

REPORT
of the
North Dakota
Legislative Research Committee

**Pursuant to Chapter 54-35 of the 1949 Supplement
to the North Dakota Revised Code of 1943**



**Thirty-third Legislative Assembly
1953**



BUY "DAKOTA MAID" FLOUR

**MEMBERS OF THE NORTH DAKOTA LEGISLATIVE
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State Senator
LaMoure, North Dakota

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LETTER OF TRANSMITTAL

Honorable C. Norman Brunsdale
Governor of North Dakota

Members, Thirty-third Legislative Assembly
of North Dakota

Pursuant to law we have the honor to transmit to you the report and recommendations of the Legislative Research Committee to the Thirty-third Legislative Assembly.

This report includes the report and recommendations of the Legislative Research Committee upon highways, oil and gas, farmers' retirement, institutions of higher learning, assessments, revenue bond financing, and other miscellaneous subjects considered by the Committee as well as legislative requests of the various state departments and agencies.

Respectfully submitted,

North Dakota Legislative Research Committee
By: Roy A. Holand, Chairman

HISTORY OF THE COMMITTEE

The North Dakota Legislative Research Committee was established by act of the 1945 Legislative Assembly with amendments to this law passed in the 1947 Assembly.

The legislative research committee movement began in the state of Kansas in 1933 and has now grown until twenty-six states have established such interim committees with further states considering this matter at their 1953 legislative assemblies.

These committees were established because of the growth of modern government and the increasingly complex problems with which legislatures must deal. Whether one agrees with the trend of modern government in assuming additional functions or not, it is nevertheless a fact which legislators must face. There is a growing tendency among legislators of all states to want facts and full information on important matters before making significant decisions or spending the taxpayers' money.

Compared with the problems facing present legislatures, those of but one or two decades ago seem less difficult by comparison. The sums of money they were called upon to appropriate were much smaller. The range of subjects considered was not so broad or as complex. In contrast to other departments of government, the legislature approached its deliberations in the past without records, studies or investigations of its own. Some of the information that it has had to rely on in the past has been inadequate and occasionally it has been slanted because of interest. To assist in meeting its problems and to expedite the work of the session, the legislatures of the various states have established legislative research committees.

The work and stature of the North Dakota Legislative Research Committee has grown year upon year since it was established in 1945. Among the major projects undertaken since that time have been revision of the House and Senate rules, soldiers' bonus financing and study of the feasibility of a state-operated automobile insurance plan. During the past interim, the Committee gave attention to more subjects than ever before. It has conducted a comprehensive and full-scale study of highway engineering and finance problems, a study of oil and gas regulation and taxation, and studies upon farmers' retirement, higher education, tax assessment, and revenue producing buildings. In addition, many subjects of lesser importance were considered.

FUNCTIONS OF THE COMMITTEE

In addition to making detailed studies which are requested by resolution from the Legislature, the Legislative Research Committee considers problems of state-wide importance that arise between sessions and, if feasible, develops legislation for introduction into the next session of the Legislature to meet these problems. The Committee also provides a continuing research service to legislators, since the services of the Committee staff are open to any individual senator or representative who desires specialized information upon problems that might arise or ideas that may come to his mind between sessions.

During the interim, the Committee also offers a continuing service to the departments and agencies of the state, which are the source of a large portion of the bills introduced at any session. Department bills may be prepared in proper form, properly correlated with existing laws and printed ready for introduction when the Legislature convenes so that they may get prompt consideration by committees of the Legislature. By having bills printed and ready for introduction, it is possible for the Legislature and its committees to immediately go to work, rather than delaying several weeks for the study, drafting, printing and introduction of bills. The experience of the Committee shows that a considerable percentage of bills that departments consider for introduction are voluntarily withdrawn for various reasons after the Director or the Committee calls attention to possible consequences and duplications. Thus many proposals do not ripen into legislation that undoubtedly would materialize without such a processing service. Such bills would further clutter up the crowded calendar of the Legislature.

The Committee has not, however, refused to introduce any department bill. The bills are freely discussed and advice given, but the Committee has proceeded upon the theory that bills marked as introduced by the Committee at the request of a department are the responsibility of the department offering the bill, except that the Committee undertakes to process the bill and see that it is properly drawn according to the uniform rules adopted.

RESEARCH AND INVESTIGATIONS

The manner in which the Committee carries on its research and investigations varies with the subject upon which the committee is working. In all studies of major importance, the Committee has appointed a sub-committee from its own membership upon whom falls the primary duty of preparing and supervising the study. These studies in most instances are carried on by the sub-committee with the assistance of the regular staff of the Legislative Research Committee. On some projects the entire Committee has participated in the study and findings.

During the past interim, on such a major and technical study as highway engineering and highway finance, the Committee by contract obtained the services of the Automotive Safety Foundation to carry on the engineering study and Dr. James C. Nelson, Highway Economist, to carry on the financial study. These people are the top personnel in their respective fields nationally, and by using such a method the Committee felt they had obtained the best study of highways prepared by any state.

In other instances, such as the study of assessments and farmers' retirement, the Committee relied upon the appointed sub-committee to make the study and prepare the report. In this case, the staff of the Legislative Research Committee was supplemented by the personnel from the University and the Agricultural College, and by personnel of the tax department.

Matters of lesser importance are usually considered by the entire Committee with a reliance upon the Research Director to obtain any background

material necessary. At times, special sub-committees have been appointed to work solely upon a limited project or confer with other state officials.

RULES OF OPERATION OF COMMITTEE

1. In addition to making studies and preparing legislation when directed by resolution of the Legislature, the Committee upon its own volition may take action upon any problem of state-wide importance, carrying on such research as necessary and making such recommendations to the Legislature as may seem feasible. Because of the small staff of the Committee and the pressure of time upon individual members, the Committee has not been able to process all requests from individual citizens for legislation, but the right has been given for anyone to appear before the Committee upon any subject and, if the Committee feels his problem is one of state-wide importance, it may of its own motion adopt it as a Committee project. The services of the staff are open to any legislator for any type of research he may wish carried on, as well as for drafting such proposals as he may desire. The Committee hears proposals from any state department that might desire the Committee to process and introduce its legislation. Any member of the Legislature is entitled and invited to attend any meeting of the Legislative Research Committee on any subject whatsoever.

2. When a bill is introduced by the Committee marked "At the Request of . . . Department", the Committee expresses no opinion with respect to it. The responsibility of introduction and sponsorship is that of the department named. However, the Committee in such case does represent:

- a. That the bill is in proper form;
- b. That it has removed any known "jokers"; and
- c. That it has consulted with the sponsor on the substance of the bill.

3. All bills marked "Introduced by the Legislative Research Committee" have been approved both as to form and substance by the majority of the Legislative Research Committee and are recommended to the Legislature for passage.

REGIONAL MEETINGS AND INTERSTATE COOPERATION

During the last two years, nearly all of the Committee meetings were held in Bismarck. The Legislative Research Committee held one meeting out of Bismarck during the past interim, which was a meeting held in connection with the Oil and Gas Institute at Fargo. In addition, the sub-committee on oil and gas held a meeting and public hearing in the city of Williston in order to provide an opportunity for people living in the area of North Dakota's oil production to express their views on oil and gas regulation, taxation, and related matters.

The Legislative Research Committee had members in attendance at the twelve-state regional conference held under the sponsorship of the Council of State Governments at Duluth, Minnesota, in July, 1951. The Committee acted as host to a meeting of the Four-State Conference, consisting of

representatives of the legislative research committees of the states of Minnesota, Wisconsin, South Dakota, and North Dakota during October, 1951. These conferences are designed to promote better legislation on the state level, and it has been found that many of the problems in the member states are common problems to other states and that often similar solutions are possible. North Dakota had two members upon a four-state highway interim committee which was established at the Four-State Conference for the purpose of working on uniformity of motor vehicle laws and truck regulation, as well as attempting to provide more uniform taxation of interstate carriers to make our reciprocity laws more equitable and workable. Members of the Committee were invited to participate in other regional and national conferences concerned with legislative problems. However, because of the problems of travel and time, North Dakota did not have representation at most of these meetings.

MAJOR STUDY REPORTS

Report on Tax Assessment

Introduction

House Resolution 6 directed the Legislative Research Committee to "undertake a study of property assessment for purposes of taxation, and to consider in such study the systems presently in effect in jurisdictions similar to North Dakota and such other methods of property valuation as the Committee may determine to be practical, equitable, and scientific". The results of such study were to be submitted to the Thirty-third Legislative Assembly together with the Committee's concrete recommendations for advisable changes in the laws of this state.

Pursuant to this resolution, the Legislative Research Committee appointed a subcommittee on assessments consisting of Representative C. H. Hofstrand, chairman, Senator Edward Leno, and Representative Louis Leet, to bear the primary responsibility for the conduct of the study. The Committee requested and secured the services of Dr. B. H. Kristjanson, Associate Agricultural Economist at the Agricultural College, Dr. Enoch Norum, also of the Agricultural College, and Mr. Kenneth M. Jakes, Attorney for the State Tax Commissioner's office, to assist the Committee in its study. In addition, Dean H. L. Walster of the Agricultural College and the late Tax Commissioner, John Gray, assisted and cooperated with the Committee in many ways.

