North Dakota Legislative Council

Prepared for the Tax Reform and Relief Advisory Committee
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POLITICAL SUBDIVISION COMPLIANCE WITH STATE LAW - BACKGROUND INFORMATION

This memorandum provides background information on a directive (appendix) from the Chairman of the Legislative Management to consider a Legislative Audit and Fiscal Review Committee recommendation to evaluate political subdivision compliance matters as part of the Tax Reform and Relief Advisory Committee's property tax reform and relief study.

OVERVIEW OF BACKGROUND MATERIALS

In response to concerns raised regarding certain findings in a recent Stark County audit report, a memorandum entitled *Political Subdivision Noncompliance with State Law - Roles of the Legislative Assembly, State Auditor, and Attorney General* was presented to the Legislative Audit and Fiscal Review Committee. The memorandum, along with a copy of the audit report, was included in the Legislative Management Chairman's directive to provide background on the audit report findings and on matters related to enforcement of political subdivision compliance with state law, including information regarding:

- Existing statutory enforcement mechanisms for taxing district compliance with property tax levy limitations, including the role of the county auditor in property tax rate determination, the penalty for extending taxes in excess of statutory limitations, and proceedings to abate or refund taxes.
- Legislative oversight of programs and laws created by the Legislative Assembly, including through interim committee studies and responsibilities.
- The State Auditor's enforcement role, including discussion regarding the political subdivision auditing process.
- The Attorney General's enforcement role, including discussion regarding certain statutory enforcement roles and authority to issue legal opinions to certain government officials.
- Potential legislative options that may address political subdivision noncompliance if the enforcement mechanisms available under law are determined to be insufficient.

POSSIBLE APPROACH

The following is a possible approach to incorporate the Legislative Management Chairman's directive into the property tax reform and relief study:

1. Receive background information from Legislative Council staff regarding the directive.
2. Receive information from the State Auditor regarding the political subdivision audit process and political subdivision compliance with property tax levy limitations.
3. Receive information from representatives of political subdivisions, including the North Dakota Association of Counties and the North Dakota League of Cities.
4. Receive comments from interested persons.
5. Develop recommendations and any bill drafts necessary to implement the recommendations.
6. Include information related to the directive in the property tax reform and relief study section of the final report to the Legislative Management.

ATTACH:1