

March 8, 2020

By: Terry Traynor, NDACo Executive Director



RE: House Concurrent Resolution 3038 – Opposition

Mr. Chairman and committee members, county government is opposed to the elimination of property taxes supporting local government in North Dakota. If the goal is to require adequate local support with just a replacement of the taxing source, this Constitutional change would fall short, as it only requires replacement at “current year” levels. However, if the goal is to gradually squeeze government expenditures for fire and police protection, criminal prosecution and jails, road and street maintenance, veteran’s services, extension service, weed control, coroner’s services, public health, 9-1-1 dispatch, emergency management, public recreation, and a host of other local services required by state law and demanded by our citizens, I suspect we would see that result. With the state assumption of social service costs, the largest property tax supported service – the place that would ultimately take the greatest reduction over time – is law enforcement, prosecution, and jails.

Property taxes are a significant part of every local budget, and except for sales taxes through home rule, there are few other options for raising revenue. This leaves local government to seek state support for the growing costs of staff compensation, equipment, infrastructure repair and construction, and everything else. Currently, ad valorem taxes total over \$2.2 Billion per biennium, and those payments in lieu of property taxes receipted locally add another \$50 million. Important to remember – Gross Production Taxes on oil and gas and both Coal Extraction and Coal Conversion Taxes, although collected by the state, were imposed as in lieu of property taxes. One could argue that if the underlying property tax is prohibited, “in lieu” of property taxes would also be prohibited. North Dakota faced this when it attempted to exempt all personal property except for that belonging to the railroads.

As this committee is aware, the relative needs of every jurisdiction regularly evolve as populations grow and shift, as fire and EMS district boundaries change, as cities annex new development, as schools consolidate, as industries shift locations. If the Legislature were forced to fully fund local government in a manner that would truly keep pace with the needs of our businesses and our citizens, it would likely take year-round, annual sessions to debate the appropriate level of support for every county, school, city, park, township, fire district, EMS district, weed control district, water resource district, vector control district, and recreational service district in the state.

Unfortunately, those that understand the impact of this measure – Legislators and locally elected leaders – are poorly positioned to educate the citizens on the impacts of this measure. Government funds cannot be used to advocate for or against such measures. And this measure sounds awfully attractive, until one learns the long-term impacts, and understand the funding challenges the Legislature is faced with already.

Please give HCR3038 a Do Not Pass Recommendation