NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

TAXATION COMMITTEE

Tuesday, December 16, 1997
Brynhild Haugland Room and Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Wesley R. Belter, Chairman, and Representative Al Carlson, Chairman of the Electric Utilities Committee, called the meeting to order at 9:00 a.m. From 9:00 a.m. until 12:00 noon, the Taxation Committee met jointly with the Electric Utilities Committee in the Brynhild Haugland Room. For this portion of the meeting, see the minutes of the Electric Utilities Committee.

Members present: Representatives Wesley R. Belter, Chris Christopherson, William E. Gorder, Mick Grosz, Ralph L. Kilzer, Kenneth Kroeplin, Dennis J. Renner, Earl Rennerfeldt, Arlo E. Schmidt; Senators Randel Christmann, Layton Freborg, Meyer Kinnoin, Ed Kringstad, Randy A. Schobinger, Vern Thompson, Herb Urlacher

Members absent: Representatives Grant C. Brown, Edward H. Lloyd, Ronald Nichols, Alice Olson, Ben Tollefson

Others present: See Appendix A

The Taxation Committee reconvened in the Roughrider Room at 1:00 p.m.

It was moved by Representative Grosz, seconded by Representative Christopherson, and carried that the minutes of the previous meeting be approved as mailed.

COAL INDUSTRY STUDY

Chairman Belter called on Mr. John Dwyer, President, North Dakota Lignite Energy Council, for comments relating to the committee's study of the coal industry. Mr. Dwyer said he was asked to comment on three issues relating to the study. He said the Center SynCoal Project was conceived as a process to remove water and sulfur from lignite to develop clean-burning, efficient fuel. He said tax credits available under Internal Revenue Code Section 29 were needed to make the project feasible. He said these tax credits are scheduled to expire July 1, 1998, and congressional efforts to extend this expiration date have failed. He said investors perceive too much risk without these tax credits and will not support the project. He said the Legislative Assembly had approved $4.1 million of North Dakota investment from the research and development fund, but the expenditure was contingent on availability of matching funds and the extension of Section 29 tax credits. He said all state dollars for the project have remained in the research and development fund and are available now for other projects, including the Carbon Dioxide Pipeline Project to construct a pipeline from the Great Plains Gasification Plant to Saskatchewan oilfields.

Representative Belter asked about the status of the pipeline project. Mr. Dwyer said the Carbon Dioxide Pipeline Project is about a $100 million project and is going forward. He said one advantage of the pipeline project is that transporting carbon dioxide to Canada would provide the North Dakota coal industry with about one million tons of annual coal credits under the Kyoto Treaty on global warming issues.

In response to a question from Senator Urlacher, Mr. Dwyer said Basin Electric Power Cooperative, owner of the Great Plains Gasification Plant, has entered necessary agreements with Canadian authorities regarding the pipeline project. He said the current timetable calls for completion of the pipeline project in about the middle of 1999.

Mr. Dwyer said the second issue he was asked to address concerns the results of the test burn of Wyoming subbituminous coal in North Dakota coal-fired power plants. He said a November 1996 test at the Stanton station burned 30,000 tons of Powder River Basin coal and a February 1997 test at the Leland Olds Station burned 50,000 tons of Powder River Basin coal. He said the results of the test burn indicate substantially lower emissions of sulfur dioxide and nitrogen oxides. He said the significance of this is that Powder River Basin coal could be blended with North Dakota lignite to achieve lower emissions from burning lignite in the future if clean air standards become more stringent. He said Powder River Basin coal is substantially cheaper than North Dakota lignite, but after transportation costs and the sales tax on imported coal are added, a comparison reveals that the cost of North Dakota lignite at the plant is $10.56 per ton and the cost of Powder River Basin coal is $12.16 per ton. However, he said, Powder River Basin coal produced more energy per ton and comparison of the cost of energy shows that the cost to produce one million BTUs of energy is 78 cents for lignite and 72 cents for Powder River Basin coal. He said the significance of the test burn results is that North Dakota lignite is in a competitive war with Powder River Basin coal. He said the economics of use of lignite are very cost-sensitive and Powder River Basin coal can feasibly be substituted. He said the close competitive costs of lignite and Powder River Basin coal make state tax and regulatory costs very important to future use of North Dakota lignite. He said another factor that will affect the market for lignite is national and international policy.

