

2013 SENATE FINANCE AND TAXATION

SCR 4023

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SCR 4023
3/6/2013
Job Number 19519

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A concurrent resolution directing the Legislative Management to study whether political subdivisions can become more efficient and effective to reduce costs to taxpayers.

Minutes:

Vice Chairman Campbell opened the hearing on SCR 4023.

Chairman Cook introduced SCR 4023.

Senator Burckhard - If the world was a perfect place, how soon would you see some of these efficiencies happening?

Chairman Cook - Finding the political will to put in place some efficiency seems to be a difficult thing to do. There are a lot of areas where I think we could do so. It gets to be sensitive but I think the key is to have the discussion. I'm not a big fan of state mandating, things like consolidation. I think local government can do a whole lot of this themselves and they are more apt to do it right in a way that fits their needs. I think what is most important is that we have the discussion so that we make a connection between the taxes that we pay and the services that we get. That seems to be the disconnect. (2:44)

Senator Miller - What do you think the likelihood is of a form of this nature actually occurring?

Chairman Cook - I think the likelihood of it occurring is real good. It needs to occur. The results can be different. I don't know what the results are going to be. There is so much you can do and it's being done all over America you will see counties and cities actually consolidating to one governing body. (4:26)

Vice Chairman Campbell - An issue we have always dealt with on this is the local jobs will be lost. How do you get around that?

Chairman Cook - I've never lost a job, but I've quit my share of jobs always to find another job. What a great time to try to improve the job that you have when unemployment is down where it's at in North Dakota right now. A lot of times people get very comfortable and I know it is difficult when you think of the job you've had for the last 15 years may be

terminated because of consolidation. You might find that the job that you replace it with is a much better job than what you had. That opportunity exists and we have got to go down that road.

Vice Chairman Campbell - Right now it's pretty easy for the state with our excess revenue funds, what happens if those ever stop and then we have to go back. Say we went and had the state take care of a lot of these issues and then you have to go backwards. That's an issue too we have a lot of people ask about. What happens if the taxes go away and we have to go back to the local, how do you revert that?

Chairman Cook - I think that would make it even more important to do the study.

Senator Triplett - We already have a statutory committee which I'm sure you're aware of. Why would it not be appropriate to refer this idea to that group since it already includes people from local government on the committee?

Chairman Cook - I don't think this allows that from happening. (7:02)

Eric Asmundstad, North Dakota Farm Bureau - We would support SCR 4023 for a lot of the things that you talked about. We think it's always time to talk about bringing efficiencies to government and to the things that we do. I would like to just go directly to a question that Vice Chairman Campbell asked about what happens when the tax money dries up. We would suggest that now would be perfect time to start looking at an exit strategy from the state property tax subsidies. We are convinced that some day when the economy of the state backs up and I think we are all old enough here to realize that it's going to, we don't need a bust, we believe that the state is far enough invested into the property tax game that if the economy backs up at all and the state has to come trying to recapture general fund dollars those are going to first come out of property tax relief. That is going to cause our property taxes on the local level, which is local tax, to increase significantly. We don't think that's good for anyone. If there are ways that we can bring efficiency and we aren't saying that local government wastes, or anything along those lines, but as you stated Chairman Cook North Dakotans do love their government and we've got more of it here than any place else in the United States. If there are ways to make it more efficient, ways to allow those local political subdivisions to consolidate on their own, not force it, incentivize the consolidation of services and things along those lines, those are probably all things that can be talked about going forward but we have to start talking about them sooner than later because when it comes later and we aren't ready for it that is when things become very difficult and maybe good decisions aren't always made under the gun.

Senator Burckhard - Could you see a situation where a city and county government could consolidate if it's the right size situation?

Eric Asmundstad - I would certainly hope they could. There are many areas. I look at my home town of Devils Lake. We had our local rural water and our local city water having to do massive rebuilds all at the same time. We have 2 water treatment plants for goodness sakes because they couldn't come to an agreement on whose name they were going to put on it. There is no reason for those kinds of things to happen. Now we are saying they

wasted money, I think in that case they did. That is one case in North Dakota, and there are many others. We've got to start looking at ways to not let things like that happen. (11:13)

Terry Traynor, North Dakota Association of Counties - We always support the idea of looking at things getting some fresh eyes on there. I do want to point out that some of what was being talked about is being done. Case and point, Adams County and the city of Hettinger, they are essentially operating as one government. The county Auditor is the city Auditor. The county road department is the city street department. The county Sherriff is the city Chief of Police. It is one operating government. They do have 2 separate boards they haven't consolidated the boards, they have different needs and different political demands so they still have separate boards but they have one operating structure. That is one example. (12:19)

Chairman Cook - Is there any incentives that could be offered out there you think to encourage or increase the desire to get over the political hump of finding consolidation?