The Committee visited and conferred with officials of the Province of Saskatchewan, the state of Iowa, and the state of Minnesota for the purpose of studying their tax assessment systems. In addition, Dr. B. H. Kristjanson, Dr. Enoch Norum, and Kenneth M. Jakes, as representatives of the Committee, attended a land valuation conference at Fort Collins, Colorado. The proceedings of this conference, dealing with assessment problems in studies made in several of the Great Plains states, have been published in a single volume and are available to members of the Legislature for their study.

All materials gathered by the Committee upon which this report is compiled, are filed and are available in the office of the State Tax Commissioner.

The Committee did not attempt to make a complete and exhaustive study of all laws and procedures pertaining to the assessment of property in North Dakota. In the limited time the Committee members had available, they directed their main efforts toward a study of various land classification programs for assessment purposes and towards a study of county assessor laws in various states. Specific recommendations for present action and for further study in connection therewith are detailed at the end of this report. In addition, certain other aspects of the present assessment procedure in North Dakota were considered, and specific recommendations for change or for further study in connection therewith are also set out at the end of this report.

Report on Saskatchewan Plan

Dr. C. H. Hofstrand, Chairman of the sub-committee, Dr. B. H. Kristjanson of the North Dakota Agricultural College Department of Agricultural Economics, Mr. John Gray, North Dakota Tax Commissioner, and Kenneth M. Jakes from the Tax Commissioner's Office met with Mr. Freeman, the Director of Assessments for the Province of Saskatchewan, at Regina on October 16, 1951, to discuss with him the land classification program of that Province. The following is a factual report of the development and operation of that program.

Briefly, the organization of the government of the Province of Saskatchewan is as follows. A member of the Legislative Assembly is elected Premier by the people; he forms a cabinet consisting of several executive departments, normally ten, each headed by a Minister appointed by the Premier; the Minister is also an elected member of the Legislative Assembly. One of these departments is the Department of Municipal Affairs headed by the Minister of Municipal Affairs. A division of this department with which this report is concerned is the Director of Assessments, who has complete supervision over the assessments of rural lands and urban real properties.

The land classification law is administered by the Director of Assessments. Working under him and directly responsible to him are two supervisors, one for rural lands and one for urban real properties. The office force and field force comprise the rest of the staff. The field force at full strength consists of twenty-four "property evaluators" who work on rural land assessments during the summer months and on urban real properties during the winter months, performing duties commonly associated with the position of assessor. Academic qualifications of these property evaluators were not as high during the beginnings of the classification program as they are now. At present they must be University graduates in agriculture with a degree of Bachelor of Science in Agriculture and must pass a written examination given by the Director of Assessments after having completed a three months training course under his supervision and at their own expense. The property evaluator must work a probationary period of six months before he can be assigned a civil service rating by the Director of Assessments entitling him to continue as a member of the force. He must spend at least

one year in the field with an experienced field man, and he is not considered fully trained and capable as a property evaluator until he has worked for three years. His University training includes a basic knowledge of soils (not necessarily a soils major), fundamental agricultural economics to an extent which will enable him to understand the objectives of the economist, and in the future will include architectural instruction to aid him in appraising urban buildings. He starts with a salary of \$207.00 per month plus expenses and receives yearly increases until a maximum of \$267.00 per month is received.

The present system of classification of land in Saskatchewan for assessment purposes was undertaken in 1939 and extended over a ten year period. The first step was a reconnaissance survey made by the University of Saskatchewan Soils Survey Branch (University expenditures are paid for by the Province). The federal government also benefitted from this survey because of its conservation program through its Prairie Farms Rehabilitation Administration, and so it shared about three fourths of the cost of this survey.

This reconnaissance survey was made on the basis of a unit four miles square, and it set out the general characteristics of the soil, topography of the land, etc. After this survey was made, the Director of Assessments in the Department of Municipal Affairs supervised what is called a detailed reconnaissance survey. This survey was made on the basis of a unit of forty acres, and an analysis of the soil in each unit was made by the taking of samples. In some ranch land areas the unit of four miles square was considered adequate, and the detailed reconnaissance survey was not made.

After the detailed reconnaissance survey was completed, each classification of land was then reduced to a base index number. Then a "practical land classification" was made which took into account various other factors affecting the ability of the land to pay the tax. These factors included records of crop yields for twenty years, climatic conditions, distance from markets, price differentials in gasoline and machinery in different parts of the province, etc. These factors were then correlated and reduced to a basic index figure. The practical land classification was then superimposed on the land classification, and the result was then expressed in terms of a plus or minus quantity to or from the land classification index figure. This final index figure then represents a denite value assigned to a type of soil in a particular part of the province and is the basis for putting a denite value on a unit of land for assessment purposes. The best potential use of the land is the basis for the classification rather than its present use; for example, land which is best suited for grazing is classified and taxed as such even though it is actually under cultivation. No farm improvements or farm equipment is taxed on an ad valorem basis.

The detailed classification of all habitable lands in the province required about ten years to complete with an average staff of twenty employees, and it cost about three-quarters of a million dollars. However, the work was delayed considerably by the war and under normal circumstances could probably have been done in five years. The annual cost of administering the assessment law is about \$137,000.00, approximately \$85,000.00 of which is the annual cost of maintaining the field force.

As already stated, the administration of the land classification program and assessments of land is centralized in the Director of Assessments. His office has a complete record and description of all units of property taxed, and it prepares and keeps on file the assessment rolls. Land characteristics are reduced to symbols which are used on the maps with the result that a whole sheet of single spaced information is represented on a map by symbols. Each year the office of the Director of Assessments sends a "return of assessments" to the secretary-treasurer of each municipality. A municipality is made up of six divisions, and each division includes about one and one-half townships. Each division elects a councilman and the six councilmen comprise the municipal council, which appoints the secretary-treasurer of the municipality. Each year the secretary-treasurer must fill out and send back to the Director of Assessments the return of assessments showing therein the changes in ownership, assessments, etc. All such changes must be confirmed by the Director of Assessments before there can be an effective assessment. The Director of Assessments may order a reassessment of property either upon the request of a taxpayer or upon his own initiative. The reassessment is made upon the basis of the appraisal of a property evaluator assigned to re-examine the land assessment.

The taxpayer's remedies begin with an appeal to the municipal council which sits as a court of revisions. If he is dissatisfied with that body's decision, he may then appeal to the Assessment Commission, a provincial body of three members. The Commission's decision is final on questions of value or other questions of fact, but if a question of law is involved the taxpayer may appeal its decision to the courts.

The assessed value of land ranges from as low as \$10.00 per 160 acres in some areas to a high of \$32.00 per acre (\$5100.00 per 160 acres) in the Regina area. The average assessed value per acre over the entire province is \$11.56.

The following is the report of Dr. B. H. Kristjanson, Associate Agricultural Economist at the North Dakota Agricultural College, who assisted the Committee in its study of the Saskatchewan assessment system.

"In the late 30's the government of Saskatchewan recognized two facts about its tax situation: (1) Land was assessed in such a way that there was no guarantee of fair assessments. There was ample evidence that the land of poor qualities was over-assessed relative to the better lands. (2) Tax delinquency was directly related to this overvaluation of the poorer lands.

"Mr. Freeman, the present Director of Assessments for Saskatchewan, presented the government with these facts and suggested that they appropriate a sizeable sum of money for a scientific classification of farm lands. He obtained his appropriation with the full knowledge of the government that the resulting assessment might be somewhat lower than the one currently in existence. Having obtained approval for the project Mr. Freeman, in cooperation with the Soils Department and the Department of Farm Management at the University of Saskatchewan, set about training the personnel necessary to do this work. It took ten years to do it, although he thinks

that if they had not been interrupted by the war the work could have been done in five years.

"It is important to remember that Saskatchewan had a modern reconnaissance soil survey. The Province had been traversed at four mile intervals. Freeman's staff therefore, had to provide the additional detail within this general survey. The general survey was accurate but lacking in the detail necessary for assessment purposes. Freeman needed to know the nature of the soils on each forty acre tract.

"In North Dakota we do not have such a modern reconnaissance soil survey for the state. Counties here and there have been covered from time to time. Morton, McKenzie, Billings and Renville counties are the only ones at the present time that have a modern detailed survey. The detail for these four counties however, is sufficient for an assessment project. On the other hand, we have the advantage that the Soil Conservation Service has done a great deal of work here and there throughout the state. This work has been done on modern standards. It does not however, meet the requirements of a land classification entirely since the focus for the Soil Conservation Service classification is one of cultural practices. In other words they classify their land to be able to point out to the individual farmer what cultivation practices he should follow in order to maintain his soil.

