

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

10211

2001 HOUSE POLITICAL SUBDIVISIONS

HB 1211

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1211

House Political Subdivisions Committee

Conference Committee

Hearing Date 1-25-01

Tape Number	Side A	Side B	Meter #
1		xx	4000--end
2	xx		1--650
Committee Clerk Signature <i>Pam Deven</i>			

Minutes: Chairman Froseth opened hearing on HB1211 and handed the gavel to Vice-Chair Severson.

Chair Froseth, Dist. 6 : testified in support of HB1211. (See Attached Testimony)

Connie Sprynczynatyk, ND League of Cities : testified in support of HB1211. (See attached)

This is a request to delay implementation of the new decennial census in terms of allocation of the state aid money.

Rep. Delmore : (4590) Why not do this at a special session.

Connie : If we had a special session and we had enough lead time, that would be possible.

However, many of the requests were made by legislators themselves and we spent many late nights trying to put the information together quickly. Not all of the data is in. We made predictions. We did not create losers. By changing the formula, we were able to have no losers. As long as the state tax collections continue the slow steady march up, there is no such thing as a loses with aid formula.

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House Political Subdivisions Committee

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Mark Johnson, Assoc. Of Counties : We are in support of this bill. If this doesn't pass, the

formula won't change and we will have winners and losers. (Tape 2, side A)

Rep. Kretschmar : Wouldn't you want this done during interim session?

Mark : No, we prefer to do it during the regular session.

Ken Yantas, ND Township Assoc. : We support this bill.

Chair Froseth : Any further testimony? Hearing none, hearing is closed. What does the committee wish?

Vice-Chair Severson : I move a DO PASS.

Rep. Disrud : I second.

VOTE: 13 YES and 0 NO with 2 absent. BILL PASSED. Rep. Severson will carry.

FISCAL NOTE

Requested by Legislative Council
01/12/2001

Bill/Resolution No.: HB 1211

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1211 defines which population counts to use in distributing revenues from the state aid distribution fund. There is no change in overall revenues, so the fiscal impact is zero.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	01/17/2001

Date: 1-25-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1211

House POLITICAL SUBDIVISIONS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By Vice-Chair Severson Seconded By Rep. Disrud

Representatives	Yes	No	Representatives	Yes	No
Chairman Glen Froseth	/		Rep. Wayne W. Tieman	/	
Vice-Chair Dale C. Severson	/				
Rep. Lois Delmore	/				
Rep. Rachael Disrud	/				
Rep. Bruce Eckre	/				
Rep. Mary Ekstrom		AB			
Rep. April Fairfield	/				
Rep. Michael Grosz	/				
Rep. Jane Gunter	/				
Rep. Gil Herbel		AB			
Rep. Nancy Johnson	/				
Rep. William E. Kretschmar	/				
Rep. Carol A. Niemeyer	/				
Rep. Andrew G. Managos	/				

Total (Yes) 13 No 0

Absent 2

Floor Assignment Vice-Chair Severson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 25, 2001 3:48 p.m.

Module No: HR-13-1662
Carrier: Severson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1211: Political Subdivisions Committee (Rep. Froseth, Chairman) recommends DO PASS (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1211 was placed on the Eleventh order on the calendar.

2001 SENATE POLITICAL SUBDIVISIONS

HB 1211

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1211

Senate Political Subdivisions Committee

Conference Committee

Hearing Date February 16, 2001

Tape Number	Side A	Side B	Meter #
1		x	42.2-54.0
2	x		0.0-6.0
March 2, 2001	x		13.2-16.7 ; 44.2-52.1
Committee Clerk Signature <i>Mary Jo Wocken</i>			

Minutes:

The hearing was opened on HB1211; relating to the allocation of revenues among political subdivisions through the state aid distribution fund.

REPRESENTATIVE FROSETH: Sponsor of HB1211 and urge your favorable consideration. This bill was requested by the North Dakota League of Cities and the Association of Counties. See written testimony. SENATOR FLAKOLL: Representative Froseth, so basically we're just looking at the current the 2000 census, we'll be looking at what's currently allowed.

