

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2322

2007 SENATE FINANCE AND TAXATION

SB 2322

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2322**

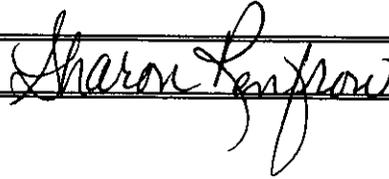
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 12, 2007

Recorder Job Number: # 3378 & # 3381

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee to order and opened the hearing on SB 2322.

Sen. Triplett: co sponsor of the bill appeared in support stating this is basically a one word change from 40% to 60%.

Sen. Cook: are you saying that you would take the extra dollars that you would get and you'd use it all for property tax relief?

Sen. Triplett: I certainly think that we would make every effort to do that because I think the cities and counties do understand the pressure for property tax relief equally as well as legislators.

Odell Flaagen: Nelson County Commissioner appeared in support with written testimony.

(See attached)

Connie Sprynczynatyk: ND League of Cities appeared in support stating she has a chart that she will get to the committee.

Sen. Cook: even if it offered counties and cities by removing the sales tax, even if it offered you much more money than what you're receiving now, you still wouldn't to talk about it?

Connie: certainly, if the State could find a way to replace the money that we have to levy from the property tax, people at the local level would be thrilled because we run for election in very

close proximity to the budget development process. We'd be happy to talk about anything that would get us away from the property tax as long as we recognize that the services still have to be divided and that's our thought challenge.

Sen. Cook: to what degree is it a big city, small city battle over whether or not cities have the right to levy their own sales tax?

Connie: It's really both because in a small city even though the collection from sales tax is so small compared with Fargo where almost 25% of the State sales tax is collected. Sales tax is typically used for infrastructure repairs.

Closed the hearing.

Miles Vosberg: Tax Dept. appeared neutral regarding the effective date. The fiscal note actually reflects 22 months of collections because if it were a sales transaction that occurred in July and there were monthly returns, the return wouldn't be due until the end of August so there is kind of a delayed effect here. This would be easier for us and more accurate if that taxable effects language could be changed to refer to tax remitted to the State. It would talk about when the Tax Dept. receives the money rather than a taxable event which would be the transaction because you always have amended returns, returned products that are credited on the next periods return so you could never split it down to exactly 100%. We would like to see an amendment that changes the taxable event language.

Sen. Oehlke: to make sure I understand the FN, is it a 42 million dollar note or 84 million dollar note?

Miles: 42 million dollar shift over the biennium.

Opened back the hearing for the prime sponsor.

Sen. Krauter: prime sponsor appeared in support with proposed amendments stating SB 2322 is a property tax reform stabilization approach to what's happening in the State of ND.

I've proposed some amendments that basically takes it in a phased up process to 4/10 up to 5/10ths on January 1, 2008 to 6/10th on January 1, 2009. what this does to the fiscal effect is it reduces by not quite 50% because of that ratio that's put in there, so it won't have as much of a fiscal effect to the general fund but it will get us to that commitment that we named in the early 80's and what's happened now in 1997. It will get us back to that.

Closed the hearing.

Discussion:

Miles Vosberg: of the Tax Dept. brought forth an amendment and explained it stating we are just changing the dating therefore it would ignore any amended returns or corrections from previous transactions on later returns and so on.

Sen. Cook: you can write a new FN reflecting 24 months right?

Miles: yes, the way I wrote the amendment would be after June 30th until it's approximately 1.9 million dollars a month so we would add 3.8 million dollars to the fiscal note for a total of 45.765 million dollars. The other option you have is to change the effective date if you wanted to reduce the FN back down again.

Sen. Triplett: asked Mr. Vosberg to look at Sen. Krauters amendment.

Miles: this language would be fine because based on the amendment I've prepared, cash received we're. I don't think this affects the language I've prepared other than of course the timing of it.

Miles: the language I did affects the first 2 months because of the timing, it would actually reduce the FN because I assume 1.9 million for each month and it would less than that because we are starting with a smaller percentage at the beginning. It would be less that 3.8 million.

Sen. Triplett: made a Motion to move both amendments (0101 and Miles amendment),
second by Sen. Anderson.

Voice vote: 7-0-0 Amendments carry

Sen. Triplett: made a Motion for **DO PASS as Amended**, seconded by Sen. Anderson.

Roll call vote: 5-2-0 Carrier: Sen. Triplett.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2322**

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 12, 2007

Recorder Job Number: # 3393

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee back to order for a request for reconsideration on SB 2322.

Sen. Tollefson: I so move seconded by Sen. Oehlke.

Sen. Cook: made a Motion to Reconsider the action we took in which we passed the amendments to 2322, seconded by Sen. Tollefson.

Voice Vote: 6-1-0 Motion carries.

Sen. Cook: made a Motion for **DO NOT PASS** seconded by Sen. Tollefson.

