

2023 HOUSE FINANCE AND TAXATION

HB 1367

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HB 1367
1/24/2023

A bill relating to adoption and referral of preliminary budgets of cities, counties, school districts, and park districts.
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Chairman Headland opened the hearing at 9:35AM.

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

Discussion Topics:

- Property tax formula
- Property valuations
- Preliminary budgets

Representative Bellew introduced the bill in support (#15386).

Alexis Baxley, Executive Director for the North Dakota School Boards Association, testified in opposition (#15853).

Aimee Copas, North Dakota Council of Educational Leaders, testified in opposition (#15916).

Linda Svihovec, Research Analyst with North Dakota Association of Counties, testified in opposition (#15727, 16255).

Bill Wocken, North Dakota League of Cities, testified in opposition (#16253).

Kevin Klipfel, North Dakota Recreation and Park Association, testified in opposition (#15678).

Additional written testimony:

Mike Bitz, Superintendent with Mandan Public Schools, testimony in opposition #16162.

Jason Benson, County Engineer with Cass County Highway Department, testimony in opposition #15715.

David Lakefield, Finance Director with the City of Minot, testimony in opposition #15608.

House Finance and Taxation Committee

HB 1367

January 24, 2023

Page 2

Chairman Headland closed the hearing at 10:06AM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1367
1/24/2023

A bill relating to adoption and referral of preliminary budgets of cities, counties, school districts, and park districts.

Chairman Headland opened the meeting at 2:52PM.

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

Discussion Topics:

- Committee vote

Representative Dockter moved a Do Not Pass.

Representative D. Anderson seconded the motion.

Roll call vote:

Representatives	Vote
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	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	AB
Representative Nathan Toman	N

Motion carried 11-1-2

Representative D. Anderson is the bill carrier.

House Finance and Taxation Committee
HB 1367
January 24, 2023
Page 2

Chairman Headland adjourned at 2:53PM.

Mary Brucker, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1367: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (11 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). HB 1367 was placed on the Eleventh order on the calendar.

TESTIMONY

HB 1367

HB 1367 Testimony

Mr. Chairman, members of the Political Subs Committee, my name is Rep. Larry Bellew from District 38 in Minot. I am introducing HB 1367 as a bill that I consider to be Property tax reform.

Why do we need property tax reform? To prevent what happened in Minot and Ward County from happening in other cities in other cities and counties. Example: From 2016 to 2022, taxes in Ward County have increase by 40.325%. And this is after the State's 20 mill buydown of social services in 2019. The Minot property taxes increased by 65.608%; Park District taxes have increased by 67.509%; and school taxes have increased by 42.249%. The citizens of Ward County and Minot have had no recourse but pay the huge increases. This bill would allow citizens from every corner of the state to have some say into what they are willing to pay for local government. This past year, my property taxes increased by around 16%. This along with an inflation rate of 8%, makes it hard for people to pay the increase. This is especially true for those elderly on a fixed income. I am sure that many property owners' taxes in Minot increased as much as mine. The other problem with the current property tax formula is the

valuation. The current value of my home is no good to me unless I sell my house, so I do not think it is fair to be taxed by this valuation method.

In my opinion, there are two main reasons property taxes have gotten out of control: The first is voter apathy. Second, local officials are very good at finding new and creative ways to spend the additional revenue created by valuation increases instead of lowering the mill rate. Most voters because they feel they don't have a say in property taxes and just accept what commissioners and council members bring forth in their budgets. HB 1367 will address this concern.

I read on the internet that only the federal income tax is rated worse than the property tax and some say that property tax is the worst. There are several reasons why the public resents the property tax.

1. The taxation of unrealized capital gains by the property tax.
2. The tax is paid in large lump-sum payments.
3. People get anxious about reappraisal of property taxes.
4. Inequitable assessments and appraisals.