Mr. Dwyer said another issue he was asked to provide information about is the coal industry study to be completed by Dr. David Ramsett, as an update of his 1986 study. Mr. Dwyer said the Lignite Energy Council has agreed to match the funding of up to $5,000 to be provided by the Legislative Council for this study. He said an oral agreement was reached by Dr. Ramsett and the Legislative Council staff on December 11, 1997, on the scope of the study and a completion date of August 1, 1998. He said the Lignite Energy Council has agreed to furnish necessary information to Dr. Ramsett for his analysis. He said the scope of the study will include consideration of output and capacity of regional power facilities, trends in lignite and Powder River Basin coal production, trends in MAPP sales by regional power facilities, energy tax policy review for Powder River Basin coal and lignite, assessment of competition between Powder River Basin coal and lignite, and the potential impact of deregulation on the lignite industry.

Mr. Dwyer said he also wants to brief the committee on international developments with potential to affect the lignite industry. He said the recent Kyoto Treaty on global warming is potentially devastating to the American coal industry. He said the treaty calls for certain industrialized nations to reduce emissions to seven percent below 1990 levels by the years 2008 to 2012. He said this would result in a 17 percent reduction in North Dakota lignite production below 1996 levels. He said this treaty would be binding on the United States if ratified by the United States Senate. He said the prospects for ratification are not good at present and it appears the administration will not submit the treaty for ratification until after the 1998 elections.

Representative Belter asked whether ratification of the treaty would shift the competitive edge to Powder River Basin coal over North Dakota lignite. Mr. Dwyer said Wyoming coal would have an additional advantage in North Dakota generating plants if the treaty becomes law. However, he said, if the treaty becomes effective it would be a disaster for the United States coal industry so it would probably cause a move away from use of coal in general.

Senator Urlacher asked whether shifting from use of lignite to Powder River Basin coal would impact the Carbon Dioxide Pipeline Project. Mr. Dwyer said using Wyoming coal would probably not have significant impact on the Carbon Dioxide Pipeline Project because there would still be carbon dioxide produced from coal, regardless of the source.

SCHOOL DISTRICT PROPERTY TAX EXEMPTION IMPACT STUDY

Chairman Belter called on Mr. Richard Ott, Executive Director, North Dakota School Boards Association, for testimony on the committee's study of the impact of property tax exemptions on school districts. Mr. Ott said the association has completed and will present a survey of school boards on this issue. He said that before presenting the survey results, representatives of school districts would comment on the study issue.

Mr. C. B. Haas, Dickinson Schools Superintendent, said the Dickinson School Board has gone on record opposing tax abatements granted by cities and counties for any reason. He said for school districts levying more than 185 mills, the school district does not lose revenue from property tax exemptions because the district is entitled to levy the amount in dollars levied in the previous year. He said for these districts a property tax exemption shifts the property tax burden to other taxpayers. He said school districts levying less than 185 mills have authority to increase the number of mills levied by up to 18 percent per year. He said for these districts, property tax exemptions do result in a loss of property tax revenue.

Mr. Haas said granting long-term exemptions could result in a loss of revenue to school districts even if they are levying above the 185-mill level. He said as taxable valuation increases, levy of the same number of dollars would generate a decreasing mill rate. He said a school district may eventually reduce its mill rate below the 185-mill level and then be eligible for the increase of its levy in mills, which would mean that exempt property would result in a loss of tax revenue.

Mr. Dan Huffman, Assistant Superintendent, Fargo School District, distributed copies of his prepared testimony. A copy is attached as Appendix B.

Mr. Mark Lemer, Business Manager, West Fargo School District, distributed copies of his prepared testimony. A copy is attached as Appendix C.

Chairman Belter asked Mr. Lemer to describe the granting of property tax exemptions in Fargo, West Fargo, and Moorhead. Mr. Lemer said Fargo and West Fargo have similar authority and handle exemption applications in a similar fashion. He said he is not certain of the current status of granting property tax exemptions in Moorhead but about two years ago the granting of exemptions in Moorhead was similar to the situation in Fargo and West Fargo. He said there is a competitive aspect among the three communities to attract new construction.

In response to questions from Representative Grosz, Mr. Lemer said some of the exemptions granted for commercial property in 1993 and 1994 are still in effect. He said growth of the tax base from new property construction is obviously desirable and the concern of the West Fargo School District is the lasting impact of long-term exemptions and the district's desire to have some input in decisionmaking on exemptions.

Senator Kinnoin asked whether it would satisfy school districts to have a vote in decisions on property tax exemptions. Mr. Lemer said having a vote on these decisions would allow schools more impact on decisionmaking than they currently have but would not allow schools to control their own destiny on exemption decisions.

