

2021 HOUSE POLITICAL SUBDIVISIONS

HB 1367

2021 HOUSE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Room JW327B, State Capitol

HB 1367
2/11/2021

Relating to adoption and referral of preliminary budgets of cities, counties, school districts, and park districts; and to provide an effective date

Chairman Dockter: (10:35). Opened the hearing.

Representatives	
Representative Jason Dockter	P
Representative Brandy Pyle	P
Representative Mary Adams	P
Representative Claire Cory	P
Representative Sebastian Ertelt	P
Representative Clayton Fegley	A
Representative Patrick Hatlestad	P
Representative Mary Johnson	P
Representative Lawrence R. Klemin	P
Representative Donald Longmuir	P
Representative Dave Nehring	P
Representative Marvin E. Nelson	P
Representative Luke Simons	P
Representative Nathan Toman	P

Discussion Topics:

- Property tax reform

Rep. Bellew: Introduced the bill, testimony #6404.

Donnell Preskey with the North Dakota Association of Counties: In opposition, testimony #6345.

Bill Wocken, ND League of Cities: In Opposition, testimony #6417.

Alexis Baxley, ND School Board Association: In opposition, testimony #6411.

Dr. Aimee Copas, ND Council of Educational Leaders: In opposition, testimony #6355.

David Lakefield, Finance Director, City of Minot: In opposition, testimony #6335.

Michael Montplaisir, Cass County Finance Director: In opposition, testimony #6283.

Maureen Storstad, Finance Director for the City of Grand Forks: In opposition, testimony #6291.

**Additional written testimony:
#’s 6410, 6303, 6322,6306, 6204,6132,6025.**

Chairman Dockter: (11:33). Closed the hearing.

Carmen Hickle, Committee Clerk

HB 1367 Testimony

Mr. Chairman, members of the Political Subs Committee, I am introducing HB 1367 as a bill that I consider to be Property tax reform.

Why do we need property tax reform? To prevent what happened in Minot from happening in other cities. Example: From 2016 to 2020, taxes in Ward County increases by 36.43%. And this is after the State's 20 mill buydown of social services. The Minot property taxes increased by 57.54%. The citizens of Ward County and Minot have had no recourse but pay the huge increases. If this bill would pass, citizens from every corner of the state would have some say into what they are willing to pay for local government. In the tax years of 2017 & 2018, my property taxes(city) increased by 64%. My retirement income increased in the same time by only 3%. I am sure that many property owners taxes in Minot increased as much as mine. The other problem with the current property tax formula is the valuation. The current value of my home is no good to me unless I sell my house, so I do not think it is fair to be taxed by this valuation method.

I read on the internet that only the federal income tax is rated worse than the property tax and some say that property tax is the worst. There several reasons why the public resents the property tax.

1. The taxation of unrealized capital gains by the property tax.
2. The tax is paid in large lump-sum payments.
3. People get anxious about reappraisal of property taxes.
4. Inequitable assessments and appraisals.

During my last few campaigns, property tax was always the number one complaint. I think you all know what will happen if one does not pay their property tax. The property becomes a possession of the State(government.) Under the current system of property tax, the property owner is just renting their property and will never really own it.

The only real solution to property relief and reform is to repeal all property taxes. School boards, city councils, county commissions, and park boards would not like this as they now have an unlimited money supply. The more they want, the more they take. They have a permanent lien on your property. You will never own your property, even after it is paid off. I know that this is not going to happen, so I think the next best thing is HB 1367. This bill, if passed, will allow local citizens to refer a preliminary budget of their local political sub-division, if they feel that the budget requested is too high or raises property taxes excessively. Passage of this bill will give local citizens some say as to what they

are willing to pay in property taxes. And this will be another check on our elected officials, meaning they will be responsible to their local citizens. The way the system works now is that our local elected officials are not responsible to anyone. One reason for this is that they are elected in June and then vote on their budgets. The exception are county commissioners. So, in essence, they have a two- or four-year window before the voters get their say.

The referral system was used in North Dakota in 1989 to eliminate increases in several tax increases passed by the state legislature. I think it is only fair that if legislative bills can be referred, local ordinances and budgets should also be able to be referred. With all this in mind, I urge the committee to give this bill a do pass.

Testimony Prepared for the
House Political Subs
February 11, 2021
By: Donnell Preskey, NDACo



RE: Opposition to HB 1367: Referral of Prelim Budgets

Mr. Chairman and Committee members, I'm Donnell Preskey with the North Dakota Association of Counties. One of my roles at NDACo is serving as the executive director for the North Dakota County Auditors Association. Our county auditors stand in opposition to HB 1367.

While the intentions of the bill have merit – to bring each political subdivision's citizens to the table early in the budget process – I don't believe they would find it helpful nor would your local officials find it functional.

First and foremost, allowing for the referral of preliminary budgets, is the equivalent to allowing voters to refer the Legislative Appropriation for the Department of Corrections at crossover. Most preliminary budgets are adjusted – often many times – before they are finally approved in late September. And, in case you are not aware, the property taxes supporting the budget can only be adjusted lower. They are adjusted based on input from citizens at their budget hearings.

Secondly, the timeline proposed in this bill with moving the preliminary budget deadline from August 10th to July 10th - would not (and could not) provide the citizens accurate information regarding the potential effect of that budget on their property taxes. The state board of equalization meets the 2nd Tuesday in August and would not have met to finalize all values. In addition, the county auditor receives the centrally assessed property values in mid-July from the State Tax Department.