"We have two additional advantages over the Saskatchewan set-up. First, our aerial photographs are fairly complete and second, many of the land use planning committees did a great deal of gathering of fundamental data. I am aware of the fact that the work done by these land use planning committees varies considerably but I am confident that we can draw on that work to some extent.

"I think that the most significant proposition made by Mr. Freeman was that we should not embark on our program unless we are reasonably sure of full central control and that we can get the funds to make a good soil classification accompanied by full and detailed economic information. A modern soil classification after all is the most significant physical characterization of land in existence. Its significance lies in the fact that it is both detailed and permanent. On the other hand, a soil survey no matter how detailed and well executed does not provide an economic classification of land and this is what is needed for assessment purposes. Any soil type is conditioned locally by production hazards such as hail or drought, poor drainage, location with respect to market, and the type of farming which is practiced. These factors must all be evaluated after the basic soil classification has been provided. It is here that we introduce such information as yield histories and farm management surveys.

"Because a scientific attack on the problem is undoubtedly going to be costly you will be faced with the argument that we should simply use long term sales records to arrive at the average value. Proponents of this argument will point to the fact that the law states that land should be valued at what a willing buyer and a willing seller would take. Such a proposal must be discarded at once for several reasons. Land is not a commodity

Source: E. H. Tyner, and H. A. Steele, The Reliability of Past Rural Assessments in Morton County, North Dakota, Measured by Soil Productivity Ratings, Proceedings of Soil Science Society of America, Vol. 2, 1937.

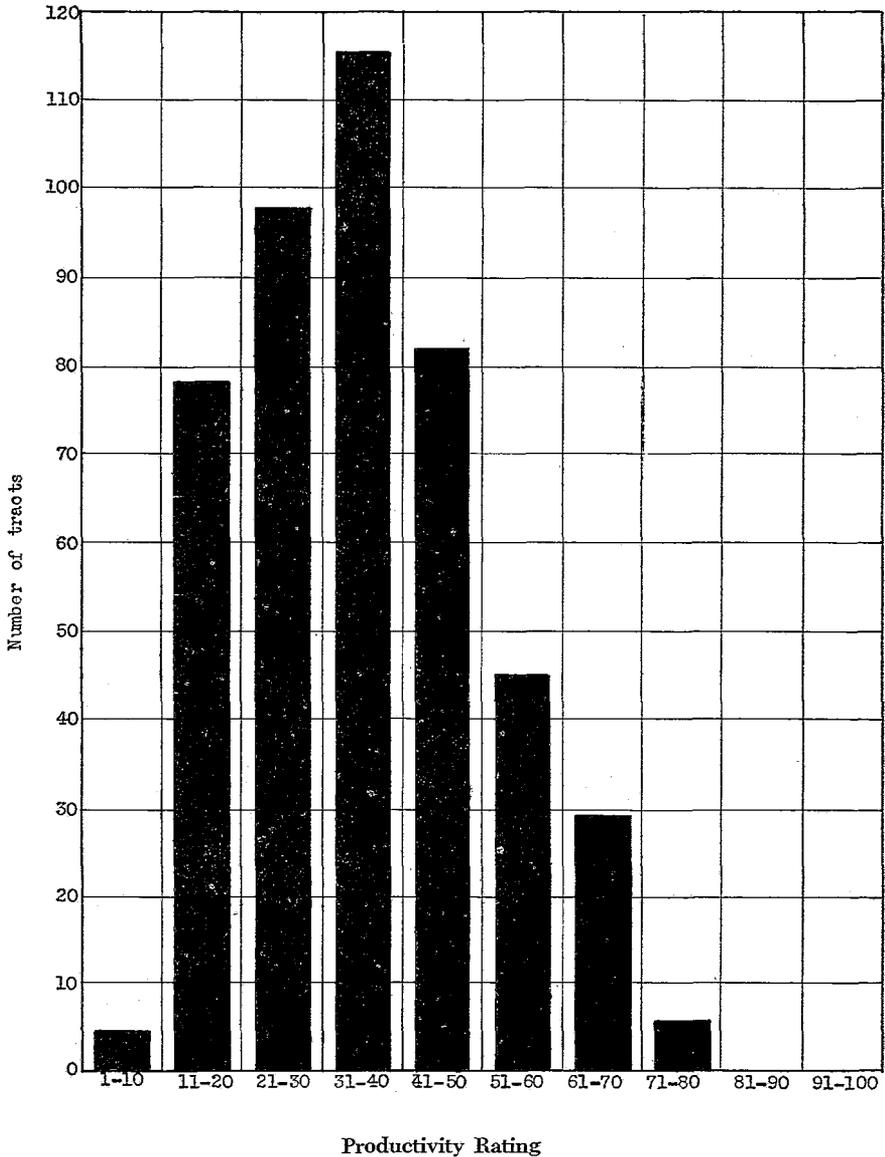


Figure 1. Number of tracts in sample classified by productivity rating groups.

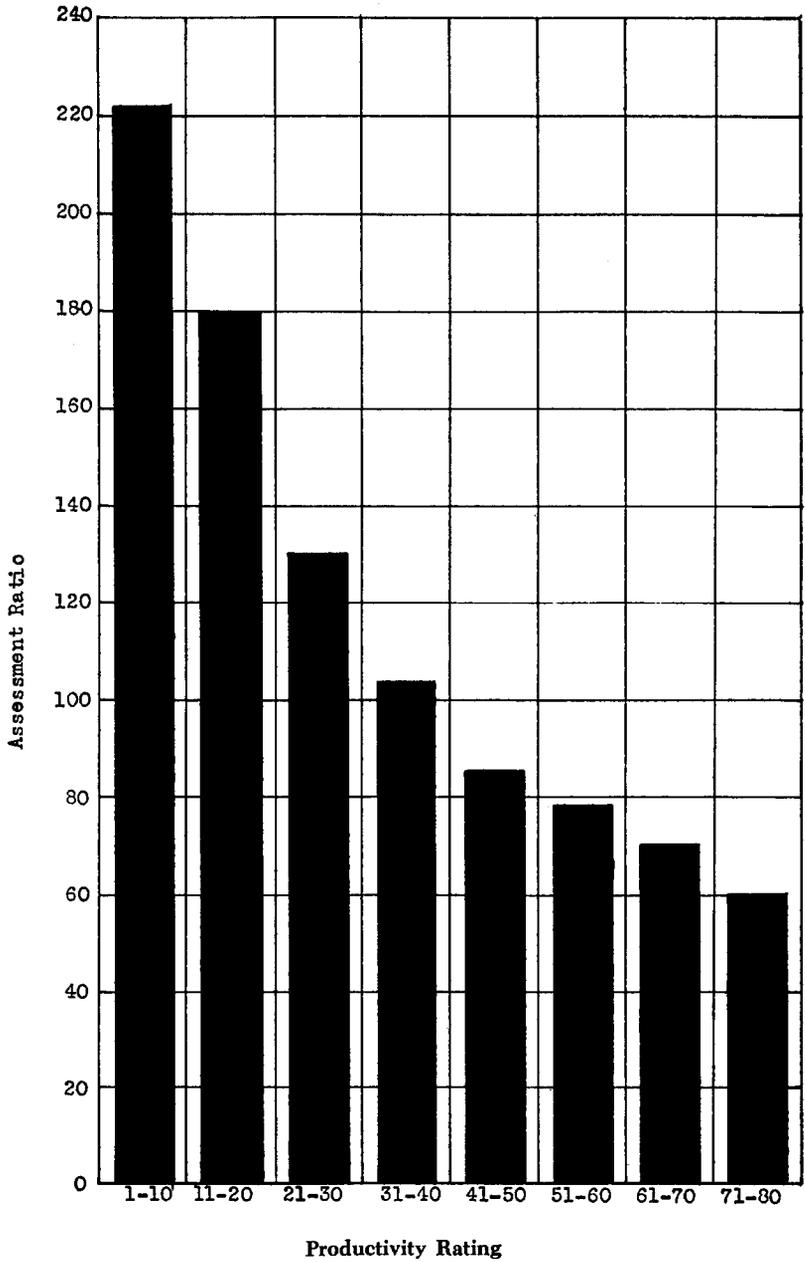


Figure 2. The average assessment ratio for land in various productivity

which lends itself to usual market procedures. It is difficult in the first place to grade it due to the alternative uses to which it may be put. Second, the demand factor is a highly heterogeneous one, being a mixture of individual appraisals of utility and varying degrees of ability to pay. Individual estimates of utility are bound up in long term expectations with regard to weather, prices, costs, labor composition of family units, etc. The ability to pay in turn is heavily weighted by recent and current income levels. If we add to this the instances in which a quarter of school land is sold at a statutory price and where another is bid up because it has a water hole and compliments an otherwise unprofitable unit, the sale price as a measure of long term earning power of land in general begins to lose some of its appeal.