Mr. Todd Toppen, Kindred School District Board member, distributed copies of his prepared testimony. A copy is attached as Appendix D.

Mr. Toppen said, in response to Senator Kinnoin's earlier question, the Kindred School Board would like complete control over property tax exemption decisions to the extent of its levy authority. He said having a vote in exemption decisions would be inadequate because the school board would lose by a vote of 5 to 1 rather than 5 to 0.

Mr. Toppen said a point that should be emphasized is that school district boundaries may incorporate substantial territory outside city limits and yet the governing body of the city has authority to grant property tax exemptions that affect all residents of the school district. He said the significance of this is that school district residents affected by these decisions have no vote in the matter because they are not entitled to vote for the members of the city governing body.

Mr. Mike Zimmerman, Garrison School Board member, said the Garrison School Board believes in local control of exemption decisions to the extent of political subdivisions' respective taxing interests in the property. He said the Garrison School Board asks that the Legislative Assembly allow school boards decisionmaking authority over the tax dollars of school districts that are being given away by other political subdivisions.

Ms. Bev Nielson, President, North Dakota School Boards Association, and Fargo School Board member, said she agrees with the other school district representatives.

She said a property tax exemption for new residential construction puts existing homes at a disadvantage to new homes on the sales market. She said this has the effect of encouraging migration of residents to the outskirts or new construction areas of the city. She said migration reduces the population in the older schools in the community and increases demand for construction of new schools in new areas. She said it is also important to recognize that the interests of the city and school district in new residential property are not the same. She said a city forgiving property taxes on a new residence is still able to collect special assessments and water, sewer, and garbage collection fees for services provided to the property while the school district is able to collect no property tax revenue on the property. She said the city has little incentive to be concerned about the impact on the school district because the city's interest in property tax revenue on the property is small compared to the interest of the school district.

Mr. Ott said it is not the intention of the School Boards Association to eliminate property tax exemptions for economic development. He said the question is not whether there will be exemptions but who is the appropriate body to make the decision. He said school boards do not seek authority to veto property tax exemptions but do want control over the school district's portion of property tax levies on subject properties. Mr. Ott distributed and reviewed results of a survey of school districts relating to property tax exemptions. A copy of the survey is attached as Appendix E.

Representative Grosz asked whether a comparison has been made to show changes in foundation aid payments attributable to bringing in a new student to a school district as compared to increased costs to the district from a new student or a number of new students. Mr. Ott said that comparison has not been made.

Representative Belter said it appears from the survey results that approximately one-third of school districts are affected by property tax exemption decisions. Mr. Ott agreed with Representative Belter's observation that it appears that areas of more economic growth are the sites of greatest impact to school district tax revenues. Mr. Ott distributed copies of written statements from Walhalla, Jamestown, Kindred, Bismarck, Beulah, and Garrison school officials urging legislation to allow school districts control of property tax exemption decisions affecting their revenues. A copy of these letters is on file in the Legislative Council office.

FARM BUILDINGS EXEMPTION STUDY

Chairman Belter called on Mr. Don Siebert, Ward County Director of Tax Equalization, for comments on the farm buildings property tax exemption study. Mr. Siebert said he pointed out a problem with the farm residence exemption at the July 22, 1997, meeting of the Taxation Committee. He said the problem is that to qualify for the statutory property tax exemption a farmer is defined as a person who has not received more than 50 percent of annual net income from nonfarm sources during any one of the three preceding calendar years. He said the problem with this is that an individual who is just starting in farming will be disqualified from the exemption because the person would have no farm income history. He said the Ward County Board of Equalization has been confronted with this problem and, although the board was sympathetic to the beginning farmer, a beginning farmer cannot qualify under the statutory provision that must be applied.

Mr. Siebert distributed copies of a proposed amendment to the farm buildings exemption provision of North Dakota Century Code Section 57-02-08(15). The proposed amendment would add language to provide that the definition of the word "farmer" would also include an individual and spouse who occupy a farm residence after the preceding assessment date, who devote the major portion of time to farming or ranching, and who do not have a history of farm income from the preceding three years. He said he believes the suggested change would allow beginning farmers to qualify for the exemption. He said this seems appropriate because tax exemptions can be granted for economic development purposes, and it seems appropriate to avoid penalizing beginning farmers by disqualifying them from the exemption available to other farmers.

