turn back the clock and make decisions 10 years ago. In Minot's historic geographic footprint, we were at our limits and there was nowhere for us to go but out and that's where we went.

Chairman Headland: It appears Minot will be a big winner in another piece of legislation. Would that help replace property tax dollars? Will it help ease the burden on property taxpayers or is the money already spent?

Josh Wolsky: There is absolutely no doubt it will help our citizens. We have taken up a five-year forecasting model in order to better stabilize and get a sense of what is coming at us. What amounts to nearly $400 million in local share for these infrastructure costs is not something you can simply take up tomorrow. We are doing everything we can to plan for that. The prairie dog bill and the dollars associated for Minot's hub city designation are critically important for us over the next several years. I think it will help us catch up a bit from the last 10 years or so.

Chairman Headland: Further opposition?

Alexis Baxley, North Dakota School Boards Association: Distributed written testimony, see attachment #4. Ended testimony at 39:01.

Chairman Headland: Further opposition?

Bill Wocken, North Dakota League of Cities: Distributed written testimony, see attachment #5. Ended testimony at 43:33.

Chairman Headland: Further opposition?

Lisa Feldner, North Dakota Council of Educational Leaders: Distributed written testimony, see attachment #6. Ended testimony at 44:18.

Representative Ertelt: Can you explain the difference in numbers from your previous testimony in another bill you gave a figure of 65% state funding and we heard from Ms. Baxley's testimony that it was 70-75 percent?

Lisa Feldner: It varies by the formula per school district because of the amount of property tax and the deductions that go in.

Chairman Headland: Further opposition?

Donnell Preskey, North Dakota Association of Counties: Distributed written testimony, see attachment #7. Ended testimony at 49:30. I'd like to elaborate on a few questions. It was said that 46 states have property tax limitations. North Dakota is included on that list because North Dakota limits the rate of mills. Increases to budgets are not automatic. There is a process that each political subdivision goes through in approving their budgets and consideration of the taxes. Proposed budgets are developed, a tax notice is sent to all the property taxpayers, and on that notice it lists every budget hearing for each taxing subdivision. It allows the citizens to provide their input at those hearings. The boards take that input and finalizes their budgets then they vote. I'd also argue that property taxes are not a huge concern across our state. Counties usually hear complaints because their name is on the tax notice and tax statement. This year, especially with the notices, calls were almost non-existent.

Representative B. Koppelman: How many different meetings would citizens have to attend at 5pm when they are not yet off work to affectively say what we've been hearing from constituents about what is the playbook and how do they need to get it done? It's a problem regardless of what you hear in Bismarck. We need to know how to direct our constituents.

Donnell Preskey: Your answer is on that property tax notice that comes out before the property taxes are set. It will tell you which taxing jurisdiction is going up or down. It was even in the legislation you passed last session in bold letters "increase" if it was an increase. Then it would correspond with each jurisdiction where you would see that increase the time and date for all those budget hearings. That is where the involvement really starts, with that property tax notice. I believe it was a game changer as far as educating our taxpayers on what truly is happening when it comes to their property taxes.

Representative Ertelt: In your testimony your figures show many counties with a decrease and you said that was in the levies percentage itself. Are we to understand by this that the total valuations in each of these counties has reduced over that same time period as well as the total budget?

Donnell Preskey: I don't think you can assume valuations went down; it's a whole formula based on the amount of your levies.

Representative Ertelt: Is it possible that valuations increased in all these counties where the levied percentage decreased and the budget also increased in these counties?

Donnell Preskey: I'm thinking one of those two would have to decrease. You really can't have a higher valuation and a higher budget then the end result would be a decrease.

Chairman Headland: For the most part they went down because the state had more state dollars when they replaced the social service funding from property tax funding in those services.
Further opposition?

Dana Schaar Jahner, North Dakota Recreation and Park Association: Distributed written testimony, see attachment #8. Ended testimony at 57:15.

Chairman Headland: Is there further opposition? Seeing none we will close the hearing on HB 1380.

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1380
1/28/2019
31598

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to limitations on property tax levies by taxing districts without voter approval; relating to the determination of school district state aid payment.

Minutes:

No attachments

Chairman Headland: We've had this bill in the past. Last session we just couldn't figure out a fix for school districts so we cut them out. I've heard some opposition to doing that again claiming what's good for one should be good for all. I don't know that I can support this bill. I think we need more time to give our notice requirement to generate more interest. I'm torn on what to do. I understand how it's going to hamstring a political subdivision.

Representative B. Koppelman: Last session when we removed the school districts the fiscal note was nearly 100% the state's share of the school funding formula and how that would change. In some ways you can argue that the school districts operate differently than political subdivisions. Although their local districts make votes on how to pay for different things they are not the main player in setting tax value. The only way they can lower or raise mills is by any mills that are allowed over 60 mills or if they choose to reduce their budget. I don't think it's a terrible idea to take the schools out and handle them in a different way because they function in a different way than the rest of the local political subs now.

Representative Mitskog: Maybe we should be a little patient. We've made some changes at the county level with taking over social services costs. There's been challenges with our state economy. We all know property taxes are an issue. My political subs act responsibly; they're not just out spending money blatantly and they take their jobs very seriously.

Chairman Headland: It would be interesting to see a bill regarding property tax that would ask voters to weigh in on what services they want to pay for. This doesn't do that.

Representative Ertelt: There is the mechanism in the bill for increasing beyond that three percent. I think it's more than fair at 60 percent as was stated by the bill sponsor. That is more than adequate for local control.

Chairman Headland: This is a caps bill that works. We haven't seen another that does without creating some major problems.

Representative Mitskog: If there are circumstances that would create a strain on local budget they would go to the electorate and get a 60% approval from the voters, is that correct?

Representative Ertelt: That's correct.

Representative Mitskog: There are costs associated with going to the voters for elections. How quickly can they respond if there are issues such as flood, sewer, or major infrastructure issues? I think we are limiting their ability to make good sound decisions.

Representative Ertelt: The political subdivisions still have to go through a process that takes time to get approval. I don't know what the difference would be in the amount of time.

Representative B. Koppelman: I wonder if the 60% majority was bypassed at times when the governor makes an emergency declaration in the area. I think that might ease some of the concern with the quick nature of needing to go to the people. We don't hear a lot about the costs of going to the electorate when they want more money in the mechanisms we have now. We hear about it when we want to create a new mechanism and I think that's interesting.

Chairman Headland: What do you want to do with this bill? Let's sleep on it. If anybody has an amendment they would like to discuss tomorrow get it drafted.

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1380
1/29/2019
31734

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to limitations on property tax levies by taxing districts without voter approval; relating to the determination of school district state aid payment.

Minutes:

Attachment 1

Chairman Headland: Representative B. Koppelman, go ahead when you're ready.

Representative B. Koppelman: Distributed proposed amendments, see attachment 1. Last session the House passed a bill very similar to this. There were two main differences; the portion that affects the schools didn't take effect until the following biennium and the other difference is it's not a 60%, it's a simple majority. **MADE A MOTION TO ADOPT THE AMENDMENT 19.0384.02002.**

Representative Dockter: SECONDED

Chairman Headland: Discussion on the proposed amendment?

VOICE VOTE: MOTION CARRIED

Chairman Headland: We have amended bill before us.

Representative B. Koppelman: MADE A MOTION FOR A DO PASS AS AMENDED.

Representative Ertelt: SECONDED

Representative Hatlestad: I'm opposed to the idea of caps. We elect people to make decisions for government at all levels and then we handicap them with a cap. I don't think that's right. There are too many situations now that require flexibility and the ability to respond to a situation. I don't think this bill gives them that. If you don't like what your elected officials are doing, then there's the ballot box.

Chairman Headland: Any other comments or discussion?

Representative Eidson: If there is ever a sort of emergency ballot that needs to be voted on it can be expensive for the town in question. In Grand Forks there was an incident involving Arbor Park and whether that was going to be turned into a development area or a park. That election cost the city $30,000. When it comes to taking away power from the political subdivisions I'm against it. I'll be voting no.

Representative B. Koppelman: I can appreciate using the ballot box in cases where a political subdivision feels the need to go above that. I would hope it wouldn't be frequent and cities would live within their means. I believe we set the structure that they operate within and sometimes you need to re-evaluate things. You have to do what you have to do to ring that in and I believe that's what this bill does.

Representative Kading: I agree with Representative B. Koppelman. I'm going to support this bill. We control every other part of the formula. We set exceptions, we set exemptions, we put caps on mills we can tax. I think capping how valuations are increased is a reasonable thing to do.

Representative Ertelt: I don't know how many of them occur much more frequently than on a yearly basis. The ability now for cities to receive bond measures, it doesn't seem they have much of an issue of expense for an election to increase the tax. I think letting a majority of the voters where the local control exists with the voters themselves is more than adequate protection.

ROLL CALL VOTE: 7 YES 7 NO 0 ABSENT
MOTION FAILED

Chairman Headland: Do we want to give it a try in the other direction? We can send it to the floor without recommendation but it's not the preferred method.

Representative Trottier: Can the yes votes convince me to switch? I don't have a problem with it the other way.

Representative B. Koppelman: MADE A MOTION FOR A DO PASS AS AMENDED

Representative Ertelt: SECONDED

Chairman Headland: Discussion.

ROLL CALL VOTE: 8 YES 6 NO 0 ABSENT
MOTION CARRIED

Representative B. Koppelman will carry this bill.

DR 1/30/19
1 of 4

19.0384.02002
Title.03000

Prepared by the Legislative Council staff for
Representative B. Koppelman
January 29, 2019

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1380

Page 1, line 1, replace "a new section to chapter 57-15" with "section 57-15-02.3"

Page 1, line 4, remove "and"

Page 1, line 5, after "date" insert "; and to provide an expiration date"

Page 1, line 12, overstrike "except" and insert immediately thereafter "provided that after 2021,"

Page 1, line 15, replace "sixty percent" with "a majority"

Page 1, line 16, replace "2 of this Act" with "57-15-02.3"

Page 1, remove lines 21 and 22

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 31

Page 4, replace lines 1 and 2 with:

"**SECTION 2.** Section 57-15-02.3 of the North Dakota Century Code is created and enacted as follows:

57-15-02.3. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of school districts. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

   a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

   b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

e. Taxes or special assessments levied to pay the principal and interest on any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.

f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

g. Taxes levied under sections 40-24-10, 40-43-01, 57-15-41, and 61-21-52.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 3. Section 57-15-02.3 of the North Dakota Century Code is created and enacted as follows:

57-15-02.3. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

   a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

   b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

   c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

   d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

e. Taxes or special assessments levied to pay the principal and interest on any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.

f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

g. Taxes levied under sections 40-24-10, 40-43-01, 57-15-41, and 61-21-52.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority."

Page 4, line 3, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 4, line 3, replace "This" with "Section 2 of this Act is effective for the first two taxable years beginning after December 31, 2019, and is thereafter ineffective. Sections 1 and 3 of this"

Page 4, line 3, replace "is" with "are"

Page 4, line 4, replace "2019" with "2021"

Renumber accordingly

Date: 1-29-19
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1380

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 19.0384.02002

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐

Motion Made By Rep. Koppelman Seconded By Rep. Dockter

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland			Representative Eidson		
Vice Chairman Grueneich			Representative Mitskog		
Representative Blum					
Representative Dockter					
Representative Ertelt					
Representative Fisher					
Representative Hatlestad					
Representative Kading					
Representative Koppelman					
Representative Steiner					
Representative Toman					
Representative Trottier					

Total (Yes) ______ No ______

Absent ______

Floor Assignment ______

If the vote is on an amendment, briefly indicate intent:

Voice Vote = Motion carried

- add provided after 2021 on p.1 line 12
- remove "60%" and replace with "a majority"

Date: 1-29-19
Roll Call Vote #: 2

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1380

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 19.0384.02002

Recommendation:
☐ Adopt Amendment
☑ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☑ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions:
☐ Reconsider ☐ ______

Motion Made By Rep. Koppelman Seconded By Rep. Ertelt

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson		✓
Vice Chairman Grueneich		✓	Representative Mitskog		✓
Representative Blum		✓			
Representative Dockter	✓				
Representative Ertelt	✓				
Representative Fisher		✓			
Representative Hatlestad		✓			
Representative Kading	✓				
Representative Koppelman	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier		✓			

Total (Yes) 7 No 7

Absent 0

Floor Assignment ______

If the vote is on an amendment, briefly indicate intent:

Motion failed

Date: 1-29-19
Roll Call Vote #: 3

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1380

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 19.0384.02002

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐

Motion Made By Rep. Koppelman Seconded By Rep. Ertelt

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland		√	Representative Eidson		√
Vice Chairman Grueneich		√	Representative Mitskog		√
Representative Blum	√				
Representative Dockter	√				
Representative Ertelt	√				
Representative Fisher		√			
Representative Hatlestad		√			
Representative Kading	√				
Representative Koppelman	√				
Representative Steiner	√				
Representative Toman	√				
Representative Trottier	√				

Total (Yes) 8 No 6

Absent 0

Floor Assignment Rep. Koppelman

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1380: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). HB 1380 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "a new section to chapter 57-15" with "section 57-15-02.3"

Page 1, line 4, remove "and"

Page 1, line 5, after "date" insert "; and to provide an expiration date"

Page 1, line 12, overstrike "except" and insert immediately thereafter "provided that after 2021,"

Page 1, line 15, replace "sixty percent" with "a majority"

Page 1, line 16, replace "2 of this Act" with "57-15-02.3"

Page 1, remove lines 21 and 22

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 31

Page 4, replace lines 1 and 2 with:

"**SECTION 2.** Section 57-15-02.3 of the North Dakota Century Code is created and enacted as follows:

57-15-02.3. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of school districts. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

    a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

    b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

e. Taxes or special assessments levied to pay the principal and interest on any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.

f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

g. Taxes levied under sections 40-24-10, 40-43-01, 57-15-41, and 61-21-52.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 3. Section 57-15-02.3 of the North Dakota Century Code is created and enacted as follows:

57-15-02.3. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

    a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

    b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

    c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

    d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

    a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

    b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

e. Taxes or special assessments levied to pay the principal and interest on any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.

f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

g. Taxes levied under sections 40-24-10, 40-43-01, 57-15-41, and 61-21-52.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority."

Page 4, line 3, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 4, line 3, replace "This" with "Section 2 of this Act is effective for the first two taxable years beginning after December 31, 2019, and is thereafter ineffective. Sections 1 and 3 of this"

Page 4, line 3, replace "is" with "are"

Page 4, line 4, replace "2019" with "2021"

Renumber accordingly

2019 TESTIMONY

HB 1380

#1
HB 1380
1-28-19
P. 1

HB 1380
Limitations of Property Tax Levies

Mr. Chairman, members of the Finance and Tax Committee, the bill before you is what I call real property tax reform. This legislative body for years have given property tax relief. It is now time to reform our property tax system. We need property tax reform that prevents government entities from raising property taxes without voter approval. We need serious property tax reform with a revenue cap.

Enough is enough. North Dakotans are fed up with property taxes being raised without any consequences to those who raise them. They are tired of endless government spending while honest, hard-working people struggle just to keep up with paying their tax bills. We as lawmakers can no longer sit idly by while homeowners are reduced to tenants of their very own property with taxing authorities playing the role of landlord. No government should be able to tax people out of their homes. No government should disregard the private property rights of its citizens. We must remember that property owners should not be renting their home from their local taxing entity.

The bill before you allow local taxing entities to raise revenues by 3% per year. Anything beyond that would require a vote of the people, a 60% majority. Revenue increases from new construction don't apply toward the election thresholds.