“As evidence of the fact that poor land is generally overvalued and good land is undervalued I am sending you two charts based on the Morton county detailed soil survey. The first of these charts shows the number of tracts which fell into the various productivity rating groups and is of only general interest. But the second chart shows how they fell with respect to the assessment ratings. This is the ratio between productivity and the actual assessments that were in effect. A perfect job of assessment would have resulted in all of the bars stopping at 100 on the chart. Instead, you see the land in group one to ten so far as productivity is concerned was assessed at 250% while the good land in the 71 to 80 group was assessed at only 60%.

“My purpose in going into this in such detail is to indicate to you that we have pretty good evidence to support the contention that the scientific classification is long overdue.

“I have not gone into any detail on the system used in Saskatchewan since that is outlined fully in the manual. If you want a summary of the factors involved in that system I would be only too happy to provide them for you.

Iowa Report

The Iowa report is divided into two parts: first, The County Assessor Law of Iowa and, second, Land Assessment In Iowa.

County Assessor Law of Iowa:

Senator Edward Leno and Representative C. H. Hofstrand and Louis Leet of the Legislative Research Committee and Kenneth M. Jakes of the Tax Commissioner's Office met with two members of the Iowa State Tax Commission and several members of their staff in Des Moines during the forenoon of October 2, 1952, to discuss with them Iowa's county assessor law.

Previous to 1947, in Iowa, elected township assessors worked on a part time basis; their work was supervised by the county auditor as an additional duty of that office and their assessments were reviewed by the township trustees and the county board of supervisors. The law now known as the county assessor law was passed in 1947 and twice amended in 1949. Briefly, it provides that each of the 99 counties in the state must have a

county assessor, that cities over 125,000 population (Des Moines only) must have a city assessor, and that cities over 10,000 population and under 125,000 may elect by ordinance to have a city assessor. All of the 21 cities eligible to adopt a city assessor have done so.

Assessors:

Assessors and deputy assessors in cities over 125,000 are appointed for a six year term by a three member examining board, one member being appointed by each of the following: The city council, the city school board, and the county board of supervisors. This examining board gives public notice of an examination date on which qualified electors of the city may be examined by the board on such subjects as assessment laws, tax exemption laws, principles of appraisal and valuation, duties of assessors, ability, experience, and general reputation.

Assessors in cities of 10,000 to 125,000 are examined and appointed in the same manner as are assessors in cities of over 125,000 except that such assessors are appointed for four year terms and such appointments must be approved by the state tax commission.

County assessors and deputy assessors are appointed under a procedure different from that applicable to cities. A vacancy in the county assessor's office is filled by appointment made by the county conference board from a list of eligible applicants certified to it by the state tax commission. The state tax commission certifies this list of eligibles after an examination conducted by it similar to that conducted by the cities. Such examinations are held in the county seat of the county in which the vacancy is to be filled. Only those having one or more years residence in the county are eligible to be examined for assessor in that county. County assessors are appointed for a four year term and may be reappointed by the county conference board by certification of such reappointment to the state tax commission. The county conference board is a large body consisting of members from the three taxing districts, the first being all mayors of incorporated cities and villages not having a city assessor, the second being all members of the county boards of education, and the third being members of the county board of supervisors. Each of the three groups has one vote, and two of the three votes are necessary to appoint a county assessor. The county assessor office is non political and compares favorably in importance and salary with the elected county officials.

Both county and city assessors may correct errors in assessments at any time prior to submitting the assessment rolls to the board of review, provided that if an assessment is increased the taxpayer must be given written notice.

Boards of Review:

Assessments made by the county assessor are equalized by the county board of review. This board of review consists of three to five members appointed by the county conference board. The members must include one farmer, one real estate broker, and one person experienced in the building and construction trade. No two members may be from the same town

or township, and not more than two may be of the same occupation or profession. The county board of review has no jurisdiction over assessments in cities having a city assessor.

The city board of review is appointed by the city school board, the county board of supervisors, and the city council, each such group having one vote and a majority of two votes being necessary to appoint each member. The city board of review consists of five members, except that in cities under 40,000 the appointive board may decide to appoint only three members to the review board. As nearly as possible this board must consist of one licensed real estate broker, one registered architect, and three other persons, all of whom must be resident qualified electors and freeholders. The city board of review of course equalizes the assessments of the city assessor.

The state tax commission of three members constitutes the state board of review. This board equalizes valuations as between property in any city assessed by a city assessor with property in the same county assessed by the county assessor. In addition to these equalization powers, the state tax commission has authority to reconvene county or city boards of review and order it to make necessary revisions and adjustments in its assessed valuation. It has the power to order a reassessment in any taxing district and can at any time raise any obviously unjust individual assessment, but it cannot reduce individual assessments except upon recommendation of the local board of review.

Budgets:

The county assessor prepares an annual budget and submits it to the county conference board. Any tax for the maintenance of the office of the county assessor and other assessment procedure (such as the county board of review) can be levied only upon the property in the taxing districts of the county which are assessed by the county assessor, except that in counties over 190,000 population a levy on all taxable property in the county may be made for the purpose of paying the cost of expert appraisers contracted for by the county supervisors.

The city assessor, with the examining board and city board of review prepares the budget and submits copies to the county board of supervisors, the city council and the city school board. These three bodies must approve the budget as submitted or as adjusted. Each of these three taxing bodies contributes one-third of the total expenditures authorized in the city budget by levying taxes only on the property in that city.

Organization and Training of Assessors:

The county assessor law does not provide for an organization of assessors nor does it provide for periodic training courses or clinics. But the assessors have organized on a voluntary basis and with the cooperation of other officials have developed various training programs and projects, all of which are detailed in the following paragraphs.

In 1927 a small group of city assessors organized the Iowa State Association of Assessors. The organization expanded in 1943 to include

town and township assessors and, with the adoption of the county assessor act, the Association included the city and county assessors throughout the state. In 1944, James F. Scolaro, the present Cedar Rapids city assessor, was president of the Association, and he instituted the monthly bulletin service which then consisted of a mimeographed sheet. This bulletin has now developed into a full monthly printed publication of approximately twenty pages and provides an efficient medium for distribution of information among and to all assessors throughout the state.

The Association has a legislative committee which was headed many times by a Des Moines city assessor who took the lead in legislative matters concerning the Assessors' Association and the adoption of the County Assessor Act.

The details of the present organizational structure of the Iowa State Association of Assessors should be noted. The assessors are organized into eight districts of from eight to fifteen counties each, with a chairman for each district. The districts hold monthly meetings at which there is a discussion or program of instruction. The Association holds an annual Conference and School of Instruction in coordination with the State Tax Commission.

Iowa State College and the State University of Iowa have cooperated fully with individual assessors, the district assessors groups, the State Association and the State Tax Commission. In 1951 a week's course of instruction was offered jointly by the Iowa State College, the Association of Assessors and the State Tax Commission. In September of 1951 a series of Farm Valuation Clinics were held in the different assessors' districts throughout the state, at which time key farm properties representing high quality and poor quality farm lands were analyzed and discussed from a point of view of valuation for tax purposes. Iowa State College, the State Tax Commission and the district assessors' groups joined in conducting the farm valuation clinics. Farm properties were considered from the point of view of soils, of production or income, and sales. An analysis of the approach to valuation by the different districts of the state was made and presented at the Annual Assessors' Conference and School of Instruction to the end that farm properties throughout the state will be valued upon a similar approach by all assessors and that an appropriate spread of valuation for tax purposes will be made between high and low quality farm properties.

Another activity of the assessors association is the establishment of the personal property price guide, the use of which has been authorized by the State Tax Commission. The price guide committee, composed of assessors from the different districts of the state, has compiled a list of suggested values or range of values to be used as a guide in the assessment of the various classes of livestock, farm machinery, and other tangible personal property within the state. These schedules serve as a guide only, for average or typical property, the assessors being urged to depart from the schedule where the property to be assessed is not of normal value. Use of this personal property price guide is credited with establishing substantial uniformity throughout the state in the assessment of personal property and in particular of livestock, with the result that in the past two

years there have been only a few instances of classes of livestock which have required equalization by the State Tax Commission.

Observations Made by Iowa Assessment Officials:

Members of the Iowa Tax commission and their staff felt that the county assessor law was operating well and was generally well accepted by the public even though at its beginning there was considerable hostility towards it. They offered two main criticisms: First, city assessors and city boards of review should be eliminated and all assessments in a county should be supervised by the county assessor. This would result in more uniformity of assessments in the county because of central supervision, and abolition of the city board of review would eliminate what the commission considers is an unnecessary and complicating step in equalizing assessments. The tax commission would then have to equalize only between counties. As a second criticism, the assessor law should define in more detail specific duties of the assessors, for example, making surveys and plats and organizing uniform property card files and indexes.

The members of the North Dakota group also interviewed two county assessors and two city assessors. The county assessors were agreed that they should have supervision over city assessments while the city assessors were much in favor of their present independent position. Sentiment among the city and county assessors is apparently divided on the present residence requirement necessary for an assessor to qualify for that office. One of the county assessors felt that the assessor should be compelled to attend every meeting of the board of review and perhaps act as its clerk.