REPRESENTATIVE FROSTED: Yes, the present formula will be in place for the next two years. The problem that exists is in the new census figures that we have received the new census figures for the state as a whole, but the breakdowns that counties and cities doesn't actually come out until April 1st which will be to late for this legislative session to authorize a new distribution formula. So what the Association of Counties and the League of Cities want this operatization to use the present formula until the next legislative session when they can adjust it, and plug in the

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Senate Political Subdivisions Committee

Bill/Resolution Number HB1211

Hearing Date February 16, 2001

new population figures in the counties and cities across the state. SENATOR FLAKOLL: So, couldn't we have kept the same formula but just use whatever data might be coming out, as an example, coming from a, recognizing our represent to you that it grew by a little bit. What is my incentive to vote for this bill? REPRESENTATIVE FROSETH: I would like to defer those questions to the League of Cities and Association of Counties people, but if this present formula is used, what my understanding is they can put in a new population figures, but, the method of the distribution might not give the proper distribution to cities that have either gained or lost populations. CONNIE SPRY: North Dakota League of Cities. Representative Froseth has briefed you on the intent of this bill. This is something that our two associations have requested because in the 1997 session, you will see on the front of the League's testimony. See written testimony. Included is the response to Senator Flakoll's question. So, first of all, we're hear to tell you that it worked very well. But the problem is now we don't have a chance because the data is not finalized. We can't tell you exactly who's going to win and who's going to lose. Understand that when we created the new per capita formula, that the counties and the cities layered out into clear population categories. And what we did was look at whatever everybody was getting before and say well there's, you were getting so much percent of the pool before, and this group was getting this percent of the pool, etc, and less try and make sure you at least get that cut in the future. The problem now is that we can't make those same predictions, we can't tell the cities and counties with assurance what they are going to get, because we don't have those finalized numbers. So were only talking about a two year period. It is clear Senator Flakoll that those political subs have grown considerably, so this requires patience on their part. They've seen there payments increase like everybody else, and probably when the new figures become final there will be an opportunity for yet another jump. Some will shift within the categories. SENATOR FLAKOLL:

I am doing numbers here and I am not sure, if I may get close, but if we go on .4 of 1 cent what in the biennium, through the period here, how much money are we looking at as far as being the total money we are talking about, overall. CONNIE: We use the 1996 numbers for this because when we were working on that was the most complete data that we had. At that time, the sales tax was predicted, our appropriations had been \$51.5 per several biennium's, but .6% of state sales tax was actually supposed to be giving us was \$90 million, and so we said well if we go back up to .4% then we would be getting about \$60 million. SENATOR FLAKOLL: About \$64 million. CONNIE: It has gone up since then, so, we're here to say thank you, its working very well. It is now, a well appreciated and at least a more predictable revenue source for cities, counties, townships and park districts, everybody that participates in that pool. Remember that the State Aid Fund, is both the old personal property tax replacement and state aid which was initiated measure back in the 1970's. It passed with a whopping 78% approval ratings by the way. MARK JOHNSON: State Association of Counties. We promised the leadership and those others involved in the next session that we will come back as the League of Cities and the Association of Counties with as fair and equitable formula as possible. But we do want to spend the time in the next two years working with our various political subdivisions to make sure that they are comfortable with it. And if good census data is available in April, or May, we don't know for sure, it just would not be enough time to work all those things out. This was a well orchestrated attempt to get the cities and the counties funding proposals out of the sheer politics that we've dealt with in previous sessions. The last two sessions its proven to be that and it was an agreement between a bipartisan leadership proposal that we worked with on the House and the Senate. SENATOR POLOVITZ: Is there any chance that in two years that this formula will be changing? MARK JOHNSON: Absolutely. It will change by a slight percentage points on the

high end and the low end, because of the groupings that are in that statute, and I know that is hard to read. That statute can see where everyone fits. But, they will change slightly and the whole goal here will be to keep the winners and losers at a minimum. We think that is possible.

SENATOR POLOVITZ: They are in categories right now? MARK JOHNSON: Yes, the category, for example, on counties, it says that 10.4% of the amount of, which is currently \$ 67 million, Senator Flakoll, is the pot. The total pot is \$67 million, so 10.4 % of that pot goes to Cass County only. And we have kept Cass County in a separate category. So they will not be hurt or helped because of this separate category. They may get more dollars because of the population growth, but it will balance. Everyone gets the entire mix of counties. SENATOR

WATNE: This bill reads, ' population used will be the 1990 unless an official special concessus was conducted between the 1990 federal census in January 1, 1997, we're there any official special census's conducted that affect this bill? MARK JOHNSON: There were a few. Cities that did do some special census and I am not sure how those numbers came out. But the statute would have called for them to have been adjusted slightly as a result of that. SENATOR WATNE:

Without this bill, going through, would the new census figures automatically kick in, under this plain formula? MARK JOHNSON: You hit right on the reason why this bill is here, because what would happen is that the new census data would then be used at the time that it becomes officially available and certified, and then we would have winners and losers on both ends of the spectrum and some in the middle. It would just happen to them. We want to manage it, and orchestrate it with everyone's full participation. So that is what is exactly what would happen. The census would lope in there, boom, the money's would go out differently and we'd have a huge cry from them to do as legislators as well as to our organizations and we want to avoid that.