During my last few campaigns, property tax was always the number one complaint. I think you all know what will happen if one does not pay their property tax. The property becomes a possession of the State(government.)

Under the current system of property tax, the property owner is just renting their property and will never really own it.

The only real solution to property relief and reform is to repeal all property taxes. School boards, city councils, county commissions, and park boards would not like this as they now have an unlimited money supply. The more they want, the more they take. They have a permanent lien on your property. You will never own your property, even after it is paid off. I know that this is not going to happen, so I think that one of the next best things is HB 1367. This bill will allow local citizens to refer a preliminary budget of their local political sub-division, if they feel that the budget requested is too high or raises property taxes excessively. Passage of this bill will give local citizens some say as to what they are willing to pay in property taxes. And this will be another check on our elected officials, meaning they will be responsible to their local citizens. The way the system works now is that our local elected officials are not responsible to anyone. One reason for this is that they are elected in June and then vote on their budgets. The exception are county commissioners. So, in essence, they have a two- or four-year window before the voters get their say.

Whenever elected officials, through their inaction, allow property taxes to rise precipitously, it is time to allow the voting public to reject their inactions. The heart of this bill is that if elected officials will not listen to the voters, then the voters can take matters into their own hands.

The referral system was used in North Dakota in 1989 to eliminate increases in several tax increases passed by the state legislature. I think it is only fair that if legislative bills can be referred, local ordinances and budgets should also be able to be referred. With all this in mind, I urge the committee to give this bill a do pass.

**House Finance and Taxation
Chairman Craig Headland
January 24, 2023**

**By: David Lakefield
Finance Director, City of Minot
701-857-4784**

HB 1367

Chairman Headland and Members of the House Finance and Taxation Committee, my name is David Lakefield and I am the Finance Director for the City of Minot. I would like to thank you for your time to address this bill this morning.

The time constraints imposed by this bill will be very challenging. I would like to take a few minutes to outline the typical schedule that we follow in Minot to prepare the budget. The first quarter of the year is extremely busy. We are processing the daily activity and trying to close the prior year. There is a considerable amount of time spent preparing documents for our independent audit and preparing the Comprehensive Annual Financial Report. This year our audit fieldwork is scheduled for the week of March 13th and completion is expected by late April or early May.

If you look at the following schedule from the 2023 budget cycle, you can see that there is already considerable overlap.

2023
B U D G E T S C H E D U L E

April 4	Council Approves Budget Schedule
April - May	Pay Plan and Classification Study (Human Resources)
April -May	Department tours with Council members
April 23	Send social service budget request forms (Anna)
May 2	City Council Meeting agenda item to outline budget priorities
June 1	Budget request forms (including social service budget request forms) due in City Manager's Office
June 14	Annual Plan presentation to Civil Service Commission (Human Resources) 10 AM
June 8	Council workshop
June 13 to June 24	Meetings with the Department Head, City Manager and Finance to go over Individual Budgets – Time blocked on June 22 - 25 to meet individually with each department to discuss the budget.
June 20	Annual Pay Plan Public Meeting (Human Resources) 10 AM
July 1	Department Budgets Complete
July 1 – July 22	CM/Finance - Work on budget and budget message and presentation
July 25	Have budget ready to copy and bind
August 1	Proposed Annual Budget and Annual Pay Plan to City Council
August 15	City Council – Questions & Answers in Council Chambers in conjunction with regular meeting.
August 26	President of the Council message due
September 6	City Council meeting - public hearing on Budget Ordinance and first reading of Budget Ordinance 5:30 pm
September 19	City Council meeting - Final adoption of budget ordinance 5:30 pm

Moving the statutory date for completion of the Preliminary Budget from August 10th to July 10th further compresses this already tight schedule. The earlier submission also forces cities to make forecasts further into the future which will likely reduce accuracy. This is compounded by the uncertain financial climate that we are currently experiencing due to the after effects of the pandemic.