While Iowa does not exempt farm buildings, one county assessor felt that they should be exempt because they cannot be valued easily and because they make little difference in the per acre sales value of a farm. This assessor also felt that a detailed soils analysis was not necessary in a county such as his where nearly all the valuation factors have little variation; that the sales ratio is a good valuation guide where there are numerous bona fide sales; that commercial appraisal services are practical in the city because the work can be done quickly and is not subject to local pressure but that at least some rural commercial appraisals are not designed for the rural assessor's use; that a taxpayer instead of appealing first to the board of review as now provided should first have to appeal to the assessor; and that all assessors should be required to use standardized forms and methods prescribed by the state tax commission for listing property, indexing taxpayers and properties, etc.

Another county assessor stated that one of the best features of the county assessor law was the fact that in his county the county board of review not only hears complaints but actually goes out during the whole month of May and checks real and personal property assessments of taxpayers even though a taxpayer has made no complaint. This assessor also felt that the tax should be calculated and tax lists made out in the county assessor's office rather than in the auditor's office because of greater continuity in the assessor's office, since he is appointed for four years and the county auditor is elected for two years. He also recommended that the

training of assessors be supervised by the agricultural college or some other state school.

One city assessor felt that a commercial appraisal of property in the city should be made about every sixteen years and that the cost thereof would be more than offset by the value picked up.

The following material is an extract from the "Report to the Legislative Sub-Committee Investigating Rural Land Assessment" made by the North Dakota Agricultural Experiment Station. Those present at that meeting included: Senators Leno and Sandness, Representatives Dr. Hofstrand, Leet and Nygaard, Dean Walster, Dr. Kristjanson and Dr. Norem of the Agricultural College, Dr. Aandahl of the Bureau of Plant Industry, Lincoln, Nebraska, Dr. McClelland of the State of Iowa and the Bureau of Plant Industry, the late John Gray, Tax Commissioner, Kenneth M. Jakes from the Tax Commissioner's office.

At a joint meeting of the subcommittee of the legislative research committee investigating rural land assessment and members of the North Dakota Agricultural College on February 29, 1952, methods of rural land assessment were discussed. Dr. A. R. Aandahl, Soil Survey Division, Bureau of Plant Industry, outlined his experience with tax assessment in Iowa where the County Assessor System was recently adopted. A number of counties had called in professional advisers to help in the reassessment but the counties still were not satisfied with these evaluations. In many cases, they were particularly dissatisfied with the land values established.

Modern soil surveys were available in Taylor and Allamakee Counties, Iowa. The county assessors of these counties with the aid of state and U.S.D.A. soils personnel, based their land assessment values on these surveys. They have been satisfied with the values arrived at and since that time several other counties have undertaken a similar program. In Polk County, Iowa, where a professional agency had unsatisfactorily evaluated the land, the county has undertaken to finance a soil survey of the county under the supervision of the state and U.S.D.A. soils personnel. While the county is not completely surveyed as yet, the county assessor was pleased with the evaluations arrived at so far. Jefferson and Shelby counties, Iowa, are now undertaking similar programs and several other counties are becoming interested. A summary of how the soils information was utilized in Allamakee County, Iowa, for land evaluation purposes follows:

I. How the Relative Economic Classification Was Prepared

1. Relative economic ratings for crops

A. Estimation of physical production

- a. Estimation of most likely soil management for each mapping unit used for crops.
- b. Estimation of the average yields of each crop included in the soil management system for each mapping unit. These estimates were based on three sources of information, Annual Farm Census by township, Northeast Iowa Farm Business Association records of members in Allamakee County or adjoining counties and opinions of

soil survey personnel based on their own observation and the experiences of farmers encountered in the field.

There were 39 different kinds of soil separations made in Allamakee County. Table 1 shows the physical production data for 100 acres of one of the more prevalent soil types.

Table 1. Physical Production Data for 100 Acres of Fayette Silt Loam (4-7% slope)

| Crop | Acres | Yield per Acre | Total Production |
|------|-------|----------------|------------------|
| | | | Per 100 Acres |
| Corn | 34 | 54 bus. | 1836 bus. |
| Oats | 33 | 36 bus. | 1188 bus. |
| Hay | 33 | 1.0 ton | 33.0 ton |

From Table 1 it can be seen that on the average, 100 acres of Fayette silt loam (4-7% slope) will have the following crop land: 34 acres of corn, 33 acres of oats and hay each. These can be expected to produce 1836 bushels of corn and 1188 bushels of oats and 33 tons of hay.

B. Conversion of production into net income

a. Prediction of future prices and calculation of gross income

Table 2. Prices and Planting Rates Used in Estimating the Gross Income and Crop Expenses for the Relative Economic Rating for Allamakee County, Iowa. (1949)

| Crop | Price | Planting Rate |
|------------------------|------------|---------------|
| Corn | \$.95/bu. | --- |
| Seed Corn | 8.00/bu. | 5.7 acres/bu. |
| Oats | .55/bu. | --- |
| Seed Oats | .65/bu. | 3.0 bu./acre |
| Clover and Timothy Hay | 10.00/ton | --- |
| Red Clover Seed | .24/lb. | 10 lbs./acre |
| Timothy Seed | .04/lb. | 5 lbs./acre |

Table 3. Gross Income Per 100 Acres of Fayette Silt Loam (4-7% slope)

| Crop | Total Production | Price/Unit | Total Income |
|------|------------------|------------|--------------|
| Corn | 1,836 | .95 | \$1,744.20 |
| Oats | 1,188 | .55 | 653.40 |
| Hay | 33.0 | 10.00 | 330.00 |

Gross income/100 acres — \$2,727.60

b. Estimation of cropping expenses and calculation of net income

Table 4. Expenses Used in Preparing the Relative Economic Ratings for the Soils of Allamakee County, Iowa, (Based on Prevailing Custom Rates)

| Growing and Harvesting Corn | | Growing and Harvesting Oats | |
|---|--------------|-------------------------------------|--------------|
| Seed | \$ 1.40 | Seed (including clover and timothy) | \$ 4.40 |
| 1 plowing | 2.50 | 1 disking | .90 |
| 1 double disking | .90 | 2 harrowing | 1.00 |
| 2 harrowing (drag) | 1.00 | 1 planting with endgate seeder | .50 |
| 1 planting | 1.20 | 1 windrowing and combining | 5.00 |
| 3 cultivating | 2.00 | | |
| 1 corn picking | 3.60 | | |
| | ----- | | ----- |
| | \$13.60/acre | | \$12.00/acre |
| Storage and handling charge for corn and oats | | \$.10/bu. | |
| Harvesting Hay Crop | | Lime and Fertilizer | |
| 2 mowing | \$2.20 | \$75.00/100 acres | |
| 3 raking (1 turning) | 2.40 | | |
| | ----- | | |
| | \$4.60/acre | | |
| Baling, hauling, and storing | | \$5.50/ton | |

The expenses for 100 acres of Fayette silt loam (4-7%) using the expenses in the Table 4 are calculated as follows:

| | |
|---|------------|
| Growing and harvesting corn, 34 acres @ \$13.60/acre | \$ 462.40 |
| Growing and harvesting oats, 33 acres @ \$12.00/acre | 396.00 |
| Handling and storing corn and oats, 3024 bu. @ \$.10/bu. | 302.40 |
| Harvesting hay crop, 33 acres @ \$4.60/acre | 151.80 |
| Baling, hauling and storing hay, 33 tons @ \$5.50/ton | 181.50 |
| Lime and fertilizer | 75.00 |
| | ----- |
| | \$1,569.10 |

The net income for the 100 acre tract obtained by subtracting the total expense from the gross income.

| | |
|----------------|------------|
| Gross income | \$2,728.00 |
| Total expenses | 1,569.00 |
| | ----- |
| Net income | \$1,159.00 |

C. Relative economic rating

The relative economic rating is arrived at by dividing the net income by the highest net income for 100 acres of the most productive land in the county (\$2,046) and multiplying by 100, thus converting it into a percentage rating. For Fayette silt loam the relative economic rating is

$$\frac{1,159}{2,046} \times 100 = 56.6\%$$

which means that 100 acres of Fayette silt loam will only produce as much crop as 56.6 acres of the best farm land in the county.

2. Relative economic rating for pasture

The value of an acre of land when used for pasture as compared with the value of the same acre of land used for crops has always been a perplexing problem. The approach used in Allamakee County to estimate the above relationship is based on the difference in the nature of the costs involved. The steps in the preparation of pasture ratings are as follows

- A. Estimation of the relative grass production of each soil mapping unit expressed in terms of cow-acre-days (days in one year one acre of ground will support one cow).
- B. Estimation of the ratio between the relative economic rating for crop and the cow-acre-days at the "Balance Point".
- C. Multiplying the cow-acre-days of each soil by the ratio at the "Balance Point".