This bill will give property owners a say in their property taxes.

Property tax limitations have been adopted in forty-six states and the District of Columbia. Some view property tax limitations as a sensible constraint on the growth of local government (including myself), or as a fail-safe to avoid pricing people out of their home.

#1
HB 1380
1-28-19
p. 2

Whenever elected officials, through their inaction, allow property taxes to rise precipitously, it is time to allow the voting public to reject their inactions. The heart of this bill is that if elected officials will not listen to the voters, then let us allow the voters to take matters into their own hands.

#2
HB 1380
1-28-19
p. 1

House Finance and Taxation Committee
Chairman Craig Headland
January 28, 2019

By: Josh Wolsky
Alderman, City Council, City of Minot
josh.wolsky@minotnd.org
701-340-1763

HB 1380

Chairman Headland and Members of the House Finance and Taxation Committee, my name is Josh Wolsky. The governing body of the City of Minot is a city council consisting of the mayor and six aldermen. I am one of those six aldermen. On behalf of the City of Minot, thank you for the opportunity to speak today on behalf of our entire city council in strong opposition to HB 1380.

Let me say at the outset, that I understand the citizens of our state and its many political subdivisions are rightly concerned about the level of taxation that we all pay, whether that be in the form income tax, sales tax, or property tax. It is our position in the City of Minot that our elected representatives must remain accountable and transparent about our local tax policy, just as you are at the state level.

At the same time, let us all admit that taxes at every level of government serve a vital purpose: they exist to pay for basic public services. Your committee is charged with the responsibility to examine the level of taxation this state should impose through income and sales tax, and what kind of exemptions are necessary to provide relief to certain persons, or to incent certain economic activity. A city council must do the same thing with regard to a city's share of sales tax and with regard to property tax levies. As one of seven members of Minot's City

#2
HB1380
1-28-19
p.2

Council, I am very aware of this responsibility and I engage my constituents on a continual basis on this very topic.

In Minot we have several significant financial challenges we are facing: 1) massive infrastructure investments due to growth fueled by oil and gas development; 2) our need to protect our citizens and businesses from the threat of another flood event like what we experienced in 2011; and 3) our obligation to finish the Northwest Area Water Supply Project. These are tall tasks for a city our size to have to overcome – tasks that will all take significant financial resources to achieve.

On May 31, 2018, some of you who sat on the Interim Tax Committee may have seen our City Manager, Tom Barry, present information about our financing and revenue challenges in recent years. While I am not going through that presentation in detail today, much of my testimony draws on the data Mr. Barry assembled for that presentation. Please find that presentation attached to my testimony.

Oil and gas development has brought a lot of new companies, and a lot of new people, to western North Dakota. In Minot, growth from new companies and new people has resulted in Minot's footprint nearly doubling. Our population jumped from about 36,000 to nearly 50,000 in less than a decade's time. While growth has meant higher school enrollment numbers and new schools, it has also required new and updated facilities and equipment for emergency services. For example, the calls for police and fire services in the past 10 years has increased by 95 percent and 25 percent, respectively. Our number of sanitary lift stations has nearly doubled from 23 to 45. Increased demands on our health care system has led to the construction of the new Trinity Hospital. Service demands have also challenged our landfill in accepting waste

#2
HB 1380
1-28-19
p. 3

from the growing surrounding region. These are just a few of the facts and statistics that reflect the tremendous growth our community experienced in the last decade.

This tremendous growth requires financing – and the rapid development we continue to experience has overwhelmed our ability to cost effectively finance at the local level. That's why the City of Minot is, in other bills in front of you this session, seeking support from the state through both oil and gas tax formula changes and through innovative debt financing options. The more we can do there, the less pressure there will be on locally sourcing those desperately needed funds.

As you well know, the City of Minot is also still recovering from the 2011 flood event which inundated the heart of our city. More than 3,000 homes were destroyed and 12,000 of our residents displaced in that flood. We are determined to protect ourselves from any flood event of that magnitude in the future. To fully finance what is, in the end, a $1 billion flood protection project, the city will need to come up with its local share of more than $350 million. We recognized that we are going to have to work with the state, the federal government and our financing partners to get that done.

Specifically, regarding our property tax issues over the past few years, the City of Minot has had significant challenges. The economy slowed down, reducing property valuations (down 8% in 2018 over 2017 and down again 3% in 2019 over 2018) and our sales tax revenues (down on average about $6M per year over 3 years). Between the two pennies we levy, Minot uses about half of that to subsidize property tax.

A reduction in revenue does not mean a reduction in expenses, however. Growth of the 2010s boosted our population by 35%, annexed land by 85%, and expenses by 148%. Meanwhile revenue from that same time span was up only 32% adding to a rising debt which was up 203%

#2
HB 1380
1-28-19
p. 4

over the same time period. These realities have challenged us to search for additional revenues to off-set the costs mounting from massive oil and gas related growth and subsequent economic downturns.

The downturn in the economy did nothing to relieve demand on emergency services. Quite the opposite. Public safety continues to be a major investment for Minot. Of the five major crime categories: Murder, Robbery, Vehicle Theft, Aggravated Assault, and Burglary, Minot witnessed an increase of 94% over the past 5 years. To compare, cities like Fargo, West Fargo, Bismarck, and Grand Forks had an average increase of around 28% over the same timeframe. Fire and EMT calls for service jumped 25% over 5 years. Investing in public safety was and continues to be a priority.

Unlike some neighboring cities, Minot does not utilize special assessments very much. For a comparison, in 2016, Minot generated about $4 million in special assessment revenue while Bismarck brought in over $21 million and Fargo $37 million all in addition to the property tax mill levy those cities assessed to properties in each of their respective towns. So while Minot's property tax levy is higher, it is not when you factor in the special assessment impacts to those city resident's property tax bills.

Minot elected leaders are conservative. We have been very conscientious and deliberate about adjusting the City's mill levy. The City reduced the number of mills by 31.5%, from 113.7 in 2007 down to 77.91 in 2016. If the City of Minot would have kept our property tax levy steady and just allowed the increase in valuations to take effect, it would have translated to a gross gain of just under $57 million in additional revenue for the City. Instead, we budgeted for what we needed, not what we wanted. The City was fortunate enough to have record setting sales tax collections to help offset that reduction, but as we stand today, even with those collections,

#2
HB 1380
1-28-19
p. 5

the City saw a net loss of roughly $20 million. As of today, about half of the City's 2-cent sales tax is used to subsidize property taxes. This subsidy will need to be reduced as our obligation to fund flood control and NAWS grows nearer. The city holds over $88 million in debt currently and with those large projects looming on the horizon, that debt will dramatically rise as will our expenses. But despite our growth in debt the City of Minot maintains the highest credit rating for a city of its size, at AA2.

As discussed, sales tax collections and home valuations have fallen, hurting our income streams. But there is another revenue source we relied on that decreased as well: State funding. While we greatly appreciate all the State of North Dakota does for us and all the help we received now and in the past, it doesn't change that fact that we needed to account for a reduction of millions of dollars in revenue from the State. We've seen Highway Tax dollars, State Aid dollars and HUB City funding all decrease in the recent past. We are all too familiar that these declines are due to similar economic shifts the State has had to deal with also. But despite all these revenues declines, our municipal expenses persist. New infrastructure can't be sold or simply discarded. It must still be maintained regardless of the current economic climate.

As we assembled our 2018 budget, we saw that revenues were down going into FY2018 and we knew we had some serious decisions to make. An initial analysis suggested we needed to increase our property tax revenue by 45 mills (about 55%). But we took serious steps to mitigate such a drastic swing. During the budget process we cut about $5 million in budget costs, eliminated 20 full-time positions within the City, reduced staff salary increases by 50%, eliminated the City's Community Facilities Fund of nearly $3M, utilized $1.5M in reserve money to balance the budget, and found as many creative ways to save money as possible. In the end, we had to raise City Property Taxes about 25% or 28 mills. For context, that equated to an

#2
HB 1380
1-28-19
p. 6

average increase per home of $213 per year or $17.75 per month. It is true that our FY2019 budget process created similar challenges and also resulted in another increase of about 22 mills. That equated to an average increase per home of about $162 per year or $13.50 per month. But that increase was wholly the result of finding revenues to pay for the largest water supply expansion project in our City's history: NAWS. After a decade and a half of litigation, the NAWS project has been cleared for construction. But in that time frame the inflationary costs and new requirements to the project necessitated our need to raise money to see it to completion. Yet, even with those increases, Minot is still below the State average and well below the national average for consolidated property tax statements inclusive of special assessments.

Throughout our budget processes, we were particularly attentive to the public's concerns. We were extremely transparent and worked hard to get the message out on why we had to raise property taxes. Our outreach efforts included:

- 2 Budget Workshops
- 2 Budget (Council & Community) Workshops (broadcasted and replayed online)
- 7 Public Presentations (all broadcasted and replayed on social media)
- 2 Public Hearings (broadcasted and re-aired on social media)
- More than a dozen social media posts (Including citizen engagement, comments, responses, and questions)
- Multiple News Articles & Interviews (TV, Print, Editorials, etc.)
- An Exclusive 4-hour Interview with the local Newspaper Editorial Board
- Developed FAQs and distributed them at meetings and City events
- Publishing frequent City Newsletter Articles

Currently, property tax revenue only makes up about 16% of the City's total revenue and are just barely enough to cover Police, Fire and debt service needs.

Regarding HB 1380, we must remember that placing a cap on one form of taxation does not make the public demand for services go away nor the costs to provide those services lessen. Rather, it puts pressure on other sources of local revenue, such as sales tax or special

#2
HB 1380
1-28-19
p. 7

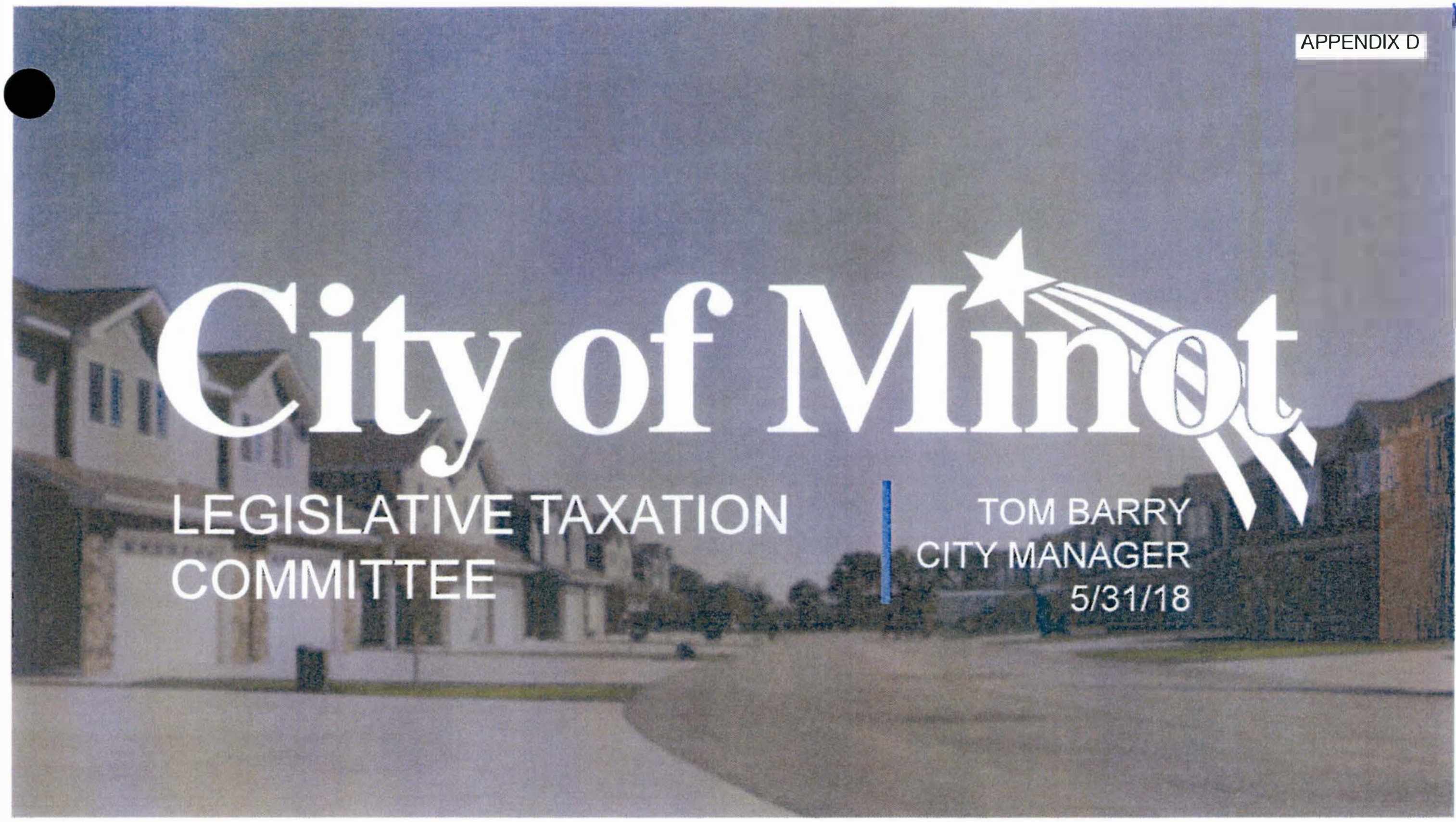
assessments. It will also put more pressure on our need for state support—and, therefore, more pressure on state revenue sources as well.

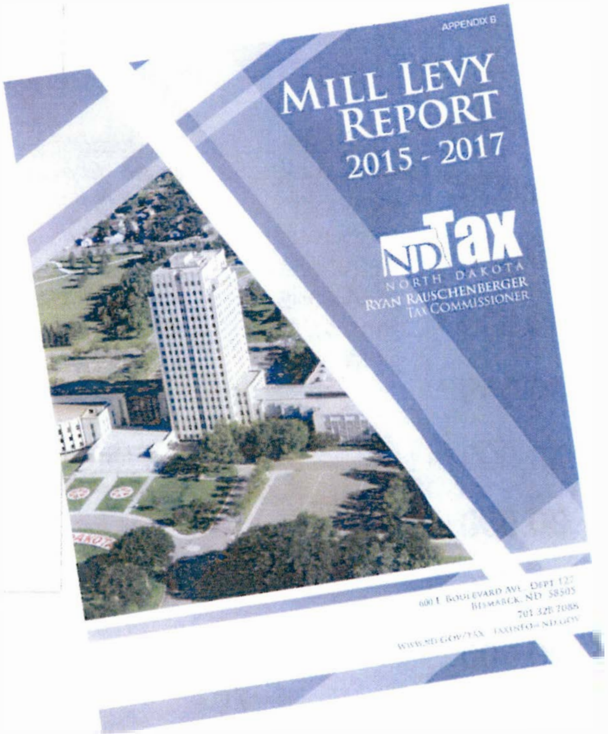
Around the country, we have seen that wherever property tax caps are put in place, municipalities, quite predictably, turn to fees, sales taxes, and special assessments to make up the difference. Not surprisingly, these costs then fall more heavily on lower-income residents.

I am still new to city governance. But one thing I have learned very quickly: city financing is a complicated subject, intermixed with federal, state and local resources and pressures. It is the kind of thing that elected representatives must commit dozens upon dozens of hours of study and deliberation to, like I did, balancing the various competing priorities that emerge. It is simply not something we can put on a ballot and expect even the most informed voter to make a fully informed decision that appropriately balances all the competing interests. This is why tax policy is entrusted to representatives, like you, and like me, in the first place. We must take into account a variety of considerations to arrive at a fair, consistent, and transparent tax policy.