Terry Traynor - A particular example a number of years ago legislation was put in place to allow for the consolidation of county social services into multi county units. When that was put in place there was an incentive to encourage that. The state, through the Department of Human Services offered additional reimbursement if they would go through that, but at the time that was written they were very specific on what the representation of the different counties would be on the governing board for this multi county unit and none of the counties that were considering it could get over that political hump because it was too restrictive. A number of years ago that law was changed and granted greater flexibility unfortunately the incentive was taken away but with the greater flexibility we now have 2 fully operational multi county units that are actually consolidated. The boards are gone into one large board and it has worked. Incentives I think can help, they have to be tied real well with enabling legislation to make it happen.

Chairman Cook closed the hearing on SCR 4023.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SCR 4023
3/11/2013
Job Number 19720

Conference Committee

Committee Clerk Signature

Angela Rittsinger

Explanation or reason for introduction of bill/resolution:

A concurrent resolution directing the Legislative Management to study whether political subdivisions can become more efficient and effective to reduce costs to taxpayers.

Minutes:

Chairman Cook opened discussion on SCR 4030.

Senator Miller - I'll move a Do Pass.

Seconded by **Vice Chairman Campbell**.

Verbal Vote 6-0-1

Carried by **Senator Miller**.

Date: 3-11-13
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 4023

Senate Finance & Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Senator Miller Seconded By Senator Campbell

Senators	Yes	No	Senator	Yes	No
Chairman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Tom Campbell			Senator Connie Triplett		
Senator Joe Miller					
Senator Dave Oehlke					
Senator Randy Burckhard					

Total (Yes) 6 No 0

Absent 1 (Senator Triplett)

Floor Assignment Senator Miller

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

Verbal vote

REPORT OF STANDING COMMITTEE

SCR 4023: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SCR 4023 was placed on the Eleventh order on the calendar.

2013 HOUSE POLITICAL SUBDIVISIONS

SCR 4023

2013 HOUSE STANDING COMMITTEE MINUTES

House Political Subdivisions Committee Prairie Room, State Capitol

SCR 4023
March 21, 2013
Job # 20297

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A concurrent resolution directing the Legislative Management to study whether political subdivisions can become more efficient and effective to reduce costs to taxpayers.

Minutes:

Attachment #1,

Chairman N. Johnson opened the hearing on SCR 4023.

Senator Cook: Introduced the bill. Governing magazine shown by him. (Attachment #1) North Dakota has more government per capita than any other state in the nation. The people of North Dakota have had a strong appetite for local government but they don't want to pay the bill. Property taxes pay for local government. I think we should check on ways to deliver services for less money. I think there are decisions that need to be made at the local level. I don't think the state should mandate things, but I was on a task force was to see if four 911 centers might combine into one. We met for over a year and came together with an agreement that would combine those four PSAPs into one. We came together with an agreement to combine these four PSAPs into one much more efficient PSAP and it was going to be located in Mandan. I went to the Burleigh County Commission; they passed it unanimously; I went to the city of Bismarck commission and they passed it unanimously 5-0; Morton County passed it 3-2. Then I went to the City of Mandan and they defeated it 2-3. I don't know why. Local government is not just school districts, counties and townships. It is PSAPs, Housing authorities etc. We have got so much local government out there. I think the bill is a good study resolution and we need to have this conversation.

Rep. Kretschmar: Rep. Carlson has encouraged putting a word in there to consider studying so it is a mandate on Legislative Management? Would you want to leave it this way or put in consider study?

Senator Cook. Is that necessary when it is a resolution?

Chairman N. Johnson: If it is in a resolution it is considered shall consider studying. If it is in a bill and says shall study that is a requirement.

Rep. J. Kelsh: Is the intention of this study to reduce the amount of government entities across the state?