The bill as written allows for the referral of the preliminary budget with no restrictions and could be referred even if it was lower than the prior year? The bill also does not impose a deadline to submit the petitions. If I refer to the Minot code of ordinances which provides that a petition to refer an ordinance be submitted within 30 days after the second reading of the ordinance being referred and specifically exempts the annual appropriations ordinance.

Allowing 30 days to gather signatures and the time required to notice and conduct a special election would put unreasonable time constraints on the budget process.

Following the procedure outlined in the bill could result in not knowing the outcome of an election on the referendum until September 8th. This allows very little time to make the appropriate changes to the budget, hold a public hearing on the final budget and have a second reading of the ordinance to adopt the Final Budget before October 7th.

If the electors are successful in referring a Preliminary Budget and cities are forced to adopt a constrained budget, the electors will have no idea what programs will be reduced to accommodate the reduced tax levy. This could have unintended consequences that could have far reaching impacts.

Less than 15% of Minot's 2023 Budget was funded by property tax. The bulk of funds raised through property taxes goes to fund the General Fund. The bulk of General Fund spending goes to provide public safety services and administrative services. The bulk of these costs are related to employee salaries and benefits. Over time, these costs tend to escalate with the market. Limiting the dollars that can be raised through property taxes could result in reduced services in the impacted departments including public safety.

The ability to develop a budget that is responsive to the needs of our community is a critical component of local government. City elected officials are elected to represent the best interests of their constituents. They are tasked with balancing the need for services to be provided with the cost of those services and are responsible to the electors of the City for their decisions. The citizens have the opportunity to participate in the existing process and make their opinions known. They also have the ability to elect different representative if they feel that their needs are not be addressed. The current process accommodates this.

Thank you for your time today. I would urge you to give HB 1367 a "do not pass" recommendation.

**Testimony of Kevin Klipfel
North Dakota Recreation & Park Association
To House Finance and Taxation Committee
In Opposition to HB 1367
Tuesday, January 24, 2023**

Chairman Headland and Members of the Committee, my name is Kevin Klipfel, and I am a member and former board president of the North Dakota Recreation & Park Association (NDRPA). We represent more than 900 members, primarily park districts, and work to advance parks, recreation and conservation for an enhanced quality of life in North Dakota. We are in opposition to HB 1367.

During the 2017 legislative session, political subdivisions worked collaboratively with legislators and the Tax Department to revise the budget adoption timeline for local government in order to increase transparency and opportunity for public comment on preliminary budgets of political subdivisions. This included moving adoption of the preliminary budget one month earlier to August 10 and requiring a tax notice with preliminary budgets and hearing dates for all political subdivisions levying more than \$100,000 in property tax to be mailed to all taxpayers.

HB 1367 requires adoption of preliminary budgets a month earlier on July 10. To meet the proposed deadline, park districts would need to begin their budget process before completing their audits from the previous year. It would also be challenging for newly elected park board commissioners to provide input on the preliminary budget, as they take office a short time before the proposed July 10 deadline. Further, the bill gives citizens the right to refer a preliminary budget. The timeline for referring the budget and holding an election would be difficult. Political subdivisions need at least 64 days to call an election and this bill does not change the requirement to have a preliminary budget submitted to the county by August 10. It also does not change the requirement to have final budgets submitted by October 10. Budget hearings would still need to be held between September 7 and October 7.

There are current protocols in place today that work well and provide transparency and communication to North Dakota taxpayers.

NDRPA urges a do not pass recommendation on HB 1367. Thank you.

Testimony Prepared for the
House Finance and Taxation Committee

January 24, 2023

By: Jason Benson, Cass County Engineer



RE: Oppose HB 1367 – Relating to adoption and referral of preliminary budgets of cities, counties, school districts, and park districts; and to provide an effective date.