This is all to say that with the many significant challenges Minot has in the months and years ahead to finance energy growth, regional flood protection and regional water supply projects, as well as to continue to provide basic services to a growing population base, we need more flexibility and local control, not less, in balancing the city finance options we have before us. I urge you to give HB 1380 a "do not pass" recommendation. I would be happy to address any questions.

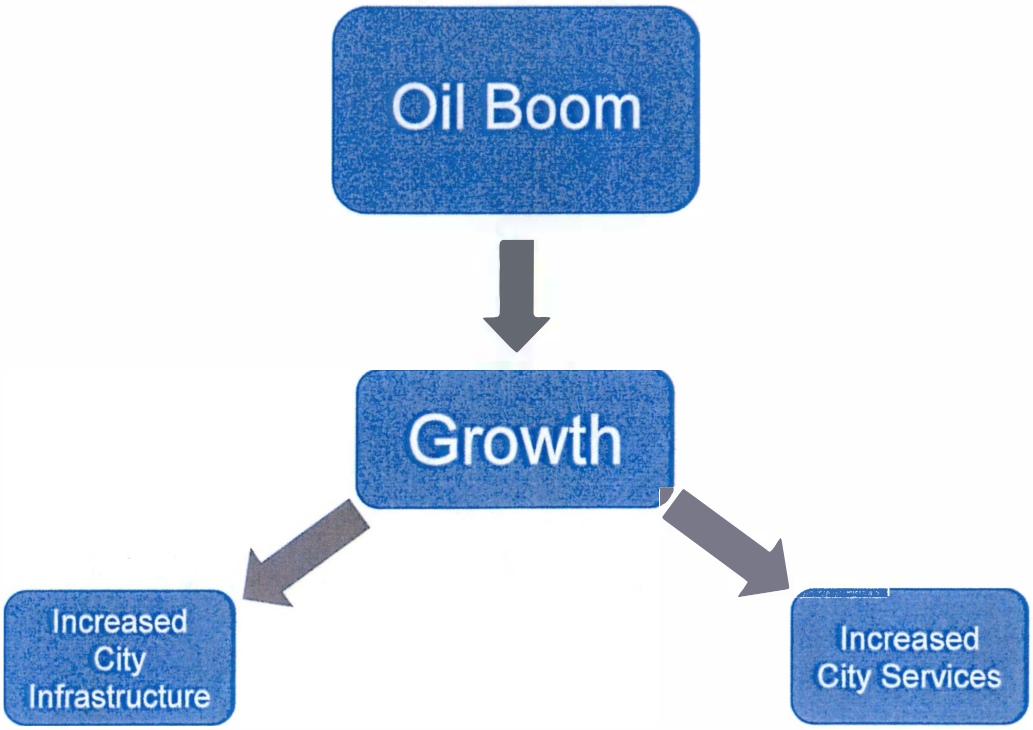
#3
HB 1380
1-28-19
p. 1

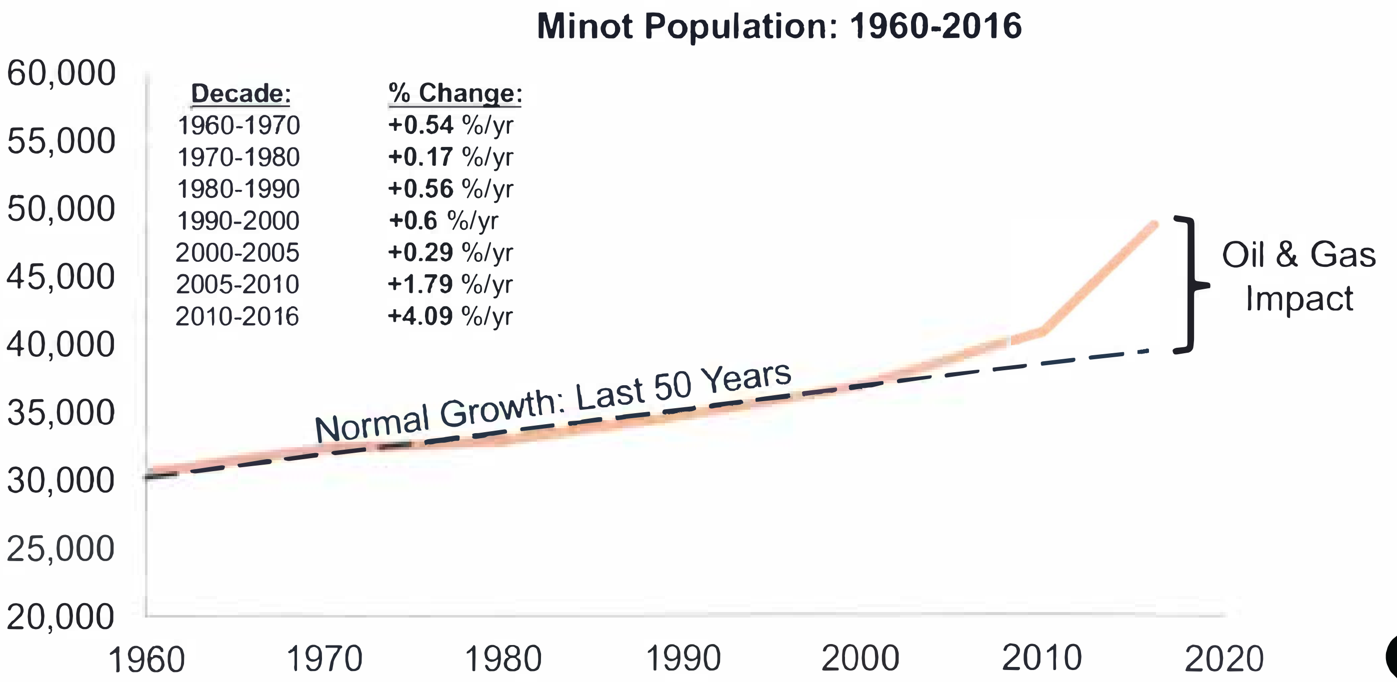




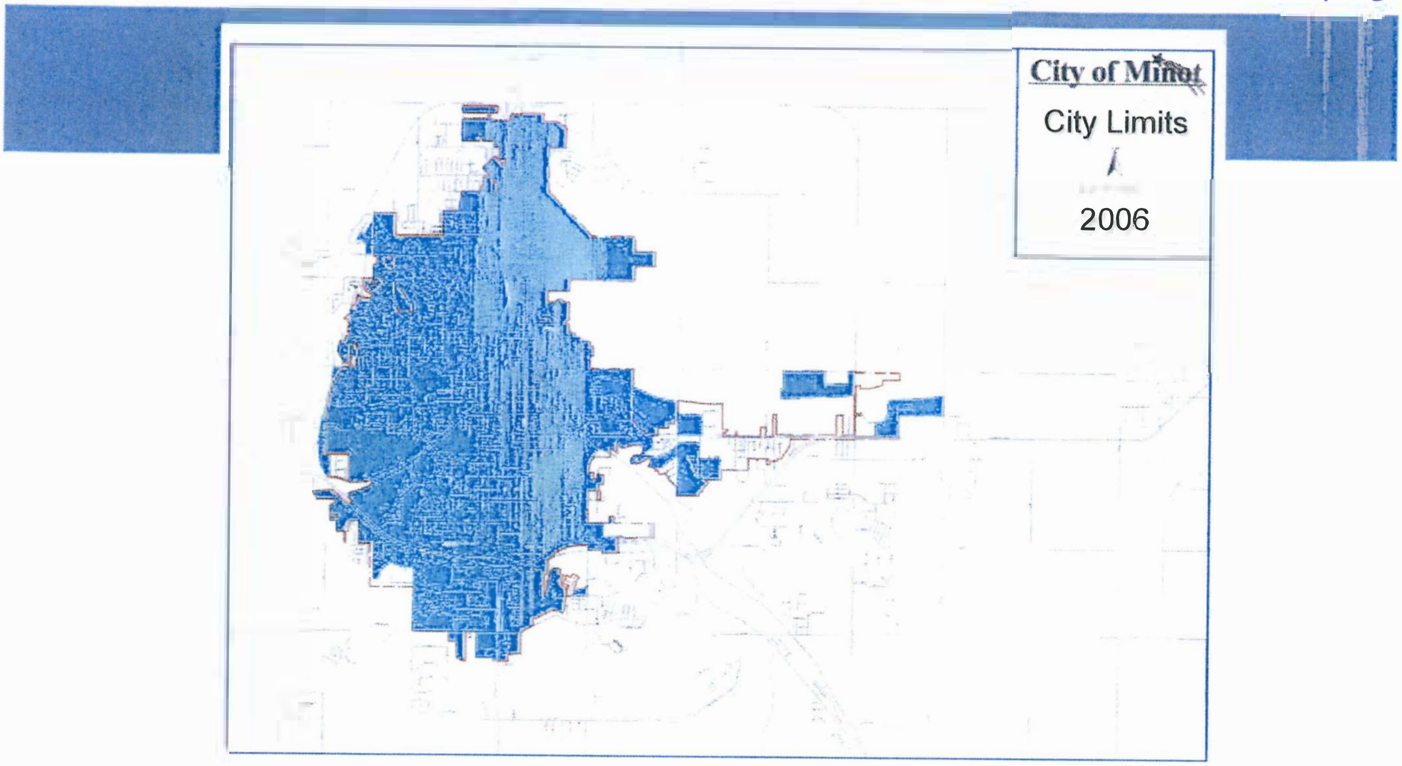
- Minot is a Recent Outlier
- Report Doesn't Tell The Whole Story
- History Shows Reasonable Taxation

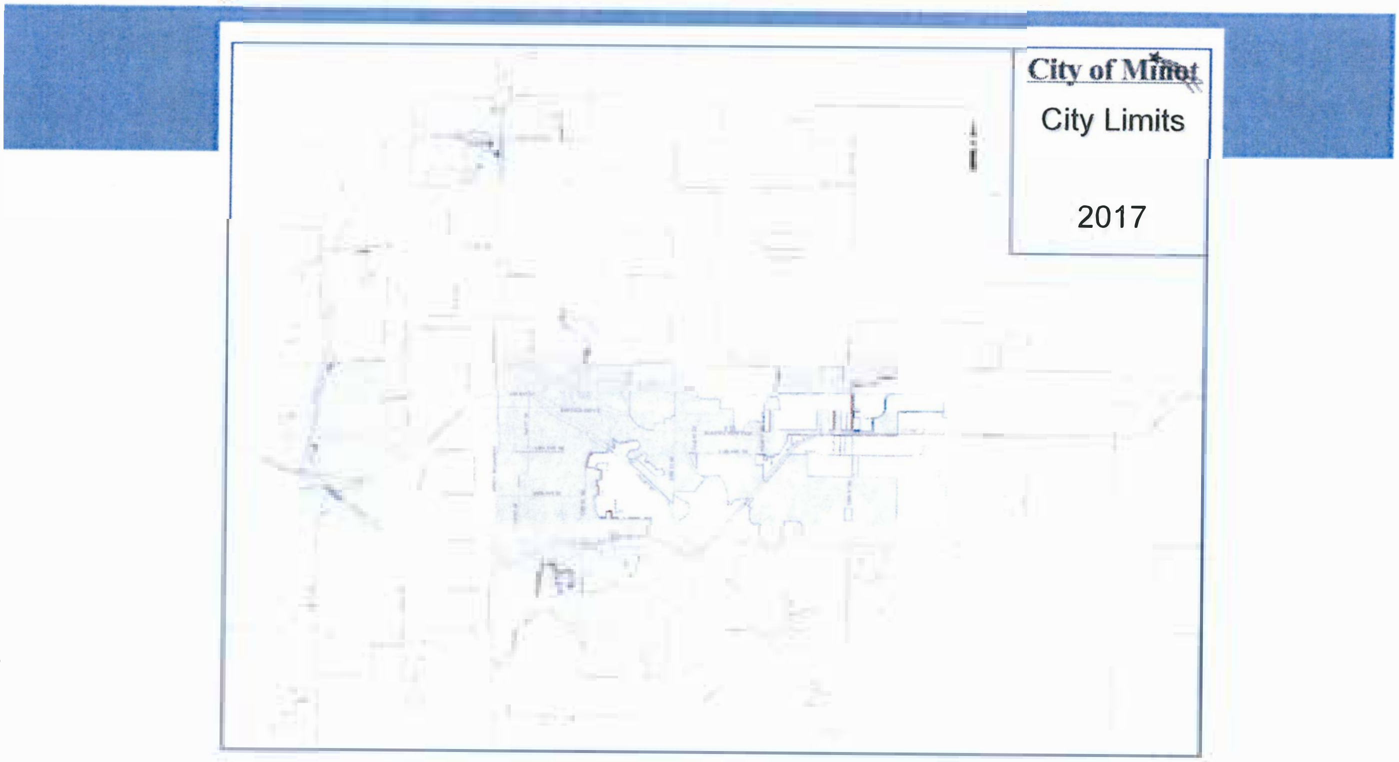
#3
HB 1380
1-28-19
p. 2





#3
HB 1380
1-28-19
p. 3





#3
HB 1380
1-28-19
P. 4

2007 vs 2016: A 10-Year Trend

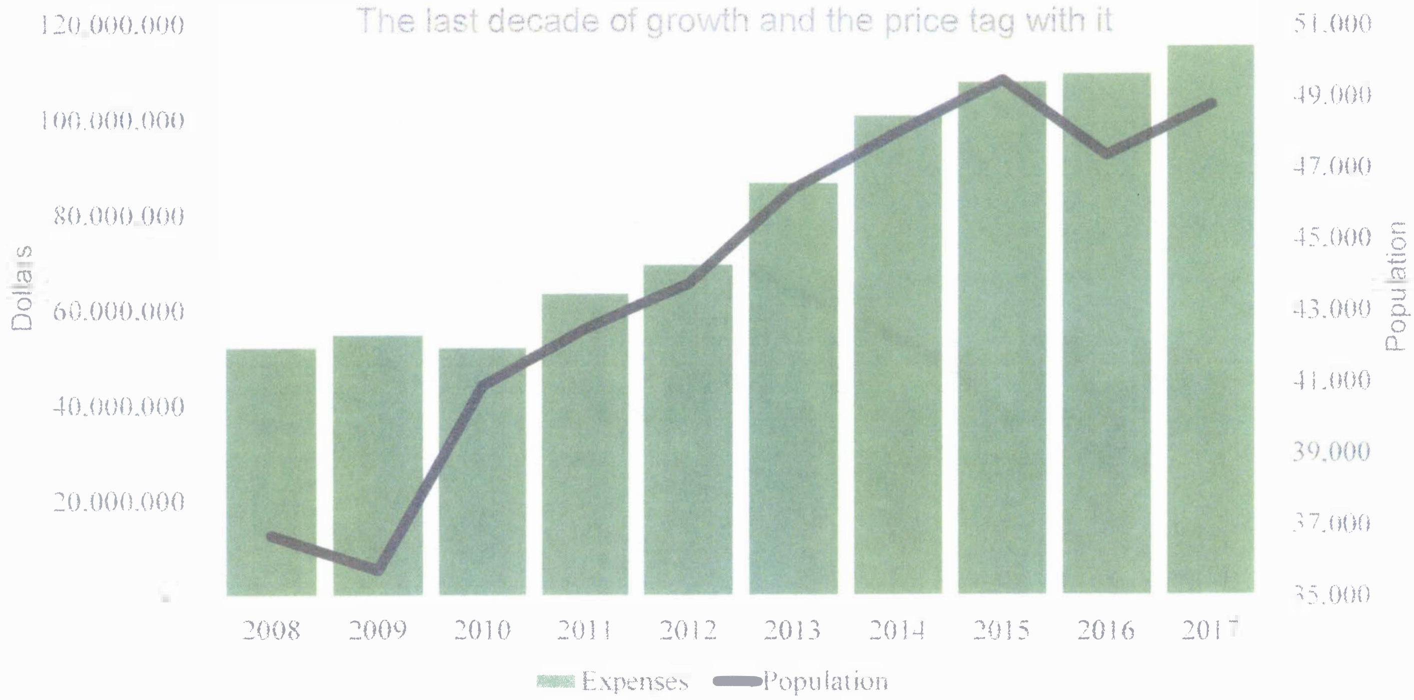
2007	2016	Change
Population (36,567+)	Population (49,450+)	Population +35%
Annexed Land (9,600 acres)	Annexed Land (17,753 acres)	Annexed Land + 85%
# of FTEs (311)	# of FTEs (436)	# of FTEs: +40%