Basically when crops are grown costs are per acre, but when land is used for pasture the costs are per herd. Generally the costs of growing crops are largely unrelated to the productivity of the soil except those in connection with the handling of the crop. Frequently the other costs such as plowing and planting are higher on the less-productive soils. The general situation is illustrated in Figure 1, with the crop expenses increasing slightly with soil productivity.

When the land is used for permanent pasture, the relationship of costs

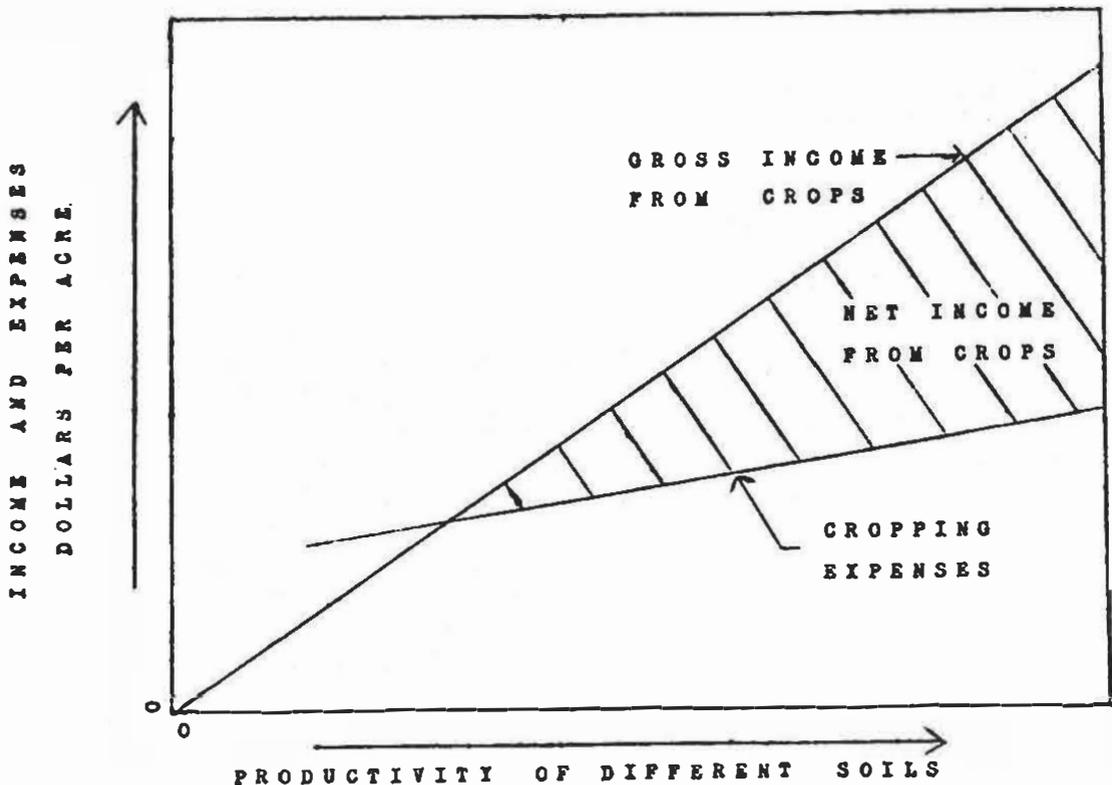


Figure 1. The general relationship of gross income, expenses and net income from crops on different soils.

to the productivity of different soils is completely different. To harvest the grass in a permanent pasture requires livestock and the costs are related largely to the herd and not to the acre of land. The costs—investment in livestock, water, shelter, supplementary feed, labor and management—are largely dependent on the size of the herd and for a given sized herd are more or less constant. On soils lower in productivity, the same costs are distributed over more acres. The general situation is illustrated in Figure 2.

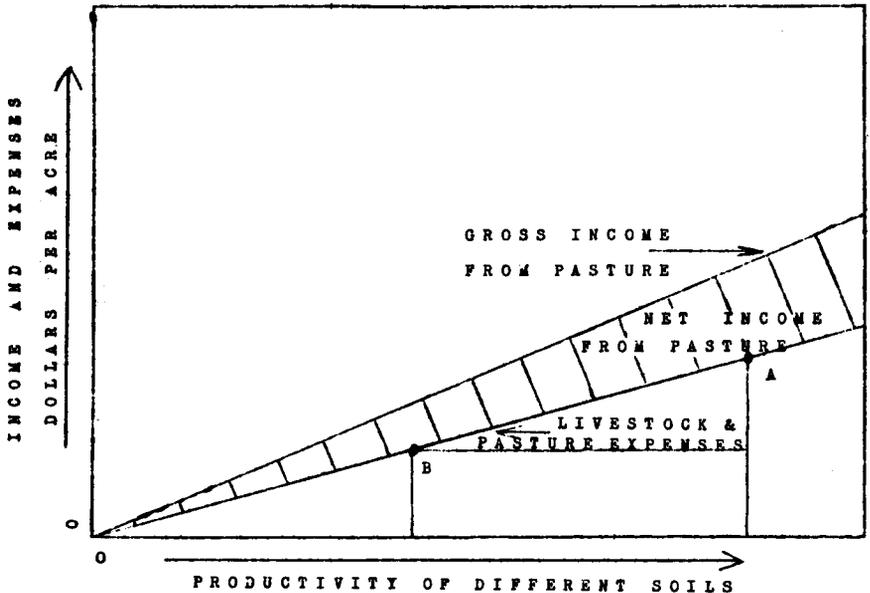


Figure 2. The general relationship of gross income, expenses and net income from permanent pasture on different soils.

Point A in Figure 2 is assumed to be the costs per acre of maintaining a herd on a given soil of high productivity. Now, if the same herd is pastured on land one-half as productive, then twice as many acres would be required and the same costs of the herd would be distributed over twice as many acres, and, therefore, the costs per acre would be one-half. This condition is represented by position B in Figure 2. Although this statement is oversimplified, the important aspect of pasturing costs is that they are **highly and directly proportional to the productivity of the different soils**. Therefore, if any quality of soil will result in a net income when used for pasture, all kinds of soil will. This relationship is illustrated by the net income area in Figure 2.

The net income area from crops and from pasture, which are shown in Figure 1 and 2, are shown together in Figure 3. It should be noted that they cross over at the point indicated in Figure 3 as the "Balance Point".

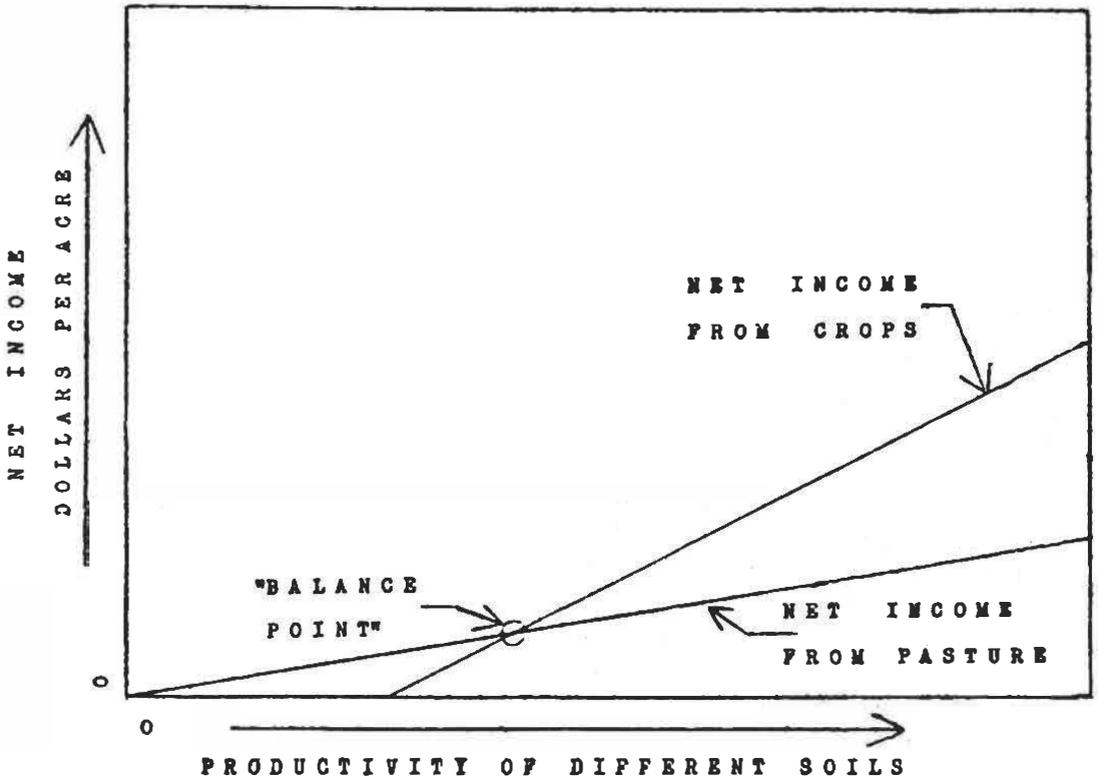


Figure 3. The general relationship of net income from crops and from permanent pasture of different soils illustrating the point of equal net income.

