

2009 HOUSE FINANCE AND TAXATION

HB 1558

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1558

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 9, 2009

Recorder Job Number: 9022 and 9121

Committee Clerk Signature

Minutes:

Chairman Belter: I call the hearing to order on HB 1558.

Representative Kim Koppelman: I feel like I might be here to introduce the local political subdivision and local assessor home almanac because we keep meeting in this room over these issues. I think it is very important for this legislative session to really look at the quandary and the problem that high property taxes present in North Dakota. I think it is incumbent on this legislative, and particularly, this committee to deal with this issue and try to determine the best way to offer our citizens not only property tax relief, which I support, but also property tax reform. Without reform, relief is not going to do us much good. It is a band-aid approach where we throw money at a problem that is systematically flawed without doing something to fix the formulation. The bill before you is one attempt to do that and that is simply the amount of money we pay in dollars in property taxes in North Dakota. For the last several years, people have complained that they pay more and more for their property taxes. In fact, some constituents may have come to you, as they have come to me, with almost a tear in their eye. What continues to stick in my mind is when one constituent came to me and said he had achieved his lifetime wish and owned his home. He had paid off his mortgage which is the good news. The bad news is that he pays more in property taxes than he used to pay on his

mortgage payment. There is something wrong with the system when the government is charging people more to live in their homes than the bank used to charge them when the home belonged primarily to the bank. That is something we need to change. What causes the problem? What causes the problem is what I call stealth tax increases. It is nobody's fault; it is not a matter of local public officials increasing taxes all the time. It is a matter of property values, particularly in our urban areas, rising with inflation. That has slowed down a little bit right now because of our national economy; but if you attended the financial forecast, you heard them talk about how stable housing prices are in North Dakota and the fact that while they may have taken a little pause, they are probably undervalued and will continue to rise. That is a good thing for property sales in North Dakota. It's a good thing for property owners if you want to sell your home. It is a bad thing for property taxes because those taxes are tied to that value—an unrealized gain. It is one thing to tax something when somebody makes some money like we tax income; it is one thing to tax something when we buy an item, like we tax sales; it's another thing to go and tax someone based on what you think what they own is worth at any particular point in time. That's what we do with property taxes. It may or may not be realized that they actually gain that profit when they sell their home. But guess what? If you pay property taxes at a higher rate on your home for many years and sell it at a lower price, what do you think the taxing authorities will do if you come back and say you have paid taxes for ten years at a higher rate than what your home was worth and it sold it for this much? They smile and say, "Sorry about that; it was worth that much back then. You should have sold it then." You don't get the gain and you still have to pay the tax. What HB 1558 does is it simply restricts the rapid growth of stealth property tax. It does it by saying they cannot go up more than 2% per year in dollars. I think it is important to address this issue in dollars because I remember a few years ago, a local entity of government bragged to the constituents that they

were going to lower their taxes and everybody was excited. What they meant was they were going to lower the mill levy rate. The footnote on the announcement was if your house is worth more, you may still pay more. If your constituents are like mine, when they hear someone say they are going to lower your taxes, but you might still have to pay more money, they scratch their heads. Justifiably so. Yet that is what is happening when these values continue to rise and we aren't stopping the growth in taxes in dollars. This bill would seek to do that. I am not married to the 2%. I would leave it to the committee to decide what the best number is, but we had to put it in somewhere and we felt that was a good starting point for discussion. Certainly with our flat national economy at a many year low, this might be a good number. Maybe it can be tied to CEI or something else, but I believe it is important to have a fixed amount that people will not see their taxes rise beyond in a given year. This provision would have several exceptions, which I think are important. (He explained his exceptions (6:54 to 8:33) which include a) improvements, b) property tax exemptions where people who buy a new house have a two-year exemption beyond a certain level, c) temporary mill levy increases authorized by the electorate, d) property not in taxing district in previous year in terms of annexation. In crafting the bill and working with the legislative council to come up with a pretty comprehensive look, I would certainly use this committee's wisdom as you deliberate the bill. I know you are all looking at ways to implement property tax reform. I know you have seen a comprehensive bill and some incremental bills. This is an incremental bill that deals strictly with the bottom line of how many dollars people pay in taxes every year and how fast that should grow. This doesn't lower taxes; it just keeps them from growing as fast as they have been.

