

**2023 HOUSE FINANCE AND TAXATION**

**HB 1179**

# 2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Room JW327E, State Capitol

HB 1179  
1/17/2023

A bill relating to the growth of the state budget.
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**Chairman Headland** opened the hearing at 9:59AM.

**Members present:** Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. No members absent.

**Discussion Topics:**

- Income percentages versus state budgets
- State budget limits
- State growth and state spending

**Representative Hoverson** introduced the bill in support (#13849).

**Pete Hanebutt, North Dakota Farm Bureau**, testified verbally in support.

**Mike Blessum, small business owner in District 5**, testified in support (#13630).

Committee discussion.

**Additional written testimony:**

**Travis Zablottney, Chairman of Republicans in District 5**, testimony in support #13757.

**Chairman Headland** closed the hearing at 10:28AM.

*Mary Brucker, Committee Clerk*

# 2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Room JW327E, State Capitol

HB 1179  
1/18/2023

A bill relating to the growth of the state budget.
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**Chairman Headland** opened the meeting at 3:03PM.

**Members present:** Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, and Representative Ista. **Members absent:** Representative Grueneich, Representative Finley-DeVille.

**Discussion Topics:**

- Committee vote

Committee discussion.

**Representative Olson moved a Do Not Pass.**

**Representative D. Anderson seconded the motion.**

**Roll call vote:**

<b>Representatives</b>	<b>Vote</b>
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	AB
Representative Jay Fisher	N
Representative Jim Grueneich	AB
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	N

**Motion carried 10-2-2**

**Representative D. Anderson is the bill carrier.**

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Meeting adjourned at 3:11PM.

*Mary Brucker, Committee Clerk*

**REPORT OF STANDING COMMITTEE**

**HB 1179: Finance and Taxation Committee (Rep. Headland, Chairman) recommends DO NOT PASS** (10 YEAS, 2 NAYS, 2 ABSENT AND NOT VOTING). HB 1179 was placed on the Eleventh order on the calendar.

**TESTIMONY**

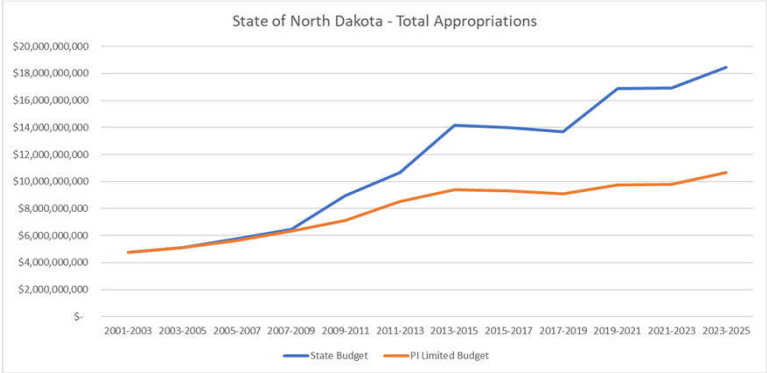
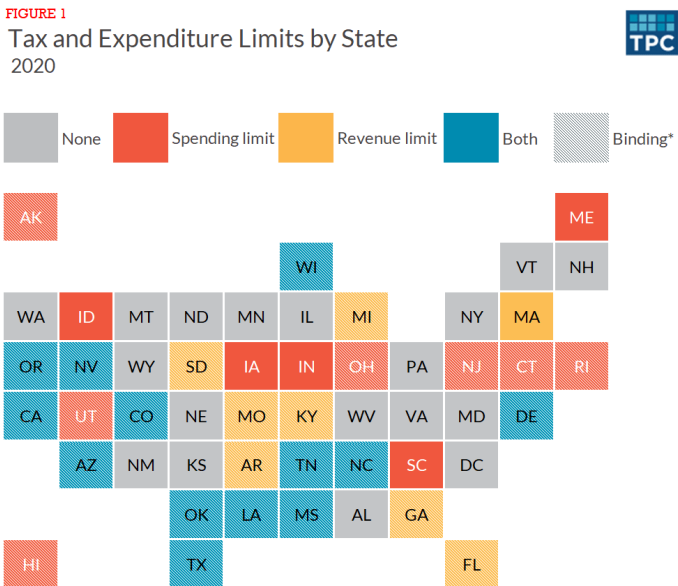
**HB 1179**

# HB1179 Testimony – House Finance and Taxation Committee – 1/17/2023 10:00 AM

Mike Blessum – District 5, Minot – [mblessum@min.midco.net](mailto:mblessum@min.midco.net) – 701-818-2000

Chairman Headland and House Finance and Taxation Committee members, thank you for the opportunity to testify in support of HB1179. For the record my name is Mike Blessum. I am a small business owner, husband, and father from District 5 in Minot. My son and I own an accounting firm, so we naturally take an interest in many tax and spending issues. I would like to thank Representative Jeff Hoverson for introducing this bill and the co-sponsors for joining the effort.

