

House Finance and Taxation
Chairman – Representative Craig Headland
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Testimony

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HB 1200

Thank you for the opportunity to testify regarding HB 1200 on behalf of the City of Minot. We would like the record to show that the City of Minot is opposed to the changes proposed in this bill.

Minot, like many other communities throughout the State of North Dakota, experienced a significant decrease in many revenue streams this past year that support various operational costs and projects. State Operating revenues received by the City decreased \$2.22 million (27.3% decrease from the prior year), State Capital revenues decreased approximately \$935,000 (34.7% decrease from the prior year), Sales Tax revenues decreased \$3 million (15% decrease from the prior year), and HUB City revenues decreased \$2.28 million (36.3% decrease from the prior year). These decreases represent the financial impacts of the COVID pandemic, the changes in the oil market, and other economic pressures.

In addition to the significant decline in revenues, Minot continues to experience the need to fund rising operational costs and infrastructure investments. The City has had to prioritize needs such as the maintenance and replacement of current aging infrastructure, installation of new infrastructure to address growth and capacity needs, investment into wages and benefits to decrease employee turnover due to market competitiveness, and recovery and prevention efforts from the 2011 Flood. Minot is not alone in experiencing declining revenues simultaneous with increasing demand and cost for local government services and infrastructure investment.

Given the previously stated background, the City of Minot would respectfully request this committee to consider the following impacts this proposed bill represents to local jurisdictions:

1. This bill in essence freezes property tax revenues. While there is a 2% growth factor included, over time this will fall grossly behind inflation and market value growth resulting in a revenue decrease over time.
2. The requirement of voter approval for additional funds, while good in theory for transparency purposes, will result in significant reductions in local government services. As revenues continue to decline and expenses for service delivery/infrastructure increase, taxing jurisdictions will have no choice but to reduce or eliminate critical services in the future. This is a pattern observed in other states that have enacted similar state laws.
3. The limitation of voter approved tax increases being limited to one-year increments is cumbersome and ineffective. Seeking voter approval every year increases local election costs resulting in tax dollars not being available for other services and priorities. In addition, this condition creates an unstable environment for taxing jurisdictions to enter sustainable partnerships to meet local needs.

4. Ultimately, this bill erodes local control and erodes the sustainability of local governments.

Local governments exist to provide core protections and services to their constituencies such as public safety, utilities, quality roads, a rich quality of life, and protection of rights. HB 1200 undermines the sustainability of cities to continue to meet these needs for the foreseeable future. As such Minot respectfully requests this bill receive a “do not pass” recommendation from this committee.