

Testimony in Opposition to House Bill 1461
January 31, 2023
House Finance and Taxation Committee
Bill Wocken on behalf of the North Dakota League of Cities

Good morning, Mr. Chairman and members of the House Finance and Taxation Committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities in opposition to House Bill 1461.

This bill proposes to cap property taxes at an annual increase of 5% and to require an election if a taxing unit proposes a tax levy in excess of that amount.

The League of Cities has objected to tax caps in the past and we continue to advocate against them for a number of reasons. The chief reason is that caps work against the ability and responsibility of local government to determine its financial needs and to act appropriately to fulfill those needs. Commissioners and councilpersons interact with their constituents frequently in their social and political roles. They are in a position to know and understand the needs of the community. Those out of touch usually end up being out of office.

There are many expenses cities face, not unlike the state, in their daily operations. Not all these expenses are predictable and some vary widely based on events outside the control of a city. Snow removal costs, public safety emergencies, health care premiums, oil and asphalt pricing are only a few examples of expenses that need to be anticipated when budgets and mill levies are set.

A more difficult and seldom discussed issue is the General Obligation Deficiency Pledge fund. This fund is set aside in the budget to cover deficiencies that occur in repayment of a city's issued bonds. Investors who purchase city bonds want to be assured that they will be repaid according to the bond maturity schedule. This fund is a backup to the normal repayment plan. Without the ability to maintain this fund and to levy property

taxes to adequately fund it, bond sales will not happen or they will occur at higher interest rates for the city.

This bill requires voter approval if the tax levy needs to exceed 5%. The election is problematic. First, it is costly. The notices, education about the issue and conduct of the election are a cost concern. But even more difficult is the timing of this election. At present, NDCC 40-40-04 requires a completed preliminary budget from each taxing entity to be submitted to the County Auditor by August 10th of each year. Each jurisdiction must hold a public hearing on their final budget no earlier than September 7th of each year. After the public hearing is concluded, each jurisdiction must calculate the amount of tax levy needed to fund the final budget and it must provide this information to the County Auditor no later than October 10th. NDCC 40-21-02 Subsection 5 requires at least 64 days between the publication of a notice of election and the actual date of the election. It is impossible to call an election on the budget and get the information required by NDCC 40-40-04 to the County Auditor in time for the Auditor to comply with that statutory requirement.

For these reasons the League of Cities respectfully requests a Do Not Pass recommendation on this bill. I will be happy to answer any questions you may have of me.