HB1179 adds a simple section to chapter 54-27 of the ND Century Code that limits the growth of total appropriations in the state budget to the rate of growth in personal income for North Dakota residents. As of 2020, 25 states had limits on government spending. North Dakota is one of 17 states that has no legal limits on spending or taxation levels.



*ND legislatures through the 2007-2009 biennium followed the personal income trends relatively closely. Starting with 2009-2011 state budgets diverged quickly and have been growing at about 15% per biennium while personal income growth has slowed to about 10%.*

Source: Urban-Brookings Tax Policy Center analysis of literature, including Kallen (2017), Lee (2018), NASBO (2015), and Waisanen (2010); as well as independent review of state statutes, constitutional provisions, and state sources.  
 Notes: Binding limits require either a vote of the people or legislative supermajority vote to override. Legislative supermajority requirements to raise new taxes or revenues are counted among binding expenditure limits. Four states (Georgia, North Carolina, Texas, and Nevada) constitutionally cap or ban state income taxes. These are classified above as binding revenue limits, since they require a supermajority vote of the legislature to amend. Nebraska constitutional prohibits a state property tax, but we do not count this as a revenue limit, since property taxes do not generally constitute a large share of state revenue. States with both a spending and revenue limit are classified as binding if either of their limits meets the above criteria.

At the turn of the century the North Dakota budget sat at \$4.9 billion per biennium. This session the Governor’s budget would have us over \$18.4 billion – an increase of 278%, or an average of about 12% per year. During that same period personal income as reported in the biennial Budget and Fiscal Trends prepared by Legislative Council has increased 251% or around 11% per year.

If the state had simply matched personal income growth on a biennial basis, growth would have slowed slightly and saved about \$2 billion, or around \$2500 for each of the 780,000 residents in the state. If the budget had followed the actual appropriations trend, but been limited in the years where it soared the savings would have grown to over \$40 billion over those years. Our budget this biennium would be somewhere in the \$10-11 billion range instead of the \$18.4 in the Governor’s budget, an average growth of about 7% per biennium.

Three budgets in the last 20 years are responsible for much of this immense growth. In 2009-2011 personal income grew 12.8% while the budget soared by 38.0%! Similar huge increases were seen in 2013-2015 (10.5% vs. 32.5%) and 2019-2021 (7.3% vs. 23.5%). These outliers are responsible for much of the increase in our overall budget trajectory. Was growing overall appropriations by 12.8%, 10.5%, and 7.3% not enough during those bienniums?

I know that there are many factors in the state budget including the general fund, federal funds, special funds, etc. One of the most important things I have learned in nearly 30 years in business is that sometimes the simple answers are the best ones. Forcing an overall limit on appropriations may force us to make some decisions on federal programs and whether the mandates and costs are worth it. In my view this is a good thing because we make too many decisions based on the ramifications on federal funding.

In addition to our accounting firm, our family also operates a wellness club that helps our members lose weight and live a more healthy lifestyle. A simple tenet of losing weight and a healthy body is that you need to fuel your body with the calories and nutrients it needs to function at its peak. We all know instinctively we shouldn't eat all of the food in our house or at a buffet simply because we have it available – moderation is key. Our state budget and economy are no different. Continuing to spend at record levels simply because we have the revenue isn't the recipe for fiscal health. HB1179 gives you a chance to introduce some moderation into the equation.

I would offer two potential amendments for those that believe that we don't have the right growth baseline or want to have a provision for extraordinary circumstances. If you believe that there is a better measure such as inflation or some form of state GDP I would be happy to see that adjustment. If you believe you need a provision for major issues that could arise please add language that would allow the requirement to be waived with a 2/3 majority of the house and senate. It is more important to me to see our legislators show a willingness to constrain themselves than to have the bill pass exactly as I have envisioned it. Please show your constituents and all of the residents of our state that you are willing to take the steps to slow the rate of growth in our state budget. I respectfully ask that you return a do pass recommendation on HB1179.

Thank you Chairman Headland and members of the committee. I am happy to stand for any questions you may have.