Chairman Headland and House Finance and Taxation Committee members, thank you for the opportunity to provide testimony on HB 1367. I am Jason Benson, the Cass County Engineer, and I also serve on the legislative committee for the ND Association of County Engineers. I am here to oppose the bill as proposed.

I have worked for the Cass County Highway Department for 22 years and I have served as the Cass County Engineer since 2011. Back in 2011 our budget hearings took place the third week of August, with the budget being approved at the second County Commission meeting of September. In 2017 the North Dakota Century Code was changed to where preliminary budgets must be to the County Auditor by August 10th.

To give the County Auditor adequate time to prepare and process all the city, school district, and park board preliminary budgets we now hold our County budget hearing the third week of July. To allow the County Auditor to collect department budgets and prepare for the budget hearing, department budgets are usually submitted 7-10 days prior to the hearing, or roughly the Friday after the 4th of July.

This new law will now require the preliminary budget be submitted by July 10th of each year. This means our budget hearings will not shift to the third week of June. This also means department budgets will now be submitted the at the end of the first week in June. This calendar shift has a direct impact on road and bridge budgeting, as well as other department budgeting.

Due to our late springs, load restrictions on County roads usually are not lifted until the middle or late May every year. This means most County road and bridge project are not started until early June. From a budgeting standpoint, we do not know exactly how we will end the budget year until we have a good feel for how our major construction projects are going. Some projects come in close to the bid price, while other projects come in under the bid price, and sometimes projects surpass the bid price due to unforeseen conditions. For most Counties, their road and bridge projects make up 50%-75% of their budget. How we end the year and the amount of carry over funding in our road and bridge funds helps determine the projects we can do the next year. Of course, it is not just projects, but also includes fuel prices, and other budget line items that can fluctuate in price throughout the year.

When I started as the County Engineer in 2011, we had from early June to early August to get many of our projects completed or well on their way. We were also more than 60% of the way

through the budget year, so we had a better idea on how fuel prices and other price changes would impact the budget. This made for a more accurate end of year budget estimate and resulted in a more accurate future year budget. Currently, with our budget being submitted in early July we now have a more unclear vision of how our projects will turn out as many of our projects are started and we are 50% of the way through the budget year. If this bill passes as written, we will now be submitting our budget in early June prior to most of our projects starting and with almost 60% of the budget year remaining.

You may be asking yourself, so what, how does this impact the budget. Generally, departments budget to end the year with between 10%-15% of their funds as a principle of fiscal policy so that there is not a risk of busting the budget. For example, if a County highway department has a \$5 million budget, you would strive to end the year with \$500,000 remaining. Throughout the year departments evaluate where their budget is based on project costs and other changes. If it is determined that budget costs have been favorable, you may project to end the year with \$700,000. This \$200,000 in additional carryover can have a huge impact on your next year's budget. It could be the difference between being able to afford a bridge replacement project, pave an extra mile or two of overlay, or replace that 20-year-old piece of equipment with burdensome maintenance costs.

Chairman Headland and committee members, I want to reiterate that NDACE opposes the bill as written. Approving these changes will mean an even earlier budgeting process that will result in more guesswork being applied in the budgeting process.

Testimony Prepared for the
House Finance & Taxation Committee
 January 24, 2023
 By: Linda Svihovec, NDACo



RE: Opposition to HB 1367: Referral of Prelim Budgets

Mr. Chairman and Committee members, I am Linda Svihovec with the North Dakota Association of Counties.

HB1367 adopts a referral process for political subdivisions preliminary budgets. However, the July 10 preliminary adoption date as well as the publication date of two consecutive weeks no later than July 13 are in conflict. It would be impossible to approve the preliminary budget on July 10 and have time to publish it in the paper for two consecutive weeks in a three-day period. In addition, the time constraints for petitioning, providing the proper notice of an election (64 days prior to election), ballot preparation, ballot printing, and holding a special election would be too tight, while waiting until a regular November election (if held that year) would place the results after levies had been certified and taxes prepared. This could put us at odds with the requirement to have statements mailed out before December 26 (NDCC 57-20-07).