And finally, and maybe most importantly – there simply is not enough time in the budget timeline to allow for this to occur. Attached to my testimony, we have outlined the process related to the assessment and budget process. The time constraints for petitioning, providing the proper notice of an election (64 days prior to election), ballot preparation, ballot printing, and holding a special election would be too tight, while waiting until a regular November election (if held that year) would place the results after levies had been certified and taxes prepared. Imagine the confusion over a citizen getting multiple tax statements if they are needed to be re-worked.

We have gradually made improvements to the budget and tax process with the common goal to increase transparency, education, and awareness with our citizens. The greatest of these efforts came in 2017, as a result of legislation to require counties to send estimated tax notices. These estimated tax notices are sent to property taxpayers, with a breakout of the taxes for each taxing entity (City, County, Schools, Parks). The form shows which entity is raising or decreasing taxes and the amounts. The notice also provides the information for each taxing entities budget hearing. This allows the property taxpayer to be better informed. It connects them with the hearing dates and locations. Each property taxpayer has the opportunity to voice their concerns at the public hearing. I've been at these hearings. I've heard the discussions between commissioners and citizens. This process works.

The North Dakota Association of Counties urges a DO NOT PASS on HB 1367.

Testimony in Opposition to House Bill 1367
February 11, 2021
House Political Subdivisions Committee
Bill Wocken on behalf of the North Dakota League of Cities

Good Morning Mr. Chairman and members of the House Political Subdivisions Committee. For the record, my name is Bill Wocken. I am appearing on behalf of the North Dakota League of Cities in opposition to House Bill 1367. In my previous life I worked for the City of Bismarck for 44 years, first as City/County Planning Director and for the last 23 years as City Administrator. I have been personally involved with the annual budget during most of those years.

House Bill 1367 seeks to set a new schedule for preparation of the preliminary budget for political subdivisions utilizing the property tax and to make that budget subject to referral. This concept has been discussed in previous legislative sessions. I will attempt to describe the existing budget process and the impact of the changes envisioned by House Bill 1367 on this process.

At present NDCC 40-40-04 requires a completed preliminary budget from each taxing jurisdiction be submitted to the County Auditor by August 10th of any given year. This deadline is necessary so that the County Auditor can prepare a notice for all taxpayers by August 31st giving them each taxing jurisdiction's preliminary budget numbers and the date on which each jurisdiction will hold a public hearing on their final budget. This notice also includes some comparative budget information. These requirements were added into law in the 65th Legislative Session.

Each local jurisdiction then must hold the public hearing on their final budget on the date described in the County Auditor's consolidated notice, but no earlier than September 7th of any given year. After the public hearing is concluded, each jurisdiction must calculate the amount of the real property tax levy needed to fund whatever budget is decided

upon. The levy calculation and the final budget must be provided to the County Auditor by October 10th. Once all the budgets are turned in the county consolidates the levy information from all the jurisdictions and prepares the annual tax statements we all receive before the end of calendar year.

House Bill 1367 pushes the date of completion of the preliminary budget up (forward) one month. This directly conflicts with NDCC 40-40-04 which is not referenced in the new section of code this bill seeks to establish in NDCC 57-15. There are likely other statutory conflicts that also need to be corrected.

The biggest problem with House Bill 1367 is timing required by the potential referral election. NDCC Section 40-21-02 Subsection 5 stipulates that the minimum time needed between the published notice of the election and the actual election date is 64 days. I am told this is also in federal law. Even if the budget preparation date could be moved one month earlier there still is no time to complete the statutory preparations for an election, since the final budgets and the property tax levies they drive must be in the County Auditor's hands no later than October 10th.

Another concern is the number of electors needing to sign a petition to refer the budget. On Page 1, Lines 18 – 21 there is a requirement that signators must equal at least 10 percent of the votes cast in the last regular gubernatorial election or 10 percent of the votes cast in the most recent school election. This school election could be a general election or a special election. This could translate into a small number of voters triggering a major referral action with significant implications.

Mr. Chairman and committee members the budget process envisioned by House Bill 1367 is unworkable. It conflicts with the Century Code in several key areas. The consolidated taxpayer notice provisions enacted several sessions ago make it impossible for this proposal to function. Even without these provisions it would be very difficult to make this bill work.

The public is receiving their consolidated levy notices in a timely manner and budget hearings are being noticed and held. We believe the public has a say in the annual budget each local jurisdiction prepares. We ask you for a Do No Pass recommendation on House Bill 1367.



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HB 1367

**Testimony of Alexis Baxley
House Political Subdivisions
February 11, 2021**

Chairman Dockter and members of the House Political Subdivisions Committee, my name is Alexis Baxley. I am the executive director of the North Dakota School Boards Association. NDSBA represents all 175 North Dakota public school districts, their boards, and several multi-district special education units.

The North Dakota School Boards Association stands in opposition to HB 1367. We believe there are already a number of ways for citizens to provide input on the local budget throughout the process, and this bill would create serious issues for school districts.

