

## **POLITICAL SUBDIVISIONS RECEIVING PROPERTY TAX REVENUE - METHODS TO REDUCE RELIANCE ON PROPERTY TAXES - BACKGROUND MEMORANDUM**

During the 2007 Legislative Assembly, a great deal of legislative debate was focused on property tax relief and reform. Most of the debate focused on providing increased levels of state funding to reduce property taxes and imposing more restrictive limitations on property tax levies and assessments. Senate Concurrent Resolution No. 4031 (copy [attached](#)) was introduced to examine another aspect of property tax relief--whether there are methods to improve the efficiencies of political subdivisions and reduce the demand for property tax revenues.

Political subdivisions that have authority to levy property taxes include school districts, counties, cities, city park districts, townships, rural fire protection districts, the Garrison Diversion Conservancy District, soil conservation districts, rural ambulance districts, the Southwest Water Authority, and recreation service districts. In addition, a one-mill levy is imposed by Article X, Section 10, of the Constitution of North Dakota on all taxable property in the state for support of the State Medical Center. It is anticipated that much of this study will focus on school districts, counties, and cities because those political subdivisions levied more than 92 percent of property taxes in the state in 2006.

The sponsor of Senate Concurrent Resolution No. 4031 stated the intention that this study should initiate discussions with representatives of political subdivisions providing services to the public to determine whether there are efficiencies that have been used by political subdivisions or that might be employed by political subdivisions to reduce reliance on property taxes. During committee hearings on Senate Concurrent Resolution No. 4031, representatives of cities and counties expressed support for this study and the desire to participate in discussions of these issues.

### **SUGGESTED STUDY APPROACH**

Much of the information received by the committee in its study of the feasibility and desirability of property tax reform and providing property tax relief will be useful to the committee in this study. In addition to the property tax reform and relief study information,

the committee should examine the following issues under this study:

1. Political subdivisions that receive property tax revenues.
2. Revenue sources for political subdivisions and relative growth of property taxes and other revenue sources.
3. Services provided and relative growth of expenditures for those services.
4. Primary influences on political subdivision budget growth and property tax increases.
5. Consideration of what level of government is the appropriate or most efficient provider of services.
6. When the state has assumed funding of programs previously funded by political subdivisions, whether cost efficiencies have resulted and property taxes have been reduced.
7. Whether political subdivisions have achieved efficiencies through consolidation of services or use of joint powers agreements or other methods.
8. Whether representatives of political subdivisions have suggestions for statutory changes that might help them reduce costs and taxes.
9. Whether political subdivisions in other states have taken action to improve efficiencies or reduce property taxes. Representatives of political subdivisions who have attended national organization meetings may be aware of recent developments.
10. Whether there are ways to encourage political subdivisions to improve efficiencies and reduce property taxes. Whether there are ways to promote discussion among political subdivisions of effective ways to reduce property tax demands.
11. Whether there are circumstances that limit or enhance the possibilities for improved efficiencies for a political subdivision and the extent such circumstances exist in all political subdivisions.

ATTACH:1