Representative Winrich: Are there other states that have tried this sort of approach?

Representative Koppelman: I am not sure. I know that this is a very popular idea that is beginning to take hold in a lot of places around the nation. I can't give you a list of who has adopted it and where and where it has succeeded and failed.

Sandy Clark, North Dakota Farm Bureau: (Testimony 1). (10:23 – 13:15)

Representative Winrich: In your fourth paragraph, you point out that perhaps one of the reasons why local authorities take these raises is because they are afraid they will not get a chance to take a raise the next year. Doesn't that same logic guarantee that under this bill every year your taxes would go up by 2%?

Sandy Clark: I suspect that is true; but it is probably better to have 2% than 8%.

Chairman Belter: Paragraph 3 says local authorities do not seem to have the discipline to refrain from spending. I would suggest you add state and federal government to that. Further testimony in support of 1558? If not, any opposition to 1558?

Bill Wolf, City of Bismarck Administrator: As I understand HB 1558, it mandates that taxes paid in dollars are to be under 2% per year increase by parcel. I share your frustration at the increasing property tax bills, but I am also frustrated by the increasing cost of paying for equivalent services. The 2% in the bill is not enough to cover the cost of inflation, salary increases for employees, fuel and energy costs which have been very subject to spikes in the recent past, capital improvements, mandates from the state and federal government and cost of growth. I think a different percentage might work on the local level. Taxpayers watch very carefully what we are doing. In the City of Bismarck; we took a 3.96% increase last year. We worked very hard to get to that number, but we kept it under 4%. That is not possible every year, but we were able to do it last year. It is really a balancing act of the services the citizens require and the cost of those services financed by taxes. Emergency services are our biggest concern. We take a look at the property taxes produced in Bismarck and the cost of

emergency services is greater than what is taken in by property tax. That poses a real problem for us. How do we not provide those protective services to the citizens? The second issue this bill brings to light is the issue of equity. 2% per year maximum destroys equity between parcels. If a parcel goes up 10% in value, this bill, as I understand it, mandates that it be increased only 2% as far as taxes that are paid. If another parcel goes up 2%, it also would have a 2% multiplier. If you take that over a number of years, you could have a great disparity between parcels. I think it does create an artificial ceiling on property values that is unequal, yet we are taxing them as equals. It destroys the ad valorem, the core value concept of the property tax so we do have some concerns with this bill. I share your frustrations about property taxes, but I don't know what the answers are. I would submit to you that HB 1558 as drafted poses some significant questions and some significant problems. I urge a do not pass recommendation.

Connie Sprynczynatyk, ND League of Cities: I won't go into details you have heard before, but I do have testimony from different size cities I would like to share with you (**Testimony 2 and 3**). Bill Wolf has just shared with you when costs of local services increase beyond what is available. From the cities of Minot, Hazelton, Balfour and the Bismarck public works director, I would just like to offer two large and two small city scenarios, all of which are reality. The current snow season is something that nobody budgeted for, nobody planned for, nobody can plan for. If this bill limits the ability for a city to prospectively try to recover from the costs we have already experienced this year, I am not sure what the cities are going to do. This chart (**Attachment 4**) shows the City of Bismarck's typical snow removal expenditures for just the month of January for the last five years. The average is about \$128,000. This January, the cost so far has been \$667,382. That's a lot of money and Bismarck's experience is not terribly unusual. I realize this bill deals with the ability to levy against properties, but somebody

is going to have to figure out how to pay those bills in the future. This next page is from the finance director from the city of Minot, who essentially has the same concerns that Bill outlined. This is my favorite. It is a letter from the city auditor in Balfour in January, asking if we knew of any way to get help for their city in snow removal costs. If the city of Balfour doesn't get aid from any other source, they have to pay for snow removal via property tax. (20:19) We received another letter from another city that said their snow removal costs were so high that they were having to look at every account that had a cash balance to pay for these costs. This is an essential service—police, fire, filling potholes and removing snow—those are essential services. I would ask you to consider the impact on cities large and small when the legislature looks at bills such as 1558. I also have a newspaper article from Bowman (**Attachment 5**) that shows the citizens of Bowman are upset by the taxes that are being levied against their property. This frankly is how the system is supposed to work. I can tell you from the local level that that doesn't create a very comfortable atmosphere, but I can tell you that there is a process to get at this issue at the local level.