School boards, unlike almost every other employer in this state are required by law to negotiate with a large majority of their employees. The salaries of those employees – teachers – often represent 60-70 percent of their annual budgets. The negotiation process can occur every year, but in most cases, occurs every two years. Negotiations typically begin in the spring, and most often, wrap up around June. Unfortunately, districts have seen the use of delay as a negotiating tactic in recent years, and it is no longer uncommon for negotiations to last into the start of the new school year – August or later. It would be nearly impossible for districts to accurately predict their budgets in July – without the ability to make any adjustments – if negotiations wrap up in July or later.

And, as I stated earlier, most districts issue two-year contracts. In non-negotiating years, districts would most likely be forced to withhold contracts until after the budget was approved in July. This would conflict with state law – NDCC 15.1-15-04 currently requires school districts to issue contracts to teachers by May 1 of any non-negotiating year. In addition, most negotiated agreements included “lanes” and “steps”, which require districts to give teachers raises with the completion of additional education or increased seniority. If a district’s budget were disapproved in the middle of a contract cycle, districts may not have the appropriate funds to fulfill their contractual obligations, placing them at great risk to be sued. Or, if a teacher, upon learning they may not receive the negotiated raise, opts not to renew their contract, the district would be left scrambling to find a replacement weeks before school starts.

Finally, when a district is unable to confirm teacher salaries prior to August, it is forced to attempt to make any necessary new hires without a confirmed contract to offer them. This happens now when negotiations

are drawn out. We are trying to fix this issue with another bill in the Senate, but HB 1367 would make this problem far more widespread. Not surprisingly, it is hard to hire new teachers when you do not know what kind of contract you can offer them, and they are left with little time to prepare for the school year.

The inability for districts to marginally adjust their budgets is also concerning. Currently, school districts are required to submit their preliminary levies and budgets explaining those levies to county auditors before August 10 each year. They are then able to amend that budget before October 10, which provides them with much needed flexibility. Many things can change in districts from July to October, and while adjustments are usually minimal, it is critical.

We believe that there are already a multitude of ways for a citizen to provide input on their local school district's budget. School districts are subject to public meeting and open records laws. Citizens of each district must be given reasonable notice before each meeting of the board. Boards are also required to publish their schedule of bills in the official district publication. School boards cannot make decisions that involve expenditure of funds in executive session, and a district's budget is approved annually in an open meeting. School districts are limited to the amount they can increase their general fund levy without voter approval. Bonds and other levies also require voter approval. Districts are limited in the amount of general fund monies they are allowed to carry over from year to year without losing state aid. In addition, districts host an annual open meeting for the sole purpose of soliciting feedback on the proposed budget from their patrons.

Finally, board members are elected to three- or four-year terms. At each regularly scheduled election, voters have the opportunity to decide if members of the board are being good stewards of local tax dollars. In between regularly scheduled elections, voters have the option to recall a board member if they disapprove of their actions.

All of these requirements provide citizens with ample, accessible, and regular opportunities to provide input on a district's expenditure of funds and management of the district. Allowing a district's budget to be subject to referral is not only unnecessary and redundant but would place a significant additional burden on districts and other political subdivisions. As you've likely heard already this session, elections can be costly and time consuming. The citizens of a district have already elected school board members to manage the district and its funds, and they should be trusted to do their jobs. Requiring a budget approval by citizens who do not have knowledge of the operation, needs, or expenses of the districts and students it serves could have significant negative impacts on students.

For these reasons, NDSBA stands in opposition to HB 1367 and encourages this committee to give it a do not pass recommendation. Thank you for your time, and I will stand for any questions.



1 HB 1367 – Date of Adoption and Referral of Budgets

2 NDCEL Testimony in Opposition

3 Chairman Dockter and members of the House Political Subdivisions Committee, for the record,
4 my name is Dr. Aimee Copas – I serve as the Executive Director for the North Dakota Council of
5 Educational Leaders representing your School Superintendents, Business Officials, Principals, and
6 all other Directors and school leaders in our buildings.

7 We are here today to express our concern for this bill. A few years ago – all the political
8 subdivisions listed in this bill worked diligently in partnership with the legislature to construct our
9 transparency in taxation legislation that is in place and being executed today. Every voter in this
10 state receives notification for all of the hearings impacting them. That statement also shows the
11 amount being asked by each and every political subdivision. That annual open meeting that takes
12 place is a wonderful opportunity for our patrons to come and be a part of the process. If there was
13 concern about the amount being asked of them, there are avenues in which to be a part of the
14 solution.

15 What we've found in relation to our schools, is that our patrons are not expressing discontent. In
16 most of our districts, very few if any attend, and when they do, we hear it is usually just to observe
17 the process and they are happy with the work their schools are doing. If you recall, districts were
18 once able to ask for up to 185 mills from their patrons and now we are limited to 60 mills for the
19 school funding formula and we have local discretion through our boards to ask for up to 12 more.
20 In that level of authority is in place but most districts choose not to – only 37 districts have maxed
21 out their mills and many of those districts have voter approved excess mill levy authority. Please
22 know – schools are already capped – to ask for more we DO have to go to a vote. No district is
23 getting more than authorized by government and the funding formula or they already have voter
24 approval.

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education
for all students in North Dakota.*

Executive Director: Aimee Copas-----Assistant Director: Russ Ziegler



1 To ask for an annual vote is a poor use of taxpayer dollars not to mention it would decimate the
2 transparent partnership process put into place recently by this legislature.

