TESTIMONY TO THE
INTERIM TAXATION COMMITTEE
Prepared November 5, 2013 by
Terry Traynor, NDACo Assistant Director
North Dakota Association of Counties

REGARDING BUDGET MEETING NOTICES/ATTENDANCE

Chairman Cook and members of the Interim Taxation Committee – our Association was asked to provide several specific sets of information for today's meeting. This particular piece of testimony has been prepared to respond to the following request:

1. The recent budget and levy hearings of political subdivisions have been watched closely by legislators. Part of the reason for the 2013 legislative changes on notice requirements was to increase public interest and awareness of the functions of the property tax system. How many counties sent out the notice of property tax levy increase under NDCC section 57-15-02.1? What is the experience of counties in general on cost of compliance and increase of public awareness and attendance at hearings and do counties have suggestions for statutory changes to improve this process? Has there been an increased dialog on budget and levy issues between County Commissioners and taxpayers?

Our association reproduced this request in the form of a questionnaire to county auditors, and I hope to summarize their responses in a manner that is meaningful for the committee. First the raw data – Table 1 compares the costs and "results" of the newspaper and mailed meeting notices of the county budget meetings in 35 counties – containing approximately 90% of the state's population.

As you can see, the 22 counties listed first indicated that their preliminary budget did not trigger the new "Truth in Taxation" notice publication and therefore did not require the mailing of meeting notices to those with assessment increases above the threshold. These counties published the "traditional" budget meeting notice in the newspaper along with a copy of their preliminary budget. The average publication cost per county was $191 and, as you can see, this resulted in virtually no attendance by the public. (It should be noted that in surveying the counties we asked them to stratify attendance by commissioners, county officials/others obligated to attend the meeting to address their budget requests, media, and other citizen attendees. This column reflects only the "other citizen attendees.")

The 13 counties on the bottom half of the table were those counties reporting that their preliminary budget did trigger the new notice and therefore the mailing of notices as well. These counties collectively spent approximately $2,000 for

publication of the "new" notice, in addition to approximately $3,500 for the "traditional" notice – often in the same newspaper edition on the same page – for an average cost of $411 per county.

These 13 counties also mailed out a total of 20,607 notices at a direct cost of $14,671, involving approximately 179 hours of additional staff time (estimated to cost $3,500). Overall, these counties incurred approximately $20,000 in additional costs.

When comparing the attendance in the 13 counties using the new publication and mailed notices to the attendance in the others, as well as to previous years; it appears that the mailed notices have had a measurable effect in generating public interest in at least some counties. Ten of the 13 had from one to 43 "citizen attendees" for a total of 165. One way of looking at the data could be that generating citizen attendance costs about $120 per attendee. If you look at the entire population of the 13 counties, you could look at it as spending 12-cents per citizen.

The auditors were also asked to provide their opinions regarding the cost of compliance vs. the results, as well as suggestions for the future. Attached are the actual comments received. To summarize, it seems that most believe the recent addition of notice costs has done little to increase meaningful dialog; bringing, in some cases, more people to budget meetings, but few realistic proposals to economize. At least one county indicated the result was requests for additional services (more road maintenance, bridge replacement, etc.) which would actually increase property taxes. The lack of understanding of the true relationship between assessments and taxes remains problematic.

After the Chairman of this Committee and Representative Nathe spoke as part of a property tax panel at the annual counties' conference a comment was circulated among the county auditors that I thought would be of interest to the committee members. The Cass County Auditor distributed the following:

> One of the benefits of the (tax panel) program at the Association Convention was hearing where the legislators were coming from with their legislation. I had another auditor express to me that it was the first time she got the whole public notice process from the legislators viewpoint. They have valid arguments in that the citizens don't understand the property tax and you saw some bills last session on expressing the levy in % of true and full value or effective tax rate. We have been giving that some thought in Cass County as a way to educate the taxpayers. Before the meeting I had talked with our programmer about including a line on our tax statement showing the "net effective tax rate" and during the panel I saw Senator Cook had a statement that he was looking at and right after the line showing the "net consolidated tax" he had penciled in the net

effective rate just below those numbers. I don't have a sample of our revised statement yet with that line included but when we are able to run one I'll forward a copy.

Also, we send out a Budget in Brief with every tax statement, see the attachment. We will be thinking of ways to modify this to more fully explain the decrease in the tax bills this year, most of our properties will see significant tax reductions. In the Budget in Brief we may try to explain what the legislature did in 2009 and 2013 to reduce property taxes – if anyone has any constructive way to word something like this let me know!

I envy those of you who got actual real live taxpayers to your hearing. We spend three days in August of every year going over the budgets with every department and every outside agency and no one ever shows up except for people affected by the budget or county commission candidates. I realize that even if they did show up that is only a small portion of the public, but the dialog is still important because those people go back to the coffee shops and report what happened.

Take a look at the Budget in Brief, see if you can do something similar, it is work and some expense but it does generate some calls and we are able to further explain the budget and how people are taxed.

And thanks to Commissioner Fong on setting up the panel discussion and you all for attending, it created a packed room!

In summary, I think that county officials are concerned, as are Legislators, about helping citizens understand how property taxes are determined and what their tax money is spent on, so the citizens can provide better input into what services they feel are needed and what can be reduced or eliminated. They remain unsure as to whether the current requirements are addressing that concern, but would be pleased to work with this committee on any concept that might cost-effectively produce those results.

County Budget Meeting Attendance Surveys

County	2010 Census	2010 Public * Attending	2011 County Budget Mtg. Did your county publish the new public notice required by 57-15-02.1 in 2011	2011 Public * Attending	2012 County Budget Mtg Did your county publish the new public notice required by 57-15-02.1 in 2012	2012 Public* Attending	2013 County Budget Mtg. Did your county publish the new public notice required by 57-15-02.1 in 2013	2013 Public * Attending	2013 Publication Costs Regular Notice	New Notice	Total Costs	2013 Citizen Budget Mailing Individual Notices Mailed	Direct Cost (DOLLARS)	Staff Time (HOURS)
Billings	783	0	No			0	No	0	$70	N/A	$70	N/A	N/A	N/A
Bowman	3,151	0	No	0	Yes	2	No	0	$253	N/A	$253	N/A	N/A	N/A
Cass	149,778	0	Yes	1	Yes	2	No	0	$182	N/A	$182	N/A	N/A	N/A
Dunn	3,536	0	No		No	0	No	0	$382	N/A	$382	N/A	N/A	N/A
Emmons	3,550	0	Yes			20	No	0	$144	N/A	$144	N/A	N/A	N/A
Grand Forks	66,861	0	Yes	0	Yes	0	No	0	$262	N/A	$262	N/A	N/A	N/A
Griggs	2,420				No	2	No	1	$100	N/A	$100	N/A	N/A	N/A
Kidder	2,435	1	Yes	2	Yes	8	No	0	$190	N/A	$190	N/A	N/A	N/A
McHenry	5,395	0	Yes	6	Yes	5	No	0	$150	N/A	$150	N/A	N/A	N/A
McKenzie	6,360	0	Yes	1			No	0	$233	N/A	$233	N/A	N/A	N/A
McLean	8,962	0	No	0	No	1	No	0	$166	N/A	$166	N/A	N/A	N/A
Morton	27,471				No	1	No	0	$126	N/A	$126	N/A	N/A	N/A
Mountrail	7,673	0	No	0	No	0	No	0	Not yet billed			N/A	N/A	N/A
Ramsey	11,451	0	Yes	5	No	6	No	0	$67	N/A	$67	N/A	N/A	N/A
Renville	2,470				Yes	5	No	0	$150	N/A	$150	N/A	N/A	N/A
Richland	13,937	1	Yes	2		2	No	0		N/A		N/A	N/A	N/A
Sioux	4,153		No	0		2	No	0	$236	N/A	$236	N/A	N/A	N/A
Slope	727	0	Yes	0		0	No	0	$187	N/A	$187	N/A	N/A	N/A
Stark	24,199	0	No			0	No	0	$280	N/A	$280	N/A	N/A	N/A
Traill	8,121	0	No			0	No	0	$298	N/A	$298	N/A	N/A	N/A
Ward	61,675	0	No		Yes	1	No	0	$131	N/A	$131	N/A	N/A	N/A
Wells	4,207	0	Yes	6		5	No	0	$204	N/A	$204	N/A	N/A	N/A
										Average	$191			
Barnes	11,066					0	Yes	1	Combined in Total		$297	208	$275	7
Bottineau	6,429		No		Yes	3	Yes	16	$276	$194	$470	675	$311	40
Burleigh	81,308	1	Yes	0	Yes	35	Yes	7	$360	$180	$540	2343	$1,301	5
Cavalier	3,993					0	Yes	0	Combined in Total		$450	200	$150	5
Divide	2,071	0	Yes	7	Yes	2	Yes	6	$596	$107	$703	400	$184	2
Foster	3,343				Yes	3	Yes	10	$376	$72	$448	640	$420	21
Grant	2,394	0	Yes	6	Yes	8	Yes	35	$120	$795	$915	1200	$795	6
LaMoure	4,139					4	Yes	0	$356	$88	$444	29	$16	1
Pierce	4,357	0	Yes	0	Yes	0	Yes	31	$238	$59	$297	2317	$1,272	31
Ransom	5,457	0	Yes	4	Yes	1	Yes	12	$33	$66	$99	180	$105	8
Stutsman	21,100	6	Yes	8	Yes	5	Yes	4	$610	$55	$665	400	$216	3
Towner	2,246	0	Yes	2	Yes	0	Yes	0	$95	$95	$190	15	$15	50
Williams	22,398		Yes	0	Yes	0	Yes	43	No Cost Data Available Yet			12,000	$9,611	Included
							TOTALS	165		$1,711	$5,517	20,607	$14,671	179