City Service and Infrastructure Changes

2007	2016	Change
Emergency Calls PD/Fire (31,932)	Emergency Calls PD/Fire (43,065)	Emergency Calls PD/Fire +40%
Street Miles (225.25)	Street Miles (291.33)	Street Miles: +29%
Sewer (187.54 miles)	Sewer (259.22 miles)	Sewer +38%
Water (218.00 miles)	Water (324.13 miles)	Water +49%
Sanitary lift stations (23)	Sanitary lift stations (43)	Sanitary lift stations +87%
Landfill waste (43,000 tons)	Landfill waste (77,000 tons)	Landfill waste +79%

#3
HB 1380
1-28-19
P. 5

THE COST OF GROWING



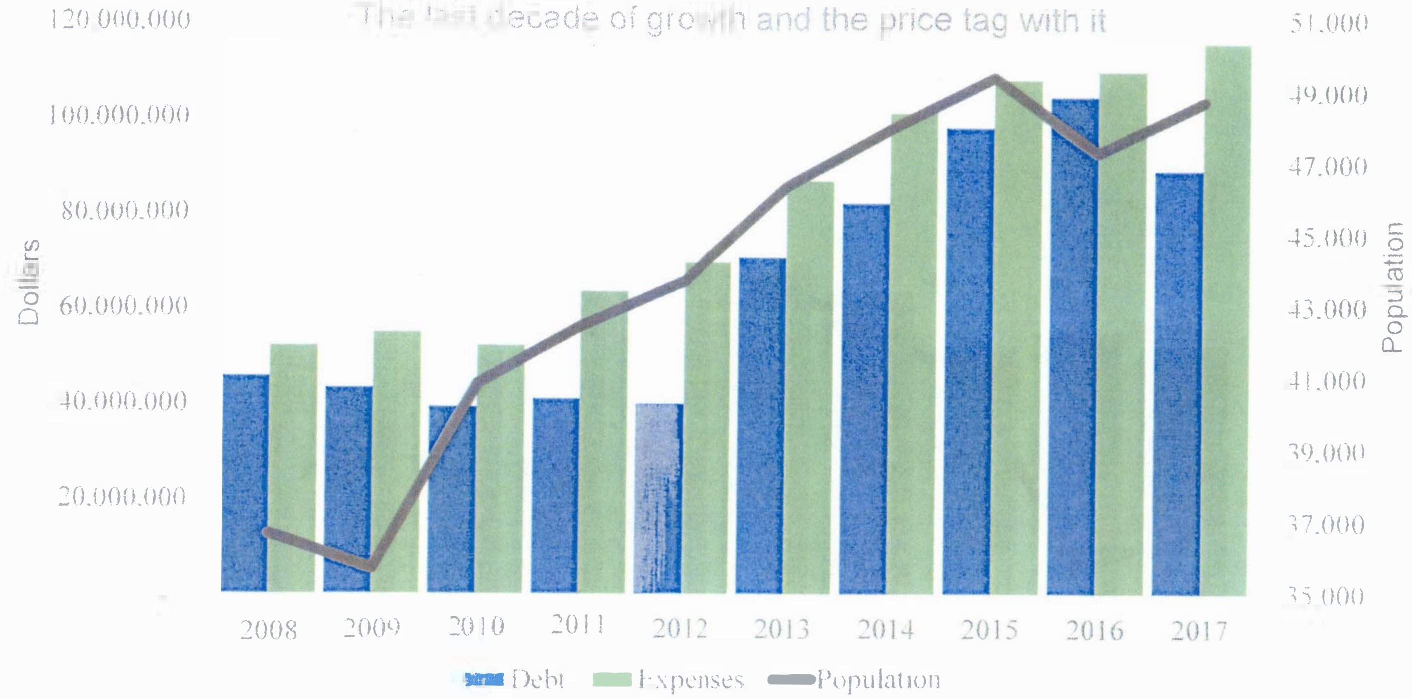
2007 vs 2016: A 10-Year Trend

2007	2016	Change
Total Expenses ($44.2 Million)	Total Expenses ($109.7 Million)	Total Expenses +148%
Total Revenue ($65 Million)	Total Revenue ($151.2 Million)	Total Revenue +132%
Debt ($34.4M)	Debt ($104.4)	Debt +203%

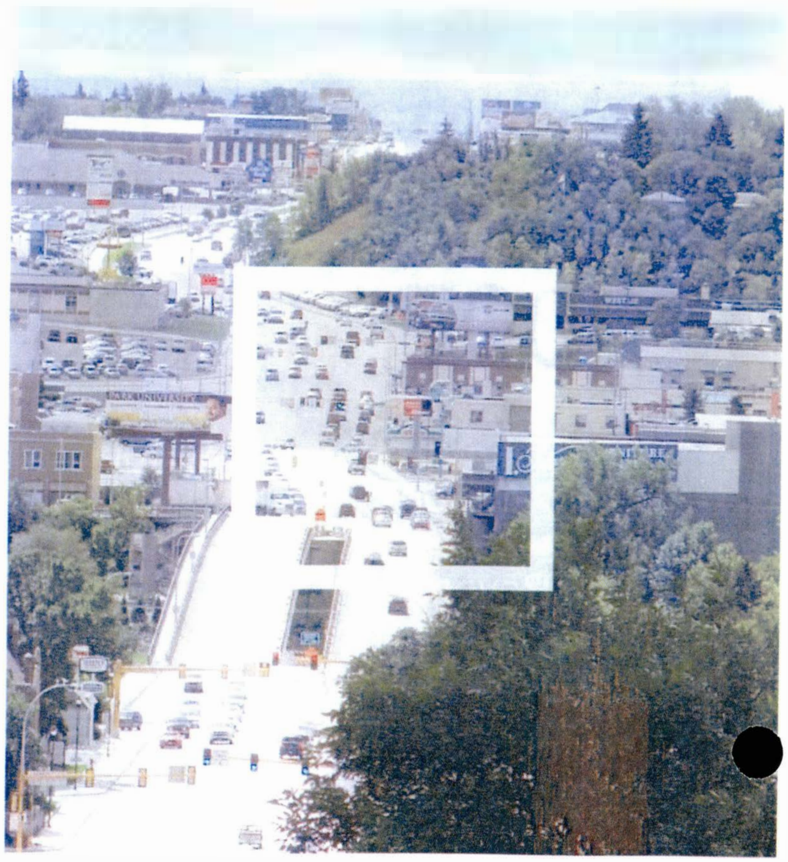
#3
HB 1380
1-28-19
p. 6

THE COST OF GROWING

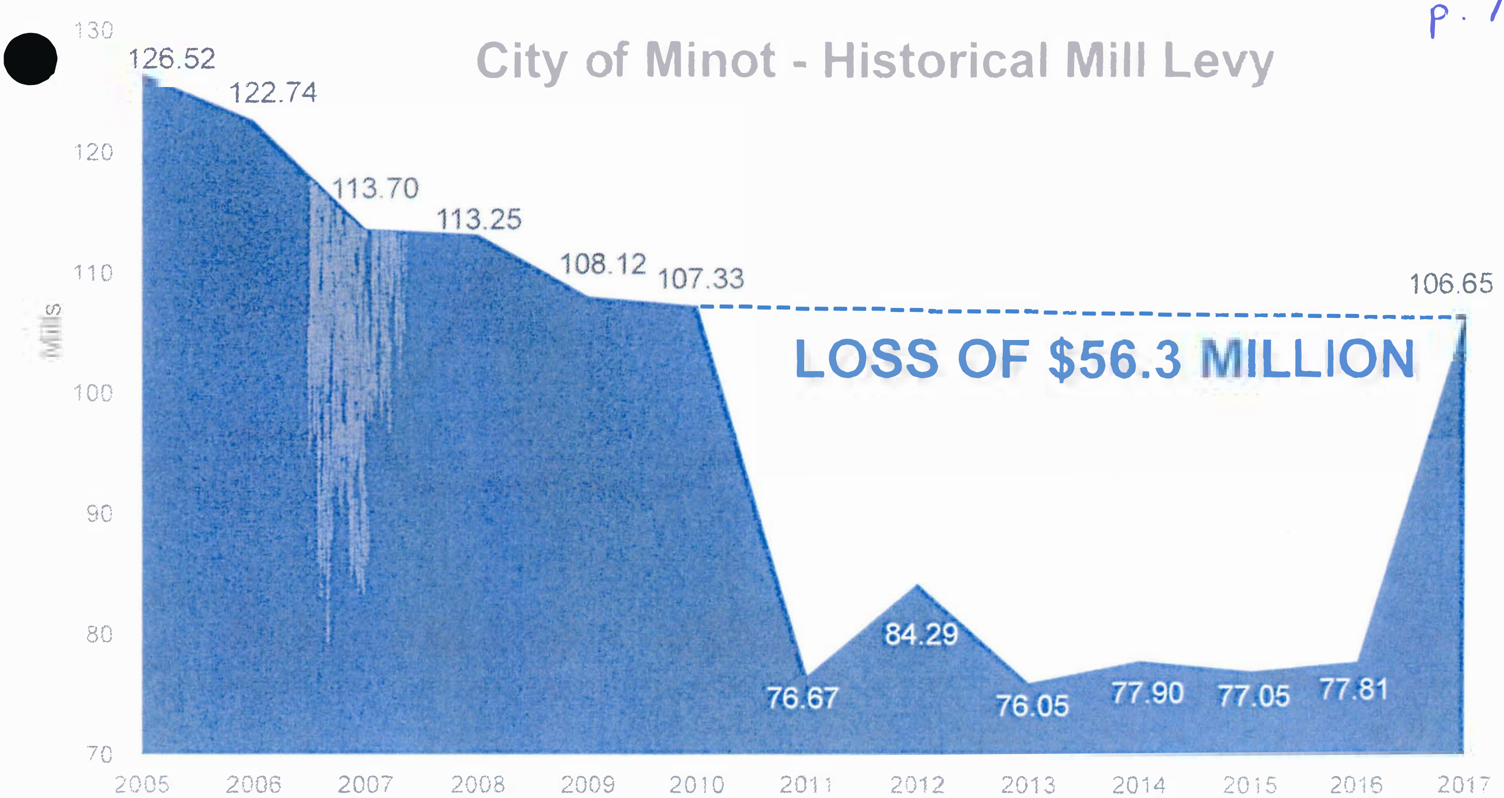
The last decade of growth and the price tag with it



PROPERTY TAX HISTORY



#3
HB 1380
1-28-19
p. 7

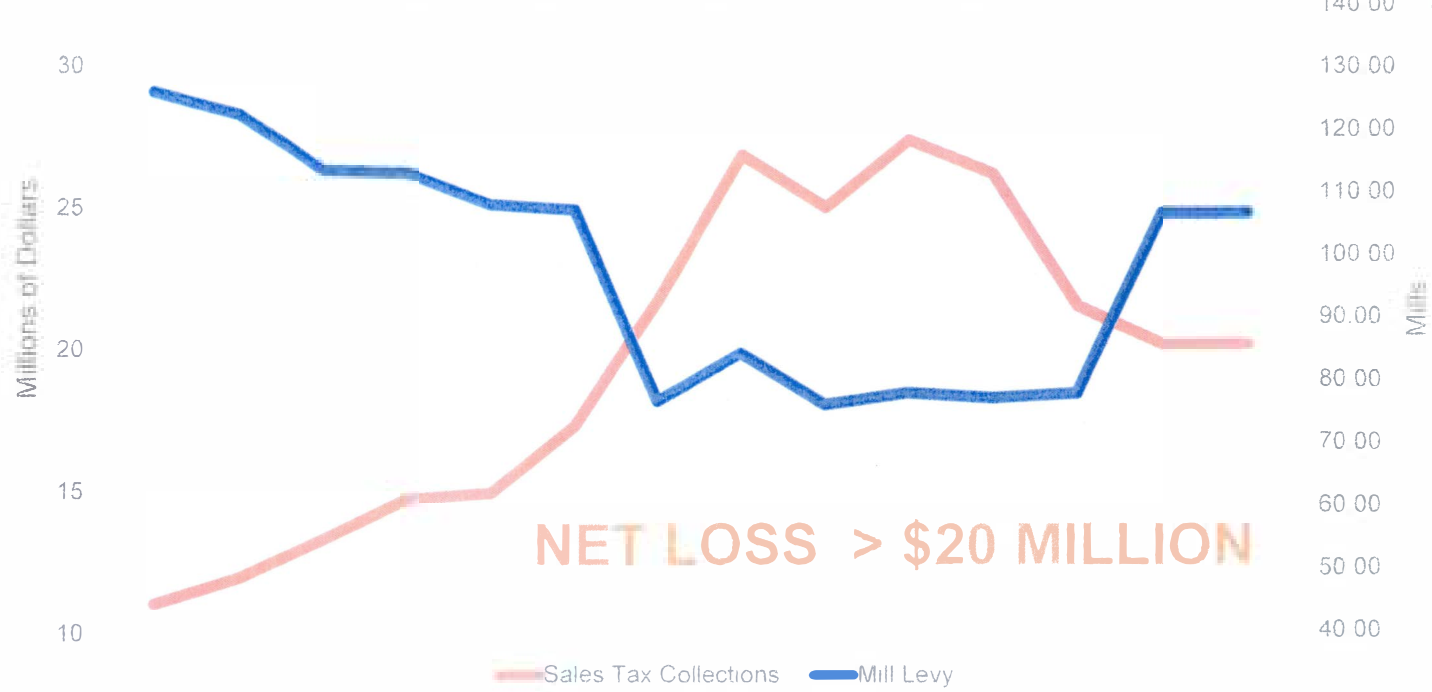


Sales Tax Collections – since 2007

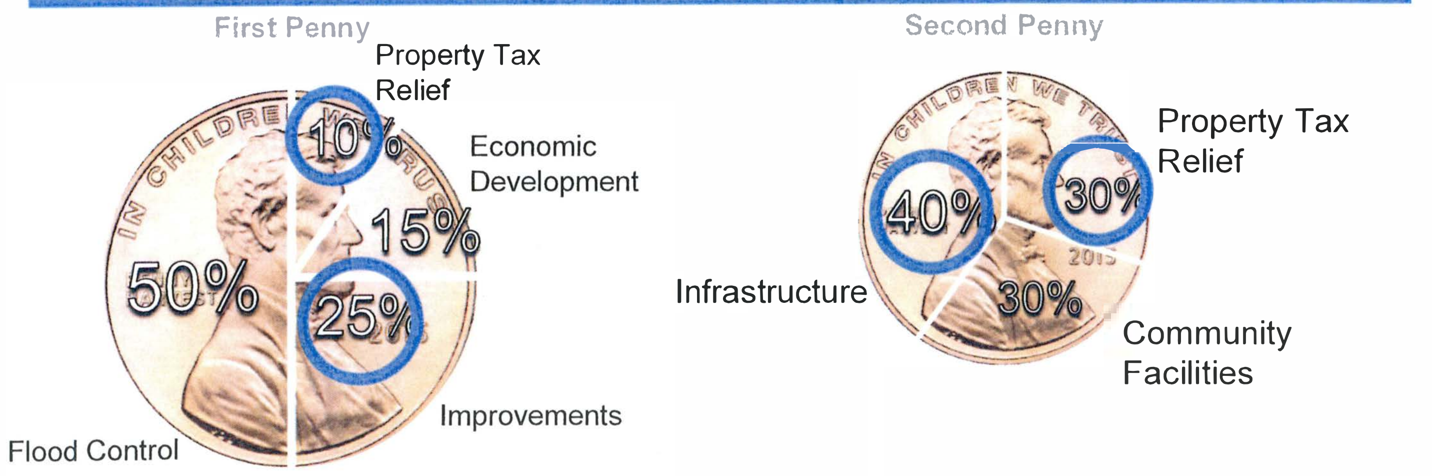
2007	$ 13,242,768
2008	$ 14,574,340
2009	$ 14,845,915
2010	$ 17,200,391
2011	$ 21,612,185
2012	$ 26,705,354
2013	$ 24,850,061
2014	$ 27,245,883
2015	$ 26,035,551
2016	$ 21,375,144
2017 projection	$18,000,000