Representative Grande: I thought we just had an emergency commission meeting and money went out to pay for these bills.

Connie Sprynczynatyk: You are correct and I think the dollar amount was \$1.5 million. In order to qualify for that aid, which I believe is 25% of your expenditure, you have to be in a location that has received 400% of normal snow fall. That is one threshold. If you are in that pool, the next level is you have to have spent 200% of your January average for five years.

Terry Traynor, North Dakota Association of Counties: (Testimony 6): (23:30-27:01).

Chairman Belter: Any further testimony in opposition? Neutral?

Representative Headland: What would happen if we allowed some kind of cap 2% on assessed value? That way the equity issue wouldn't really be impacted because if market value went up by 10%, your assessed value would be limited or would it follow the 10% increase?

Marcy Dickerson, Tax Department: That could still be inequitable because if a property deserves a 10% increase, that doesn't mean that every property in that jurisdiction should have a 10% increase. Especially in your larger cities, you will find in Fargo, West Fargo, and Bismarck that one part of town is a lot more desirable or just a lot "hotter" at this time. The increases in that part of town are warranted, where in another part of town, they may not be. If you start putting an artificial cap on the values, you are immediately going to get away from the relative value of those parcels and get too far away from market value.

Representative Headland: If you allowed the market value, the true and full value, to increase by 10%, the assessed value is 50% of that so you already have an increase allowable there of 5%. By not allowing that assessed value to go up an additional 2%, isn't that going to somewhat limit the ability ofit would still allow for the political subdivision to increase the mill levy to increase tax revenue. Correct?

Marcy Dickerson: There are already limits on how much they can increase mill levies. You have your basic mill levies that are set in statute so there are restrictions. Home rule is different; their levies are not limited by the same restrictions that other property has.

Representative Headland: If we were to cap assessed value, my thoughts are that would not prohibit the political subdivision from generating the dollars they want to generate, but it would show the taxpayer who is raising their property taxes because it would force them to raise the

mill levy. We are just looking for some way to get the average property taxpayers to understand why their property taxes are going up.

Marcy Dickerson: I understand what you are saying. If people were more active in their local budgeting process, they would probably understand it better. Something which would probably be even simpler where you are talking about limiting assessed value, you could put taxable value at a different percentage of assessed value. If you had your true market value up there, that would be getting away from the market value problems I see if you start limiting the values. If you still on the books have the market value, then change those percentages, that would hold things down to some percent because there are levy limitations. If the maximum value they are allowed to tax is held down, that would limit the amount of tax dollars that could be increased. I think the previous speakers have made a good point that there are some situations that require more tax dollars. Unless the community is ready to give up some important things like human services, police protection, snow removal, I don't know how you get away from spending the money.

Representative Weiler: Mr. Chairman, I have a question for Bill Wolf. I see the average expenditure for the city of Bismarck over the last five years. Could you get me some information on the budget over the last five years? It is obvious that this year has been an extremely busy year for snow removal. Prior to this over the last seven or eight years, we really haven't had much snow to speak of. I want to know when there is \$400,000 in the budget and the city only spends \$75,000, what happens to that money? Does it go back to the taxpayers who paid it?

Bill Wolf: I would be happy to get you that information, but I can tell you that it stays in the road fund and is used for those purposes like patching potholes and streets. What typically

happens is that money goes into the road fund is used for potholes, plowing snow, resurfacing streets so it is used in one area if it isn't available in others. The last time they had a heavy snowfall season, we had difficulty dealing with all the potholes in the spring.

Representative Weiler: So with less snow, there is less money being used for snow removal and there is also less money being used for potholes because if there is less snow, there are fewer potholes.

Bob Wolf: That is not necessarily the case.

Chairman Belter: If there is no further testimony, I will close the hearing on 1558.

(After reconvening, on Job 9121)

Chairman Belter: I have a “do not pass” from Representative Grande and a second from Representative Drovdal. Any discussion? **A roll call vote resulted in 8 ayes, 4 nays and 1 absent/not voting. Representative Pinkerton will carry the bill.**

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1558

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 02/09/09

Recorder Job Number: 9025

Committee Clerk Signature *Lou Engelson*

Minutes:

Chairman Belter opened the hearing on HB 1558.

Rep. Brandenburg made an inaudible comment.