3 We ask you to trust our locally elected school boards to be good fiscal stewards in our
4 communities, and for our patrons to take advantage of process already in place if there is any
5 objection to what is done at the local level. We do ask for this committee to send this bill out with
6 a Do Not Pass just as you did with a similar bill last session.

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education
for all students in North Dakota.*

Executive Director: Aimee Copas-----Assistant Director: Russ Ziegler

**House Political Subdivisions
Chairman Jason Dockter
February 11, 2021**

**By: David Lakefield
Finance Director, City of Minot
701-857-4784**

HB 1367

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

The time constraints imposed by this bill will be very challenging. I would like to take a few minutes to outline the typical schedule that we follow in Minot to prepare the budget. The first quarter of the year is extremely busy. We are processing the daily activity and trying to close the prior year. There is a considerable amount of time spent preparing documents for our independent audit and preparing the Comprehensive Annual Financial Report. This year our audit fieldwork is scheduled for the week of April 12th and completion is expected by late April or early May.

If you look at the following schedule from the 2021 budget cycle, you can see that there is already considerable overlap.

2 0 21

B U D G E T S C H E D U L E

April 1-3	City Manager budget planning meeting with President of Council
April 6	Council Approves Budget Schedule
April - May	Pay Plan and Classification Study (Human Resources)
April 24	Send social service budget request forms
May 4th	City Council Meeting agenda item to outline budget priorities
May 19	Income estimates due from Finance Department
May 29	Budgets due to Finance by Noon
June 12	Budget request forms (including social service budget request forms) due in City Manager's Office
June 15	Annual Plan presentation to Civil Service Commission (Human Resources) 10 AM
June 23	Budget Workshops to be held at Regular City Council Meeting
June 17 to June 28	Meetings with the Department Head, City Manager and Finance to go over Individual Budgets – Time blocked on June 21 st -23 rd to meet individually with each department to discuss the budget.
June 22	Annual Pay Plan Public Meeting (Human Resources) 10 AM
July 1 – July 22	CM/Finance - Work on budget and budget message and presentation
July 27	Have budget ready to copy and bind
August 3	Proposed budget and Annual Plan to City Council
August 17	City Council – Questions & Answers in Council Chambers in conjunction with regular meeting.
August 26	President of the Council message due
September 7	Special City Council meeting - public hearing on Budget Ordinance; Committee of the Whole meeting on budget; and first reading of Budget Ordinance 5:30
September 21	City Council meeting - Final adoption of budget ordinance 5:30

Moving the statutory date for completion of the Preliminary Budget from August 10th to July 10th further compresses this already tight schedule. The earlier submission also forces cities to make forecasts further into the future which will likely reduce accuracy. This is compounded by the uncertain financial climate that we are currently experiencing due to the pandemic.

Following the procedure outlined in the bill could result in not knowing the outcome of an election on the referendum until September 8th. This allows very little time to make the appropriate changes to the budget, hold a public hearing on the final budget and have a second reading of the ordinance to adopt the Final Budget before October 7th.

If the electors are successful in referring a Preliminary Budget and cities are forced to adopt a constrained budget, the electors will have no idea what programs will be reduced to accommodate the reduced tax levy. This could have unintended consequences that could have far reaching impacts. This bill as written allows for the referral of the preliminary budget with no restrictions and could be referred even if it was lower than the prior year? The ability to require a vote on the Preliminary Budget on an annual basis creates an expensive and burdensome process and could result in a special election every year.

Less than 18% of Minot's 2021 Budget was funded by property tax. The bulk of funds raised through property taxes goes to fund the General Fund. The bulk of General Fund spending goes to provide public safety services and administrative services. The bulk of these costs are related to employee salaries and benefits. Over time, these costs tend to escalate with the market. Limiting the dollars that can be raised through property taxes could result in reduced services in the impacted departments including public safety.

The ability to develop a budget that is responsive to the needs of our community is a critical component of local government. City elected officials are elected to represent the best interests of their constituents. They are tasked with balancing the need for services to be provided with the cost of those services and are responsible to the electors of the City for their decisions. The citizens have the opportunity to participate in the existing process and make their opinions known. They also have the ability to elect different representative if they feel that their needs are not be addressed. The current process accommodates this.

Thank you for your time today. I would urge you to give HB 1367 a "do not pass" recommendation.

Written Testimony To
THE HOUSE POLITICAL SUBDIVISIONS COMMITTEE
February 11, 2021
By Michael Montplaisir, Cass County Finance Director
Cass County Government

REGARDING HOUSE BILL 1367

Mr. Chairman and members of the House Political Subdivisions Committee, I am Michael Montplaisir, Cass County Finance Director. House Bill 1367 changes the timeline for local government budgets and the notice requirements to local government taxpayers and adds a provision for referral election on local budgets.

Under legislation passed by the 2017 Legislature, local government budget deadlines were established as August 10th. All local governments, as a result of that legislation have to file their preliminary budget with the County Auditor by that date. From that information, the county is required to compute mill levies and prepare an Estimated Tax Statement that must be sent to all taxpayers that have over \$100 dollars of consolidated tax on the Estimated Tax Statement. This statement needs to be mailed on or before August 31 of each year.

This process was initiated because taxpayers were showing up for local hearings not knowing how the percentage increases were going to affect their individual properties. As a result of the 2017 legislation, taxpayers are notified before local governments hold their final budget hearings, for those governments that levy over \$100,000 - their hearing information is included on the Estimated Statement.