#3
HB 1380
1-28-19
p. 8

MILL LEVY – SALES TAX COMPARISON



FY2017 PROPERTY TAX RELIEF



53% contributes to direct & indirect property tax relief =49 mills

#3
HB 1380
1-28-19
p. 9

A Look Back:

2006 mill levy	2016 mill levy	Change
City of Minot	City of Minot	City of Minot
• 122.74 mills	• 77.81 mills	• -44.93 mills
• $534.65* per home	• $665.27* per home	• $130.62
• Average home: $96,800	• Average home: $190,000	• 96%
• **Total Consolidated Tax Bill (Avg): $1,924.22**	• **Total Consolidated Tax Bill Avg: $2,127.24**	• **10%**

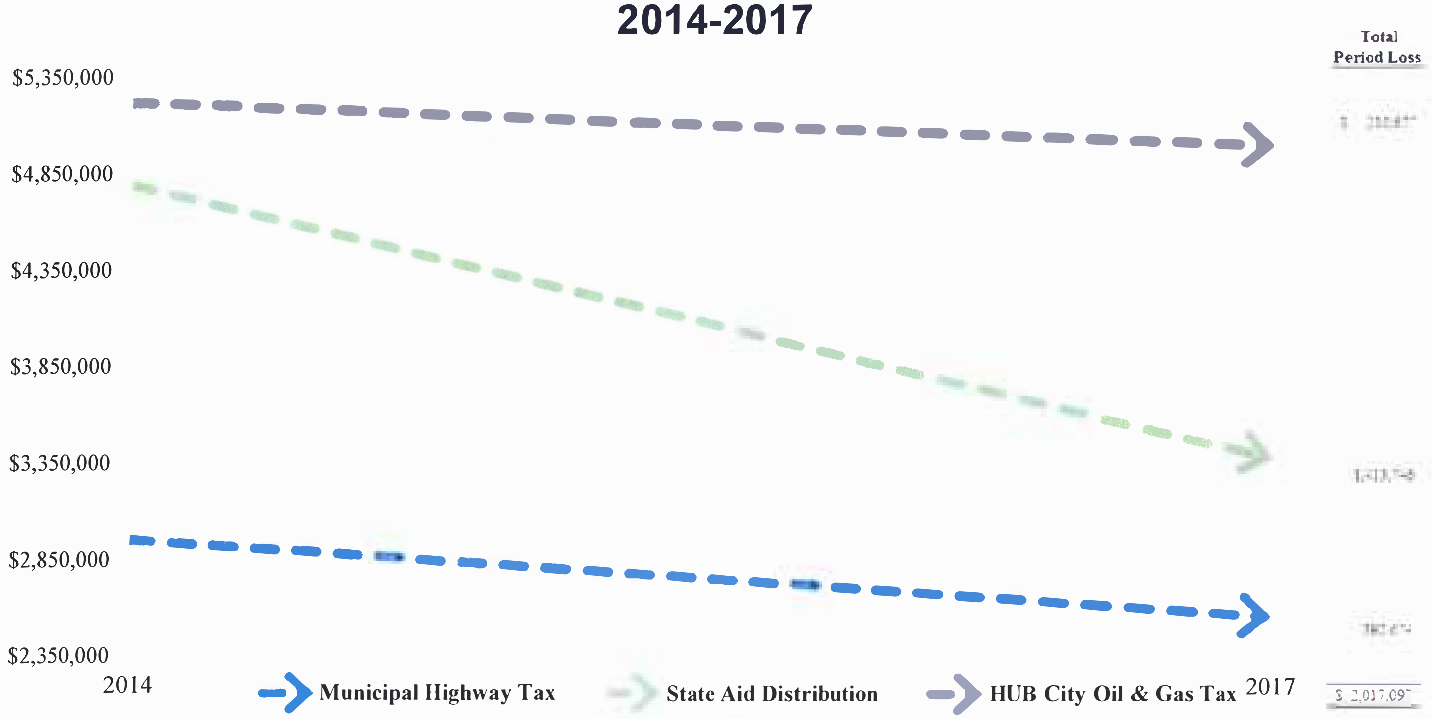
Summary

- Median Home Valuations have gone up 96% **in 10 years**
- **Mill Levy has dropped 36% in 10 years**
- **Consolidated Property Taxes** for Minot have gone up 10.5% in 10 years = about 1%
- CPI illustrates a 19% percent inflation over this time = 2% annually

* Based on median home valuation

#3
HB 1380
1-28-19
p. 10

State of North Dakota Revenue Trends
2014-2017

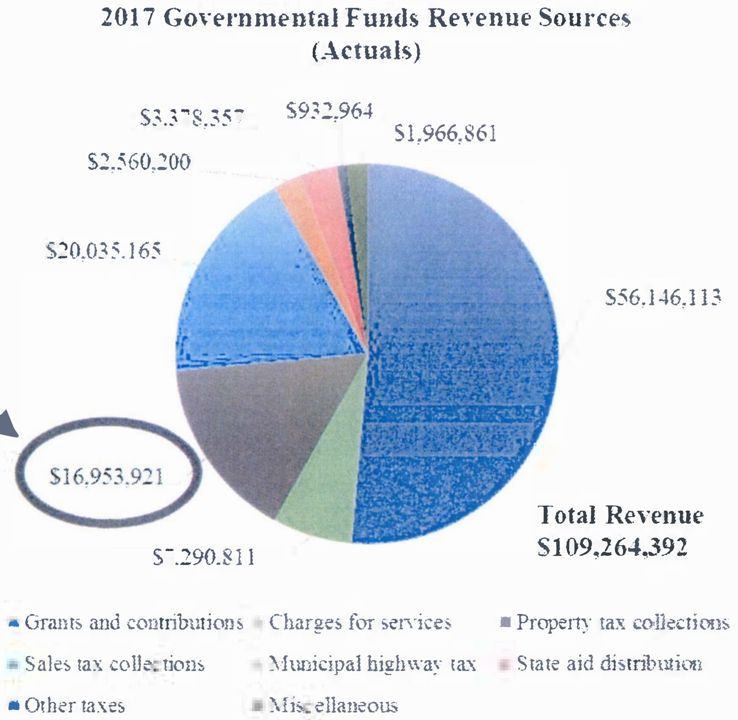


WHERE
PROPERTY
TAX
DOLLARS
GO

#3
HB 1380
1-28-19
p. 11

Property Taxes as a Source of Revenue

Property Taxes only make up 15% of the City's Total Revenue



FY 2018 Consolidated Tax Bill Ward County

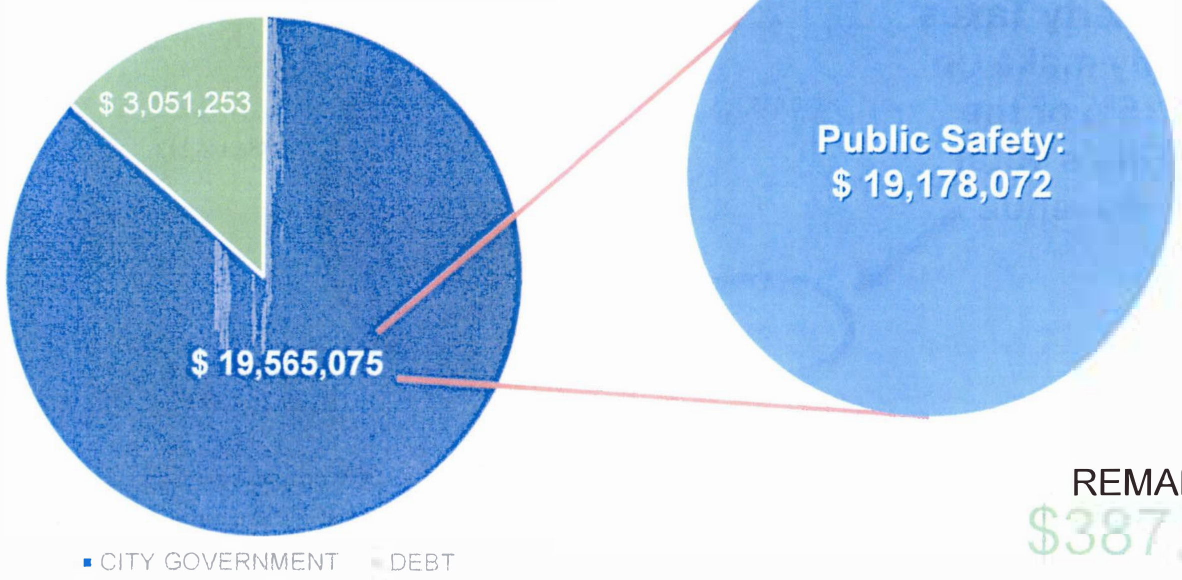
#3
HB 1380
1-28-19
p. 12

WHAT'S IT COVER?

PUBLIC SAFETY'S PIECE OF PROPERTY TAX

2018 TOTAL BUDGETED PROPERTY TAX

$ 22,616,328



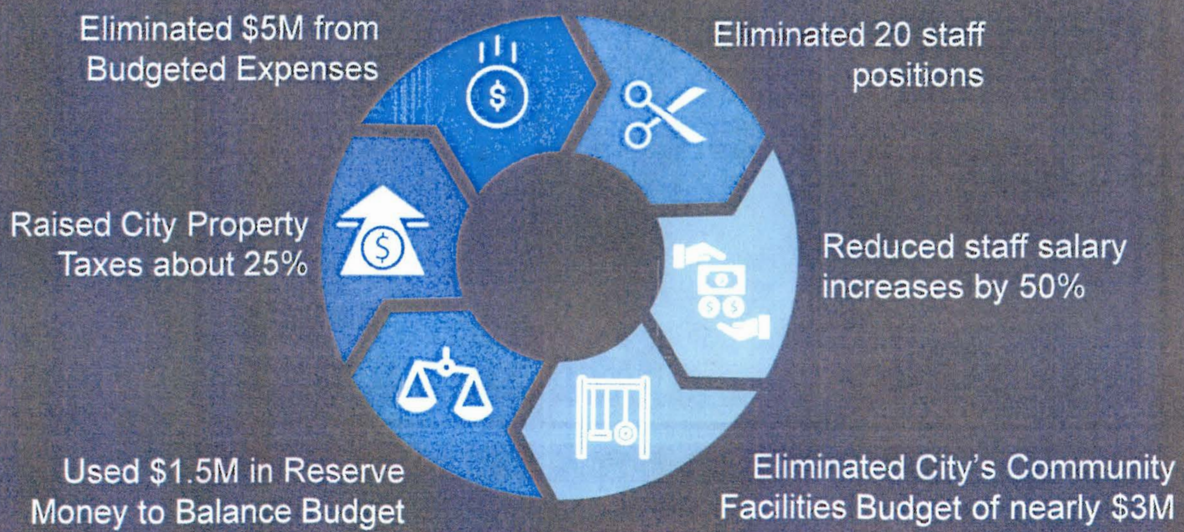
REMAINING:

$387,003

Mitigating Modifications to the FY 18 Budget

Initial mill increase anticipated at 45 Mills (or about a 55% increase)

Mitigated to 28 Mill increase by:



#3
HB 1380
1-28-19
p. 13

OUTREACH

Staff committed to extended communication efforts after the 2018 budget was passed This included traditional and social media as well as public discussions. forums and service group chats

<u>Types of Public Communications:</u>

- 2 Budget Workshops
- 7 Public Presentations
- 2 Public Hearings
- More than a dozen social media posts
- Multiple News Articles & Interviews
- Exclusive Interview with Newspaper Editorial Board
- Developed FAQs Flyers
- Published Articles in Newsletters

HELD LIVE AND ONLINE FORUMS

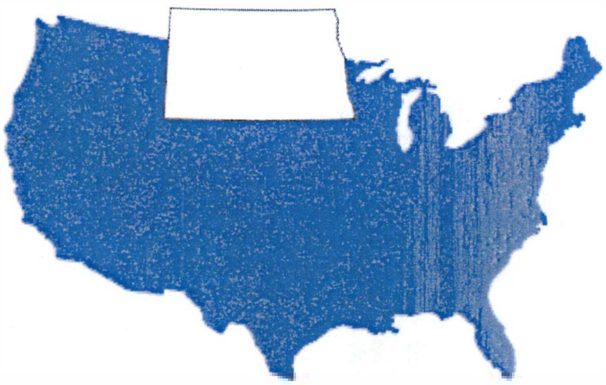
The City hosted budget workshops for the community which were broadcasted on YouTube and Facebook

MEETINGS WITH MEDIA

City Manager, Finance Director, PIO and Assessor held several one-on-one meetings with media members

ONLINE UPDATES

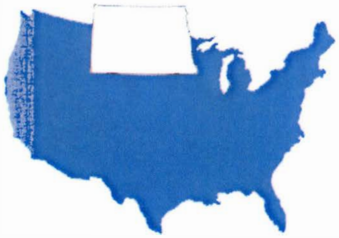
Through the City's various Social Media Pages staff provided updates and FAQs regarding the budget. A practice that will grow each year.