We have provided information to this committee in the past demonstrating the tight schedule for the tax department and local governments in completing a fair and transparent budget and property tax process each year. Taxpayers receive multiple notices about opportunities to discuss their property value and their city, township, county and school budgets (see graphic at the end of testimony).

Assessment and Budget Timeline

- Cut off date for property values is **February 1**
- **Notice** of increase in value mailed to township and city property owners in **March**
- City and township equalization meetings held in **April**
- **Notice** of increase in value mailed to county property owners in **May**
- County equalization meeting held first 10 days in **June**
- State Board of Equalization meets on Centrally Assessed properties 2nd Tuesday in **July**
- Centrally assessed values certified to counties by tax department last two weeks in **July**
- State Board of Equalization meets on all other properties 2nd Tuesday in **August**
- Preliminary Budgets filed with county auditor by **August 10**
- Estimated Tax **Notice** mailed by **August 31**
- Public budget hearings held **September 7 to October 7**
- Budgets and levies finalized for all political subdivisions by **October 10**
- County Auditor prepares property tax calculations for all political subdivisions **October/November**
- Tax statements printed and mailed **end November/early December**

Estimated Tax Notice provides:

1. The date, time and location of the public budget hearing for each taxing district.
2. The true and full value of the property for current and previous year.
3. Current year estimate and previous year taxes for each political subdivision.
4. The dollar amount of change from previous year's tax for each political subdivision.
5. The word "INCREASE" in boldface, capital letters if proposed levy is larger than previous year.
6. The effective tax rate (tax divided by value) for each tax year.

The 2017 legislative assembly passed legislation to move up the preliminary budget date and provide taxpayers with an Estimated Tax Notice. This process took a lot of effort to initiate with changing budget deadlines, programming changes, increased workload in county auditor offices, and increased mail costs. The Estimated Notices provide taxpayers advance notice of how changes in their valuation will affect their property taxes. Taxpayers are better informed and are able to speak directly on how the budget of the city, school district, or county is affecting them. Gradual improvements have been made to the budget and tax process with the common goal being to increase transparency, education, and awareness with our citizens.

The below sections of current NDCC relate to levying in specific dollar amounts and prohibit increases in budgets or levies from the preliminary budget estimates. The North Dakota Association of Counties supports language requiring political subdivisions to budget and communicate to the public in dollars rather than mills and to communicate to the public the change in dollars levied from the previous year. It may make more sense for that language to be included in political subdivision budget law rather than tax law.

Current ND Century Code related to political sub levies and budget:

11-23-04. Hearing on budget - Taxpayer may appear. *The board of county commissioners shall meet at the time and place designated in the notice prescribed by section 57-15-02.2. Any taxpayer who may appear shall be heard in favor of or against any proposed expenditures or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates.*

40-40-08. Hearing of protests and objections - Changes in preliminary budget - Preparation of final budget - Contents. *The governing body shall meet at the time and place set pursuant to section 40-40-06 and shall hear any and all protests or objections to the items or amounts set forth in the preliminary budget statement. At the hearing, the governing body shall make any changes in the items or amounts shown on the preliminary budget statement as it may deem advisable except as limited in this chapter, and shall prepare the final budget, which must consist of the preliminary budget with the addition of columns showing:*



NDSBA
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HB 1367

Testimony of Alexis Baxley

House Finance & Taxation

January 24, 2023

Chairman Headland and members of the Finance Taxation Committee, my name is Alexis Baxley. I am the executive director of the North Dakota School Boards Association. NDSBA represents all 170 North Dakota public school districts, their boards, and several multi-district special education units.

The North Dakota School Boards Association stands in opposition to HB 1367. We believe there are already a number of ways for citizens to provide input on the local budget throughout the process, and this bill would create serious issues for school districts.