Rep. Weiler: We started going down a road two years that we are going to regret as

legislators for the rest of time. In response to your concern about calling the legislators, it's a problem we basically created on our own. I don't know if you guys all have the same bill I

have. I've only got two sections. Seems to me like there are some more caps that are missing from this.

Rep. Grande: This is more comprehensive than the other bill.

Rep. Weiler: Is the cap in here on dollars? How does this differ from 1422. His had a 4% cap. I think that this being a 2% cap in dollars is a little restrictive. I do think that 1422 is a better approach. This is probably a little too restrictive.

Rep. Grande: 1422 it doesn't divide an outside parcel either which seems to be one of the big issues. I think we're better off with 1422 because we don't have those other issues that are divided by parcel with a small amount.

Rep. Weiler: The amendments for 1422 are ready, so tomorrow if you want to take this up right after that one.

Chairman Belter: I think the parcel thing is really a problem for me.

Chairman Belter closed the hearing on HB ~~1500~~.
1558

Date: 2/10/09

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1558

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Grande Seconded By Drovdal

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich		
Vice Chairman David Drovdal	/		Representative Kelsh	/	
Representative Brandenburg	/		Representative Pinkerton	/	
Representative Froseth		/	Representative Schmidt	/	
Representative Grande	/		Representative Winrich	/	
Representative Headland		/			
Representative Weiler		/			
Representative Wrangham		/			

Total (Yes) 8 No 4

Absent 1 (Froelich)

Floor Assignment Pinkerton

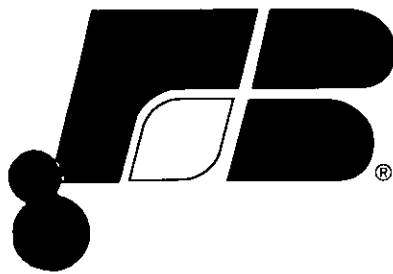
If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1558: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (8 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1558 was placed on the Eleventh order on the calendar.

2009 TESTIMONY

HB 1558



**North Dakota
Farm Bureau**
Bringing ag home

Testimony 1
HB 1558

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House Finance and Tax Committee

February 9, 2009

Testimony on HB 1558 by North Dakota Farm Bureau

presented by Sandy Clark, public policy team

Good morning, Chairman Belter and members of the Finance and Tax Committee. My name is Sandy Clark and I represent the members of North Dakota Farm Bureau.

We appear today in support of HB 1558. North Dakota taxpayers have made it clear that they are outraged by out-of-control property taxes.

Despite the fact that property taxes are a local tax and should be administered locally, local authorities do not seem to have the discipline to restrain spending.

Instead of lowering mill levies to raise the same dollars as they previous year, they take the increase in valuations to raise revenues. They do this because they are afraid they might not get the same amount the next year. In a time of increasing valuations, this just compounds the problem through the years.

Even though property tax is a local tax, the State Legislature provides the authority for property taxes and establishes the parameters.

We believe limiting property taxes levied in dollars is good tax policy for this time. HB 1558 limits growth to a 2 % increase in dollars on any parcel of property. Government has grown beyond the taxpayer's ability to pay and this is a way to slow down that growth. It forces local officials and taxpayers, alike, to establish priorities on what services are really important.

We support Subsection 4 of this bill, which allows a local taxing district to increase its levying authority with a majority vote of the people. If the local taxpayers vote themselves an increase, it only impacts them and they will decide what services they want.

Limiting growth in dollars not only provides property tax relief, it represents real property tax reform.

HB 1558 represents a positive step on the road to property tax reform that will turn the tide on rapidly escalating property taxes. We strongly support limiting the growth on property taxes in dollars.

We hope you will give HB 1558 a "do pass" recommendation.

Thank you for your time and I will try to answer any questions you may have.

Dear

I Am Writing In response to
by getting some help as far
as paying for snow removal in
the City of Bangor.

We do not have any money
in a reserve fund for snow removal.
We just barely have enough money
in our account to pay the
regular monthly bills and that is
it.

We are supposed to pay \$60. (sixty
dollars) and up per hour to have
someone to come in and clean the
streets, that does not include the
snow removal. So we are having a
very hard time coming up with the
money to pay for cleaning the streets.

We owe right now of over \$2500. (=
Twenty five hundred dollars) for street cleaning.
Then we are at a point that we will
need someone to come in to remove
~~the~~ snow and we do not have any
money to pay for it.