TABLE 1

County Name	New Notice	Attend	In general, what is the experience of your county on the cost of compliance and the increase (if any) of public awareness and attendance at hearings due to the new publication and mailed notice requirements? Have these process changes increased the dialog on budget and levy issues between county commissioners and the taxpayers?
Billings	No	0	As a County Auditor, I truly am happy to answer questions and clarify issues for citizens of our county. After this past session, there was a great deal of generalities that certain individuals disseminated as if it would affect every taxpayer equally. Unfortunately, taxpayers like to believe the greatest good for themselves and when reality is telling a different story, it is a difficult discussion. The school district budget meeting had high attendance as they were intending to increase by 131%....the school previously relied on oil and gas production tax of 1,365,000 and with the new HB1358, they went from 35% of o&g production tax from the county, down to 5% which will be around $400,000.....this made the school more reliant on property tax instead of less. To answer the question, it did increase the dialogue, however, not at the county level. Had i not attended the school meeting, there would have been more confusion from the taxpayers instead of a greater understanding of how the budget process works.
Burke	No	0	I see no positive impact on the communication between commissioners and taxpayers. Taxpayers still do not show up for meetings, make any calls or ask any questions. I hear complaints away from work but those people do not feel compelled to be a part of the process.
Cass	No	0	We didn't have to publish the notice this year because we met the requirements of the law on not having to publish. Last year we did publish the notice, held the hearing the later hour, had 2 people show up for the hearing, both candidates for the commission. The publishing costs were $547.31 plus we had to pay overtime for the non-exempt secretarial staff and security through the sheriff's office.
Dunn	No	0	No one outside of County Officials attended the 2012 or 2013 budget hearings.
Emmons	No	0	$40.00 for the ad last year. This year we did not have a tax increase, so the cost was 0. No
Grand Forks	No	0	
Griggs	No	1	The new notices haven't, but the new courthouse has.
Kidder	No	0	
McHenry	No	0	Fortunately, we were able to hold our budget down so the extra hearing and notices were not required. If we wouldn't been able to keep our budget down, we would've have to send 791 notices which would've cost the county around $1,500 with the cost of publishing, etc. This extra cost does not justify the purpose, especially when only 5 individuals from the public attended the meeting in 2012. The dialog has not changed due to the new process, so it seems the costs for this process could be saved and used somewhere else where it makes a difference.
McKenzie	No	0	If we would have had to publish and mail the notices, we would have had to send to 750 taxpayers. We did not have to publish or send the notice.
McLean	No	0	It has caused much confusion with taxpayers with all of the different taxing districts putting in notices. The public thinks that just because a particular taxing district puts in a notice e.g. city or school that is the percentage that their entire tax bill will go up. It has also caused a lot of additional work for me and the tax director answering questions that the local tax districts have because it is confusing to them also. It has not increased the dialogue with the taxpayers.
Morton	No	0	We did have to publish the notice a couple of years ago and didn't have anymore people in attendance versus the years that we have not published the notice
Mountrail	No	0	If we would have not had a zero increase in mills in the property tax levy, it would have been a lot more work.
Ramsey	No	0	The members in attendance had good questions, one was what happens when the State has to put back the 125 mills for the School Districts? The answer was; we will review when that happens, visit with the legislators on the concern. Why when the school districts did the former were they able to take it times 1.12?
Renville	No	0	No one is interested till they get their tax statement in December.
Richland	No		No increase in dialog
Sioux	No	0	Our county received a lot of phone calls about the notices, no one attended the public hearing. I think the taxpayers ask more questions of commissioners, but still do no attend meetings or hearings.
Slope	No	0	In 2011, we were required to publish the additional tax increase notice. We had two taxpayers show up but, they were here at 1 P.M. rather than at 6 P.M. when the meeting was scheduled. In the past two years, we did not need to do the additional publication because we maintained taxes at the 2011 level and we have had no one show up. I don't believe that in our county there is a way to actually get people at a meeting.
[illegible]	No	0	It has not changed very much at all, the same department heads and employees show up for the budget hearing each year, the citizens of the county usually do not show for the budget hearing.
Ward	No	0	We decreased our anticipated taxes, so did not have to publish the extra notice or send out letters this year. When we published the special notice last year, the participation of the taxpayers did not change. The only one who appeared wanted to ask a question about a flooded road, not the budget. If we had to send out letters this year, we would have sent approximately 20,000 mailings. It may have been easier to send everyone in the county a letter!
Wells	No	0	It's a TON of work, for the attendance we get for limited guessing on the valuation. I think this law can be deleted next session.