This process was used in Cass County starting in 2016, before legislation was passed, and continues to this day. The process took a lot of effort to initiate with changing budget deadlines, programming changes, increased workload in county auditor offices, and increased mail costs. However, the results, I believe, have been worth it. Taxpayers know how the local budgets and their changes in valuation will affect their property taxes. We have seen very little variance from the Estimated Statement and the actual Tax Statement that goes to taxpayers in December, so there are very few surprises. When taxpayers do show up for hearings, they are better informed and are able to speak directly on how the budget of the city, school district, or county is affecting them.

House Bill 1367 I believe, would be a step backwards in transparency and provides taxpayers with less information on how the individual local budgets will affect their property taxes. With computer systems of today, individualized statements are not only possible, but have been provided by law since 2018 and are preferred by local officials and taxpayers.

When we started this practice, we received calls from people who were grateful that we sent the Estimated Statements. They not only liked the information on how each budget was affecting their eventual Tax Statement, they also like the advance notice so they could prepare their finances to pay the tax bill when they receive it in December.

I respectfully urge you to give a Do Not Pass recommendation to HB 1367.

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TESTIMONY ON HOUSE BILL 1367

House Political Subdivision Committee

**Maureen Storstad, Finance Director
City of Grand Forks, ND**

February 11, 2021

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.

House Bill 1367 relates to adoption and referral of preliminary budgets for cities, counties, school districts, and park districts. If this bill were to pass, the preliminary budget would need to be approved by July 10th, and would be subject to referral. This early preliminary adoption date and the possibility of an election as part of the budget process are both causes for concern.

HB1367 proposes a preliminary budget be approved by July 10th. Much detail goes into a budget. Moving this date up would cause the need for greater dependence on estimates as much of the information needed in putting budgeted numbers together is not available at such an early date. Recent changes in state law moved the preliminary approval date to August 10th. This change went into effect in 2018 and also requires a consolidated notice of estimated property taxes to include all taxing entities. Taxpayers are mailed an estimated tax statement and taxpayers are informed when budget hearings are set for each taxing entity. This goes out to all households. This allows taxpayers to see the impact on their specific tax bill in dollars. The timing is set in a way that gives the taxpayer sufficient time to ask questions and give feedback prior to final approval. This worked well with the City

of Grand Forks 2019, 2020 & 2021 budget processes. As a city, we generally also hold budget work sessions throughout the spring and summer months. These are televised and open to the public. All information is shared on our website and we ask for feedback from the public. We also share information through social media. I am pleased to say that no one came to our public hearing regarding the 2019, 2020, or 2021 budgets to share concerns.

HB1367 also makes the preliminary adopted budget subject to referral. The bill does not address a timeframe for a petition to be submitted. But, even if the petition were submitted one week following preliminary approval, an election would not fit the timeframe of budget deadlines. Based on current law, council would need to call for a special election 75 to 90 days prior to the election being held. This allows time for the necessary publications and approvals required. Legally, the final budget must be adopted by October 7th and be filed with the county no later than October 10th of each year. The required timelines of the budget and elections do not coincide to make this possible. An election also causes increased expense and staff time during an already busy budget process.

HB1367 creates uncertainty in the budget and planning process. Our locally elected officials currently have authority to adopt the budget. This bill compromises that authority. Creating this uncertainty may cause concern with bond rating agencies. It is important that we can show our bondholders that we have the ability to pay for our services, that we have the financial flexibility to manage our own finances, the ability to control costs with long term planning, and retain sufficient fund balances. To compromise this authority would create uncertainty.

It is for these reasons that I would recommend a DO NOT PASS recommendation of House Bill 1367.

Thank you for your consideration.



**Testimony by Brenton Holper
City Administrator/Auditor-- City of Horace**

**House Political Subdivisions Committee
In Opposition to HB 1367**

Chairman Doetker and House Political Subdivision Committee members, I appreciate the opportunity to provide you with written testimony in opposition to HB 1367. My name is Brenton Holper, and I am the City Administrator/Auditor for the City of Horace, one of the fastest growing cities in North Dakota. I realize HB 1367 would have negative impacts on local governments (cities, counties, school districts, and park districts) in regard to the adoption of preliminary budgets. It may also have an unintended impact on many other aspects of the local government entities.

The following summarizes some concerns with HB 1367.

1. With moving the deadline to July 10th, this puts constraints on creating a sound budget, as we would be using less timely and accurate projections to develop the budget. During the last legislative session, changes were made requiring preliminary budgets to be completed a month earlier (September to August). Moving up the due date another month with HB 1367 and placing additional obstacles essentially has an impact even greater by forcing the budgeting process to begin in February to meet deadlines.
2. Having the budget subject to a referral of 10% of the population voting in the last office for the governor election would be an extremely low in many cities throughout North Dakota. If a referral was initiated, this would put a greater burden on cities and counties in order to conduct a special election. This would result in additional of costs onto taxpayers for the election and the staff time involved to properly conduct the special election on both the city and county levels.

3. This would force preliminary budgets to essentially be completed at the time municipal elections occur. Therefore forcing incoming new governing bodies to a budget that they have little input or no input on.

I respectfully urge you to give a **Do Not Pass** recommendation due to the additional burden that this would place on local governments. Thank you for your consideration.