Sen. Cook: I made my motion on the amendments for one reason and one reason only and that's the work load and everything and the time frame to get this bill on the calendar and I will say at the same time that if these amendments, if there is really a desire to have these amendments considered, the easiest way to do it I think would be on the floor. It's going to get the same action. If any of the amendments pass on the floor then we will have a different bill to vote on, on the floor and if that passes it's straight to appropriations and just eliminate a lot of work until we know it's needed.

Sen. Horne: is there something about the amendments that bother you, help us understand the reason for your action?

Sen. Cook: I supported the amendments. The amendments certainly make this fiscal impact to this bill if it should pass a lot less painful. The only reason again that I asked to remove them is simply if the bill does pass the work that has to be done to put these amendments on can be done at that time after we know for sure that they are going to be successful on the floor.

Sen. Anderson: to me, this is a really important bill as far as providing property tax relief.

Sen. Cook: we have a lot of bills out there that directly deal with property tax relief and where we can deal with them and pass them and know exactly to what degree our constituents are going to get property tax relief. We do not know that with 2322, we do not know to what degree this is going to offer relief or to what degree it's going to enable a political subdivision to do something that is on their want list but they haven't been able to do it in the past because they didn't have the money.

Sen. Urlacher: 20% of the overall budget is going back to the political subs and the scale where we have taken over different segments of cost to the local subdivision. That scale has been going up and up and up, so it has been increasing by 4/10ths.

Sen. Cook: the arguments for this bill are simply that if you're going to send more money to political subdivisions and to what degree is that greater to what degree that will a lot to property taxes. In one part of the testimony, they are so careful how they do it but they tie it to a decision made in 1997 as if there was action on the Legislature that actually reduced what they were getting. You can look at the chart and see how untrue that is. That was a very smart legislative decision and House Political Subs were on board there and now they come and say. You look at the chart and see the increase in funding and before it was just up and down, I just feel a little sensitive when there is indications that somehow we reneged or cut them, we didn't cut them.

Roll call vote: 4-3-0 Sen. Cook will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/17/2007

Bill/Resolution No.: SB 2322

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$41,965,000)	\$41,965,000		
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2322 increases by fifty-percent the share of sales and motor vehicle excise tax collections that are transferred to the state aid distribution fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Based on the February 2007 forecast and assuming the change becomes effective beginning with July 2007 sales, tax on which is due August 30, and therefore first impacting revenue distributions on September 1, 2007, the provisions of SB 2322 would reduce state general fund revenues and increase state aid distribution fund revenues by an estimated \$41.965 million in the 2007-09 biennium.

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/10/2007

PROPOSED AMENDMENTS TO SENATE BILL NO. 2322

Page 1, line 9, remove "sixty" and overstrike "percent" and insert immediately thereafter "the state aid distribution fund percentage"

Page 1, line 13, after the period insert "The state aid distribution fund percentage is forty percent through December 31, 2007, fifty percent from January 1, 2008, through December 31, 2008, and sixty percent after December 31, 2008."

Renumber accordingly

February 12, 2007

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Page 1, line 13, after the period insert "The state aid distribution fund percentage is forty percent through December 31, 2007, fifty percent from January 1, 2008, through December 31, 2008, and sixty percent after December 31, 2008."

Page 4, line 1, replace "taxable events occurring" with "tax collections received by the ~~tax~~ Commissioner"

Renumber accordingly

REPORT OF STANDING COMMITTEE (410)
February 12, 2007 3:28 p.m.

Module No: SR-29-2942
Carrier: Cook
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2322: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2322 was placed on the Eleventh order on the calendar.

2007 TESTIMONY

SB 2322

Testimony To The
THE SENATE FINANCE & TAXATION COMMITTEE
Prepared February 12, 2007 by
Odell Flaagen, NDCCA Legislative Committee
Nelson County Commissioner

REGARDING SENATE BILL 2322

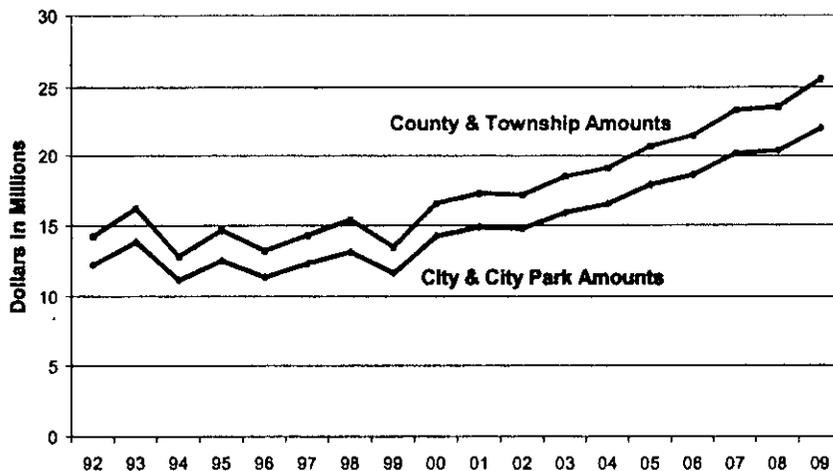
Thank you Chairman Urlacher and committee members for the opportunity to address SB2322. I am Odell Flaagen, a Nelson County Commissioner and member of the County Commissioners Association Legislative Committee. County commissioners are pleased that the Legislature is willing to examine the revenue and costs of county government in their effort to craft a workable property tax relief mechanism.