Barnes	Yes	1	Compliance increased our postage costs by approximately $95, supply costs by about $20, and labor costs by $156, for a total of about $271. We have seen no increase in dialog on budget and levy issues between commissioners and taxpayers. The public remains apathetic, despite increased notification. People simply do not have time to attend meetings; either that, or they have complete confidence in their elected officials, but I don't believe it is the latter.
Bottineau	Yes	16	I, as the auditor, spent a lot of time and took a lot of phone calls with taxpayers due to the notices. Not that that is a bad thing, but it required a lot of my time. Generally people don't understand how the process works, so I dealt with a lot of angry people.
Burleigh	Yes	7	In 2012 a large # of citizens attended due to discussion on a new Jail – overall the process has not increased budget dialog
Cavalier	Yes	0	No, they know they can come anytime to the meeting and find out information. Waste of county time and tax dollars.
Divide	Yes	6	Same results
Foster	Yes	10	Yes, the public awarness & attendance at hearings has increaresed; many complain about their property assessment, especially the land owners.
Grant	Yes	35	Not one taxpayer had imput as to how we could try to save money, what programs they would like cut out in order to save money because the reality is they WANT the services at no cost to them. We ended up cutting the .10 mill of abandoned cemetary which equated to $1,505 countywide as a result of the imput, people didn't feel that it was necessary. I have fielded over 100 phone calls from out-of-state or out-of-county landowners that don't understand why a 5% increase is necessary, they have no children in school here, they don't utilize any services here, all they hear from the media is how wealthy ND is and why don't we just use some of our oil money. Grant County has NO oil money, I have explained that we recieved money from the legislature for Roads, to which we are very greatful for and there are several large projects that will begin in the spring. This did increase public awareness, directly because of the personal invitation. However I don't feel it increased the dialog, these are direct quote comments from our taxpayers, "Why should I come to the meeting, they(the Commission) will do whatever they want anyway?", "They (the County) don't do anything for me, they don't fix roads, cut ditches, remove snow....NOTHING...." "The truth is my taxes are being raised by ***holes, buying land on the river." "I own land in 4 counties and got 4 notices, Grant is the highest at 6%, but I like your excuse for raising the taxes the best." "As I recall the legislature acted on refunding the counties money as a result from the oil boom- use that money for your increase."
LaMoure	Yes	0	I'm not sure if this has increased dialog between the Commissioners and the taxpayers? I have only been the Auditor for the last two years. In 2012, the only people that came to the meeting were a former Commissioner (just to see what was going on), a couple and their son. The wife of the couple said that she tried to get other people to attend the meeting by posting invites on Facebook. No one showed up though. This year I had heard that another lady was posting county meeting information on Facebook and telling people that they should attend. No one showed up to the meeting though, not even the lady that was posting on Facebook. Our increases that were published in the newspaper were as follows: 2011 0% increase. 2012 6.46%. 2013 8.66%.
[illegible]e	Yes	31	All this did was upset the taxpayers as they thought it would increase their taxes. Once it was explained, just few present still disagreed.
[illegible]som	Yes	12	The people at our meeting were more concerned about the assessments than about the county budget. Those were the main questions at our meeting.
Stutsman	Yes	4	No, the only question we received was in regards to valuation, they just wanted to confirm it hadn't changed because I sent them a letter. I had no comments from the public regarding the budget nor the levy.
Towner	Yes	0	This year, Towner County increased its taxes 2% completely due to increased cost of Social Services. We advertised ON THE FRONT PAGE of the local newspaper and still had no citizens attend. Citizens are either OK with what we are doing or have no interest.
Williams	Yes	43	

County Name	New Notice	Attend	Do you have any suggestions as to how the current process could be changed to reduce costs, but maintain or increase public awareness and involvement?
Billings	No	0	As a new auditor, I have plans for Billings County to work on informing our citizens of the complexity of the assessment and budgeting process. Unfortunately, getting a taxpayer/citizen to a meeting regarding these issues usually comes from someone being upset, rather than wanting to be informed. Rather than rhetoric about the fault of their county commission and political subdivisions, it would be nice to have a public service announcement discussing the intricacies of the budget process and truly where their tax dollars are going.
Burke	No	0	If people don't want to make any effort to be aware or involved, I don't know how much more information we can provide them.
Cass	No	0	We notice the public on all of our budget meetings, in addition to the formal hearing. The county commission meets for three days straight when they meet with every department and every outside agency on their budgets. The first year we had one person show up for the public hearing at 6:00 - a former county commissioner just wanting to see what the fuss was about, the second year we had a 100% increase, so 2 people showed up, both candidates for the commission. This year we had half a room full of people - but none of them were there for the hearing, they were all there to voice their concern on a bridge location. The reality is the information is available, we publish the entire preliminary budget on the web, we post it at the front counter, we track how many people visit the budget page on the web, we publish notice of the hearings - people just are not interested in attending the hearings or looking at the preliminary budget. On our review of "hits" on our web site, most of the people who did hit that page hit it by accident judging by the short amount of time they spent on the page, a minute or two is not enough time to review the budget. I might note, we also send out a "Budget in Brief" with every tax statement, some 50,000 copies so it is not for lack of the county trying to inform residents about the budget. We have 13 legislative districts either wholly or in part located in Cass, that is 39 legislators, not one of them attended any of the three days of meetings with departments and outside agencies or at the public hearing. In short, we are doing a good job without this extra costs of notices and hearings, if we were not, we would hear from the people that we represent. Michael Montplaisir
Dunn	No	0	
Emmons	No	0	
Grand Forks	No	0	
Griggs	No	1	
Kidder	No	0	
McHenry	No	0	I don't really have any suggestions on how to change the current process, but a lot of work goes into this, and the people don't care and they don't want to understand - it's just human nature to complain.
McKenzie	No	0	
McLean	No	0	The public is not involved so frankly the extra publications and letters are a waste of time. I think the legislature needs to realize that the complaints they are getting are coming from a group of people that will complain if any tax at all is levied and it is a really small percentage of the public. We have been one of the lowest property tax counties for years and we still get complaints.
Morton	No	0	
Mountrail	No	0	If taxpayers are not concerned now, I don't think anything will increase public awareness and involvement.
Ramsey	No	0	Go back to just the publication if increasing and the hearing on the budget. Tax payers are aware and if they have questions they call or come in to visit with the Tax Director, Auditor or Treasurer
Renville	No	0	
Richland	No		
Sioux	No	0	I think all that is needed is a notice in the county paper, not individual notices
Slope	No	0	
Traill	No	0	
Ward	No	0	The day before the public hearing, I did an interview with the local news to briefly review the budget and explain the increase in values, affects on an average house, etc. and invited people to the hearing. I don't think paying for special notices or sending letters about the budget gets tax payers attention until they get their tax bill which is then too late! With fewer people getting a newspaper, we need to educate our residents on the basics throughout the year. Perhaps information (A Training Moment) on our local or state web sites, on Facebook or other social media would be a start. Consistent education is necessary!
Wells	No	0	Our public is harvesting at budget time, so there is no/low attendance, as well as simply no interest in it. The people in attendance come to talk about things that have absolutely nothing to do with this hearing - or with the county. (The school buses going by with no kids in them...on and on and on)

Barnes	Yes	1	PSAs or possibly doing interviews with media with the intent to raise awareness of the process could help to make it more "personal" or interesting to the public. At least it would give them a little more information so that they could make a better-informed decision not to attend the meeting.
Bottineau	Yes	16	The mailings are a very time consuming process. It's a good thing to inform our taxpayers, but I felt the notice in the paper did that, and the letters seem to get the public more angry than anything. I found the angry people came from Lake Metigoshe where the taxes are already high and the letter made them angrier. Once they understood the reasons behind the increase, they would calm down, but in the end, it was the valuations (distribution of the tax burden) they were upset with, and not the increase in the levy.
Burleigh	Yes	7	
Cavalier	Yes	0	They are fine with what the county charges for taxes. Everyone realizes you have to pay for services
Divide	Yes	6	Hold it during regular meeting like we did many years ago-haven't seen increase in concern
Foster	Yes	10	None
Grant	Yes	35	Since we send a notice of increase in the spring, could we set the Budget Hearing date at that point and include that date and time in that letter? They would have a personal invitation regaurdless of whether or not we increase or decease taxes. In small counties only the county and the schools tax over $100,000. Ads in the paper are not working, last year when our schools printed an ad for an 18% increase - not one person showed up, but they all had heart failure when they opened their tax statement, and I got the brunt of their anger.
LaMoure	Yes	0	I don't think the letters are necessary. I think publishing the notice in the newspaper is enough.
Pierce	Yes	31	Running an article in the paper and radio
Ransom	Yes	12	
Stutsman	Yes	4	Allow the counties to utilize the internet while reducing the publication costs. I don't have an issue with mailing the letters but don't make us publish the same information we mail out and pay a heavy premium to publish. We notice every meeting and the agenda, if we send the letters out what is the point of a special publication?
Towner	Yes	0	
Williams	Yes	43	I really am not sure the public really cares when the hearings are held. the only time they care is when they have to pay the tax bill then they complain. The cost of this publication and time involved in my opinion is not a good use of tax payers dollars.

TESTIMONY TO THE
INTERIM TAXATION COMMITTEE

Prepared November 5, 2013 by
Terry Traynor, NDACo Assistant Director
North Dakota Association of Counties

REGARDING COUNTY SPENDING GROWTH RATE

Chairman Cook and members of the Interim Taxation Committee – our Association was asked to provide several specific sets of information for today's meeting. This particular piece of testimony has been prepared to respond to the following request:

2. Among the general spending categories for counties, can you provide information showing for recent years the rate of growth in each category? The objective is to try to determine which parts of the county budget appear to have the most inflationary effect on county costs. I think the information provided at the ACIR meeting on August 28, plus any updated information and observations, would answer this request.