**Testimony of Shannon Schutt
North Dakota Recreation & Park Association
To House Political Subdivisions Committee
In Opposition to HB 1367
Thursday, February 11, 2021**

Chairman Dockter and Members of the Committee, my name is Shannon Schutt, and I am the executive director of the North Dakota Recreation & Park Association (NDRPA). We represent more than 900 members, primarily park districts, and work to advance parks, recreation and conservation for an enhanced quality of life in North Dakota. We are in opposition to HB 1367.

During the 2017 legislative session, political subdivisions worked collaboratively with legislators and the Tax Department to revise the budget adoption timeline for local government in order to increase transparency and opportunity for public comment on preliminary budgets of political subdivisions. This included moving adoption of the preliminary budget one month earlier to August 10 and requiring a tax notice with preliminary budgets and hearing dates for all political subdivisions levying more than \$100,000 in property tax to be mailed to all taxpayers.

HB 1367 requires adoption of preliminary budgets a month earlier on July 10. To meet the proposed deadline, park districts would need to begin their budget process before completing their audits from the previous year. It would also be challenging for newly elected park board commissioners to provide input on the preliminary budget, as they take office just three weeks before the proposed July 10 deadline. Further, the bill gives citizens the right to refer a preliminary budget. The timeline for referring the budget and holding an election would be difficult. Political subdivisions need at least 64 days to call an election and this bill does not change the requirement to have a preliminary budget submitted to the county by August 10. It also does not change the requirement to have final budgets submitted by October 10. Budget hearings would still need to be held between September 7 and October 7.

There are current protocols in place today that work well and provide transparency and communication to North Dakota taxpayers.

NDRPA urges a do not pass recommendation on HB 1367. Thank you.



Testimony on HB 1367
Presented to the House Political Subdivisions Committee
Prepared by Bernie Dardis, Commission President
Thursday, Feb. 11, 2021

1 Chairman Dockter and members of the House Political Subdivisions Committee: I
2 write you today to urge you to vote NO on HB 1367. This bill will damage the municipal
3 budgeting process and cost taxpayers money.

4 The process of budgeting concludes in the fall to ensure expense and revenue
5 estimates come from the most recent operating trends and costs. While we have been
6 able to have the preliminary budget ready by August 10, moving it up another 30 days
7 has the potential of more errors in the budget. The accuracy of the budget increases
8 the closer it is set to the effective date of the budget. If this were to move up,
9 municipalities would need to overestimate expenses and revenue reductions to create
10 a budget that covers the unknowns for the next year.

11 This legislation also creates another layer of requirement to an already
12 cumbersome process without providing a timeline for the additional requirements.
13 Section 2 allows for a referral of the preliminary budget, but does not contain a timeline
14 for the receipt of a petition of referral and the timing of the special election regarding
15 the referral. In larger communities, organizing a special election takes months and is
16 costly. Currently, the budget is due to the county by October 10, which means a vote
17 on the budget could occur after the municipality finalizes the budget. Furthermore, this
18 bill lacks funding for these elections, adding expense to local municipalities.

19 Residents do have the opportunity to participate in the current budgeting
20 process. Cities send out required notices and hold hearings to inform the public and
21 keep them involved in the budgeting process. In fact, we supported testimony in 2017
22 that improved this process by combining property tax notifications for residents and
23 providing public hearing information. This provides residents who want to participate
24 the opportunity for input. Those that are unhappy are sure to let their local elected

25 officials know. Residents also have the opportunity every other year to vote out elected
26 officials if they disagree with the budgets.

27 Local governing bodies take tremendous pride in building and managing
28 effective budgets that are fiscally responsible for the residents they are serving. Often
29 times, these budgets include tough decisions regarding competing interests and needs
30 of residents. No Commissioner or Council Member takes this lightly. This bill, with a low
31 threshold to initiate a referral, would allow a small group of residents override decisions
32 made to benefit the whole community.

33 Additional legislation that decreases the ability to manage the budgeting
34 process efficiently is an unnecessary measure that will have significant impact on the
35 quality of life in North Dakota communities.

36 For these reasons, I urge you to oppose HB 1367.

Wednesday, February 10, 2021

RE: House bill no. 1367

Chairman Dockter and members of the House Political Subdivisions Committee:

For the record, I am the City Auditor in Carrington.

I am respectfully requesting you to support a **"DO NOT PASS"** on House Bill #1367 relating to the adoption and referral of preliminary budgets of cities, counties, school districts and park districts.

I wish to share with the committee the impact and concerns with this bill.

- **The time frame.** Setting the city's annual budget is a time consuming task for myself, other department heads, and elected officials. Moving up the budget deadline one month from the present August 10th deadline to July 10th would introduce greater risk in budget forecasting. I rely on having 6 months of actual data to base budget forecasts from and this change would place a burden on all involved in the budgeting process to make additional "assumptions" or "best guesses".
- **Added cost to taxpayers.** The additional publication requirements will incur additional cost to taxpayers as well as even tighter deadlines for cities, such as Carrington, that only have a weekly edition newspaper that have deadlines of Tuesday at 1 pm to make next week's edition. The section relating to the preliminary budget adopted by the governing body being subject to referral is concerning. Annual budgets should not be brought before a vote of the people. Elected officials are elected to scrutinize budgets. In small cities, 10% of the vote cast in the city for the office of governor in the last regular election could amount to only a few disgruntled taxpayers to successfully pass the petition. Holding a special election, potentially on an annual basis, adds additional cost to taxpayers.
- **Going backwards.** In the last session, legislators approved eliminating the publishing requirements. Why are we going back to notification methods that weren't favored by the taxpayer or elected officials? The consolidated taxation notice under current law has been well received from taxpayers in Carrington.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Jennifer Gast". The signature is stylized with a cursive-like flow.