Property Taxes

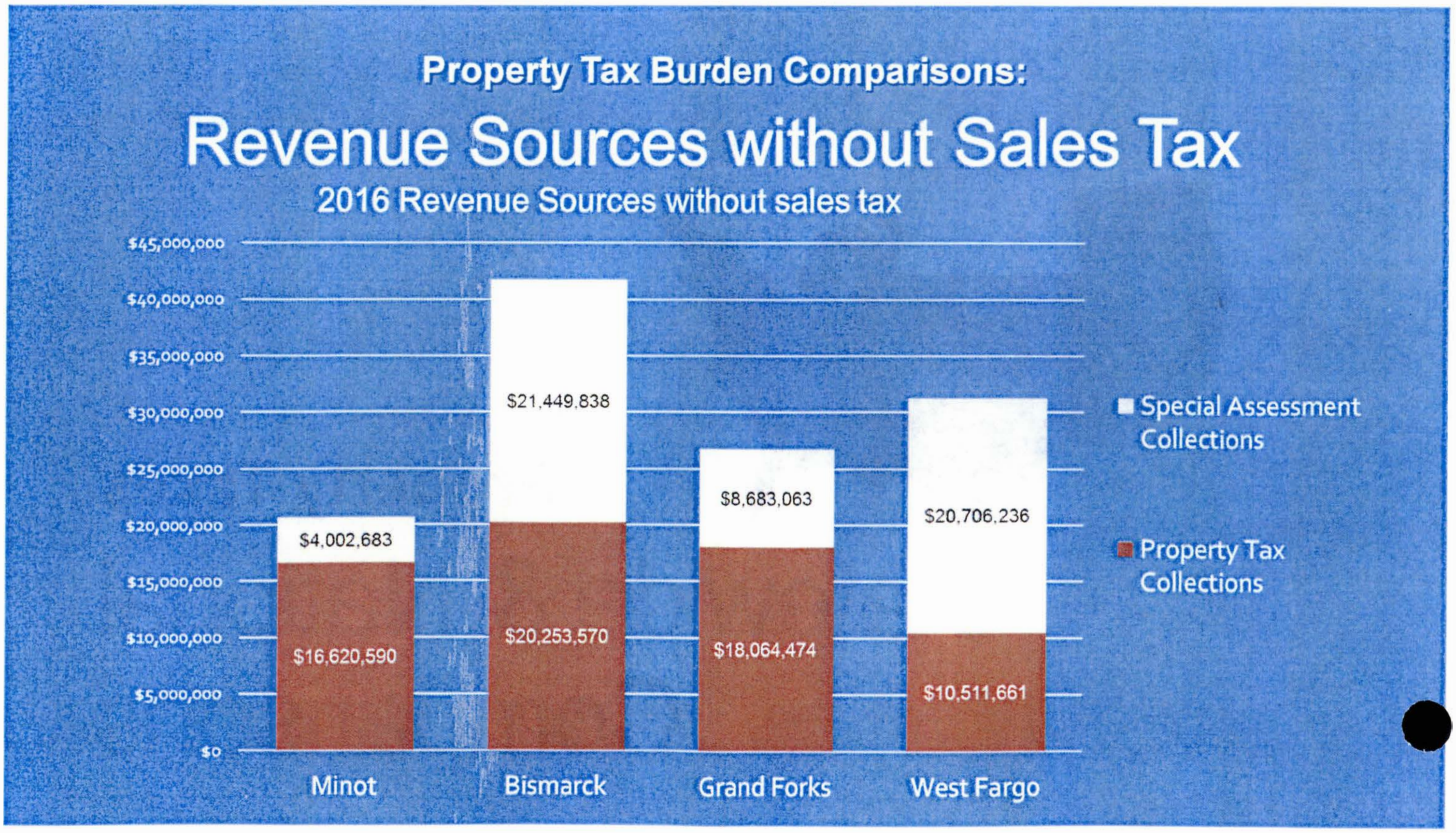
Statewide & National Comparisons

#3
HB 1380
1-28-19
p 14

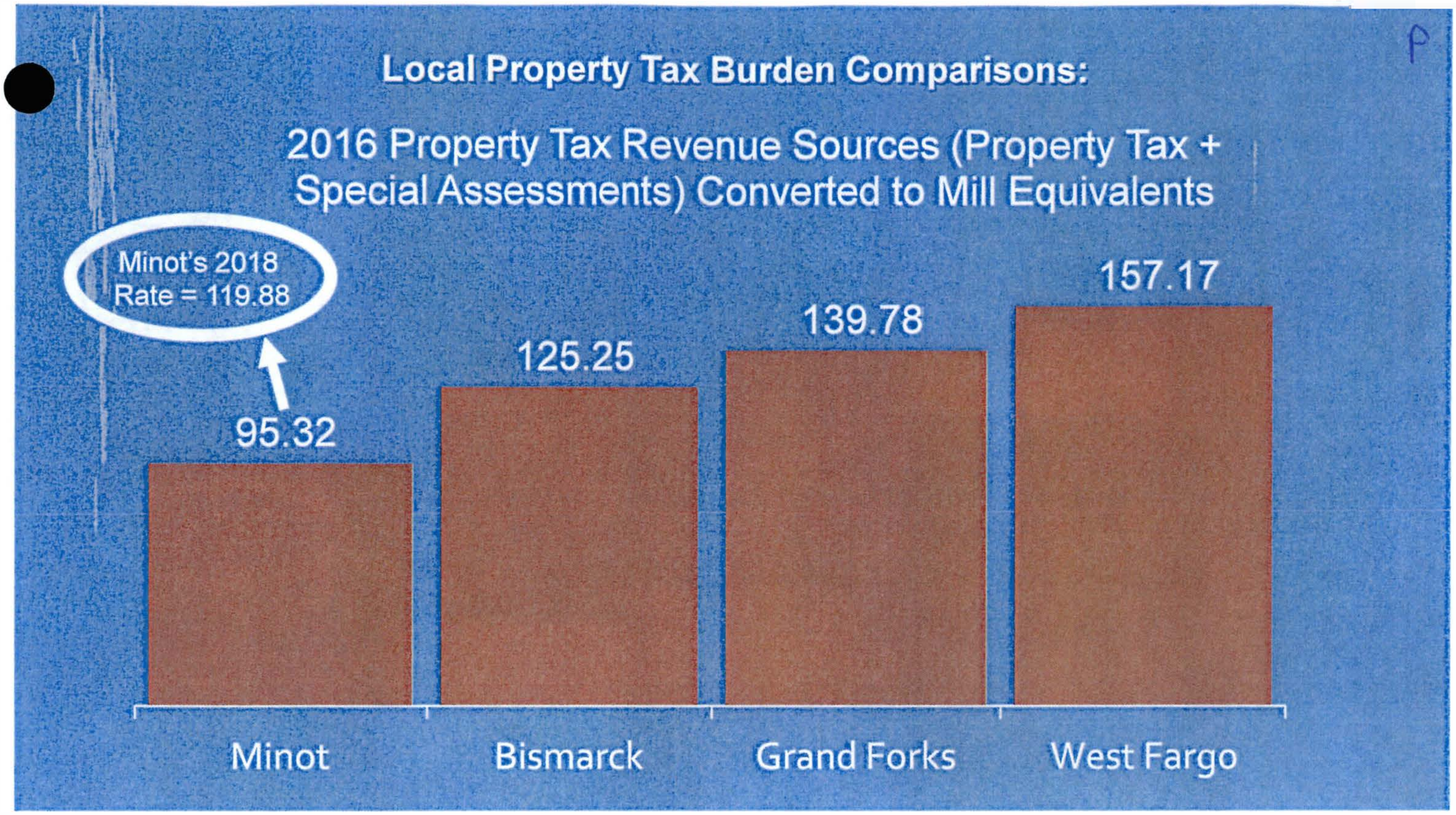


Property Tax Comparative Influencers

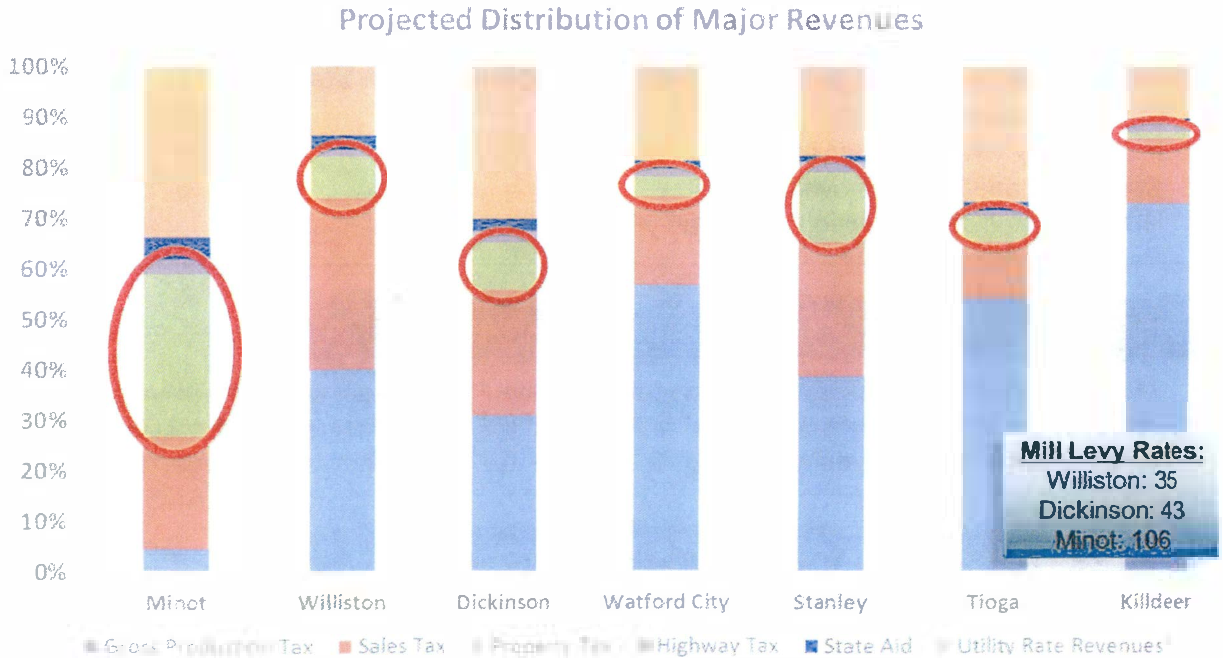
- SIZE AND DENSITY OF CITY
- VALUE OF MILL
- TYPES OF REVENUE SOURCES USED
- TYPE AND LEVEL OF SERVICES OFFERED
- STATE SUBSIDIES PROVIDED



#3
HB 1380
1-28-19
p 15

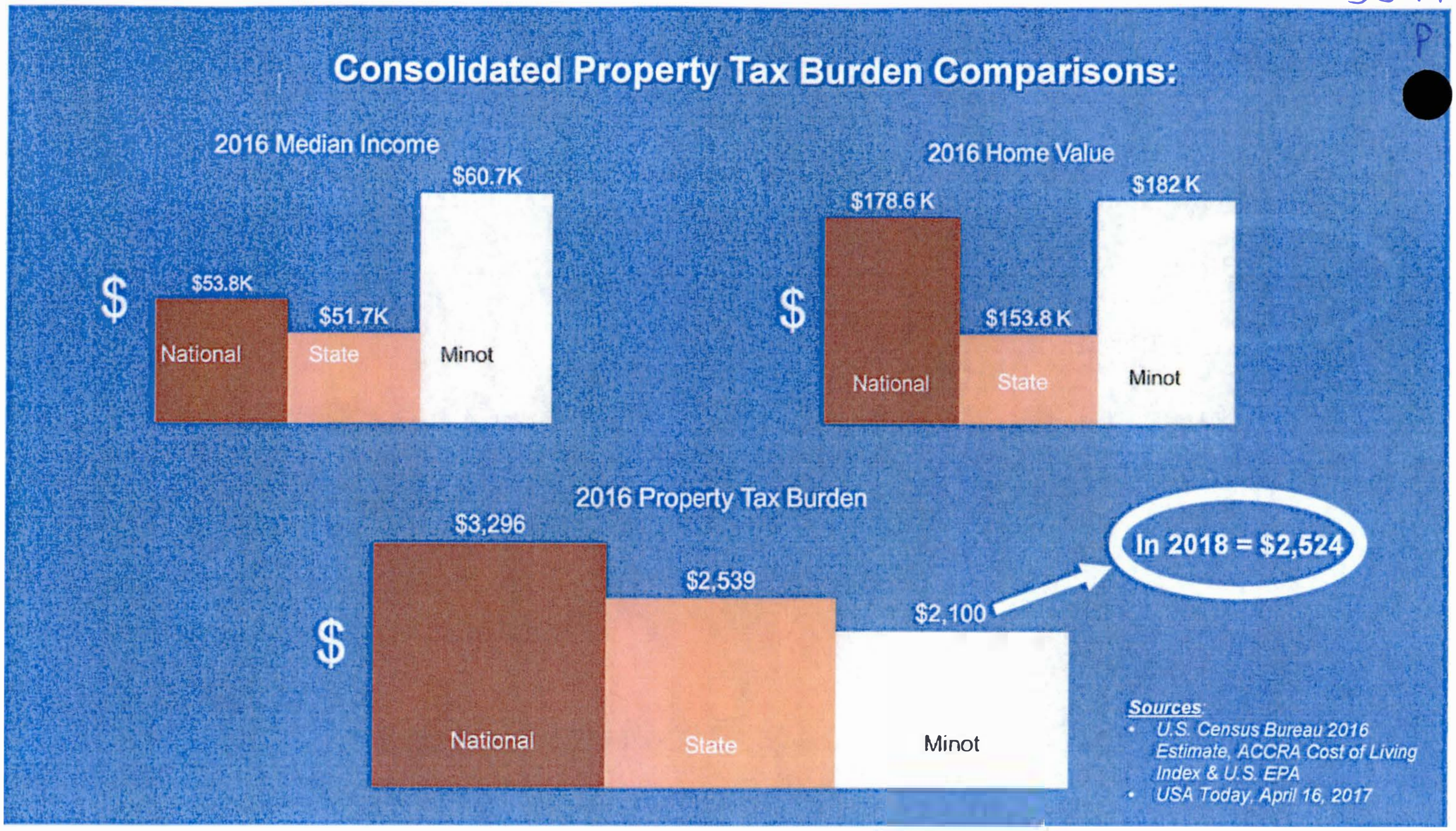


Western Cities Comparisons



Source. AE2S Nexus

#3
HB 1380
1-28-19
P 16



Takeaways

Revenues Are Down

- Sales taxes are down 30%
- Property tax valuations down 8%
- State Aid reduction: 20% over 5 years
- HUB City allocation reduction: 22% last year

Sales Tax Reserves Fund Has Been Significantly Reduced

- $1.3M of sales tax reserves were used to balance the FY16 budget (a 6 mill equivalent)
- $4.9M of sales tax reserves were used to balance the FY17 budget (a 23 mill equivalent)
- $1.5M of sales tax reserves were used to balance the FY18 budget (a 7 mill equivalent)

Needs Continue To Mount

- Flood Control & NAWS could add another $165M over next 3 years

#3
HB 1380
1-28-19
p. 17

Reasons for FY18 Property Tax Increase in Minot Summary

Local Decisions
- Loss of $57M in Property Tax Revenue over 10 years (if steadied)
- Loss of property valuations (-8%)
- Rising Debt (+203%)
- Sales Tax Subsidization of Property Tax
- Deficit Spending ($7.7M over 3 Years of Reserves)

Future Needs
- Need $165M over next 3 years for NAWS & Flood Control

State Revenue Contributions
- Total Loss of $2M/year compared with 2014
- State elimination of 12% Property Tax Relief Subsidy

Regional Market Changes
- Oil and Ag commodity prices hurting sales tax revenues (loss of $16M over 4 years
- Inflation

Investments in infrastructure and services due to growth cost taxpayers
- Rising Personnel, Operations, and Maintenance Demands

QUESTIONS?

#4
HB 1380
1-28-19

NDSBA
NORTH DAKOTA SCHOOL BOARDS ASSOCIATION
P.O. Box 7128
Bismarck ND 58507-7128
1-800-932-8791 • (701)255-4127
www.ndsba.org

HB 1380
Testimony of Alexis Baxley
House Finance & Taxation Committee
January 28, 2019

Chairman Headland and members of the House Finance and Taxation Committee, my name is Alexis Baxley. I am the executive director of the North Dakota School Boards Association. NDSBA represents all 178 North Dakota public school districts and their boards. I am here today in opposition to HB 1380.