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Senate Political Subdivisions Committee

Bill/Resolution Number HB1211

Hearing Date February 16, 2001

SENATOR COOK: Mark , in other words, if a second county got a population over 100,000 it would move under this category and that county and Cass County would split that 10.4 ? MARK

JOHNSON: Mr. Chairman, exactly right and so, getting at Senator Flakoll's question, he was thinking on the positive side, this could also be very negative and we see it at least from the county perspective the larger counties would end up in different categories and could in fact be big losers instead. Subsequent, larger allocation that they would get by virtue of their increased population to that would not take place. We would be in here next session with a much more expensive bill than what we would, you'll be seeing in the next legislative session. SENATOR

POLOVITZ: I think another good reason for this is the fact that when you go to work on your budget, you have a pretty good indication of what the sales tax is remitting to your city. And you can work on that basis, as far as your whole budget operation is concerned and that was always a real positive when preparing the budget. I think it also gives the cities a chance to, they will know earlier what their population is going to be and give them a chance to react to any formula that might be coming up later on. I would hope that the cities and the counties would get together and work together as soon as possible, so that the people that are in councils and are preparing the budget, auditors, what not, financial people will have some idea as to where they are coming from with the new population census. So, I think it is a good idea. SENATOR COOK: Sign

Senator Polovitz on the side of positive testimony in support of the bill. NOLAN VERWEST:

Representing the North Dakota Township Officers Association. Spoke in support of HB1211.

See written testimony.

Hearing Closed on HB1211.

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Senate Political Subdivisions Committee
Bill/Resolution Number HB1211
Hearing Date February 16, 2001

March 2, 2001 Tape 1, Side A, Meter # 13.2-16.7

Senator Cook asked the committee to look at HB1211. Committee had a short discussion on this bill. To continue later.

March 2, 2001 Tape 1, Side A, Meter # 44.2- 52-52.1

Senator Cook asked the committee to look at HB1211.

Senator Lyson moved for a Do Pass

Senator Polovitz- 2nd

Roll call vote: 7 Yeas, 0 No 1 Absent

Carrier: Senator Lee

REPORT OF STANDING COMMITTEE (410)
March 2, 2001 1:44 p.m.

Module No: SR-36-4741
Carrier: Lee
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1211: Political Subdivisions Committee (Sen. Cook, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1211 was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

HB 1211

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North Dakota League of Cities

House Bill 1211
House Political Subdivisions Committee
January 25, 2001

Chairman Froseth and Committee Members:

HB 1211 was jointly requested by the North Dakota League of Cities and North Dakota Association of Counties.

In the 1997 session, HB 1019 was passed to accomplish several goals:

1. The State Aid Fund, fueled by 4/10 of one cent of state sales tax, was set aside as a continuing appropriation;
2. The law was changed to create a "block grant" concept that put cities, park districts and other city-related fund participants into one part of the funding pool and counties, townships and other county-related participants into a second part of the pool;
3. The two pool partners pool were allocated a portion of the funds based on population categories; and
4. The payout was shifted to a per capita formula.

Since January of 1999 when the new formula was fully implemented, the system has worked well. However, the new decennial census is the reason for HB 1211 which requests continued use of the 1990 census figures for the coming biennium. The reason is simple: Without the new, verified census data, the Legislative Assembly has no opportunity to study the effect population shifts may have on State Aid payments.

Should you pass HB 1211, our two organizations will work over the interim to quantify the demographic shifts and impact on payments, and will present our recommendations for changes (if any) to the 2003 Legislative Assembly.

Connie Sprynczynatyk
Executive Director

Testimony HB 1211

By Rep. Glen Froseth, District 6

Mr. Chairman and members of the House committee. For the record my name is Rep. Glen Froseth from Kenmare, representing District 6.

I appear before you today to present HB 1211 and urge your favorable consideration.

HB 1211 was requested by the N.D. League of Cities and the Association of Counties and pertains to allocation of revenues to Political Subdivisions through the state aid distribution fund.

As you undoubtedly are familiar with, the state aid distribution fund consists of .04 of 1 percent of sales tax money

The request made of HB1211 is to continue the present distribution formula through July 31, 2003.