School boards, unlike almost every other employer in this state are required by law to negotiate with a large majority of their employees. The salaries of those employees – teachers – often represent 60-70 percent of their annual budgets, if not more. The negotiation process can occur every year, but in most cases, occurs every two years. Negotiations typically begin in the early spring. By law, districts have until July 1 to negotiate with the local teacher's association. If an agreement is not reached at that time, impasse is automatically declared. The impasse process can often take weeks. It is still possible for the negotiations process to last into August if impasse occurs. It would be difficult for districts in this situation to accurately predict their budgets in July – without the ability to make any adjustments – if negotiations wrap up in July or later.

And, as I stated earlier, most districts issue two-year contracts. In non-negotiating years, districts would most likely be forced to withhold contracts until after the budget was approved in July. This would conflict with state law – NDCC 15.1-15-04 currently requires school districts to issue contracts to teachers by May 1 of any non-negotiating year. In addition, most negotiated agreements included “lanes” and “steps”, which require districts to give teachers raises with the completion of additional education or increased seniority. If a district's budget were disapproved in the middle of a contract cycle, districts may not have the appropriate funds to fulfill their contractual obligations, placing them at great risk to be sued. Or, if a teacher, upon learning they may not receive the negotiated raise, opts not to renew their contract, the district would be left scrambling to find a replacement weeks before school starts.

Finally, when a district is unable to confirm teacher salaries prior to August, it is forced to attempt to make any necessary new hires without a confirmed contract to offer them. Not surprisingly, it would be hard to

hire new teachers when you do not know what kind of contract you can offer them, and they are left with little time to prepare for the school year.

Another difficulty this bill would create relates to when school board members take office. In North Dakota, school boards can conduct their elections any time between May 1 and June 30 each year. Most districts opt to conduct their elections in early June, and by law, new board members are seated at the District's annual organizational meeting in July. These meetings do not always occur prior to July 10, which would either put the previous board in the position of approving a budget for the future board OR would require a newly seated board to approve a budget that could not be adjusted at all at their first meeting.

The inability for districts to marginally adjust their budgets is concerning. Currently, school districts are required to submit their preliminary levies and budgets explaining those levies to county auditors before August 10 each year. They are then able to amend that budget before October 10, which provides them with much needed flexibility. Many things can change in districts from July to October, including a district's average daily membership (or enrollment), which determines the district's baseline budget and state aid payments. This number is not reported to NDDPI until September 10. While adjustments are usually minimal, it is critical that districts retain that ability.

We believe that there are already a multitude of ways for a citizen to provide input on their local school district's budget. School districts are subject to public meeting and open records laws. Citizens of each district must be given reasonable notice before each meeting of the board. Boards are also required to publish their schedule of bills in the official district publication. School boards cannot make decisions that involve expenditure of funds in executive session, and a district's budget is approved annually in an open meeting. School districts are limited to the amount they can increase their general fund levy without voter approval. Bonds and other levies also require voter approval. Districts are limited in the amount of general fund monies they are allowed to carry over from year to year without losing state aid. In addition, districts host an annual open meeting for the sole purpose of soliciting feedback on the proposed budget from their patrons.

Finally, board members are elected to three- or four-year terms. At each regularly scheduled election, voters have the opportunity to decide if members of the board are being good stewards of local tax dollars. In between regularly scheduled elections, voters have the option to recall a board member if they disapprove of their actions.

All of these requirements provide citizens with ample, accessible, and regular opportunities to provide input on a district's expenditure of funds and management of the district. Allowing a district's budget to be subject to referral is not only unnecessary and redundant but would place a significant additional burden on districts and other political subdivisions. As you've likely heard already this session, elections can be costly and

time consuming. The citizens of a district have already elected school board members to manage the district and its funds, and they should be trusted to do their jobs. Requiring a budget approval by citizens who do not have knowledge of the operation, needs, or expenses of the districts and students it serves could have significant negative impacts on students.