This point is the key to the relationship between the pasture rating and the crop rating. Here the two ratings are the same. The farmers, in their judgment, can make as much money on soils of this productivity when they are used for pasture as when they are used for crops. This kind of soil can be recognized in the field by observing those kinds of land which farmers use half the time for permanent pasture and half of the time for crop. More productive soils will be used more frequently for crops; and vice versa, less productive soils will be used more frequently for permanent pasture. In Allamakee County, three soils represent the condition at or very near the "Balance Point". They are: Dodgeville silt loam (10-16%), Dubuque silt loam (10-16%), and Quandahl (13-16%). The ratios between the crop relative economic rating and cow-acre days of these soils are as follows:

| | |
|-------------------------------|---------------|
| Dodgeville silt loam (10-15%) | $28/90 = .31$ |
| Dubuque silt loam (10-16%) | $14/60 = .23$ |
| Quandahl silt loam (13-16) | $20/70 = .29$ |
| Average | $= .28$ |

The cow-acre-days of each soil were established for each soil type and these figures were multiplied by the average ratio .28 to obtain the pasture ratings. A few representative examples are given below.

| | Percent Slope | Pasture Cow-acre-days | Relative Economic Rt'g | |
|--------------------|---------------|-----------------------|------------------------|---------|
| | | | Crop | Pasture |
| Tama silt loam | 1-3 | 140 | 100 | 39 |
| Fayette silt loam | 4-7 | 100 | 57 | 28 |
| Quandahl silt loam | 13-16 | 70 | 20 | 20 |
| Chelsea loamy sand | 1-6 | 30 | Minus | 8 |

(In Allamakee county relative economic ratings were also established for timber.)

II. How the Classification Should be Used in the Assessment of Farm Land

The final assessed value placed on each tract of land by a County Assessor represents his best judgment. In the end it is his decision. The purpose of the soil maps and the interpretive information is to help the Assessor improve his opinion of the value. The procedure outlined here should not be considered as an infallible mechanical process, but rather as one which provides the assessor with the first approximation of the value or an estimate of the earning capacity of the land. The approximation will require adjustments for other factors affecting value of land. The calculation of the relative economic rating for each taxable tract of land includes the following steps:

- A. Determine the most feasible land use for each delineated area of each tract.
- B. Measure the acreage of each combination of soil mapping units and land use which require a different rating.
- C. Add the products of each combination multiplied by its rating and divide the sum by total number of acres in the tract.

For example:

| Soil Map Symbol and Use | Acres | Rating | Product |
|----------------------------|-------|--------|---------|
| 163-7-1 (Crop) | 5 | 57 | 285 |
| 163-7-1 (Pasture) | 4 | 28 | 112 |
| 163-7-1 (Timber) | 6 | 10 | 60 |
| 183-12-2 (Crop or pasture) | 3 | 16 | 48 |
| 183-12-2 (Timber) | 7 | 8 | 56 |
| 378-25-0 (Pasture) | 2 | 11 | 22 |
| 378-25-0 (Timber) | 9 | 5 | 45 |
| 478-50-0 () | 4 | 1 | 4 |
| Total | 40 | --- | 632 |

Average Relative Economic Rating for Tract 16

The determination of the most feasible use of each area requires a careful examination of the entire farm as a unit. The use with the highest relative economic rating should be selected unless there is a good reason

to do otherwise. Present use, if for pasture, does not by itself justify the use of the pasture rating.

Many areas of highly productive soils will need to be given a pasture rating because some circumstances makes it impractical to cultivate the area. The more common reason is that the adjoining soils are unsuited for cultivation, for example, stony land, and the area in question is too small or too inaccessible from the farmstead. Roads, streams, and railroads may have the same effect.

Although each 40 acre tract must be evaluated separately, the most feasible use of each area can be determined only as it fits into a specific operating unit. Many areas within a 40 acre tract are too small to be cultivated, but they may be a part of a much larger area on the same farm.

The relative economic rating for the taxable tract, usually 40 acres, must be multiplied by some constant figure to obtain the normal agricultural value of the land. Then, the normal agricultural value must be adjusted for the other factors affecting land value. If the positive and negative adjustments of all land in the county are equal, it is possible to know what the total assessed value of the county will be for each constant. This is accomplished by totalling all the acre-rating points for the entire county.

For example:

| | Acre X ratings |
|---------|----------------|
| Tract 1 | 632 |
| Tract 2 | 964 |
| Tract 3 | 832 |
| --- | --- |
| Tract n | 497 |

Total for county — 59,695,488

Assuming the above total acre-rating points for the county and the constant, 2.2, as the appropriate one to convert to relative economic ratings into market value, less buildings, the total assessed value of the land in the county is \$131,350,074. The constant 2.2 was arrived at by comparing those sales that were considered as valid sales by representatives of the local land market (sales within families excluded) with relative economic ratings of the land that was sold. The assessed value of the buildings (100% basis) was deducted from the sale price.

III. A Comparison of the Relative Economic Ratings of Farms Sold in 1949 and in 1950 with the Sale Price in Allamakee County Iowa.

While the productivity of a farm is the major factor in the sales value of a farm, it is not the sole factor involved. Factors such as schools, churches, people in the community, the markets, the roads, buildings and past soil management are also considered by the purchaser. The sales price of 100 farms sold in Allamakee County during 1949 and 1950 was compared with their relative economic ratings. The farms sold were scat-

tered throughout the county and they only included those farms sold which were considered to be valid sales. In general the more productive farms had higher sales values than the economic ratings indicated, and the less productive farms had lower sales values than the economic ratings indicated. However, the more productive farms had much better roads and hence were more desirable from the standpoint of family living and farm operation. Thus economic factors have to be considered by the county assessor in making his final evaluations.

Minnesota Report

The North Dakota delegation which met with the Iowa State Tax Commission and other Iowa officials in October, 1952, also made a somewhat less detailed study of the Minnesota assessment procedure on its return trip from Iowa. A summary of the present law which provides who is responsible for making property assessments follows, and following that are comments of certain assessment officials.

Minnesota County Supervisor and Assessor Law

In 1947 the Minnesota Legislature, by Chapter 531, repealed section 273.07 of the Minnesota Statutes which had provided for a county supervisor of assessments and passed a complete law providing that: "Every county in this state which does not employ a county assessor shall have a county supervisor of assessments." First class cities (over 50,000 population) are exempted from the jurisdiction of the county supervisor of assessments, and the county commissioners of any county which does not have a first class city may employ a county assessor and abolish the office of county supervisor of assessments. The county assessor as well as the county supervisor of assessments "shall be selected and appointed because of his knowledge and training in the field of property taxation and his appointment shall be approved by the commissioner of taxation before the same shall become effective." No other qualifications are specified in the statute. The appointive term is for four years.

The County Supervisor of Assessments. Prior to 1951 the county supervisor could be a deputy or other employee in the county auditor's office but only with the county auditor's consent; in such a case he was paid from county auditor funds and received no additional compensation for performing the supervisor's duties. The 1951 Legislature provided that the supervisor of assessments shall not serve as the deputy County Auditor. This amendment became effective only in those instances where there was a vacancy or an election for the unexpired term ending December 31, 1952. The powers and duties of the county supervisor of assessments are of an advisory or supervisory nature only. He does not make the assessments, the local assessors continue to do that. He can correct errors in the local assessors books after they have been turned over to him and before the board of review meets, but as a practical matter this power to correct errors can be, and is, defeated by the local assessor's failure to turn his books over until the day the board of review meets.

His duties include calling upon and conferring with local assessors; assisting them in use of land maps, property record cards, and standards

of value; assist local assessors in preparation of the assessment books and advise them on changes in the law and the instructions of the commissioner of taxation; attend county instructional meetings for local assessors called by commissioner of taxation; call sectional meetings of local assessors to give them instruction; prepare a large scale topographical map of the county and a land valuation map of the county in the forms prescribed by the commissioner of taxation; report record transfers of land; prepare tables showing per capita value of personal property in each assessment district; familiarize himself with personal property values; prepare schedules of livestock values for use of the town board of review and county board of equalization; assist the county board of equalization when it is in session; investigate applications for abatement of taxes and assessments when requested by the commissioner of taxation or the board of county commissioners; search for property omitted from assessment; and perform any other duties pertaining to assessment of property as may be required by the board of county commissioners or the commissioner of taxation. In addition, the board of county commissioners may designate him as assessor in any unorganized territory in the county, in which case he receives travel expense but no additional compensation.

County Assessor. As already stated, the county commissioners of any county, except a county containing a city of the first class, may employ a county assessor, in which case the office of county supervisor of assessments for that county is abolished. The county assessor is appointed for a four year term, and his appointment must also be approved by the commissioner of taxation. After a county assessor has been employed for at least two years, the board of county commissioners may, if it wishes, revoke the appointment, abolish the county assessor's office, and appoint a county supervisor of assessments.