We will need some kind of financial
aid to help pay for these bills.



situation as soon as possible.

Sincerely,

Victoria Crismon
Balfour City Auditor
11 east Street North
Balfour, N. D. 58712



Victoria Crisman
11 East St. N
Balfour, ND 58712



N. D. League of Cities
410 E. Front Avenue
Bismark, N. D. 58504

Attn: Cindy [Signature]

Testimony to the House Finance & Taxation Committee
Chairman Wes Belter
Prepared by Cindy K. Hemphill, Finance Director
City of Minot
hemphill@web.ci.minot.nd.us

HOUSE BILL NO. 1558

Mr. Chairman, my name is Cindy Hemphill and I serve as the City Auditor and Finance Director for the City of Minot. I am representing the City of Minot to encourage a DO NOT PASS ON House Bill No. 1558.

House Bill No. 1558 encompasses a number of tax issues, which cause me great concern due to the impact the bill will have on the City of Minot. Specifically, I would like to address section 1 – limitation on levies by taxing districts, which will no longer allow home rule cities to govern based on their home rule charters as voted on by their citizens.

House Bill No. 1558 states, “[p]roperty taxes in dollars levied by a taxing district may not exceed by more than two percent the amount levied in dollars by that taxing district against taxable property on any parcel of taxable property in that taxing district in the preceding taxable year. . .” The law goes on to include a number of exceptions.

Forecasting and budgeting costs for a municipality are difficult. So many factors come into play that are difficult to foresee and predict. For example, the record amounts of snow the City of Minot has seen this winter will deplete our emergency fund and will impact our public works department budget. The amount spent in snow removal will exceed our budget by 400 percent in one year. The City will qualify for 25 percent of our expenditures that exceed 200 percent, through the State emergency made available, which far exceeds an increase of 2 percent. Other items that have seen increases in the

past several years are fuel costs, constructions costs, and labor costs. To limit municipalities' abilities to levy dollars to overcome unforeseen shortfalls and to provide the basic services identified by the municipality, a municipality's financial viability quickly comes into question.

Without the ability to levy as necessary, the City will have to draw on our reserves. As soon as the reserves begin declining, it will affect the City's ability to borrow money. As the reserves decline, it will affect our bond ratings. The City will have to borrow at a higher interest rate, which will ultimately be passed on to the property tax owners.

HB No. 1558 will have a negative effect on our ability to borrow money for highway projects. The majority of our highway projects are financed through general obligation bonds, which are serviced by property taxes. With a cap of 2 percent, it will not allow us much latitude to participate in highway projects.

When reviewing our General Fund expenses 49.24 % are for public safety to include police, fire, communications, and the municipal court. It will be difficult to continue to provide services for public safety at the level we now maintain and we will not be able to respond to growth adequately.

Again, we encourage a DO NOT PASS on House Bill No. 1558.

Attachment 4
HB 15

CITY OF BISMARCK
NDDDES SNOW ASSISTANCE 2009
FIVE YEAR AVERAGE EXPENDITURES/EXPENSES COMPARISON

	January 2004	January 2005	January 2006	January 2007	January 2008	Five Year Average	January 2009	Percent Change
Snow Labor								
Regular	\$43,425.57	\$14,981.34	\$14,387.92	\$50,046.69	\$8,422.54	26,252.81	\$147,707.14	462.63%
Snow Labor								
Over-time	24,285.27	3,314.41	2,750.37	7,560.94	1,113.02	7,804.80	80,851.69	935.92%
Fleet---								
Fuel	10,370.22	4,896.83	21,407.76	21,494.86	6,058.45	12,845.62	64,306.05	400.61%
Fleet---								
Parts	3,608.08	2,196.21	1,941.72	3,194.37	2,075.02	2,603.08	8,654.98	232.49%
Fleet---								
Labor	5,091.00	780.00	4,353.75	5,636.25	2,125.00	3,597.20	12,737.50	254.09%
Equipment								
Rental Cost	133,915.00	28,631.00	73,247.00	120,569.90	16,575.63	74,587.71	353,125.29	373.44%
Totals	\$220,695.14	\$54,799.79	\$118,088.52	\$208,503.01	\$36,369.66	\$127,691.22	\$667,382.65	422.65%