For these reasons, NDSBA stands in opposition to HB 1367 and encourages this committee to give it a do not pass recommendation. Thank you for your time, and I will stand for any questions.



1 HB 1367 – Date of Adoption and Referral of Budgets

2 NDCEL Testimony in Opposition

3 Chairman Headland and members of the House Finance and Taxation Committee, for the record,
4 my name is Dr. Aimee Copas – I serve as the Executive Director for the North Dakota Council of
5 Educational Leaders representing your School Superintendents, Business Officials, Principals, and
6 all other Directors and school leaders in our buildings.

7 We are here today to express our concern for this bill. This bill has been filed for the prior two
8 sessions and has been resoundingly defeated in the House each time. A few years ago – all the
9 political subdivisions listed in this bill worked diligently in partnership with the legislature to
10 construct our transparency in taxation legislation that is in place and being executed today. Every
11 voter in this state receives notification for all of the hearings impacting them. That statement also
12 shows the amount being asked by each and every political subdivision. That annual open meeting
13 that takes place is a wonderful opportunity for our patrons to come and be a part of the process. If
14 there was concern about the amount being asked of them, there are avenues in which to be a part
15 of the solution.

16 What we’ve found in relation to our schools, is that our patrons are not expressing discontent. In
17 most of our districts, very few if any attend, and when they do, we hear it is usually just to observe
18 the process and they are happy with the work their schools are doing. If you recall, districts were
19 once able to ask for up to 185 mills from their patrons and now we are limited to 60 mills for the
20 school funding formula and we have local discretion through our boards to ask for up to 12 more.
21 In that level of authority is in place but most districts choose not to – only 42 districts have maxed
22 out their mills and many of those districts have voter approved excess mill levy authority. Please
23 know – schools are already capped – and are the only political subdivision that has caps – to ask
24 for more we DO have to go to a vote. No district is getting more than authorized by government
25 and the funding formula or they already have voter approval.

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education
for all students in North Dakota.*

Executive Director: Aimee Copas-----Assistant Director: Russ Ziegler



1 To ask for an annual vote is a poor use of taxpayer dollars not to mention it would decimate the
2 transparent partnership process put into place recently by this legislature. There are other bills
3 offered to continue to help with understandability and transparency such as the one that changes
4 how we communicate with the public from mills to dollars. Another step in the right direction
5 making this bill unnecessary.

6 We ask you to trust our locally elected school boards to be good fiscal stewards in our communities
7 and the communities in which they live and serve, and for our patrons to take advantage of process
8 already in place of there is any objection to what is done at the local level. We do ask for this
9 committee to send this bill out with a Do Not Pass just as you did with a similar bills the past two
10 sessions.

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education
for all students in North Dakota.*

Executive Director: Aimee Copas-----Assistant Director: Russ Ziegler

1 HB1367– Relating to Adoption and Referral of Preliminary
2 Budgets

3 Mandan Public Schools – Mike Bitz, Superintendent

4 Good afternoon Chairman Hedland and members of the House
5 Finance & Taxation Committee. For the record, my name is Mike
6 Bitz. I am fortunate to serve as the superintendent for Mandan
7 Public Schools. I am here today to oppose HB1367. I will be
8 brief.

9 Before I begin, I want to clarify that in my 13 years as
10 superintendent of Mandan Schools, we have only raised taxes as
11 a result of two successful voter approved referendums and to
12 maintain the minimum local contribution of 60 mills in our
13 general fund.

14 While I am sympathetic to what Rep. Bellew is experiencing with
15 his taxes in Minot, the logistics proposed in his bill are not
16 workable. First, school districts do not even have a reliable
17 estimate of their taxable valuation on July 10th. Without knowing
18 the taxable valuation, it is not possible to set a revenue budget.