The distribution of monies to cities and counties from the state aid distribution fund is based on population. As the new census figures will unlikely be available by the end of the Legislative session, HB 1211 will extend the present distribution formula until July 31, 2003, at which time the next Legislative session will have the new population figures available to amend the distribution formula.

An attachment to this testimony contains the present formula.

I'll be happy to try answer any questions, but we also have a representative here from the League of Cities and the Assn. of Counties to help clarify any concerns.

I encourage the Committee to give this proposal a "Do Pass" recommendation to HB 1211.

Thank You.

6
57-39.2-26.1.

(Effective after December 31, 1998) Allocation of revenues among political subdivisions and coal development fund. Notwithstanding any other provision of law, a portion of sales, use, and motor vehicle excise tax collections, excluding collections allocated under subsection 3, equal to forty percent of an amount determined by multiplying the quotient of one percent divided by the general sales tax rate, that was in effect when the taxes were collected, times the net sales, use, and motor vehicle excise tax collections under chapters 57-39.2, 57-40.2, and 57-40.3 must be deposited by the state treasurer in the state aid distribution fund. The state tax commissioner shall certify to the state treasurer the portion of sales, use, and motor vehicle excise tax net revenues that must be deposited in the state aid distribution fund as determined under this section. Revenues deposited in the state aid distribution fund are provided as a standing and continuing appropriation and must be allocated as follows:

1. Fifty-three and seven-tenths percent of the revenues must be allocated to counties in the first month after each quarterly period as provided in this subsection.
 - a. Ten and four-tenths percent of the amount must be allocated among counties with a population of one hundred thousand or more, based upon the proportion each such county's population bears to the total population of all such counties.
 - b. Eighteen percent of the amount must be allocated among counties with a population of forty thousand or more but fewer than one hundred thousand, based upon the proportion each such county's population bears to the total population of all such counties.
 - c. Twelve percent of the amount must be allocated among counties with a population of twenty thousand or more but fewer than forty thousand, based upon the proportion each such county's population bears to the total population of all such counties.
 - d. Fourteen percent of the amount must be allocated among counties with a population of ten thousand or more but fewer than twenty thousand, based upon the proportion each such county's population bears to the total population of all such counties.
 - e. Twenty-three and two-tenths percent of the amount must be allocated among counties with a population of five thousand or more but fewer than ten thousand, based upon the proportion each such county's population bears to the total population of all such counties.
 - f. Eighteen and three-tenths percent of the amount must be allocated among counties with a population of two thousand five hundred or more but fewer than five thousand, based upon the proportion each such county's population bears to the total population of all such counties.
 - g. Four and one-tenth percent of the amount must be allocated among counties with a population of fewer than two thousand five hundred, based upon the proportion each such county's population bears to the total population of all such counties.

A county shall deposit all revenues received under this subsection in the county general fund. Each county shall reserve a portion of its allocation under this subsection for further distribution to, or expenditure on behalf of, townships, rural fire protection districts, rural ambulance districts, soil conservation districts, county recreation service districts, county hospital districts, the Garrison diversion conservancy district, the southwest water authority, and other taxing districts within the county, excluding school districts, cities, and taxing districts within cities. The share of the county allocation under this subsection to be distributed to a township must be equal to the percentage of the county share of state aid distribution fund allocations that township received during calendar year 1996. The governing boards of the county and township may agree to a different distribution.

2. Forty-six and three-tenths percent of the revenues must be allocated to cities in the first month after each quarterly period as provided in this subsection.

- a. Fifty-three and nine-tenths percent of the amount must be allocated among cities with a population of twenty thousand or more, based upon the proportion each such city's population bears to the total population of all such cities.
- b. Sixteen percent of the amount must be allocated among cities with a population of ten thousand or more but fewer than twenty thousand, based upon the proportion each such city's population bears to the total population of all such cities.
- c. Four and nine-tenths percent of the amount must be allocated among cities with a population of five thousand or more but fewer than ten thousand, based upon the proportion each such city's population bears to the total population of all such cities.
- d. Thirteen and one-tenth percent of the amount must be allocated among cities with a population of one thousand or more but fewer than five thousand, based upon the proportion each such city's population bears to the total population of all such cities.
- e. Six and four-tenths percent of the amount must be allocated among cities with a population of five hundred or more but fewer than one thousand, based upon the proportion each such city's population bears to the total population of all such cities.
- f. Three and five-tenths percent of the amount must be allocated among cities with a population of two hundred or more but fewer than five hundred, based upon the proportion each such city's population bears to the total population of all such cities.
- g. Two and two-tenths percent of the amount must be allocated among cities with a population of fewer than two hundred, based upon the proportion each such city's population bears to the total population of all such cities.