As noted in the request, NDACo was asked to respond to a fairly similar request for the Advisory Commission on Intergovernmental Relations. In that case, we were specifically asked: "*Do you have any suggestions on how information can be developed to identify, by major spending categories, the growth rate of county costs over a period of years in each category*?"

We prefaced our response to the ACIR with several comments attempting to characterize the fiscal data that is developed and maintained by counties – to address the question of uniformity of this type of information. Although all 53 counties provide largely the same services to their citizens, the scale at which each provides a particular service, and their means of funding that service, can vary greatly. As a result, the fiscal management tools available to each county also vary quite significantly.

In addition to the variation in software systems compiling county data, it has been decades since the state has maintained a uniform chart of accounts for local government. Lacking this foundational element, the various county systems have evolved over time to be quite different. Oil tax revenue is treated as "in lieu of property tax" in one county and as "state aid" in another. Some counties levy for social service costs completely within a dedicated human service levy while others levy for these costs totally within their general fund. Some pay road employee benefits from their highway fund, others use a "central service" approach and have

all benefits come from the same fund. The examples are numerous, with valid (and strongly held) reasons for the differences, but the result is that the further one "drills down" in the data, the less uniformity one finds and the greater the challenge in making comparisons and reaching conclusions.

Recognizing these uniformity challenges, our Association has worked to develop a database of information for all counties that can be used to monitor trends of the sort we believe this Committee seeks. Since the early 1980's, NDACo has contracted with a private consultant to compile the counties' annual fiscal audits filed in the State Auditor's Office by the private auditing firms. (This reflects revenue actually collected and expenditures actually made, rather than budgets and projections.)

While greater detail would certainly be more desirable, this fairly "high-level" data set allows for reasonably consistent and reliable comparisons across counties and across time. You will note that due to the time lag in the completion and compilation of all audits, our data set is always at least two years behind. When examining this data, it should be kept in mind that it includes expenditures of all counties and ALL funds – so it includes service costs supported by property taxes, state and federal allocations and reimbursements, as well as user fees, permits, loans, etc.

Attachment 1 contains two overview charts that can be derived from this data set to help contrast the major budget categories established by the State Auditor and recognized auditing principles. The upper chart is the total expenditures of all counties and the lower chart is the same data adjusted for inflation, using the consumer price index most often quoted in the Century Code.

The next two attachments break the major categories into separate charts for a little clearer review.

Attachment 2 looks at social services and general government. The upper chart shows quite clearly how the "swap" legislation in 1997 – realigning social service funding responsibilities – and the state assumption of child support enforcement in 2007, both brought this rapidly increasing cost center down. Note that these legislative "readjustments" didn't change the trend line, just reset the base – the growth of these costs still exceeds inflation. Had these two legislative initiatives not been adopted, it is projected that county costs in this area would collectively be over 100 million per year by this time. General government costs, on the other

hand, grew at a rate well below inflation for about half the period and have only "caught up" to inflation in the last year of the chart.

Attachment 3 examines in greater detail the two areas with growth above inflation for the period. Since the start of our record keeping, (although initially the smallest of cost centers), public safety has continually grown at a rate exceeding that of inflation. The final chart (note the different scale) – highway expenditures – shows clearly the impact of federal disaster funds from 1997 through 1999, and also the effect of additional state funding for highways since the 2007 session. Obviously the audit reports for 2011 through 2014 will show this line continuing to climb dramatically.

Similar to this committee's request, the ACIR was interested in determining "*what areas drive the greatest share of county costs?*" Considering the focus of this Committee's study mandates, I suspect that the area of greatest interest is what costs are driving the property tax to increase the most – a much more difficult question.

Attachment 4 looks at a CY2011 analysis of just what county property taxes support in a given year. It is clear on this table, that the "big 3" of county property tax expenditures are social services, highways and law enforcement – in that order. Together, these three consistently consume 55-65% of all county property taxes. From the previous charts, it is obvious that highways and public safety are bigger budget items, but counties receive significant federal and state funds in these areas, whereas county costs for social services are largely supported by property taxes.

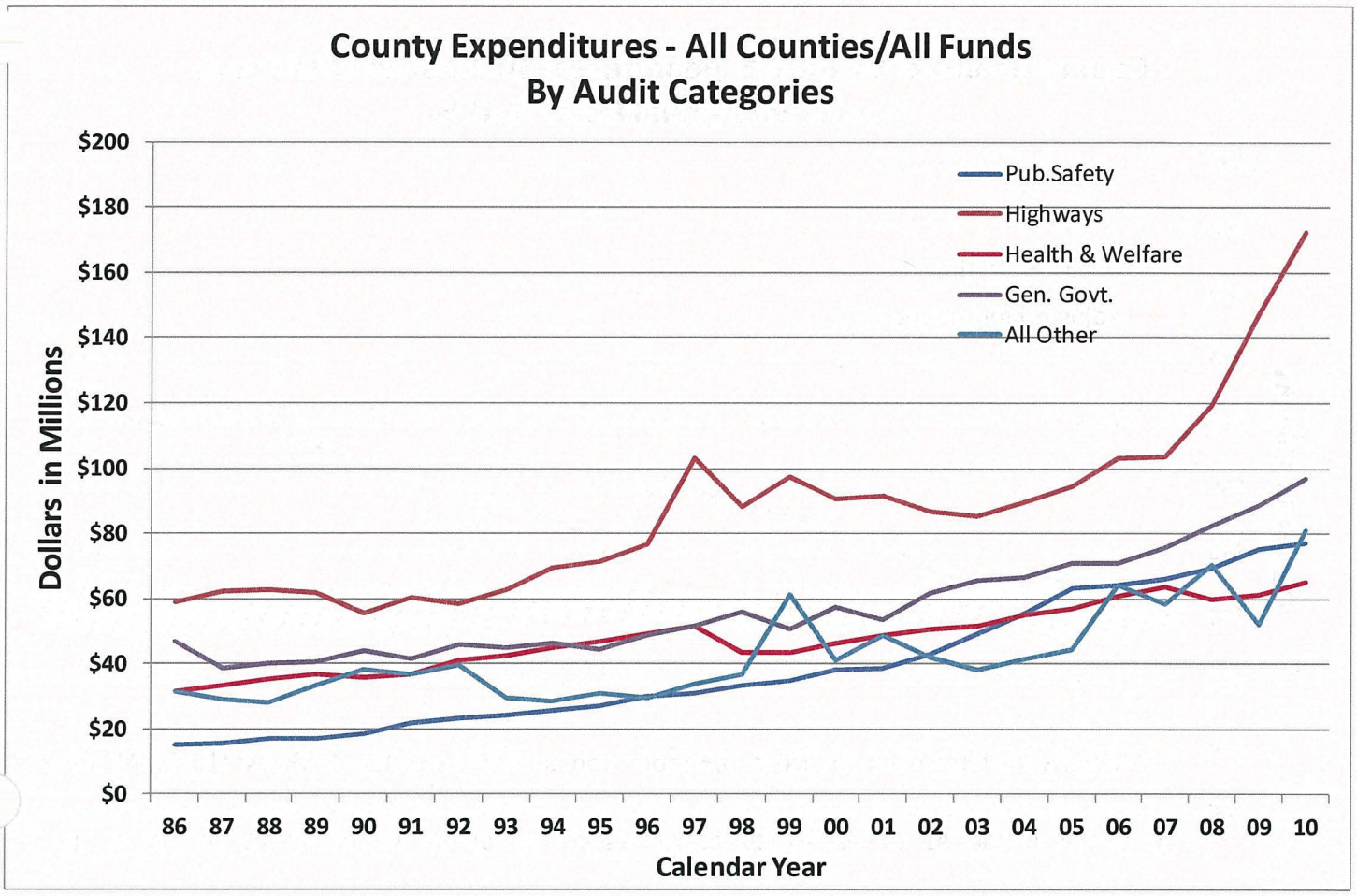
Unfortunately we lack historical data for this table, but anecdotally, the growth areas our office hears the greatest concerns about (in addition to social services) are: indigent defense, space costs for the court system, state salary increases for NDSU extension employees (county cost share), and the mandated levy minimums to trigger state funding.