1 Secondly, and probably more importantly, the timeline is not
2 workable. There are only 81 days between July 10th, (the deadline
3 set in this bill), and Oct. 10th, (the deadline for taxing entities to
4 get their levy requests to the county so tax statements can be
5 prepared). It would not be possible for the district to publish a
6 notice of the preliminary budget in the paper for two consecutive
7 weeks (14 days) and then to allow a concerned patron to get the
8 wording approved on a petition, circulate the petition (up to 90
9 days), have the signatures on the petition verified (up to 30 days),
10 and then, in the event that a special election was necessary, for
11 the district to meet all the publication deadlines (14 days), and
12 absentee ballot deadlines (40 days) required in law for a special
13 election.

14 I urge you to vote No on HB1367, and I would be happy to answer
15 any questions you may have.

16

Testimony in Opposition to House Bill 1367
January 24, 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 1367.

This bill proposes to set a new schedule for preparation of the preliminary budget for political subdivisions utilizing the property tax and to make that budget subject to referral. This bill has been before you in previous sessions. Coincidentally, it was HB 1367 in the 67th Legislative Assembly.

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. This deadline is set to allow the County Auditor to prepare a consolidated notice for all taxpayers by August 31st giving them each taxing jurisdiction's preliminary budget numbers and the date on which each jurisdiction will hold a public hearing on their final budget. This notice includes some comparative budget information. This requirement was added into law by the 65th Legislative Assembly.

Each jurisdiction must hold a public hearing on their final budget on the date advertised but 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. Once this information is turned into the county, the County Auditor prepares the annual tax statements which are mailed to taxpayers before the end of the calendar year.

House Bill 1367 moves the completion of the preliminary budget forward one month. This directly conflicts with NDCC 40-40-04. This section of law is not addressed in this

bill. It also makes the preliminary budget subject to referral. This is problematic. 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, if it is referred, 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.

A further concern we have is the number of electors who need to sign a referral petition to take the budget to an election. HB 1367 calls for referral signatures of 10% of the vote cast in the last regular gubernatorial election OR 10% of the electors voting in the most recent school election. If the school election was to fill board positions and the only candidates running were the incumbents, this could be a pretty small number of petitioners needed to trigger such an important election.

With the consolidated notices required by NDCC 40-40-04 we believe the public is very well aware of the budgets proposed by local taxing jurisdictions. The referral opportunity offered by this proposal would not offer any greater opportunity to have input into the budget and its timing is not possible with the consolidated notice in effect. The League of Cities supports the present notice and therefore we ask for a Do Not Pass recommendation on this bill. I will be happy to answer any questions you may have of me.

WARD COUNTY
BUDGET SUMMARY
 2022

<u>FUND</u>	Current Amount Levied	Last Year Amount Levied	Amount Difference	Percent Incr/Decr
GENERAL FUND	12,763,388	12,612,521	150,867	1.20%
SPECIAL REVENUE FUNDS:				
Road & Bridge	2,898,757	3,053,592	(154,835)	-5.07%
Emergency	-	34,006	(34,006)	-100.00%
Veterans Service Officer	265,691	251,294	14,397	5.73%
Extension Service	323,598	310,423	13,175	4.24%
Historical Society	74,938	84,246	(9,308)	-11.05%
Health District	711,916	670,260	41,656	6.21%
Programs for Seniors	340,630	336,983	3,647	1.08%
Weed Control	139,658	173,952	(34,294)	-19.71%
Unorganized Road & Bridge	15,959	15,964	(5)	-0.03%
Library	494,317	304,974	189,343	62.08%
Water Resource Dist	1,021,889	1,347,933	(326,044)	-24.19%
Joint Water	671,040	670,000	1,040	0.16%
Totals	19,721,781	19,866,148	(144,367)	-0.73%

I hereby certify that the foregoing budget for the Year Ending December 31, 2022 was adopted by the Board of County Commissioners on the (Enter Date).

Witness my hand and official seal the (Enter Date)