*Categories
of concern*

A city shall deposit all revenues received under this subsection in the city general fund. Each city shall reserve a portion of its allocation under this subsection for further distribution to, or expenditure on behalf of, park districts and other taxing districts within the city, excluding school districts. The share of the city allocation under this subsection to be distributed to a park district must be equal to the percentage of the city share of state aid distribution fund allocations that park district received during calendar year 1996, up to a maximum of thirty percent. The governing boards of the city and park district may agree to a different distribution.

3. Notwithstanding any other provision of law, the sales and use tax collections on coal imposed by subsection 3 of section 57-39.2-02.1 and subsection 3 of section 57-40.2-02.1 must be deposited in the coal development fund established under section 57-61-10 and distributed under section 57-62-02.

Senate Political Subdivisions Committee

Testimony in support of HB 1211 from
North Dakota Township Officers Association

Mr. Chairman and Committee members, my name is Nolan Verwest representing the North Dakota Township Officers Association and I am appearing in support of HB 1211. Townships are concerned with population shifts from our rural to urban areas and the affects it has on the state aid distribution formula.

The expenses of maintaining township and county services snow removal, graveling, blading, and road sign maintenance are still there. As the number of farms decrease the size of the equipment and trucks increases, which puts a heavier strain on our rural roads. The need for those who now commute to town jobs and home again grows steadily. They need a safe avenue of travel. The hunters of our states wildlife need and deserve a safe and adequately signed network of rural roads from which they may pursue varied quarries. Inter state travel and tourism depend upon the rural road system to provide those arteries that lead to the treasurers of North Dakota great outdoors.

We feel the 1990 levels were very acceptable and that our membership is comfortable with them.

For these reasons Mr. Chairman and Committee members the North Dakota township Officers Association supports the passage of HB1211 and asks for your affirmative vote.

Testimony on House Bill 1211
By Representative Glen Froseth, District 6
February 16, 2001

Senator Cook and members of the Senate Political Subdivisions Committee:

My name is Representative Glen Froseth from Kenmare, representing District 6.

I appear before you today to present House Bill 1211, and urge your favorable consideration.

House Bill 1211 was requested by the North Dakota League of Cities and the Association of Counties, and pertains to allocation of revenues to Political Subdivisions through the state aid distribution fund. As you are undoubtedly aware, the state aid distribution fund consists of .04 of 1 percent of sales tax money.

The request made of House Bill 1211 is to continue the present distribution formula through July 31, 2003.

The distribution of monies to cities and counties from the state aid distribution fund is based on population. As the new census figures will not likely be available by the end of the Legislative session, House Bill 1211 will extend the present distribution formula until July 31, 2003, at which time the next Legislative session will have the new population figures available to amend the distribution formula.

An attachment to this testimony contains the present formula.

I'll be happy to try and answer any questions, but we also have a representative here from the League of Cities and the Association of Counties to help clarify any concerns.

I encourage the Committee to give this proposal a "Do Pass" recommendation to House Bill 1211.

Thank you.

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North Dakota League of Cities

To: Senate Political Subdivisions Committee
From: Jerry Hjelmstad, North Dakota League of Cities
Date: February 16, 2001
Re: House Bill No. 1211

House Bill 1211 was requested by the North Dakota League of Cities and the North Dakota Association of Counties. The bill provides that the population figures currently being used for the state aid distribution fund payments will continue to be used through July 31 of 2003.

During the 1997 legislative session, HB 1019 was passed to accomplish several goals:

1. The State Aid Distribution Fund, funded by 4/10 of one cent of state sales tax, was set aside as a continuing appropriation;
2. A formula was set up providing that 53.7 percent of these funds would go to counties and 46.3 percent would go to cities. These percentages were based upon the amounts that had been going to these political subdivisions and the taxing entities within each; and
3. Within each of these two categories, population categories were set up so that each county or city would continue to receive at least as much as they had received under the previous appropriation.

The new federal decennial census is the reason for HB 1211. Without the new, verified census data, the Legislature has no opportunity to study the effect that population shifts may have on the state aid payments to cities and counties. The population categories currently being used for the state aid distribution fund are attached. (NDCC 57-39.2-26.1)

Should you pass HB 1211, the North Dakota League of Cities and the North Dakota Association of Counties will work over the interim to quantify the population shifts and what impact these shifts would make on the state aid distribution. Any needed changes in the distribution formula could be made during the 2003 legislative session.

We ask that you recommend a "do pass" on House Bill 1211.