Chairman Belter called on Mr. Jim Lee, Ward County Commissioner, for comments on the proposed change to the farm buildings exemption. Mr. Lee said the Ward County Board of County Commissioners, sitting as the county board of equalization, struggled with finding a way to allow a beginning farmer the benefit of the farm building exemption available to farmers. He said the board concluded that it had no alternative but to apply the clear language of the statutory provision which requires a farmer to be able to show farm income exceeding nonfarm income during one of the three preceding calendar years. He said the board felt that this is an unjust result and can cause a hardship on beginning farmers. He said exemptions can be granted for other commercial ventures and it seems appropriate that the law should encourage efforts of individuals to become established in farming.

AGRICULTURAL PROPERTY ASSESSMENT AND TAXATION

Chairman Belter called on Mr. Dwight Aakre, North Dakota State University Department of Agricultural Economics, for a presentation of information on agricultural property valuation. Mr. Aakre distributed copies of a book containing computations of capitalized average agricultural value per acre for each county for 1998. He said the book is provided for informational purposes and he was requested to review the information for Benson and Ramsey Counties for 1998. He distributed copies of separate computations for Benson County and Ramsey County for 1998. A copy of these pages is attached as Appendix F.

Mr. Aakre said the statistics show that cropland acres in Benson County have decreased from almost 660,000 acres in 1990 to approximately 540,000 acres in 1996. He said the model is picking up the fact that a substantial amount of cropland in Benson County has been inundated. He said this reduces the acreage of cropland used in the model but does not affect average agricultural valuation per acre for the county because valuation calculations are based on reported producing acres of agricultural land, so nonproducing acres do not affect the computation. He said the model does not fully address nonproductive acres and this may be a deficiency in the model that suggests the need for creation of a third category of agricultural property.

Mr. Aakre said reported cropland acreage for Ramsey County has fallen from approximately 635,000 acres in 1990 to approximately 490,000 acres in 1996. He said this also illustrates that the model reflects a loss of producing agricultural acreage in Ramsey County due to inundated land.

Mr. Aakre said another issue he was requested to comment on is the possibility of using net income rather than gross returns in the agricultural property valuation model. He said a 1983 graduate thesis was completed at North Dakota State University on this topic and he has reviewed the thesis and sees some problems with using net returns. He said the biggest problem he perceives is how to actuarially account for all costs of production. He said he is not aware of any statistical information that would provide adequate cost figures for labor, management, and other necessary production costs.

Mr. Aakre said another difficulty with a net return approach is that it would require a very detailed soil survey which we should be using now but which is not available for all parts of the state. He said he thinks actual yields are a more accurate measure of productivity than relying on soil type information. He said use of a net return approach would be an attempt to better identify the correct percentage for landowner share now used in the valuation formula. He said in practice there is not much variation in input costs and there is substantially more variation in yield and gross returns.

Representative Gorder said he thinks there should be a way to reflect in the valuation model the fact that costs of production have gone up while crop prices have not risen and yields have been virtually nonexistent in some parts of the state. Mr. Aakre said the trend of rising yields in agriculture was due to technological improvements. He said with improved technology and management the yields per dollar of input were rising. He said in small grain production, some observers think yields per dollar of input have plateaued. He said how to deal with reflecting these situations in the model is a difficult question.

Senator Urlacher said he questions the use of rental costs in the formula. He said rental costs have risen substantially due to increasing pressure and competition to acquire property for expansion of farming operations. Mr. Aakre said it is true that there is more competitive bidding for available land. He said the purpose of using the landowner's return in the model is to get at the productive value of the property, which in the case of rented property is measured by the rental rate minus tax liability.

Chairman Belter called on Mr. Arne Berg, Ramsey County Commissioner, for comments on assessment issues in the Devils Lake Basin. Mr. Berg said Ramsey County has been reviewing numerous applications for abatement of property taxes due to inundation of property by rising waters of Devils Lake. He said this is an issue throughout the Devils Lake Basin and representatives of counties in the area share a common problem in dealing with these issues. He said representatives of several counties will address the committee. He asked that separate consideration be given to these counties in property tax matters because these counties are plowing new ground in granting abatements for inundated lands.

Mr. Berg said a recent meeting in Devils Lake among representatives from nine counties in the Devils Lake Basin provided a shock for county officials when they were informed that assessed values of agricultural property are going up five to six percent. He distributed copies of a newspaper article describing the meeting.