	Five Year Average	January 2009	Dollar Change	Percent Change	Qualified Reimbursement
COMPARISON-JANUARY 2009	\$127,691.22	\$667,382.65	\$539,691.43	422.65%	\$134,922.86

**Testimony To The
THE HOUSE FINANCE & TAXATION COMMITTEE
Prepared February 9, 2009 by
Terry Traynor, Assistant Director
North Dakota Association of Counties**

Testimony 6
February 9, 2009

REGARDING HOUSE BILL No. 1558

Thank you Chairman Belter and committee members for the opportunity to address HB1558 on behalf of county government. County commissioners from across the State agree with the goal they understand the sponsors are seeking in this bill – that of a reduction in property tax growth that is equitable for all taxpayers. Unfortunately they believe that this bill would not be fair to all taxpayers, would be difficult if not impossible to implement, and at the county level at least would ultimately conflict with statutory and constitutional requirements.

The first sentence of the proposed new section of law limits the increase in taxes “on any parcel” to two percent. As this Committee understands, changes in true & full value and therefore taxable value vary greatly from parcel to parcel and year to year. Creating a “per parcel” limitation would have the effect of either forcing a reduction in overall tax collections each year or the creation of individual parcel-specific mill rates – a violation of the State Constitution’s requirement to provide equal taxation within property classes, and certainly not an equitable implementation of tax reform.

In either situation, the entire local government budgeting process would be reversed. Each jurisdiction, regardless of current service levels, emerging needs or emergencies, and even State and federal requirements, would have to begin their budgeting with the single parcel of the district with the greatest value increase for the year, and work backwards to ensure that this parcel (and therefore all parcels) did not see more than a 2% increase. The staff time and computer technology is currently unavailable in counties to budget in this manner.

Even if the intention of this bill was an overall average two percent limitation, county officials believe the concept would have disastrous consequences for our citizens. Road material costs have been increasing by 10% or more per year for the last six years, this year close to half of the counties have experienced a 400% increase in snow cover (and therefore snow removal costs), and PERS health premiums have increased by 20+% each of the last two biennia. These costs are fairly obvious to our citizens and one could argue that the “excess levy” provision of the bill should be answer. However, those are probably not the costs to worry about.

Will the voters approve an excess levy for State mandated indigent defense of sex offenders that is 1000% higher than anticipated when enacted and growing? Will the voters support more property tax for software, hardware, and consultants to value agland through soil classifications – a recent \$2+ million investment resulting from 2007 Legislation? Will voters support the increasing cost of child welfare (20% last biennium), food stamp eligibility, in-home care of the growing population of elderly, and the dozens of other human service programs counties are required to deliver? And if they don't, what happens?

The final subsection of the bill is possibly hardest to understand. To commissioners it implies that the voters in those home rule counties and cities didn't know what they were voting for, and don't understand their local initiation and referral powers – so the Legislature will supersede those powers through this bill.

For these reasons, our Association urges a Do Not Pass recommendation on House Bill 1558.

3-DIGIT 585
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Bowman County PIONEER

PER COPY BOWMAN, NORTH DAKOTA VOLUME 105 • NO 6 FRIDAY, FEBRUARY 6, 2009

Tax levy answers don't sit well with citizenry

City commissioners take their lumps from unhappy crowd

Cliff Larimer
Bowman County Pioneer

They came. They heard. They asked. They went away unsatisfied for the most part.

An overflow crowd estimated at upwards of 200 were at Bowman City Hall the evening of Jan. 29 to hear from city officials why 2008 property tax bills jumped 30 to 40 percent over the previous year.

The five members of the City Commission, the city auditor and the city attorney faced a full house, packed to standing room with perhaps as many as five dozen more standing in the hall outside. Usually the commissioners meet in a small room with no more than one or two citizens present at any given time.

Clearly, in listening to the dialog during the two-hour and 20-minute town hall-like session and in comments as the crowd left, few had heard much to satisfy them. And there was an obvious skepticism expressed by many to assurances from city commissioners they would be addressing some changes in the budgeting process in the weeks and month.

Mayor Lyn James opened the meeting by telling the crowd the purpose of the meeting was to "dispel some misconceptions and accusations."

Reading from a prepared statement, she alluded to talk "in coffee shops, bars and restaurants," and pointed out that "not a single property owner" had asked to be put on the agenda or had attended a single meeting to discuss questions.