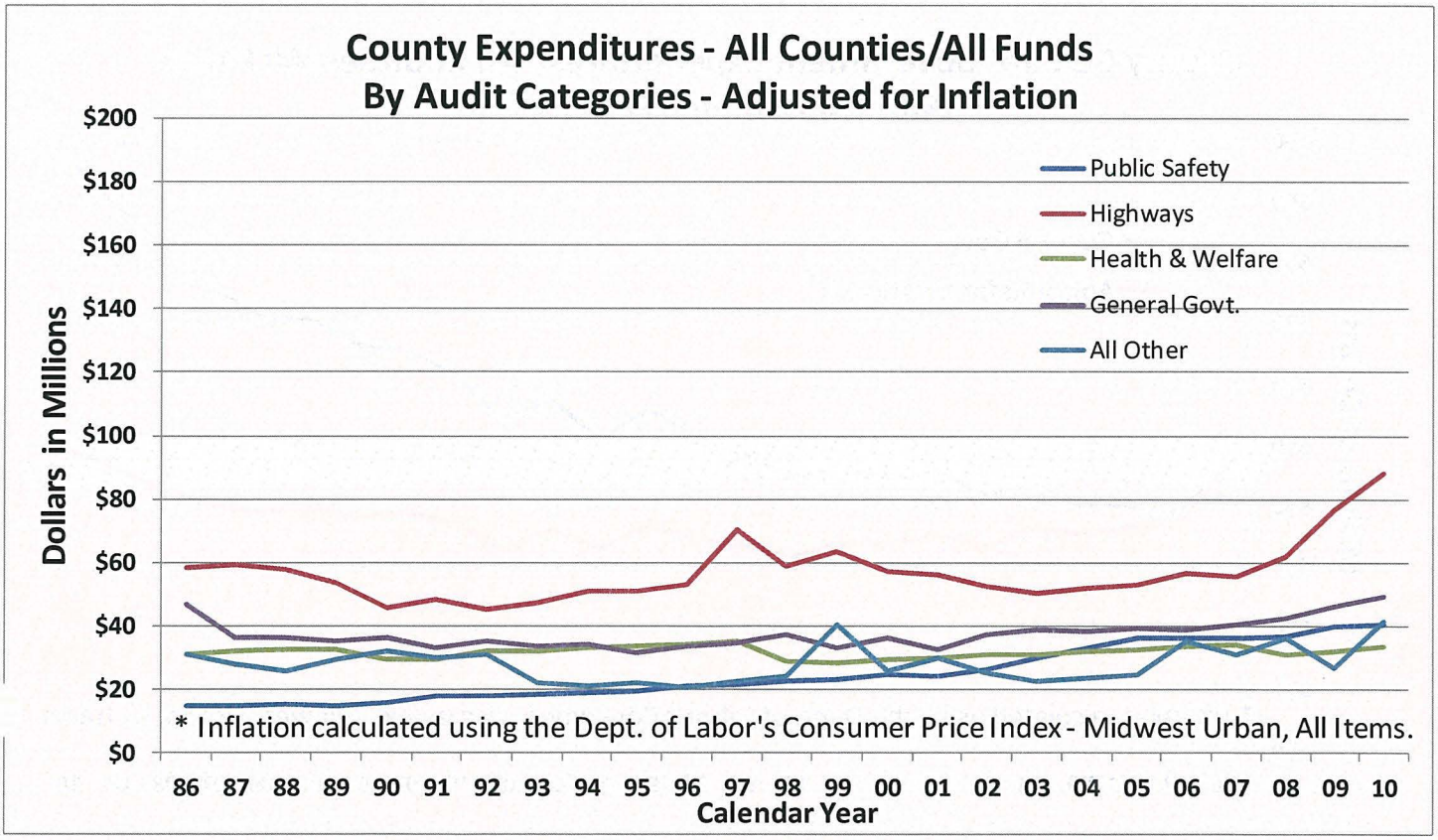
We hope to update this table, as well as the database of compiled state auditor's records throughout the interim. It is also our hope that it will be possible to update the information in Attachment 5, which illustrates what we believe is the most accurate means of looking at property tax changes. We began this analysis because the most often reported statistic regarding the increase in property taxes from one year to the next is the gross increase in collections; and the result is assumed to be the average property tax burden increase.

To many local officials, an analysis without consideration of the new property created and added to the tax rolls can be misleading for citizens. In the charts of this attachment we have broken down the annual increase in tax revenue collected by "existing" and "new" property, for all property taxes (upper chart), and then just those supporting county government (lower chart). The average annual tax burden increase of three percent may actually overstate the growth on existing property as it assumes the value of all property inflates equally, while in reality the "new" property often increases more rapidly.

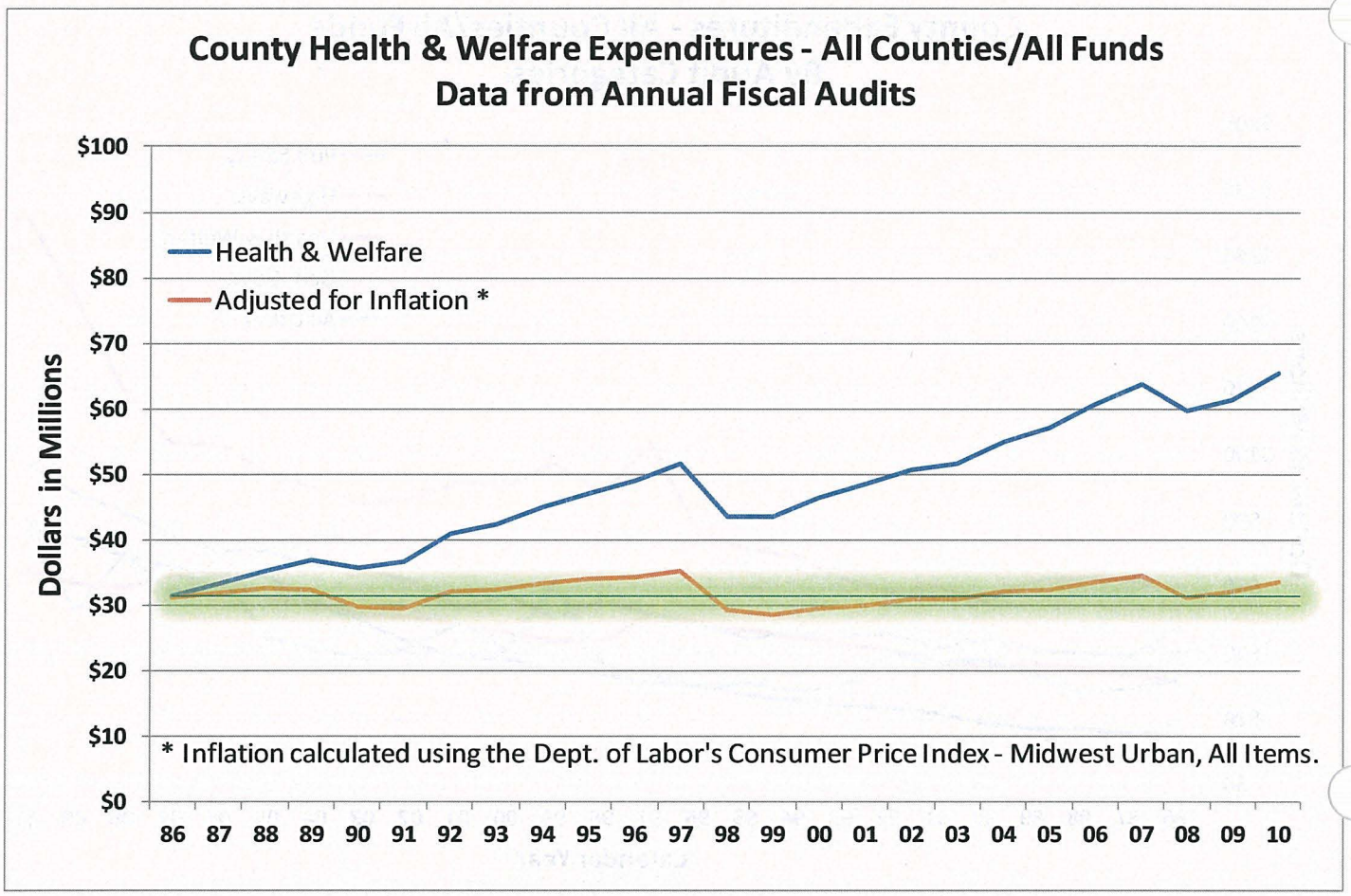
Mr. Chairman and committee members, it is our hope that this information is helpful to the committee, and we stand ready to continue to assist the committee in its study of property taxes in whatever way possible.