HB 1380 would remove a school district's ability to increase its mill levy by more than three percent without going to a vote. Currently, the number of dollars a district can raise each year – mills levied multiplied by assessed valuation – cannot increase by more than 12 percent each year. Additionally, the formula caps the number of general fund mills a district can levy at 60. This provides protection to property owners. If districts are forced to go to a vote each time they hope to raise their mill levy more than three percent, it will be incredibly damaging. Additionally, the requirement of 60 percent voter approval will make increases beyond 3 percent next to impossible. The costs school districts incur are not stagnant – electricity, food, transportation costs, teacher salaries – the cost of these things increase every year.

HB 1380 will shift a burden of $19 million this biennium, and $37 million the next, from local dollars to state sources. While local contributions slowly increase if this bill were to pass, the cost of providing an equitable education and the size of the state's share will continue to increase by more than 3 percent. In a commodity-based economy like ours, pushing local political subdivisions to rely on state dollars even more is unwise.

This change could also create considerable inequities between districts. One district's patrons may be willing to increase their mill levies beyond three percent regularly, while another district's may not never be willing to approve an increase. The state has already faced litigation regarding education funding twice, and HB 1380 could take us down that road again. We believe protections for property owners are already written into the formula and state law. I said it in my testimony on HB 1390, and I say it again today: If we want quality schools, quality roads, quality services in the future, we can't lock our property taxes in the past.

For this reason, NDSBA stands in opposition to HB 1380 and encourages this committee to give it a do not pass recommendation. I would be happy to answer any questions the committee may have.

#5
HB 1380
1-28-19
p. 1

Testimony in Opposition to House Bill 1380
January 28, 2019
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 1380. The bill seeks to limit the property tax levy increase from one year to another by any taxing jurisdiction to no more than three percent in dollars.

This bill adjusts for changes in the taxable status of properties and temporary levies. It also adds exclusions for new levy authority, irrepealable indebtedness payments, the state medical center levy, the Garrison Conservancy District levy and taxes for payment of special assessment or other indebtedness as well as special deficiency funding for these obligations. The bill allows for an election if a local government cannot live within the three percent increase in tax proceeds with a 60% majority needed for passage and a new election required each year.

This concept has been debated since at least the 2011 session. The North Dakota League of Cities has not supported past attempts to impose a cap and it does not favor this legislation for several reasons.

#5
HB 1380
1-28-19
p. 2

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 three percent increase it will be tempted to take the maximum increase so that it will be advantaged for the following year. Quite a few communities have passed budgets that show an increase in tax revenue from property taxes of less than three percent. Attached to my testimony is a copy of the last three years' levies for a Bismarck parcel. The dollars raised in taxes have actually decreased for all the entities except the school district where the foundation aid program has seen many changes.

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 and opens local government to be unable to respond to emergencies for citizens.

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

#5
HB 1380
1-28-19
p. 3

reassessment. These events impact the budget in a single year. A three 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 this budget limitation.

The bill allows for an expensive election if a local government needs to exceed the three percent increase cap. Budgets are normally constructed in August or September so local governments can complete their Truth In Taxation forms, preliminary budgets and report of needed appropriation to their respective county. If a shortfall in excess of three percent is discovered this is likely to be in September. An election on an increased budget would take place in November or more likely, December. Tax statements need to go out in mid-December making the timing of an election and tax statement dispersal very difficult or impossible. The addition of the Truth In Taxation statement makes scheduling a large issue.

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 1380 is not needed to hold the line on property taxes and it opens the door to unintended consequences. The long list of exceptions to the measure on Page 3, Lines 3 to 24 illustrate the complexity of this issue. These are just the exceptions we know will be necessary. For all these reasons the North Dakota League of Cities respectfully asks for a Do Not Pass recommendation on this bill.

RANDOM PROPERTY TAX ANALYSIS BISMARCK PROPERTY

Year	Mills	Value	State	County	City	Park	School	State pd CR	Leg Tax Relief	Net Eff Rate	Total Tax Paid
2005	457.61	127,600	5.74	357.9	566.1	233.53	1464.32				2627.59
2006	440.4	137,800	6.2	354.51	585.19	244.69	1540.33				2730.92
2007	409.93	150,200	6.76	350.93	594.32	268.06	1550.65				2770.72
2008	400.61	160,700	7.23	389.44	598.66	286.31	1615.56				2897.2
2009	318.73	164,000	7.38	409.15	595.05	292.47	1048.18				2352.23
2010	318.18	164,000	7.38	402.58	595.42	293.87	1048.92				2348.17
Partial exemption expired - valuation increase largely unrelated to market so fully taxable											
2011	315.98	182,600	8.22	454.56	649.55	325.56	1158.51				2596.4
2012	308.7	189,900	8.55	461.4	647.53	337.99	1182.68				2638.15
2013	260.81	207,000	9.32	477.68	646	349.3	947.15	291.54	1455.91	1.03	2137.92
2014	253.63	226,700	10.2	501.24	643.78	375.42	1056.89	310.5	1585.75	1	2277.03
2015	243.6	241,400	10.86	510.88	641.69	391.92	1090.87	317.55	1675.43	0.96	2328.67
2016	238.93	251,100	11.3	517.18	644.23	391.88	1135.32	323.99	1736.49	0.95	2375.92
Mills were discountinued per state law and the state reduced county tax levels as it funded social services on experimental basis											
2017	232.9	251,100	11.3	414.23	644.22	387.7	1174.32	0	1568.1	1.05	2631.77
2018	227.68	251,100	11.3	357.74	642.74	386.78	1174.22	0	1572.62	1.02	2572.78

#5
HB 1380
1-28-19
p. 4

#5
HB 1380
1-28-19
p 5

Chairman Headland and Committee Members:

For the record I am Diane Affeldt, City Auditor from Garrison and I oppose HB 1380.

Placing a cap on property tax levied would cause considerable financial burden to cities. A majority of ND cities are under the population of 2,500 and their sole revenue source to support services for citizens is property tax. When expenditures increase, the revenue needs to increase also. Cities are already regulated on how much they can levy from Senate Bill 2036, passed in 2013. (NDCC 57-15-02.1)

If a city exceeds the 3% cap and has to go to the vote of the people, that is an additional cost to the city because it would result in a special election.

If residents are concerned with property tax increases, they should show up at the public hearings. In my 40 years as city auditor, I can count on TWO FINGERS the number of people who have attended the public hearings. Cities experience expensive publications costs for the hearing notices, and no one attends.

Tell me how many property owners do you think will come out for a special election to vote on exceeding a 3% cap? Probably less than those that vote during a regular city election because most of them do not appear to be concerned about their property taxes based on attendance at public hearings.

Let cities govern themselves and keep state and federal government out. City officials know what is best for their community, they have feet on the ground.

For these reasons, I urge the committee to vote DO NOT PASS on HB 1380.

Thank you for your time and consideration.

Michael R. Brown
Mayor

#5
HB1380
1-28-19
p. 6

City of Grand Forks

255 North Fourth Street • P.O. Box 5200 • Grand Forks, ND 58206-5200
(701) 746-2607
Fax: (701) 787-3773

TESTIMONY ON HOUSE BILL 1380

North Dakota House Finance and Taxation Committee

Maureen Storstad, Finance Director
City of Grand Forks, ND

January 28, 2019

Mr. Chairman and members of the committee, my name is Maureen Storstad, and I am the Finance Director for the City of Grand Forks. I want to thank you for the opportunity to provide testimony and express my concern and opposition to this legislation and what is, perhaps, its unintended consequence.

I have to express my concern regarding a significant possible consequence of implementing tax levy limitations:

- Impact on bond rates – Implementing limitations on the annual levy does not consider the impacts to our local taxing entities ability to sell debt at the best rates possible for our citizens and may result in an unintended and incalculable cost to our citizens.
    - Bond rating agencies and investors consider certain criteria when rating or making a decision to buy our bonds. The result of their decision affects the rates at which our citizens pay back the bonds. As we all know, just the slightest increase in payback rates result in substantial increase in the total bill. Some of the factors considered by bond rating agencies and investors are:
        - Operating Margin – this is our ability to pay for services and the service levels set forth by our citizens and elected officials.
        - Financial Flexibility – how much authority do we have to manage our own finances and what type of infringements on this management authority have been put into place?

#5
HB 1380
1-28-19
p. 7

- Ability to control costs – What is our ability to make sound long-term decisions, such as replacing capital items, or maintaining infrastructure – that responsibly control existing and anticipated costs?
- Fund Balances – Are fund balances sufficient to meet emergencies? Do we have the financial ability to react to an emergency or have these safety nets for our citizens and community been worn away by spending them down? Our reserves saved our bond rating after the 1997 flood.

I believe placing limitations on local entities will have a negative impact on all the above criteria. This issue needs far more consideration and research before we suffer the unintended consequences of even higher burdens on our residents.

Although the bill does exempt levy limitations directly for debt service, it does not consider the operational impacts and its effects listed above. It does allow for an increase larger than 3 percent if approved by 60% of qualified electors through a general or special election. We estimate the cost of a special election to be $10,000 to $15,000. The timing of putting together a budget and running an election with the budget dependent on the results of the election would be administratively difficult and cumbersome.

I believe the City of Grand Forks has a good track record of being fiscally responsible in holding down property taxes at a time of increased costs and decline in our sales tax revenue.

It is for these reasons that I would recommend a DO NOT PASS recommendation of House Bill 1380.

Thank you for your consideration.

#5
HB 1380
1-28-19
p. 8

House Finance and Tax Committee Hearing
HB 1380 Relating to a 3% Property Tax Cap
City of Fargo Testimony 1/28/2019

Chairman Headland and members of the House Finance and Tax Committee, thank you for the opportunity to testify on HB 1380. My name is Kent Costin, Director of Finance representing 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 3% cap on one of our major revenue sources will have a negative impact on ability to meet the needs of our community. We also provided an extensive amount of financial data to the Interim Finance and Tax Committee hearing in July 2018.

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. Our experience in managing budgets over the years demonstrates that there are categories of expenditures that cannot and should not be restrained by placing a 3% property tax cap. Bear in mind that our property tax levy is a major source representing about 25% of our General Fund budget. As a point of reference, our average growth General Fund spending is 4.8% for the past ten years that is higher than the 3% tax cap. Public safety spending for Police and Fire protection of our community increase by 5.8%, again, significantly higher than the proposed 3% property tax cap. Our existing tax levies fund only 72% of our public safety needs. (See attached tables on page 4 & 5)

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 fuel for our municipal fleet, and new debt service on our capital asset additions. All of these issues will affect budgets that are partially

#5
HB 1380
1-28-19
p. 9

supported by property taxes. There can be significant volatility in these costs as well as volatility in our revenue sources as well, often times greatly in excess of 3%. 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 our 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 and a significant loss of investment income from 2008 until now. Returns on cash reserves used to produce a 6% - 7% return, bottomed out about a year ago at about .5% and now yield about 2%. Our local sales tax collection have produced growth rates of 6% - 7% per year have declined by 4% in 2016 and 2017 because of a weakened Statewide and local economy. Our revenue loss is millions of dollars because of the slowing economy caused by these economic cycles. There may be times when a tax increase is needed beyond the 3% cap.

Recently, we attending a Government Finance Officers annual conference and one of the keynote speakers detailed the impacts and health care trends. A chart is included in our testimony (Exhibit 3) because it is a startling visual of something we all have to deal with as a benefit that so many employees rely on. Health care inflation has been significant over the past several years and continues to chip away at our resources.

In spite of the difficulty in managing our budgets, our City Commission has reduced our tax rate by about 6% of the past four years. We believe that we have been good stewards of taxpayer money and do not feel that a property tax cap is necessary. A table of our General Fund spending levels over the past ten years is attached for your reference. (Exhibit 1) Our conservative approach to budgeting our resources is evident when looking at our spending growth percentage.

If our City is spending beyond our ability to sustain our operations, it will eventually affect our services to the Community. Voters are in control of electing City Commissioners and if they feel they are not be

#5
HB 1380
1-28-19
p. 10

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 restrictive and will constrain our ability manage our financial affairs. We support a DO NOT PASS vote on this bill. Thank you for the opportunity to submit our testimony.

#5
HB 1380
1-28-19
p. 11

Fargo Property Tax % of Overall General Fund Spending

Year	Tax Revenue	Actual Spending	% of Total
2017	23,471,391	95,361,467	25%
2016	21,846,743	94,913,034	23%
2015	20,208,559	90,695,054	22%
2014	19,205,969	89,089,117	22%
2013	18,610,542	90,876,565	20%
2012	17,291,616	82,933,718	21%
2011	16,805,463	74,759,073	22%
2010	16,235,596	73,176,498	22%
2009	15,672,306	71,397,950	22%
2008	15,090,727	64,647,569	23%

Average General Fund Spend = +4.8% last ten years

Average General Fund Spend = +1.7% last three years

Average Tax Revenue Growth = +5.6% last ten years

Source: CAFR

#5
HB 1380
1-28-19
p. 12

Fargo General Fund Property Tax Dollars vs. Public Safety

Year	Tax Dollars	Public Safety Operations	Public Safety Capital	Funding Tax Ratio
2017	23,471,391	32,122,950	650,959	72%
2016	21,846,743	30,271,102	1,457,775	69%
2015	20,208,559	28,659,949	1,086,232	68%
2014	19,205,969	27,078,350	578,229	70%
2013	18,610,542	25,733,910	1,099,923	69%
2012	17,291,616	22,884,929	2,074,136	69%
2011	16,805,463	22,873,078	349,045	72%
2010	16,235,596	23,312,735	1,099,974	66%
2009	15,672,306	22,660,684	1,155,141	66%
2008	15,090,727	19,713,743	1,052,278	72%

Public Safety Spending Increase = 5.8% last ten year ave.

Property Tax Levy Increased Dollars = 5.6% last ten year ave.