(Actually, there have been no more than two or three regular meetings since tax bills went out, and the commissioners decided in early January to hold a special meeting on Jan. 29.)

Nor, she said, had there been nearly as many complaints as reported in a Dec. 26 story in the *Pioneer*.

The audience politely listened to James as she read the document the Commission had worked on over several meetings, including three special meetings held on Monday, Tuesday and Wednesday of last week.

James said when it was discovered last fall that there was no cap on a mill levy amount, it was a "relief" to the commissioners because it meant it would be able to sustain city services and departments without making cuts.

James went on at length in city the services and departments for which property taxes are vital and where there might have had to be



Dan Peterson



Pioneer photo by Cliff Larimer

Auditor Judy Pond stands as she fields a question. Commissioners Les Snively, Gerald McLaughlin, City Attorney Steve Wild and Mayor Lyn James appear equally attentive.

cuts or curtailment had the commissioners not opted for the tax boost.

During her presentation, she did say the city was exploring ways to make some cuts for next year and would be looking more closely beginning almost immediately.

Commissioner Les Snively, the only other of the commissioners to address the group other than a brief comment by Gerald McLaughlin, recited projects the city has proceeded with, projects that surveys taken in 2001 and 2007 indicated the people want. Those included such as upgrading the library, the city park, the recreation center, safe routes to school, as well as several others. He also pointed to annual requests for funds from many groups and organizations.

"If the city did not assist these entities, they would have to find other ways to raise funds," Snively said.

As to "coffee shop talk" about staff salaries being too high, he praised the city's "dedicated staff." In other remarks by James, she praised them for how departments worked together.

City property owners for the most part got a shock when they opened their tax bills late last year. They saw a mill levy hike that increased residential taxes about 30 percent, a surprise to most of them although there had been some mild if unclear warnings last fall when the City Commission voted a new, larger budget and mill levy that was reported in a *Pioneer* news story and a few weeks later in the minutes of the meeting in the small print legal

advertising.

A flyer, prepared during a special meeting of the Commission last Dec. 10, was included with the tax bills. It says in part, "over the past 11 years, the City Operations costs have risen steadily. However, the General Fund Levy did not keep up. (It) went from a low of \$107,581 in 1998, to a high of \$116,592 in 2008."

It goes on to say that during August and September during the budgeting process, the commissioners "again realized that expenditures far outweigh the General Fund Taxes" and that subsequently they voted for the higher amount.

What the document did not say is that the city has been operating for 11 years under the misconception that it had a cap it could not

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Tax levy answers don't sit well with citizenry

Continued from page 14
said.

"The city should be in the black."

Snively had pointed out the need fairly soon for a major water main replacement on Main Street and cited a price tag that could top \$7.5 million.

"We don't plan one year at a time," the commissioner said.

It was suggested at one point by Howard Pearson that given the financial dilemma the commissioners say the city has been in, "Maybe the new (city/county) shop was ... bad timing or overkill."

Pearson said he was "not happy" and looking at the commissioners continued, "these people ... run unopposed."

Local Banker Ron Palczewski said, given the financial squeeze

the city claims to be facing, that it should look at refinancing the five-year \$1 million bond issue used to finance the new city/county shops. Refinanced over a longer period, paying off the bonds would lessen the annual burden on household, Palczewski said.

Snively and Wild agreed to look into it.

Peterson also took issue with Snively tossing out the \$7.5 million price tag for a water main project as though the city would be paying it all.

"Don't lead us to believe ... the project is all city," Peterson said.

Thus it went all night.

Wild at one point noted that commissioners have been above board in what they are doing, discussing projects and issues at public meetings that for years have had no one in attendance other than commissioners and staff, and whichever individual or individuals had an item before the Board of City Commissioners.

Fairly near the end of the long night, Peterson asked of the commissioners, "What's the take-away? Thanks for coming! Pay your taxes! Did it (the meeting) mean anything?"

James said it did.

"This gathering is very important to us," she said, and the commissioners "have begun exploring areas where we can make adjustments. They are sizeable ..."

"It wasn't an easy decision to



Fifteen minutes before the tax levy meeting got under way, the large City Hall meeting room was already close to overflowing. By the time it started, it was standing room only and at least 50 more people couldn't get farther than the entryway.

make."