Senator Cook: I think the real benefit of the study is through the study local government themselves might realize how they might consolidate certain services and save money?

Rep. J. Kelsh: How do we get six times the government units as Minnesota and Montana? What do we have that they don't have?

Senator Cook: Ask me that question after a good study and I will answer it?

Rep. Klemin: Have you as part of the background on this did you look at what maybe has been studies in the past along this same issue?

Senator Cook: No I don't recall one in my time here?

Rep. Klemin: I think I saw a bill that proposed to take all 53 counties and put them all together in 12 administrative units of some sort to consolidate a number of these county positions so you wouldn't have necessarily a county position in every county. They would be handled by an administrative unit. That was probably 20 years ago.

Senator Cook: I remember that bill well. I was living in West Fargo then. The first thing we need to do is get all the parties together and have a good discussion. Consolidating county government with city government is important. We should look at all of this.

Rep. Hatlestad: In our area we did see a combination of positions between county and city, but when population exploded now we have seen a separation again. I don't disagree with you, but I think there is a lot of turf protection there.

Rep. Koppelman: That is probably all level of government that is guilty. Should it be a broader study than that? Should it include all levels of government in our state?

Senator Cook: I would not be against either one. We might want to put another study on this and cover both. They both have value.

Rep. Kathy Hogan: Is your intent to study schools as well?

Senator Cook: This says all government agencies. I have been on this for some time.

Rep. Ben Hanson: Are those paid positions?

Senator Cook: It is the amount of government per capita. In North Dakota I think we pay just about all of them.

Rep. Ben Hanson: Just to study the bureaucracy and convolution versus the cost then.

Chairman N. Johnson: For all those political subdivisions there expenses paid for travel and other costs involved too.

Senator Cook: We have 167 school districts X 7 school board members and how many go to the national school boards convention? It is expensive.

Chairman N. Johnson: Is it possible to get a copy to get this chart that you showed us. It was copied.

Opposition: None

Neutral: None

Hearing closed.

Do Pass Motion Made by Rep. A. Maragos; Seconded by Rep. Koppelman:

Discussion:

Rep. Ben Hanson: Did the committee feel they should add language about making it by state or leave it out?

Rep. Koppelman: I am amenable to that amendment but not consistent.

Rep. J. Kelsh: Would this include the trade organization folks like the stockmen?

Chairman N. Johnson: They would not be considered a political subdivision.

Vote: 15 Yes 0 No 0 Absent Carrier: Rep. Koppelman:

Closed.

Date: 3-21-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 4033

House Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment

Rerefer to Appropriations Reconsider

Motion Made By Rep. Maragos Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Chairman Nancy Johnson	✓		Rep. Ben Hanson	✓	
Vice Chairman Patrick Hatlestad	✓		Rep. Kathy Hogan	✓	
Rep. Thomas Beadle	✓		Rep. Jerry Kelsh	✓	
Rep. Matthew Klein	✓		Rep. Naomi Muscha	✓	
Rep. Lawrence Klemin	✓				
Rep. Kim Koppelman	✓				
Rep. William Kretschmar	✓				
Rep. Alex Looyesen	✓				
Rep. Andrew Maragos	✓				
Rep. Lisa Meier	✓				
Rep. Nathan Toman	✓				

Total (Yes) 15 No 0

Absent 0

Floor Assignment Rep. Koppelman

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

Consent Calendar

REPORT OF STANDING COMMITTEE

SCR 4023: Political Subdivisions Committee (Rep. N. Johnson, Chairman)
recommends **DO PASS** and **BE PLACED ON THE CONSENT CALENDAR**
(15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SCR 4023 was placed on the
Tenth order on the calendar.