Mr. Lloyd Stromme, Ramsey County Commissioner, said Ramsey County officials were stunned to hear that land values are increasing for the county in recent valuation calculations. He said loss of tax revenues from property covered by lake water is a great concern. He said the county is dealing with the problem of how to maintain its budget and the necessity of increasing taxes on property that has not been affected by the lake.

Mr. Berg said there is a real problem in the Devils Lake Basin, with hundreds of thousands of acres of property under water that formerly generated tax revenue. He said his farmland property taxes have increased approximately 170 percent in 17 years. He said none of his other costs of operation have risen nearly that much and the market value of his land has decreased to about 62 percent of its value 17 years ago. He said increased assessed valuation and the likelihood that additional tax burden will be shifted to his property will make the situation worse. He said he is aware of several farmers feeling overwhelmed by the situation and who are on the verge of giving up farming operations.

Mr. Allen Ruzicka, Walsh County Commissioner, said excess moisture has been a real problem for Walsh County. He said last year about 11,000 acres were washed out of production due to excess moisture. He said he is not certain how to resolve these problems but suggested that it would help to include production costs in the agricultural property valuation formula.

Mr. Charles Gehrke, Nelson County Commissioner, said water has risen to cover huge amounts of property in Nelson County. He said the county is losing young farmers who are giving up on farming operations and there are others who will not get into farming because they perceive too much risk.

Mr. Jerry Ratzlaff, Ramsey County, Director of Tax Equalization, said Ramsey County is having trouble keeping up with applications for abatement of property taxes. He said approximately 200 dwellings have been removed from lakeshore lots and 350 lakeshore lots are completely under water. He said Ramsey County's tax base has suffered a loss of approximately $40 million including losses of more than $25 million in agricultural property, $9 million in dwellings, and $3.5 million in lakeshore lots.

Senator Thompson said the potential loss of tax revenue to political subdivisions in the Devils Lake Basin is huge. He said the problem of lost revenues is compounded by the fact that the demand for services does not go down. He said this means much less property is available to bear the same tax burden.

Chairman Belter called on Mr. Barry Hasti, State Supervisor of Assessments, for comments on assessment of inundated agricultural property. Mr. Hasti said consideration of assessment problems in the Devils Lake Basin has made it apparent that there is a problem with the current statutory provision allowing only two categories into which agricultural property may be classified. He said he was requested to give consideration to creating a category for nonproductive agricultural land for assessment purposes. A copy of his prepared testimony is attached as Appendix G.

In response to a question from Senator Thompson, Mr. Hasti said the abatement procedure that has been followed for inundated land has been to reduce valuations to approximately $15 per acre so the property is at least retained on the tax rolls.

Committee counsel said it appears that the landowner's share is the only aspect of the agricultural property valuation formula which presently provides any allowance for production costs, since a lower landowner's share was provided for sugarbeet and potato land. He asked whether Mr. Hasti sees any benefit in considering applying an inflation adjustment factor to the landowner's share percentage to recognize increased production costs. Mr. Hasti said the landowner's share was established at 30 percent in 1981 and a 20 percent landowner's share was subsequently amended into the law in 1983 to recognize higher production costs for sugarbeets and potatoes. He said these amounts were approximations that might need adjustments in any event. He said he is not aware of an agricultural production cost statistic that could be used as an inflation factor. He said it would require consideration to determine whether such an indexing method would be feasible.

Chairman Belter asked whether committee members have any directives regarding the agricultural property issues that have been discussed.

Representative Kroeplin said the loss of tax base and tax revenue in the Devils Lake Basin is too great to pass to other landowners. He said he believes there is a need for assistance to these counties from the state, and he analogized the situation to federal government assistance provided in disaster situations.

Representative Belter asked Mr. Aakre whether providing inflation indexing for the landowner's share in the agricultural property valuation model could reflect increasing costs of production. Mr. Aakre said perhaps this adjustment would accomplish some of the things that a net income approach might accomplish. He said the difficulty would be in finding an accurate production cost index to use.

Representative Gorder said he would like to see a bill draft prepared to accomplish this indexing, and he would like an analysis on how indexing would affect current valuation calculations.

Representative Belter said it appears that the first step would be to determine what has happened to agricultural production costs.

Representative Renner said he thinks a bill draft should be prepared to include a third category of nonproductive agricultural land as discussed by Mr. Hasti.