One decision sought by most of the crowd was a downward adjustment in the property taxes on the current bills. They heard repeatedly that legally is not possible. Any changes will have to come with the budget that will be adopted next autumn.

It was an unhappy crowd that walked out into the cold night.

*Pioneer Photos
by Cliff Larimer*



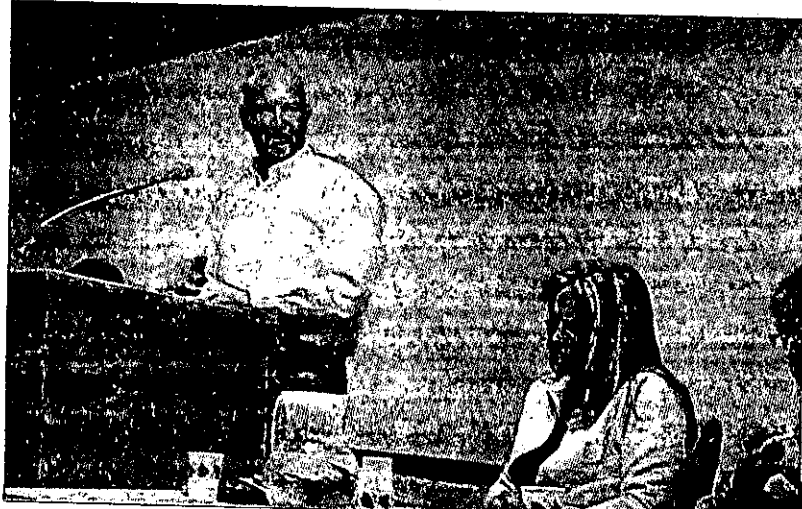
Banker Ron Palczewski suggested refinancing the bonds on the new city/county shops as a means of spreading out the tax burden over a longer period.



Resident Duane Bowman told the commission he regrets that he did not choose to build his new home outside the city limits.



An obviously unhappy Vivian Hernandez said it was another example of poor city planning to hold a meeting in overcrowded City Hall when the season could have been at the Four Seasons Pavilion.



Pioneer photo by Cliff Larimer
City Attorney Steve Wild takes a question from the audience, while Mayor Lyn James listens.

It's the people.
Kay Cox
New Accounts and
Customer Service Representative

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Testimony of Lynn Bergman, taxpayer, on HB1558, a bill to create and enact a new section of chapter 57-15 of the NDCC, relating to limitation of property tax increase; and to provide an effective date.

Authors of the North Dakota Century Code, Chapter 40-05.1, Home Rule in Cities, were collectively convinced that the legislation would increase the amount of local control of local issues. Some of those involved, however, wanted to limit local option sales tax to 1%. I believe that a critical review of home rule would very likely include such a limit, if the taxpayers were consulted.

I do not believe that any of the authors expected home rule to result in state funding of local school districts, cities, counties, and park districts.

Yet that is what we, the taxpayers, are being asked to accept... that the property taxes collected by local K-12 schools must be cut in half with an equivalent amount supplemented by state funding that comes from income tax, sales tax, and/or other state revenue sources.

The Revised Revenue Forecast was issued this morning and Mr. Steven G. Cochrane stated that he believes the federal stimulus bill will include a considerable amount for K-12 schools... this is a wakeup call! We should be prepared to state-match such funds.

In light of Mr. Cochrane's statement, I believe that the Governor's tax cut proposal must be adjusted. I believe that reform of local taxing entities must be accomplished. This bill is an important element of such reform and must be implemented.

Further, I believe that the proposed bailout of K-12 schools should be abandoned and replaced with a 1% sales tax reduction costing \$300 million. Such a reduction would be far more stimulating to our North Dakota economy than the K-12 bailout that will tend to lead to more state control of local decisions, something not likely anticipated by those originally favoring home rule.

The most important element of true leadership may be to adjust with the circumstances and propose what will work the best under the current economic climate. My opinion is that the best way help ALL North Dakotans during the next two years of economic uncertainty is to LEAVE THEIR OWN MONEY IN THEIR POCKETS with a 1% SALES TAX CUT and reform the habits of local entities with legislation like HB 1558.

The property tax reform elements being suggested during this session will prevent further unchecked growth of local government at a time when they can best get used to it. When the cost of living is zero or negative, it shouldn't be hard to balance local budgets!