Jennifer Gast

House Political Subdivisions Committee Hearing
HB 1367
Testimony by City of Fargo in Opposition
2/11/2021

Chairman Docter and members of the House Political Subdivisions Committee my name is Kent Costin, Director of Finance of Fargo. Thank you for the opportunity to provide our testimony.

The City Commission expressed its opposition to HB 1367 on 2/8/2021 during our weekly legislative review meeting. There are three impacts that we are concerned about in this bill.

Early Budget Adoption

During the last legislative session recommendations were made and approved that greatly enhanced taxpayer disclosures by moving the budget cycle up about one month and having counties prepare a consolidation taxpayer notice that includes budget hearing dates and related tax calculations for the upcoming year. We feel that this provide greater clarity and overall understanding for the taxpayers across the State. We received positive feedback as a direct result from changes in the consolidated taxpayer notice. Moving our budget cycle up another month as recommended in this bill will caused increased budget risk as revenue projections will have to be made earlier in our fiscal year. We are especially concerned this year because of the dramatic impact COVID-19 has created for our National, State and local economies. It is very difficult and less precise attempting to project our revenues as much as seven to eight month prior to our next year's budget.

Potential for Additional Election Costs and Publication Costs

The cost of a municipal election in Fargo is presently about \$35,000 to \$40,000. We believe this is an unnecessary expense because taxpayers have already elected our local officials to review and scrutinize municipal budgets. Our budget hearings for the adoption of our budgets and tax levies stand empty because our taxpayers are satisfied with the level of services provided in our community.

Legislators approved elimination of the budget publishing requirements in the last session when a consolidated taxation notice was enhanced. Why are we going backwards to former taxpayer notification methods when improved processes are now law?

Budget Referral Threshold Is Excessively Low

We are concerned that the 10% budget referral threshold is excessively low, especially for smaller cities. A small group of citizens could essentially freeze budgets and increase election costs each year by exercising their rights within this bill.

The Fargo City Commission opposes HB 1367 for the reasons discussed. **We support a DO NOT PASS recommendation for this bill.** Thank you for the opportunity to testify.

February 9, 2021
House Political Subdivision
HB 1367

Dear Chairman Dockter and Honorable Members of the House Political Subdivision Committee.

My name is David Steele and I am presently serving on the Jamestown City Council. I respectfully ask that you give HB 1367 a "Do Not Pass" recommendation. Setting an annual budget for the city is a difficult and time consuming task for city managers, department heads, and elected officials. As the budgeting process now stands, we will begin the budgeting process for the year 2022 this coming month of March to complete our budget by August 10th. Moving the completion date to July 10th would require us to start the budget process in January or February, with many unknowns about the current year. If the budget was to be referred, as would be allowed by this bill, it would create a time frame for completing and submitting a budget, within the given time frame impossible let alone an added cost for an election, and burden to local governments.

I urge that you give HB 1367 a "Do Not Pass" recommendation.

Thank you for your time and consideration.

David Steele
Jamestown City Council Member

**Allyn Sveen – Stanley City Auditor**

221 S. Main St. – PO Box 249, Stanley, ND 58784-0249

Tel. (701) 628-2225 Fax (701) 628-2232

TTY 1-800-366-6888

E-Mail allyn@stanleynd.us

February 5, 2022

House Political Subdivisions

HB #1367 - (2/11/2021 Hearing – 10:30 A.M.)

Dear Chair Dockter and Honorable Members of the House Political Subdivisions Committee:

I am respectfully requesting you to support a **“DO NOT PASS”** on House Bill #1367 relating to the adoption and referral of preliminary budgets of cities, counties, school districts and park districts.

First, let me thank you for your support in defeating similar property tax bills limiting the ability for local political subdivisions to make decisions which have a direct impact on local services. House Bill #1367 also restricts the ability of local governments to operate efficiently if an entity's budget is referred to the vote of the people and the preliminary budget is disapproved by the electors. Again, I am asking that you trust the people we elect at the local levels of government that they do not place any unnecessary tax burdens on the citizens.

Also, in regards to HB #1367, annual budgets should not be brought before the vote of the people. In small cities especially where voter turnout is low, the number of required signatures (10%) amounts to a few disgruntled taxpayers. In the case of Stanley City, the votes cast for the office of governor of the state at the last regular election (2020 General Election) was 976 votes requiring only 97 votes to put on the ballot. Think of the cities that have far less voters, requiring just a fraction of the signatures to refer their preliminary budget to the vote of the people. The budget could easily be referred on a yearly basis for cities with a very small voting population.

Considering the time frame involved as proposed in HB #1367, cities would likely need to hold a special election each year that their preliminary budget is referred to the vote of the people and even then entities may not be able to meet time restraints, depending when the petition to refer is filed. HB #1367 does not address any deadlines for the petition. Currently a preliminary budget has to be submitted by August 10th of each year to the county auditor and the final budget adopted by October 7th and submitted to the county auditor by October 10th.