2013 TESTIMONY

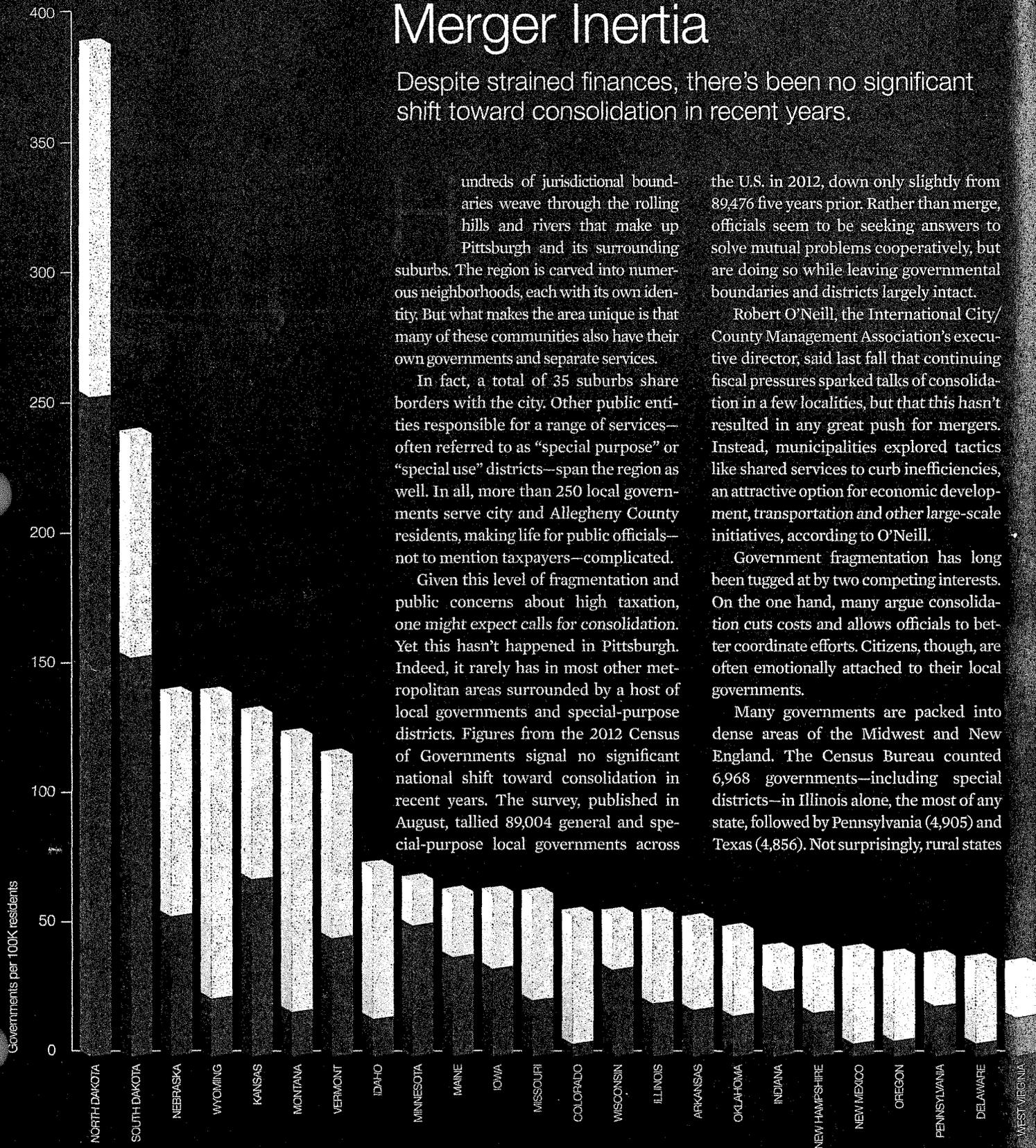
SCR 4023

Problem Solver

7/1

Merger Inertia

Despite strained finances, there's been no significant shift toward consolidation in recent years.



hundreds of jurisdictional boundaries weave through the rolling hills and rivers that make up Pittsburgh and its surrounding suburbs. The region is carved into numerous neighborhoods, each with its own identity. But what makes the area unique is that many of these communities also have their own governments and separate services.

In fact, a total of 35 suburbs share borders with the city. Other public entities responsible for a range of services—often referred to as “special purpose” or “special use” districts—span the region as well. In all, more than 250 local governments serve city and Allegheny County residents, making life for public officials—not to mention taxpayers—complicated.

Given this level of fragmentation and public concerns about high taxation, one might expect calls for consolidation. Yet this hasn't happened in Pittsburgh. Indeed, it rarely has in most other metropolitan areas surrounded by a host of local governments and special-purpose districts. Figures from the 2012 Census of Governments signal no significant national shift toward consolidation in recent years. The survey, published in August, tallied 89,004 general and special-purpose local governments across

the U.S. in 2012, down only slightly from 89,476 five years prior. Rather than merge, officials seem to be seeking answers to solve mutual problems cooperatively, but are doing so while leaving governmental boundaries and districts largely intact.