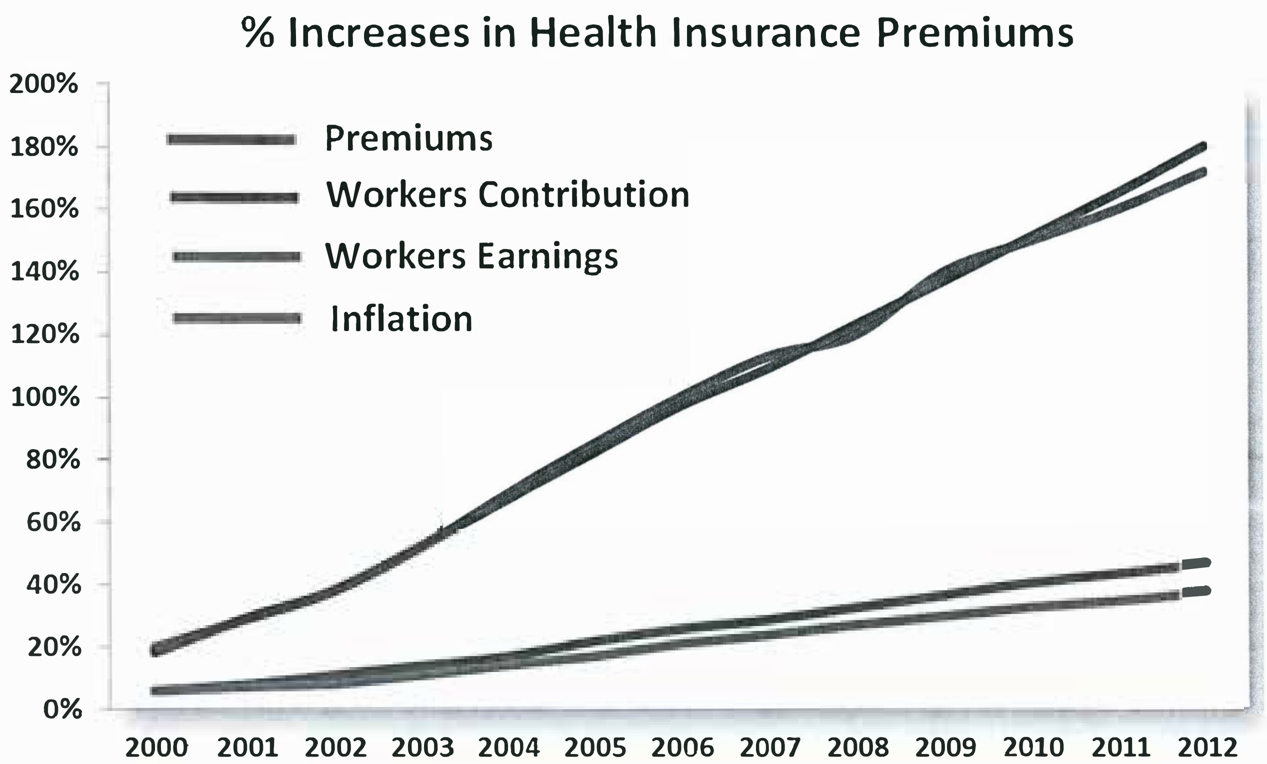
Average Annual Capital Cost = $1,060,000

Average Annual Property Tax Funding Ratio = 69%

Source: Open Gov + Finance Analysis

#5
HB 1380
1-28-19
p.13

Exhibit 3 – Health Care Inflation Chart (Kaiser Foundation)



#6
HB 1380
1-28-19
p. 1

NDCEL

HB 1380 – Testimony in Opposition
1/28/19 - NDCEL

Good morning Chair Headland and members of the House Finance and Taxation committee – I am here today representing NDCEL which is the organization which encompasses our K12 school superintendents, principals, county superintendents, CTE Directors, Technology Leaders, REA Directors, Business officials, Special Education Directors, Athletic Directors, Instructional Coaches, among others. We stand before you today to share with you why the concepts introduced in HB 1380 are not good for K12 students and conversely for the students in our public schools.

No doubt you've heard from many facets of our state today, so I will attempt to keep my comments limited to impact on our K12 schools.

This bill caps the ability to increase mill levies to 3% or what might be approved by the voters in a 60% majority. This concept puts a limitation on all taxing authority in the state and is in direct conflict with law as school boards are currently allowed permissive authority in certain areas that DIRECTLY impact schools – our ability to fund staff, programs, repair buildings, purchase equipment, etc. When law requires a cap, as this one does, it eliminates the authority boards have within their miscellaneous, special reserve funds, and building funds. At the same time, levies will be reduced when taxable valuation increases.

Why is that a problem? Within our current structure with the ability to tax with the 12% increase in dollars limitation, we have many districts who are unable to keep their school at the 60-mill deduct that is needed to make the funding formula work. As property tax valuation increases outpace the ability to raise dollars, the mill is pushed downward thereby requiring a larger investment by the state. This investment comes from the general fund and greatly hinders or eliminates the ability for the state to put more money into the per pupil payment. What does that mean? Great gaps between the have's and have-not's, inequity, teachers and staff working for years with no or minimal pay raises, buildings falling further into the deferred maintenance category, etc.

School districts need the ability to adjust their mill levy in response to changes in taxable valuation to balance their budgets. State law dictates that teachers have continuing contract rights and need to be notified in April if they are not going to be employed in the upcoming year. Final taxable valuation numbers do not get set

#6
HB 1380
1-28-19
p. 2

NDCEL

until October. School Districts are a quarter of the way through their fiscal year. Without the ability to reduce staff in response to a change in taxable valuation, having an option for school districts to increase their revenue requests by more than 3% is vital.

Further, the more the state limits its ability to generate revenue for general funds, the more the state becomes unable to pay its own bills, meet its own obligations, meet infrastructure needs, provide needed monetary increases for other critical staff, etc.

With this law in place, even voter approved funds will be capped, thereby asking the school district to go to a vote for a 60% majority every year to essentially continue to operate well. This is a direct limit to locally elected officials and local decision making. This would even impact our ability to maintain current funding at the 12% limitation and would require that to go to a vote.

While it is clear that individuals rarely enjoy paying taxes, I would dare say that they like even less the concept of their schools falling behind, their roads being in disrepair, overall infrastructure decline and a state that struggles to meet their obligations, pay their bills, or accomplish the things that their constituents are asking for.

For these reason, we recommend a DO NOT PASS on HB 1380.

#7
HB 1380
1-28-19
p. 1

Testimony Prepared for the

House Finance & Taxation

January 28, 2019

By: Donnell Preskey, NDACo

NDACo
NORTH DAKOTA ASSOCIATION OF COUNTIES

RE: Opposition to House Bill 1380 - 3% Caps on Budget Growth

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 1380 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 3% growth. Allowing them to seek a greater percentage with 66% of voter approval.

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 3% 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, the <u>lowering of property taxes.</u>

This is a bill looking to address a problem that really isn't there. During the interim the tax department presented information that showed property tax information for the 2015, 2016 and 2017. A large majority of counties show double digit decreases in levies, which should be reassuring to you that our counties are good stewards of taxpayer's dollars. The state funds used to relieve the local tax burden of paying for county social services 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 HB1380 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 (10 home rule counties in ND) would also fall under the 3% cap mandate. In those counties, citizens have already gone to the polls to show support for the county to be home

#7
HB 1380
1-28-19
p. 2

rule to have greater local control. It is bad policy to change the rules of the game for those counties.

We question the fairness of allowing the state to be exempt from the 3% 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.

Citizens who are unsatisfied with what is happening in their county with budget and taxation decisions can "refer" their elected leaders at the ballot box.

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 1380 a Do Not Pass Recommendation.

#7
HB 1380
1-28-19
p.3

ZERO GROWTH COUNTYWIDE LEVIES

District Name	2015 to 2016 Percent Change	2016 to 2017 Percent Change
ADAMS COUNTY	(3.40%)	(13.97%)
BARNES COUNTY	14.40%	(6.61%)
BENSON COUNTY	(19.80%)	(21.07%)
BILLINGS COUNTY	8.49%	(5.18%)
BOTTINEAU COUNTY	(1.36%)	2.44%
BOWMAN COUNTY	21.54%	(25.93%)
BURKE COUNTY	10.40%	(14.55%)
BURLEIGH COUNTY	(1.12%)	(21.53%)
CASS COUNTY	(0.96%)	(12.34%)
CAVALIER COUNTY	0.50%	(10.38%)
DICKEY COUNTY	(1.48%)	(31.80%)
DIVIDE COUNTY	(3.41%)	(13.98%)
DUNN COUNTY	(10.52%)	(46.12%)
EDDY COUNTY	0.32%	(16.21%)
EMMONS COUNTY	0.60%	(4.73%)
FOSTER COUNTY	6.48%	(10.41%)
GOLDEN VALLEY COUNTY	5.89%	(16.05%)
GRAND FORKS COUNTY	(3.01%)	(25.84%)
GRANT COUNTY	8.87%	(12.01%)
GRIGGS COUNTY	(0.38%)	(21.77%)
HETTINGER COUNTY	(0.36%)	(17.10%)
KIDDER COUNTY	(7.23%)	(13.57%)
LAMOURE COUNTY	45.59%	(72.12%)
LOGAN COUNTY	(0.12%)	(11.09%)
MCHENRY COUNTY	9.78%	(24.82%)
MCINTOSH COUNTY	2.29%	(11.79%)
MCKENZIE COUNTY	13.71%	(30.23%)
MCLEAN COUNTY	31.64%	(14.71%)
MERCER COUNTY	24.51%	(14.10%)
MORTON COUNTY	(0.13%)	(9.48%)
MOUNTRAIL COUNTY	9.76%	(11.97%)
NELSON COUNTY	2.84%	0.00%
OLIVER COUNTY	(3.40%)	(14.73%)
PEMBINA COUNTY	1.43%	(8.18%)
PIERCE COUNTY	(27.41%)	(10.49%)
RAMSEY COUNTY	(14.38%)	(32.46%)
RANSOM COUNTY	(9.09%)	12.74%
RENVILLE COUNTY	9.09%	(9.38%)
RICHLAND COUNTY	0.97%	(21.57%)
ROLETTE COUNTY	29.64%	(10.48%)
SARGENT COUNTY	8.16%	(7.47%)
SHERIDAN COUNTY	(0.48%)	(18.20%)
SIOUX COUNTY	14.97%	34.59%
SLOPE COUNTY	9.69%	19.95%
STARK COUNTY	4.95%	(26.36%)
STEELE COUNTY	(1.47%)	(29.38%)
STUTSMAN COUNTY	(0.09%)	(22.46%)
TOWNER COUNTY	5.69%	(4.10%)
TRAILL COUNTY	0.64%	(8.75%)
WALSH COUNTY	5.49%	(4.99%)
WARD COUNTY	(1.08%)	1.88%
WELLS COUNTY	11.55%	(17.21%)
WILLIAMS COUNTY	(3.82%)	(20.68%)

#8
HB 1380
1-28-19

NDRPA

North Dakota Recreation & Park Association • advancing parks and recreation for quality of life in North Dakota

Testimony of Dana Schaar Jahner
North Dakota Recreation & Park Association
To House Finance and Taxation Committee
In Opposition to HB 1380

Chairman Headland and Members of the Committee, my name is Dana Schaar Jahner, and I am the executive director of the North Dakota Recreation & Park Association (NDRPA). We represent more than 700 members, primarily park districts, and work to advance parks, recreation and conservation for an enhanced quality of life in North Dakota. We are here in opposition to HB 1380.

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 the state's commitment to a high quality of life 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 limit park districts' abilities to meet the needs of their individual 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 1380. Thank you.

#1
HB 1380
1-29-19
p. 1

Sixty-sixth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1380

Introduced by

Representatives Bellew, Dockter, Kasper, B. Koppelman, Paulson

Senators Clemens, O. Larsen

A BILL for an Act to create and enact ~~a new section to chapter 57-15~~section 57-15-02.3 of the North Dakota Century Code, relating to limitations on property tax levies by taxing districts without voter approval; to amend and reenact subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code, relating to the determination of school district state aid payments; ~~and~~ to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 4 of section 15.1-27-04.1 of the North Dakota Century Code is amended and reenacted as follows:

4. After determining the product in accordance with subsection 3, the superintendent of public instruction shall:
   a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the school district, ~~except~~provided that after 2021, the amount in dollars subtracted for purposes of this subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than ~~twelve~~three percent or the percentage increase approved by ~~sixty percent~~a majority of the qualified electors of the school district pursuant to subsection 3 of section ~~2 of this Act~~57-15-02.3; and
   b. Subtract an amount equal to seventy-five percent of all revenues listed in paragraphs 1 through 5, and 7 of subdivision f of subsection 1 and one hundred percent of all revenues listed in paragraphs 6, 8, and 9 of subdivision f of subsection 1.

~~**SECTION 2.** A new section to chapter 57-15 of the North Dakota Century Code is created and enacted as follows:~~

#1
HB1380
1-29-19
p.2

~~**Limitation on levies by taxing districts without voter approval.**~~

~~1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:~~

~~a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.~~

~~b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.~~

~~c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.~~

~~d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy~~

1
HB 1380
1-29-19
p. 3

~~increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.~~

~~2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:~~

~~a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.~~

~~b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.~~

~~c. The one mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.~~

~~d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.~~

~~e. Taxes or special assessments levied to pay the principal and interest on any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.~~

~~f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.~~

~~g. Taxes levied under sections 40-24-10, 40-43-01, 57-15-41, and 61-21-52.~~

~~3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by sixty percent of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.~~

#1
HB 1380
1-29-19
p. 4

~~4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.~~

SECTION 2. Section 57-15-02.3 of the North Dakota Century Code is created and enacted as follows:

57-15-02.3. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes, with the exception of school districts. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:
    a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.
    b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.
    c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

e. Taxes or special assessments levied to pay the principal and interest on any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.

f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

g. Taxes levied under sections 40-24-10, 40-43-01, 57-15-41, and 61-21-52.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed

#1
HB 1380
1-29-19
p. 6

property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 3. Section 57-15-02.3 of the North Dakota Century Code is created and enacted as follows:

57-15-02.3. Limitation on levies by taxing districts without voter approval.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section supersedes and limits that authority. For purposes of this section, "taxing district" means any political subdivision empowered to levy taxes. This section may not be interpreted as authority to increase any property tax levy authority otherwise provided by law and must be applied to limit any property tax levy authority to which a taxing district may otherwise be entitled. Property taxes levied in dollars by a taxing district may not exceed the amount the taxing district levied in dollars in the preceding taxable year by more than three percent, except:

    a. When property and improvements to property which were not taxable in the preceding taxable year are taxable in the current year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the additional taxable valuation attributable to that property at the mill rate applied to all property in the preceding taxable year.

    b. When a property tax exemption existed in the preceding taxable year which has been reduced or no longer exists for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be increased for purposes of this section to reflect the taxes that would have been imposed against the portion of the taxable valuation of the property which is no longer exempt at the mill rate applied to all property in the preceding taxable year.

#1
HB 1380
1-29-19
p. 7

c. When property that was taxable in the preceding taxable year is not taxable for the current taxable year, the amount levied in dollars in the preceding taxable year by the taxing district must be reduced for purposes of this section by the amount of taxes that were imposed against the taxable valuation of that property in the preceding taxable year.

d. When a temporary mill levy increase, excluding an increase under this section, authorized by the electors of the taxing district or mill levy imposition authority under state law existed in the previous taxable year but is no longer applicable or has been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increase and the eliminated or reduced mill levy under state law before the percentage increase allowable under this subsection is applied.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

a. New or increased property tax levy authority that was not available to the taxing district in the preceding taxable year, including property tax levy authority provided by state law or approved by the electors of the taxing district.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

c. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota. Any tax levied for this purpose must be excluded from the mill rate applied under subdivisions a through c of subsection 1.

d. The levy, not to exceed one mill, for the Garrison Diversion Conservancy District, authorized by section 57-15-26.8.

e. Taxes or special assessments levied to pay the principal and interest on any obligations of any political subdivision, including taxes levied for deficiencies in special assessment and improvement district funds and revenue bond and reserve funds.

#1
HB 1380
1-29-19
p. 8

f. Taxes levied pursuant to law for the proportion of the cost to any taxing district for a special improvement project by general taxation.

g. Taxes levied under sections 40-24-10, 40-43-01, 57-15-41, and 61-21-52.

3. A levy exceeding the percentage increase limitation under subsection 1 may be imposed upon approval of a ballot measure, stating the percentage of the proposed property tax levy increase percentage compared to the percentage limitation under subsection 1, by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A levy exceeding the percentage increase limitation under subsection 1 may be approved by electors for not more than one taxable year at a time.

4. A city or county may not supersede or modify the application of the provisions of this section under home rule authority.

SECTION 4. EFFECTIVE DATE - EXPIRATION DATE. ~~This~~Section 2 of this Act is effective for the first two taxable years beginning after December 31, 2019, and is thereafter ineffective. Sections 1 and 3 of this Act ~~is~~are effective for taxable years beginning after December 31, ~~2019~~2021.