Committee counsel said discussion of agricultural property valuation issues and assessment problems encountered in the Devils Lake Basin have been informational to this point. He said that if bill drafts are to be considered by the committee, expanded study authority should be requested from the chairman of the Legislative Council because these issues appear to fall outside the existing study directives of the Taxation Committee.

It was moved by Senator Kringstad, seconded by Senator Urlacher, and carried on a voice vote that the Taxation Committee request authority from the Legislative Council Chairman to study agricultural property assessment and taxation issues, including appropriate treatment of inundated and nonproductive agricultural lands.

Senator Urlacher said a bill draft should be prepared to allow beginning farmers to qualify for the farm buildings exemption, as suggested by Ward County officials.

Senator Thompson said he would like to invite the Taxation Committee to meet in the Devils Lake area to observe firsthand the problem faced by political subdivisions in the Devils Lake Basin and to have an opportunity to hear more from local officials.

CHARITABLE ORGANIZATION PROPERTY TAX EXEMPTIONS

Chairman Belter called on committee counsel for presentation of a memorandum entitled *Charitable Organization Property Tax Exemption Developments in Pennsylvania and Utah*. Committee counsel said 1985 state Supreme Court decisions in Utah and Pennsylvania concluded that hospitals and a hospital support facility were not institutions of purely public charity. He said these decisions gained national attention regarding property tax exemptions for hospitals.

Committee counsel said the Utah Supreme Court established a six-factor standard to be weighed to determine whether an institution is using its property exclusively for charitable purposes. He said the factors were vague and to increase the confusion, the Utah Supreme Court emphasized that each case must be decided on its own facts, the six factors were not all of equal significance, and an institution need not qualify under all six factors to be eligible for exemption.

Committee counsel said the Pennsylvania Supreme Court established five factors to determine whether an entity is an institution of purely public charity. He said the Pennsylvania court factors were also rather vague.

Committee counsel said the Utah hospital industry persuaded the legislature to propose a constitutional amendment to specifically grant property tax exemptions for nonprofit hospitals and nursing homes, but the measure was defeated by the voters in 1986. He said the Utah Tax Commission found that the court guidelines did not produce objective standards to apply to particular fact situations. He said the Tax Commission conferred with local government officials and officials of hospitals and other charitable institutions and adopted six standards to apply to property tax exemption decisions for hospitals and nursing homes. He said the standards adopted by the Tax Commission were reviewed and upheld by the Utah Supreme Court in 1994.

Committee counsel said Pennsylvania experienced 12 years of litigation after the 1985 court decision. He said the Commonwealth Court of Pennsylvania has issued a series of decisions denying exemption to virtually every charity that has come before it. He said an effort to end the cycle of litigation and uncertainty was led by Pennsylvania charities and resulted in passage of 1997 Pennsylvania House Bill No. 55, signed by the Governor on November 26, 1997. He summarized the legislation.

DISCUSSION

Chairman Belter called on Ms. Connie Sprynczynatyk, Executive Director, North Dakota League of Cities, for comments on committee study activities. Ms. Sprynczynatyk said the committee is considering several issues in which legislation may have the effect of shifting property tax burdens among taxpayers. She asked the committee to remember to ask the question of where property tax burden would be shifted if an action is taken.

Chairman Belter called on Mr. Terry Traynor, North Dakota Association of Counties, for comments on the committee's study of alternatives to the property tax. A copy of Mr. Traynor's prepared testimony is attached as Appendix H.

Representative Belter said the study of impact of property tax exemptions on school districts has focused on testimony of school district representatives. He said opinions should be sought from representatives of cities and counties, the Builders Association, and economic development interests.

Representative Gorder said a bill was considered in the 1997 legislative session to give school districts authority over property tax exemption decisions to the extent of their levies against the property. He said economic development interests opposed the bill and it failed to pass. He said a draft of that bill should be presented to the committee for consideration. **It was moved by Representative Gorder, seconded by Senator Kinnoin, and carried on a voice vote that the Legislative Council staff be requested to prepare a bill draft based upon the 1997 legislation relating to school district authority over property tax exemption decisions.**

Chairman Belter said the next meeting of the committee would be scheduled for March.

Senator Kringstad said at the next committee meeting he thinks some committee work and discussion time should be scheduled on each of the study issues so the committee can begin to resolve some of its study responsibilities.

It was moved by Representative Rennerfeldt, seconded by Senator Schobinger, and carried that the meeting be adjourned subject to the call of the chairman. The meeting was adjourned at 4:45 p.m.

John Walstad
Code Revisor
ATTACH:8