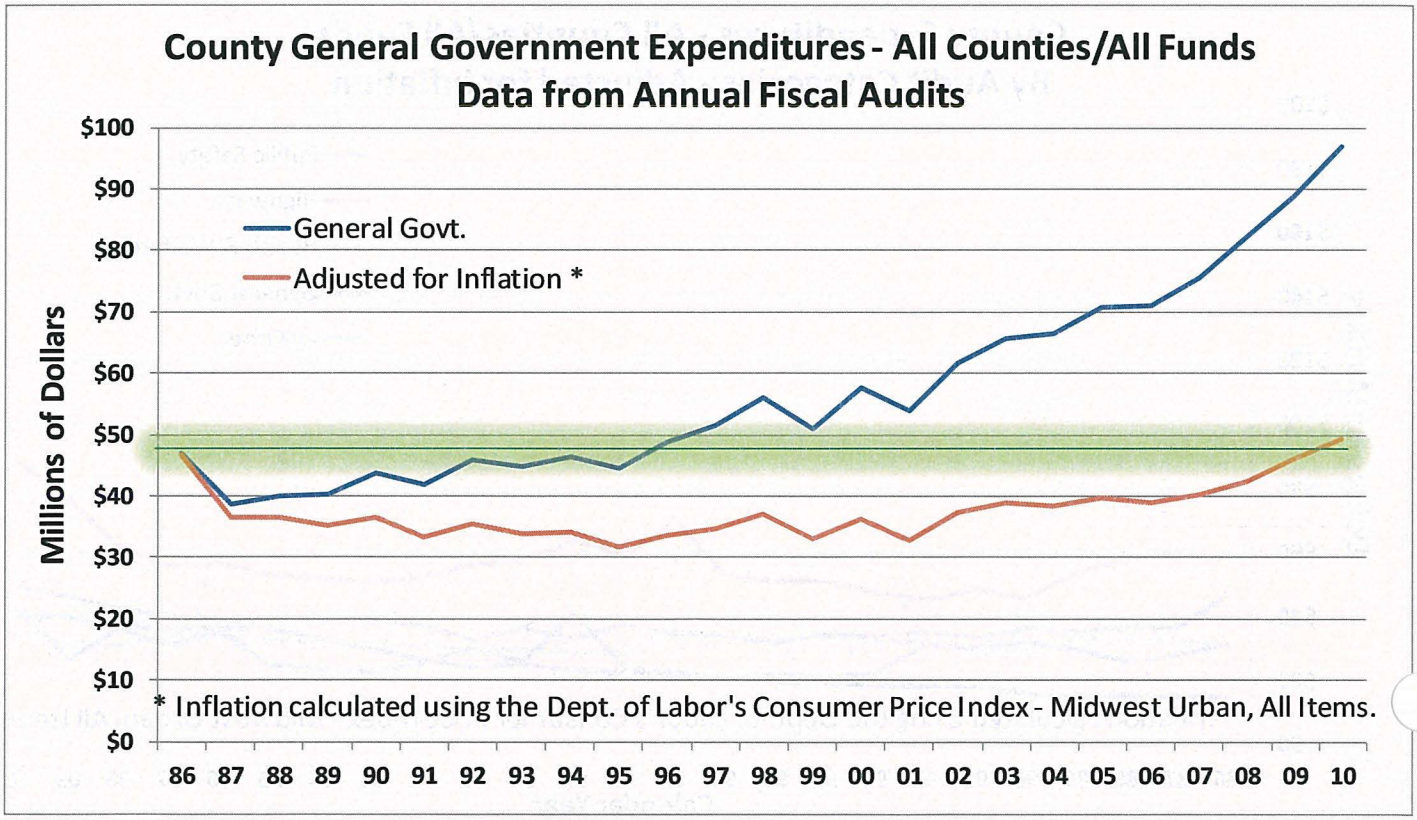
Attachment 1



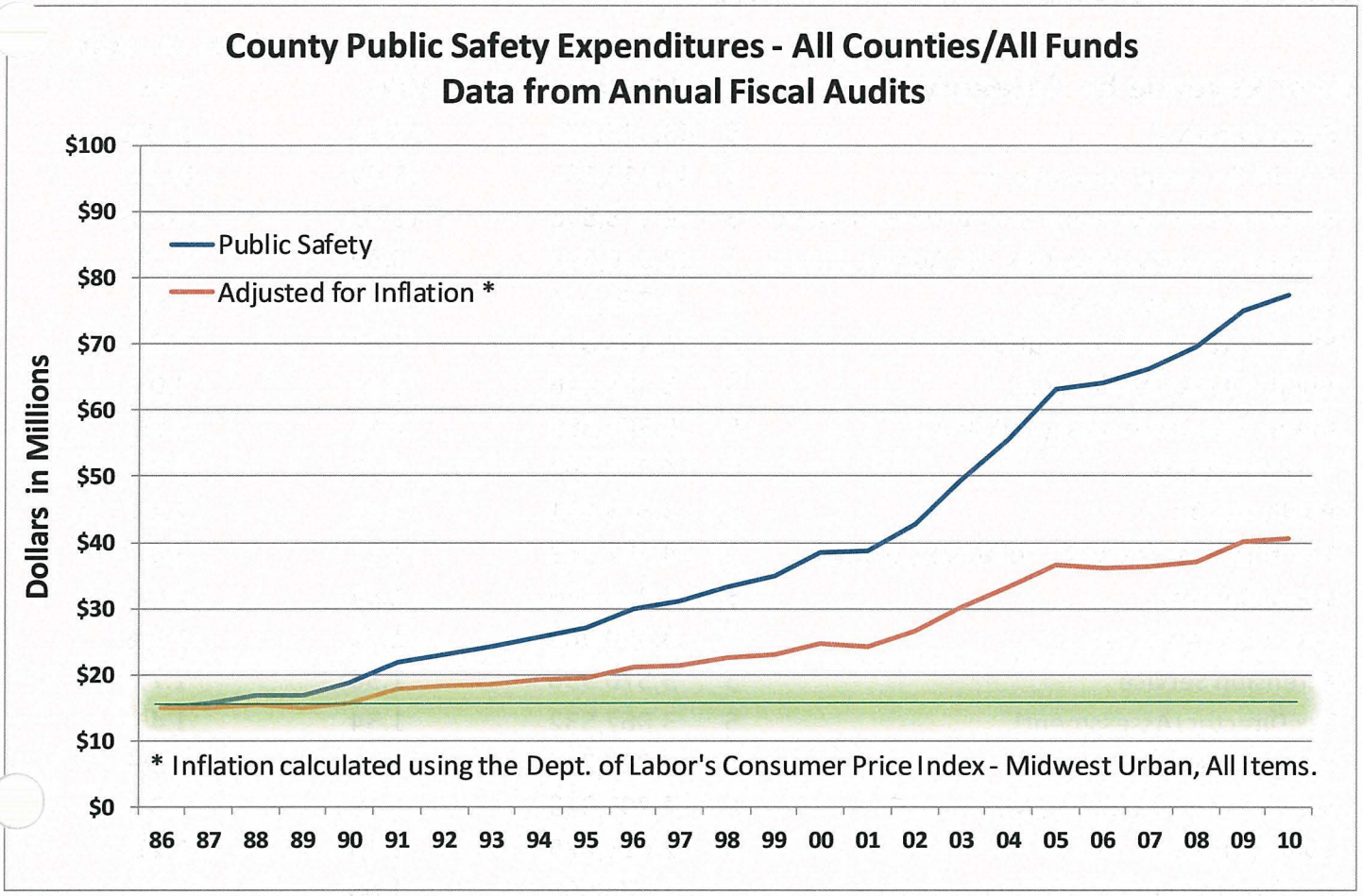


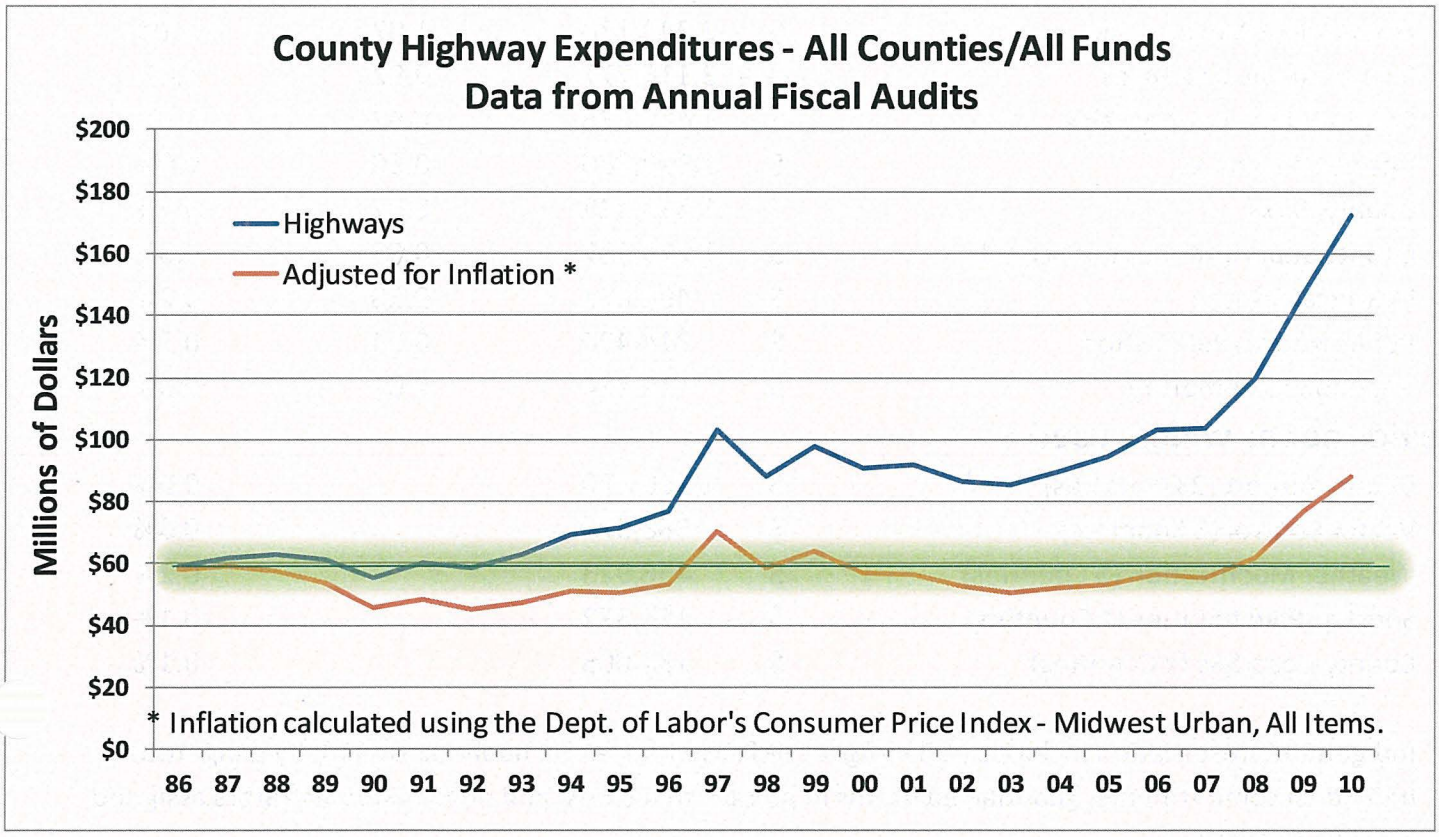
Attachment 2





Attachment 3





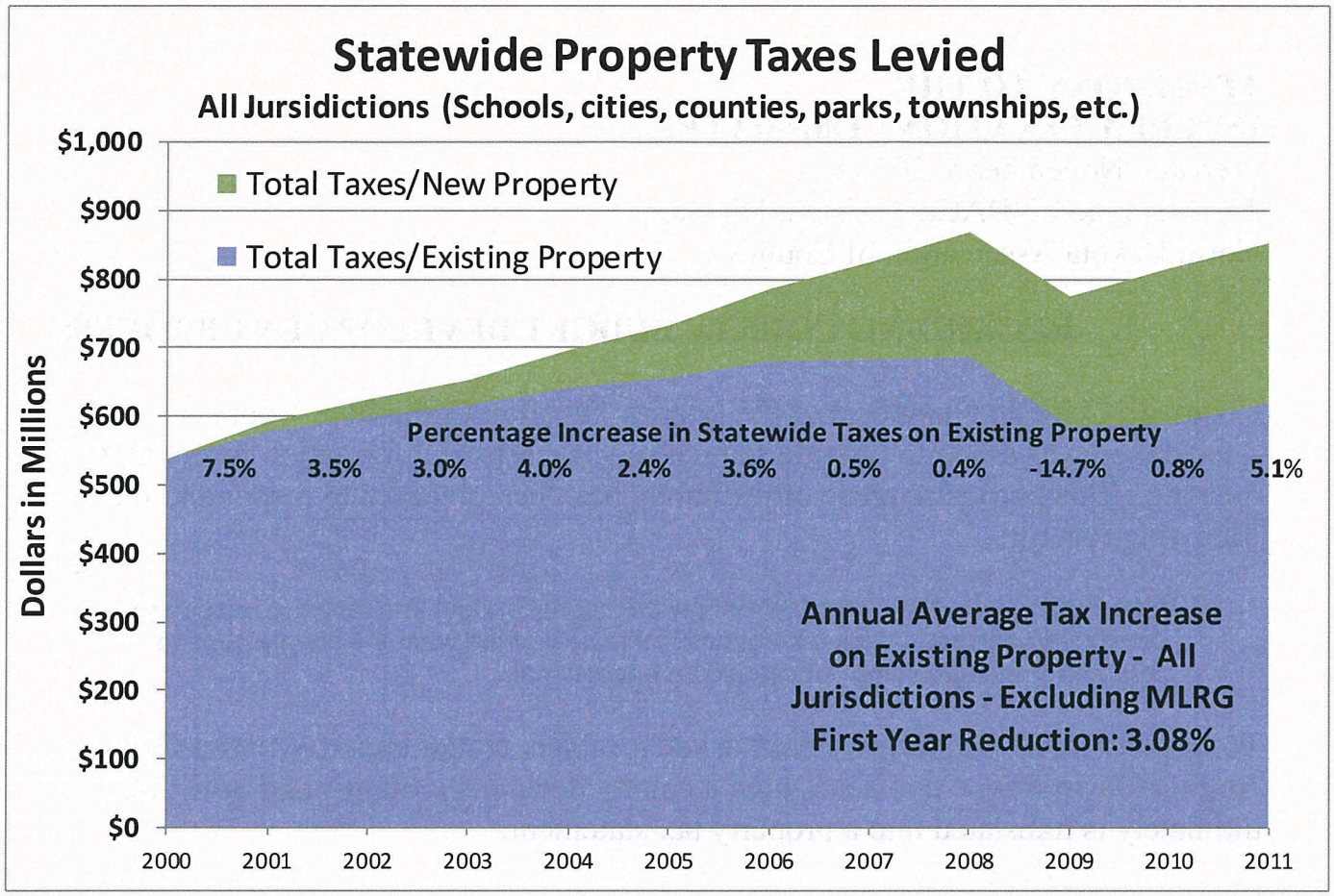
Attachment 4

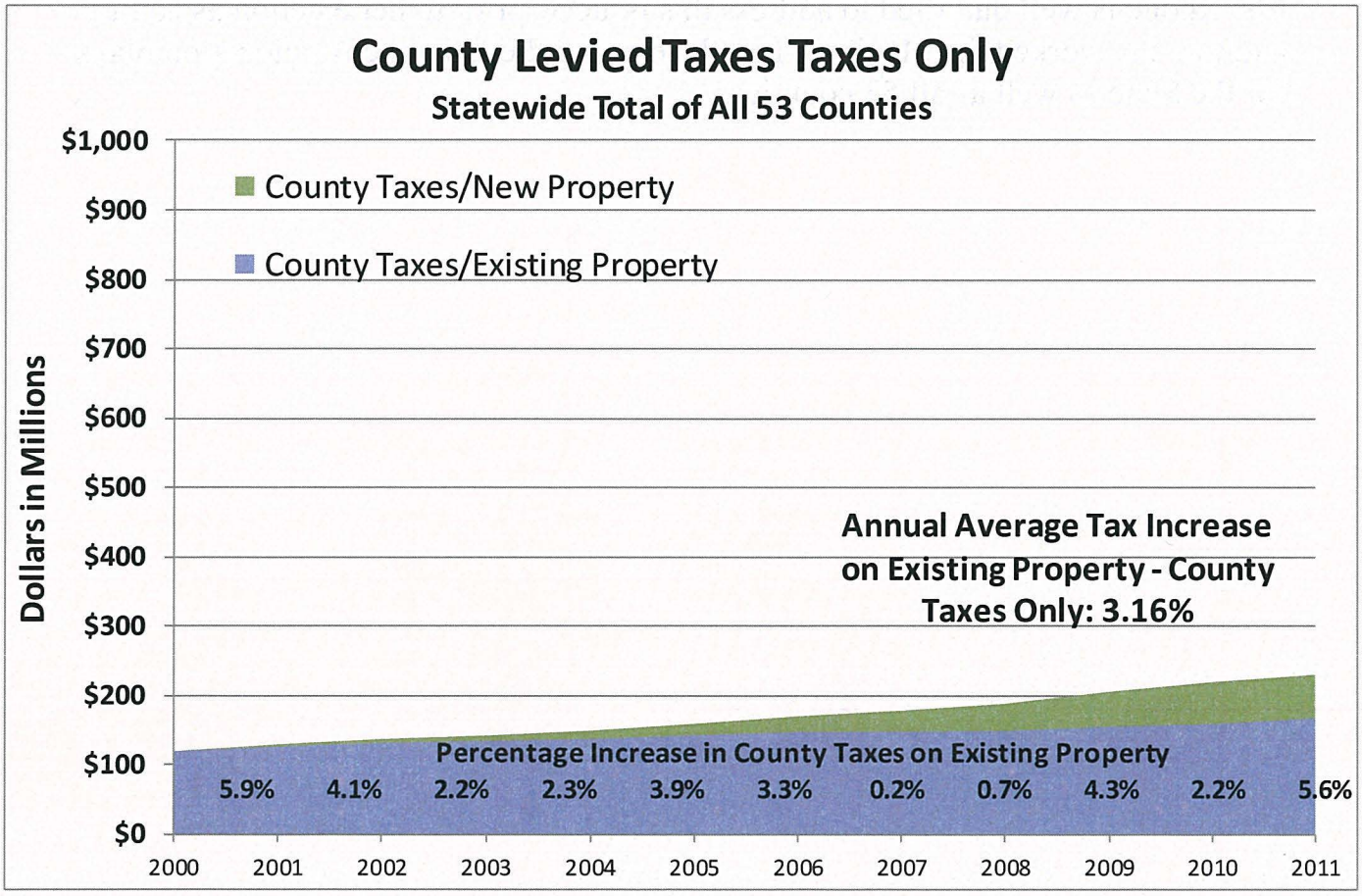
2011 County Property Tax Revenue
(Statewide Total - $214 Million)

Use of Revenue by Category	Total Dollars	Avg. Mills	% of Co. Prop. Tax
Social Services	$ 43,346,672	18.94	20.1%
Sheriff & County Corrections	$ 41,419,507	18.09	19.2%
Roads (Including Emerg. Levy & Unorg.Twp.Rd.)	$ 38,178,896	16.68	17.7%
Central Services (Bldg, Util. HR, Admin, Other)	$ 13,026,598	5.69	6.1%
Water Resource Districts	$ 8,350,360	3.65	3.9%
State's Attorney/Prosecution	$ 6,493,840	2.84	3.0%
Auditor/Finance/Elections	$ 6,404,146	2.80	3.0%
Information Technology (all Dept.)	$ 5,869,368	2.56	2.7%
Recorder/Clerk	$ 4,807,594	2.10	2.2%
Public Health	$ 4,685,651	2.05	2.2%
Treasurer (Tax/revenue collection, invest)	$ 4,287,369	1.87	2.0%
Weed Control	$ 4,216,629	1.84	2.0%
County Commission	$ 3,950,960	1.73	1.8%
Extension Service	$ 3,570,996	1.56	1.7%