Robert O'Neill, the International City/County Management Association's executive director, said last fall that continuing fiscal pressures sparked talks of consolidation in a few localities, but that this hasn't resulted in any great push for mergers. Instead, municipalities explored tactics like shared services to curb inefficiencies, an attractive option for economic development, transportation and other large-scale initiatives, according to O'Neill.

Government fragmentation has long been tugged at by two competing interests. On the one hand, many argue consolidation cuts costs and allows officials to better coordinate efforts. Citizens, though, are often emotionally attached to their local governments.

Many governments are packed into dense areas of the Midwest and New England. The Census Bureau counted 6,968 governments—including special districts—in Illinois alone, the most of any state, followed by Pennsylvania (4,905) and Texas (4,856). Not surprisingly, rural states

By Mike Maciag

harbor the most units of government per capita, with North Dakota, South Dakota and Nebraska recording the highest number of governments relative to population.

Voters, along with some states' rules and regulations, often impede consolidation. For most general-purpose government consolidations, residents of all affected communities must approve public referenda before a consolidation can proceed. In New York, only two of 18 votes for consolidation of towns and villages have passed since the state's government reorganization law was updated in March 2010.

But are all these distinct units of local government necessary? Myron Orfield, who leads the Institute on Metropolitan Opportunity at the University of Minnesota Law School, doesn't think so. Divided regions often experience disparity in quality of services. One of the most prominent examples is the long-running state-battles over education that pit cash-strapped school districts against their more affluent neighbors. Similarly, government fragmentation contributes to racial segregation in urban areas, Orfield says.

Another consequence of fragmented government is that competition among municipalities potentially hinders land use and economic development. "You have a lot of warfare between units of government to move shopping centers," Orfield says. "They spend a lot of time fighting with each other." By comparison, consolidated governments, such as the city-county systems of Indianapolis and Lexington, Ky., create more effective incentive packages to lure employers.

This doesn't mean fragmented regions can't successfully pursue ambitious projects, especially with involvement from nonprofits and the business community. It's this type of alliance that has contributed to Pittsburgh's revival, says David Miller, director of the Center for Metropolitan Studies at the University of Pittsburgh. "In a way, being so decentralized creates access into the civic community in ways that are remarkable," he says.

Miller says centralized metropolitan regions with fewer local governments typically perform best economically, as long as the state affords them a broad range of powers. He assesses fragmentation using a "metropolitan power diffusion index" he developed, which factors both the number of governments and distribution of expenditures. By this measure, the Chicago-Joliet-Naperville, Ill., metro area is the nation's most fragmented, with Pittsburgh close behind.

If there's one state that's a poster child for fragmented government, it is Illinois. The state's nearly 7,000 total local governments far exceed any other state. The bulk of these—more than 4,000—are special-purpose units, dating back to a previous version of the state's constitution that moved municipalities to create new governments to get around state-mandated debt requirements.

Today, Illinois still maintains a long roster of special districts. One law mandates coverage by a fire protection district for properties not served by municipal fire departments. Local boards oversee more than 20 streetlight districts. In some

areas, elementary schools in multiple districts feed into a single high school.

But like Pittsburgh, the state has yet to experience significant consolidation. The state Legislature has explored the possibility of reducing special districts, forming a 17-member Local Government Consolidation Commission in 2011. However, consolidation is far more difficult to actually carry out, says Larry Frang, executive director of the Illinois Municipal League. Some cities, for example, lack the capacity to provide adequate protection for outlying areas if fire districts are eliminated.

Historical boundaries further explain why some areas have so many governments. In North Dakota, more than 1,300 sparsely populated civil townships stretch across the state, many of which are occupied by only a few families who've farmed the same land for generations.

Some state lawmakers have brought up the issue of consolidating townships, but the idea failed to gain traction. Part of the opposition stems from the state's culture. Larry Syverson, president of the North Dakota Township Officers Association, says many residents cling to their local control, resisting interference from outsiders.

"We're just used to the idea that somebody has got to be taking care of these things," he says, "so it's either we have to roll up our sleeves and do it or the next guy has to."

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Which States Have the Most Governments Per Capita?