Please do not place this unnecessary burden on local governments, your support for a **“DO NOT PASS”** on House Bill #1367 is greatly appreciated.

Sincerely,
Allyn Sveen

E-mail: District #2 & #4 House Representatives

bertanderson@nd.gov

dlongmuir@nd.gov

cfegley@nd.gov

tbjones@nd.gov

2021 HOUSE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Room JW327B, State Capitol

HB 1367
2/18/2021

An act to provide for legislative management study of property tax equity and the creation of a central taxing authority

Chairman Dockter: (9:09). Opened for committee work.

Representatives	
Representative Jason Dockter	P
Representative Brandy Pyle	P
Representative Mary Adams	P
Representative Claire Cory	A
Representative Sebastian Ertelt	P
Representative Clayton Fegley	P
Representative Patrick Hatlestad	P
Representative Mary Johnson	P
Representative Lawrence R. Klemin	P
Representative Donald Longmuir	P
Representative Dave Nehring	P
Representative Marvin E. Nelson	A
Representative Luke Simons	P
Representative Nathan Toman	P

Discussion Topics:

- Legislative study
Amendment

Rep. Hatlestad: Made a motion to approve proposed amendment 21.0489.01001.

Rep. Fegley: Second the motion.

Voice vote carried.

Rep. Johnson: Made a do pass as amended motion.

Rep. Nehring: Second the motion.

Representatives	Vote
Representative Jason Dockter	Y
Representative Brandy Pyle	Y
Representative Mary Adams	Y
Representative Claire Cory	A

Representative Sebastian Ertelt	Y
Representative Clayton Fegley	Y
Representative Patrick Hatlestad	Y
Representative Mary Johnson	Y
Representative Lawrence R. Klemin	Y
Representative Donald Longmuir	Y
Representative Dave Nehring	Y
Representative Marvin E. Nelson	A
Representative Luke Simons	Y
Representative Nathan Toman	Y

12-0-2 carried

Vice Chairman Pyle: Will carry the bill.

Chairman Dockter: (9:14).Closed committee work.

Carmen Hickle, Committee Clerk


2/18/21

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1367

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study regarding referral of political subdivision budgets."

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - REFERRAL OF POLITICAL SUBDIVISION BUDGETS. During the 2021-22 interim, the legislative management shall consider studying the feasibility and desirability of allowing the qualified electors of a political subdivision to disapprove the preliminary budget adopted by the local governing body by voting on the question in a referral election. The study must consider the deadlines by which a political subdivision's preliminary budget must be complete and the petition requirements for placing the question on the ballot. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-eighth legislative assembly."

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1367: Political Subdivisions Committee (Rep. Dockter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1367 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study regarding referral of political subdivision budgets.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - REFERRAL OF POLITICAL SUBDIVISION BUDGETS. During the 2021-22 interim, the legislative management shall consider studying the feasibility and desirability of allowing the qualified electors of a political subdivision to disapprove the preliminary budget adopted by the local governing body by voting on the question in a referral election. The study must consider the deadlines by which a political subdivision's preliminary budget must be complete and the petition requirements for placing the question on the ballot. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-eighth legislative assembly."

Renumber accordingly

2021 SENATE POLITICAL SUBDIVISIONS

HB 1367

2021 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Sakakawea, State Capitol

HB 1367
3/25/2021 9:40 AM

A BILL for an Act to provide for a legislative management study regarding referral of political subdivision budgets.

Chairman Burckhard opened the hearing on HB 1367 at 9:40 a.m. Members present: Burckhard, Anderson, Lee, Larson, Kannianen, Oban, Heitkamp.

Discussion Topics:

- Preliminary budget
- Election date change
- Budget votes
- Citizen engagement

[9:40] Representative Larry Bellew, District 38. Introduced HB 1367.

[9:48] Amy Dekok, Chief Legal Counsel, ND School Boards Association. Provided oral testimony in opposition.

Additional written testimony: N/A

Chairman Burckhard closed the hearing on HB 1367 at 9:48 am.

Patricia Lahr, Committee Clerk

2021 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Sakakawea, State Capitol

HB 1367
3/25/2021 10:11 AM

A BILL for an Act to provide for a legislative management study regarding referral of political subdivision budgets.

Chairman Burckhard opened the discussion on HB 1367 at 10:11 a.m. Members present: Burckhard, Anderson, Lee, Larson, Kannainen, Oban, Heitkamp.

Discussion Topics:

- Preliminary budget referral

Senator Lee moves **DO NOT PASS**.

Senator Larson seconded.

Senators	Vote
Senator Randy A. Burckhard	Y
Senator Howard C. Anderson, Jr.	Y
Senator Jason G. Heitkamp	Y
Senator Jordan Kannainen	Y
Senator Diane Larson	Y
Senator Judy Lee	Y
Senator Erin Oban	Y

The motion passed 7-0-0

Senator Kannainen will carry HB 1367.

Additional written testimony: N/A

Chairman Burckhard closed the discussion on HB 1367 at 10:13 a.m.

Patricia Lahr, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1367, as engrossed: Political Subdivisions Committee (Sen. Burckhard, Chairman)
recommends **DO NOT PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1367 was placed on the Fourteenth order on the calendar.