Tax Director (Assessment)	$ 3,067,532	1.34	1.4%
Indigent Representation *	$ 2,720,249	1.19	1.3%
Senior Services (Transit, Meals, etc.)	$ 2,702,345	1.18	1.3%
County Library	$ 2,623,625	1.15	1.2%
Job Development & Planning	$ 2,476,058	1.08	1.2%
Emergency Management	$ 2,343,170	1.02	1.1%
Emerg. Medical Services	$ 2,116,777	0.92	1.0%
County/Multi-County Fairs	$ 1,418,676	0.62	0.7%
Veteran's Services	$ 1,370,386	0.60	0.6%
County Parks	$ 1,315,828	0.57	0.6%
County Superintendent of Schools	$ 1,219,837	0.53	0.6%
Historical Society	$ 402,651	0.18	0.2%
Public Notice/Publication	$ 314,424	0.14	0.1%
Abandoned Cemetery	$ 15,424	0.01	0.0%
Levies not as widely used			
County Airport (23 Counties)	$ 1,110,480		0.5%
Vector Control (5 Counties)	$ 588,575		0.3%
Weather Modification (5 Counties)	$ 456,923		0.2%
Specials Paid to Cities (7 Counties)	$ 174,372		0.1%
County Hospitals (2 Counties)	$ 131,005		0.1%

* Indigent Representation includes civil indigent defense for mental health and sexually dangerous individual commitments, guardian ad litems in private civil cases, and public administrators assigned by state district court.

Attachment 5





TESTIMONY TO THE
INTERIM TAXATION COMMITTEE
Prepared November 5, 2013 by
Terry Traynor, NDACo Assistant Director
North Dakota Association of Counties

REGARDING COUNTY BUDGET DEVELOPMENT PROCESS

Chairman Cook and members of the Interim Taxation Committee – our Association was asked to provide several specific sets of information for today's meeting. This particular piece of testimony has been prepared to respond to the following request:

3. Please conduct a "walk-through" of how the county budget and revenue needs are determined and set. I think a chronological review of the work the county does to prepare for the upcoming year would be educational.

To respond to this request, we have asked a subject matter expert, Morton County Auditor Dawn Rhone to discuss how a county develops it budget and how that ultimately is translated into a property tax statement.

Ms. Rhone is well qualified to address this issue as prior to her election as county auditor; she worked for Maximus Inc. developing the federal cost allocation plans for the State as well as all 53 counties.