Biennium	Personal Income	PI Growth	State Budget	State Budget Growth	PI Limited Budget	PI Limited Growth	PI Budget	PI Budget Growth
2001-2003	\$ 35,082	10.0%	\$ 4,778,637,367	-2.1%	\$ 4,778,637,367.0	-2.1%	\$ 5,370,480,472.46	10.0%
2003-2005	\$ 39,563	12.8%	\$ 5,106,601,499	6.9%	\$ 5,106,601,499.0	6.9%	\$ 6,056,448,290.63	12.8%
2005-2007	\$ 43,726	10.5%	\$ 5,785,758,241	13.3%	\$ 5,643,941,489.4	10.5%	\$ 6,693,735,509.34	10.5%
2007-2009	\$ 52,411	19.9%	\$ 6,477,489,040	12.0%	\$ 6,318,717,031.9	12.0%	\$ 8,023,266,975.71	19.9%
2009-2011	\$ 59,127	12.8%	\$ 8,938,938,033	38.0%	\$ 7,128,403,998.1	12.8%	\$ 9,051,376,742.91	12.8%
2011-2013	\$ 76,477	29.3%	\$ 10,684,288,581	19.5%	\$ 8,520,243,138.2	19.5%	\$ 11,707,378,002.74	29.3%
2013-2015	\$ 84,508	10.5%	\$ 14,154,726,336	32.5%	\$ 9,414,970,607.1	10.5%	\$ 12,936,792,764.56	10.5%
2015-2017	\$ 86,394	2.2%	\$ 14,006,299,684	-1.0%	\$ 9,316,245,097.9	-1.0%	\$ 13,225,508,521.10	2.2%
2017-2019	\$ 88,726	2.7%	\$ 13,679,655,704	-2.3%	\$ 9,098,978,907.2	-2.3%	\$ 13,582,499,583.81	2.7%
2019-2021	\$ 95,233	7.3%	\$ 16,896,193,408	23.5%	\$ 9,766,281,115.7	7.3%	\$ 14,578,614,868.98	7.3%
2021-2023	\$ 101,896	7.0%	\$ 16,936,345,565	0.2%	\$ 9,789,489,731.0	0.2%	\$ 15,598,611,202.94	7.0%
2023-2025	\$ 112,040	10.0%	\$ 18,447,263,785	8.9%	\$ 10,662,825,619.3	8.9%	\$ 17,151,491,708.97	10.0%
Totals		251%	\$ 135,892,197,243	278%	\$ 95,545,335,602	123%	\$ 133,976,204,644.14	219%
Average Growth		11.3%		12.4%		6.9%		
Since 2011-2013		10.2%		14.9%		7.0%		
				Total Savings	\$ 40,346,861,641		\$ 1,915,992,599	
				Per Resident	\$ 51,726.75		\$ 2,456.40	

*If budget growth had matched personal income growth total savings since 2001-2003 would have been nearly \$2 billion. Adjusting for the years where the legislature held budgets lower than that growth would have resulted in over \$40 billion in savings for North Dakota's residents.*



# MEMO

**To:** Chairman Headland and members of the House Finance and Taxation  
Committee  
**From:** Travis Zabloutney  
**CC:**  
**Date:** 1/17/23  
**Re:** HB

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**COMMENTS:** Chairman Headland and members of the House Finance and Taxation  
Committee:

My name is Travis Zabloutney. I am the current District 5 Republican Chairman in Minot. My testimony will be short and sweet and I believe highly supported by both the majority of District 5 constituents and North Dakota taxpayers of all political persuasions. Unfortunately the State of North Dakota has both a revenue problem and a spending problem..... Too much REVENUE and too much SPENDING. Please show some restraint by attempting to slow the unmitigated and unnecessary spending seemingly perpetually supported by state government and return the money back to the taxpayers of North Dakota. Thank you for your DO PASS vote on this bill.  
Travis

Year	State	Industry	Establishments	Avg Employment	Total Wage	Avg Weekly Wage	Avg Annual Wage
2021	ND	Total, All Industries	35,065	400,472	\$22,767,239,515	\$1,093	\$56,851
2020	ND	Total, All Industries	34,523	395,988	\$21,962,058,849	\$1,067	\$55,461
2019	ND	Total, All Industries	34,405	422,826	\$22,876,128,141	\$1,040	\$54,103
2018	ND	Total, All Industries	34,069	417,578	\$21,862,827,744	\$1,007	\$52,356
2017	ND	Total, All Industries	34,241	414,039	\$20,831,630,073	\$968	\$50,313
2016	ND	Total, All Industries	34,522	417,150	\$20,394,685,701	\$940	\$48,891
2015	ND	Total, All Industries	34,589	437,078	\$22,158,000,156	\$975	\$50,696
2014	ND	Total, All Industries	34,207	444,658	\$22,613,016,442	\$978	\$50,855
2013	ND	Total, All Industries	33,267	427,109	\$20,406,752,359	\$919	\$47,779
2012	ND	Total, All Industries	31,896	411,710	\$18,901,279,196	\$883	\$45,909