The State Aid Distribution Fund is one of the cornerstones of the fiscal relationship between the State and local government, and has been a critical interest of county officials since its replacement of the unpopular personal property tax in 1969.

As a number of you are well aware, this Fund has struggled throughout its thirty-year history, and until 1997 was never fully-funded as provided by law. Through the exceptional efforts of some of you here, some past legislative leaders, and many local government officials, a major change was crafted in the 1997 Session.

That change replaced the long-standing 6-tenths of the first penny of sales & use tax as the Fund's revenue source, with 4-tenths. County officials accepted that significant policy change with the promise of a permanent continuing appropriation that allowed the fund to rise and fall with the economy and fortunes of the State.

**State Aid Distribution Fund
Fiscal Year Distributions**



While it was a risk, looking back, it was a risk worth taking. As the chart indicates, since that time this fund has grown at a rate at least equaling inflation. However, the increases in mandated social service costs, criminal prosecution expenditures, jail expansion, etc. have certainly kept pace and in some cases exceeded this growth. Overall, State Aid has hovered between 5 and 6 percent of county revenues since 1997.

We appreciate the important relationship this fund represents, and are supportive of Legislative efforts to make this part of the solution for property tax relief.

STATE AID DISTRIBUTION FUND ANALYSIS - CALENDAR YEAR

COUNTY	CY2006 Distribution Amount	Impact of SB2322	Approx. Mill Value of Impact	
ADAMS	165,423	82,712	11.7	
BARNES	420,911	210,456	6.0	
BENSON	297,239	148,619	11.5	
BILLINGS	118,991	59,496	11.9	
BOTTINEAU	300,413	150,206	5.9	
BOWMAN	182,461	91,231	9.4	
BURKE	141,533	70,767	8.2	
BURLEIGH	1,480,474	740,237	4.3	
CASS	2,367,882	1,183,941	3.3	
CAVALIER	226,031	113,016	5.6	
DICKEY	257,299	128,650	7.9	
DIVIDE	141,262	70,631	7.7	
DUNN	215,713	107,856	8.5	
EDDY	163,560	81,780	13.0	
EMMONS	234,965	117,482	8.6	
FOSTER	190,345	95,173	7.6	
GOLDEN VALLEY	136,874	68,437	12.4	
GRAND FORKS	1,383,167	691,584	4.7	
GRANT	180,684	90,342	11.3	
GRIGGS	161,015	80,507	9.2	
HETTINGER	161,148	80,574	8.7	
KIDDER	164,301	82,150	8.7	
LaMOURE	222,442	111,221	6.3	
LOGAN	161,557	80,779	12.5	
McHENRY	265,250	132,625	6.2	
McINTOSH	207,433	103,717	10.7	
McKENZIE	268,980	134,490	8.1	
McLEAN	404,321	202,160	7.6	
MERCER	424,021	212,011	11.5	
MORTON	732,868	366,434	6.3	
MOUNTRAIL	286,041	143,020	9.5	
NELSON	193,630	96,815	8.8	
OLIVER	160,968	80,484	14.8	
PEMBINA	359,345	179,672	6.0	
PIERCE	239,784	119,892	8.8	
RAMSEY	438,501	219,251	8.6	
RANSOM	260,915	130,457	8.0	
RENVILLE	155,519	77,759	7.8	
RICHLAND	528,693	264,346	5.4	
ROLETTE	506,572	253,286	26.0	
SARGENT	211,290	105,645	7.0	
SHERIDAN	135,742	67,871	10.9	
SIoux	230,107	115,053	56.1	
SLOPE	101,987	50,994	10.0	
STARK	684,680	342,340	8.5	
STEELE	143,371	71,685	6.8	
STUTSMAN	601,663	300,832	5.9	
TOWNER	168,182	84,091	7.4	
TRAILL	374,647	187,324	7.3	
WALSH	440,177	220,089	7.0	
WARD	1,242,771	621,386	5.4	
WELLS	235,985	117,992	6.7	
WILLIAMS	562,868	281,434	7.4	
COUNTY TOTAL	19,941,591	9,970,795	6.1	Avg.
TOWNSHIP	1,888,757	944,378	1.5	Avg.
CITY/CITY PARK	18,822,069	9,411,034	10.7	Avg.
STATEWIDE TOT.	40,652,416	20,326,208		