"When a county assessor is appointed in any county the duties of the duly elected or appointed local assessors shall be to view and approve the value of all property, as provided by law, but all book work shall be done by the county assessor or his assistants and the value of all property subject to assessment and taxation shall be determined by the county assessor, except as otherwise hereinafter provided."

The duties of the county assessor are as follows: to make all assessments, based upon the appraised values reported to him by the local assessors or his assistants and his own knowledge of the value of the property assessed; to personally view and value property difficult for the local assessors to appraise; make all changes in assessed values ordered by local boards of review; enter all assessments in the assessment books; prepare all assessment cards, charts, maps and any other forms prescribed by the commissioner of taxation; to attend the meeting of the county board of equalization and investigate and make changes in assessments ordered by it and by the state board of equalization and certify to the county auditor the taxable values of property assessed to each owner; investigate and make recommendations relative to applications for abatement of taxes and assessments; notify the county auditor of property omitted; perform all assessment duties required by the commissioner of taxation; act as assessor in unorganized

territory in the county; and perform all duties imposed on the county supervisor of assessments which are not inconsistent with the duties specifically imposed upon him.

Comments on the County Assessor Law.

A letter of inquiry sent to the Commissioner of Taxation for Minnesota brought his response to several questions, the substance of the answers to which are summarized as follows.

Prior to 1947 only one county had a county assessor's office, Ramsey with St. Paul as county seat, and this was created by a special law of 1875. Forty-five counties of the eighty-seven in Minnesota now have a county assessor. The terms of all county assessors and supervisors of assessments will expire December 31, 1952. Appointments are taking place in the various counties, and it is anticipated that several counties will change to the county assessor system. It should be noted that at the time the 1947 law went into effect a majority of the counties elected to have a supervisor of assessments, whereas today the majority operate under the county assessor system. Only one county has changed from the county assessor system to the county supervisor of assessments, a change which any county under the present law has a right to make.

It is felt that the number of counties having a county assessor's office is increasing to the point where it is reasonable to expect that all counties will eventually have such an office, and it is expected that during the forthcoming session of the Minnesota Legislature bills will be introduced to make the county assessor system mandatory in all the counties in the state.

The Commissioner of Taxation feels that all counties should be compelled by law to appoint a county assessor and that the present act should be strengthened, especially by placing authority and responsibility for making the assessment in a single individual. He is also of the opinion that cities of more than 10,000 population should have a local assessor who would be a deputy of the county assessor and that probably no city of any size should be outside the jurisdiction of the county assessor. He did not feel that local boards of review (or equalization) below the county level should be eliminated, apparently because it permits home rule or local control to that extent, particularly when the assessments are centralized in one county officer. Nor did he feel that cities of any size should be outside the jurisdiction of the county board of review (or equalization).

South Dakota Report

Sponsors of a county assessor plan of assessment are planning to present a county assessor bill to the South Dakota Legislature in 1953. The bill as now drafted would create the office of county assessor in each county and abolish the offices of county, city, town, township, and unorganized county assessors as now existing.

The county assessor would be appointed by the board of county commissioners with the approval of the state director of taxation for a term of four years. His qualifications would include being a bona fide elector

of South Dakota and the passing of a competitive examination under rules and regulations prescribed by the director of taxation. He and any full time deputy would be prohibited from taking an active part in any political campaign. His salary would be the same as the county auditor's.

The proposed bill would permit the governing body of any city of 3,000 population or over to appoint a city assessor and deputy city assessor by and with the approval of the county assessor who would serve in the capacity of deputy county assessors and hold office during the pleasure of the governing body of such city. The salaries and expenses, including office expenses of these deputies would be determined by the city governing body and paid from city funds. The county assessor would also have authority to appoint deputies with the approval of the board of county commissioners who would serve during his pleasure. Their expenses would be paid from county funds, and both the county and city deputies would have to be electors of the county.

The county assessor would assess all taxable property in the county, including that in the cities, except such as is assessed by the director of taxation. After completing his assessment lists, he would turn them over to the respective city, town, or township board of review or county equalization board for review or equalization.

This bill would provide for the listing of all property at its full value on January first of each year and the assessment of it at 60% of such value. The bill also provides a method of self-listing of personal property by which each personal property owner must mail or deliver a list of his personal property to the county assessor on forms prescribed by the director of taxation and furnished by the county assessor. A fifty percent penalty would be incurred for failure to list property.

The county assessor's duties would include the compiling of data concerning the listing of property, classifying lands and other real estate and entering the classification into permanent records, sitting as an advisory member of the county board of equalization, and performing such duties as are assigned him by the director of taxation.

The bill would also create a Division of Assessment in the State Department of Taxation, this division to be headed by an assistant director appointed by the director of taxation with the approval of the secretary of finance.

The sponsors of this bill also prepared and addressed to each South Dakota legislator a long letter criticizing the state's present plan of assessment by township, town, and city assessors and promoting the advantages of a county assessor system. Those criticisms are summarized in the following paragraphs:

The state has over 1900 assessors, approximately 1500 of whom serve but one civil township or small town, and nearly all of whom work only a few days out of the year at actually assessing property. Their pay is inadequate with the result that competent men or women cannot afford to spend the necessary time to do a good job. Their equipment is insuf-

ficient, for example, no land maps are furnished them, and they often merely copy the listing and assessments of the previous year.

Township assessors are elected and must be residents of the township. There is usually little interest in these elections. No qualifications other than residence are required. The term of office is too short, resulting in rapid turnover to the extent that about one-third or more of the assessors each year are assessing for the first time. They are not under the direct supervision of anyone nor is anyone directly responsible for the quality of their work. The results tend towards unequal rather than uniform assessments, which may be aggravated further by the fact that the assessor may be subject to local influence because he is a resident of the taxing district.

The assessors do not recognize the same standards of value because they lack experience and have too short a time in which to learn or they lack the capacity to learn.

Township boards of review are not sufficiently interested to correct an assessor's work in such detail as would cure the evils of a bad assessment, and the county board is without authority to adjust individual assessments except on appeal. While the state division of taxation can review individual assessments, it is impractical for it to do so except when a complaint is made. The result is that equalization magnifies the errors in a bad assessment instead of correcting them.

These criticisms of the present South Dakota plan of assessment are termed evils which the sponsors of the county assessor bill believe will be cured by enactment of that bill.

Recommendations

Thirty-three states have adopted some form of a county assessor law, indicating that the trend away from the township or other local assessor system to assessment at the county level is very pronounced indeed. Detailed studies were made by this sub-committee of the assessment systems of Iowa, Minnesota, and Saskatchewan, and less detailed studies were made in several of the other states. These studies reveal that a major weakness of land classification and county assessor laws now in effect lies in the fact that the laws were put into operation before there was available adequately trained personnel to administer them. This criticism seems to apply to all jurisdictions studied except Saskatchewan. In that Province property evaluators or assessors were given several years of intensive training and a reconnaissance survey of the lands of Saskatchewan was made before the new assessment procedure was put into operation. As a result assessments and procedures there are uniform and the program is working well and is very popular with the taxpayers.

In contrast, where county assessor laws have been put into effect by states which did not have previously trained assessors to administer the law, assessment procedures have not been uniform. While the results achieved under county assessor laws in those states are a decided improvement over the township assessor plan of assessment, those county assessor laws do not function as uniformly and as efficiently as they might have

had the assessors all received uniform and extensive training prior to and in anticipation of the county assessor law. This is also true of those states which have adopted land classification programs without having available adequately trained personnel at the inception of the program.

Therefore, three recommendations relating to a county assessor bill and a land classification program are made by this committee:

1. That a further study of the county assessor law be made by the Legislative Research Committee during the next two years with the objective of presenting a county assessor bill to the 1955 Legislative Assembly.
2. That immediate steps be taken to formulate and put into operation a training program designed to train personnel who would administer the county assessor offices, including assessments under any land classification program enacted, and that this training program be conducted by and confined to the North Dakota Agricultural College with the cooperation of the State Tax Commissioner.
3. That a \$50,000 appropriation be made by the 1953 Legislative Assembly to finance the first two years of a four year land classification program to be undertaken immediately by the North Dakota Agricultural College with the cooperation, to the extent possible, of the Federal Bureau of Plant Industry. The purpose of this land classification program is to establish the principal soil associations throughout the state by means of a reconnaissance survey. Since such a survey is normally carried out in each county prior to a more detailed survey, a duplication of effort in the event of a later detailed soil survey would not be involved. This reconnaissance survey would include:
 - (a) traverses of the state to be made at broad intervals up to approximately three miles apart, depending on the variability of the soils;
 - (b) selected areas to be mapped in greater detail to get more information concerning the soil types and to obtain soil samples for laboratory study of the soil properties; and
 - (c) establishment of "bench mark" farms in each county after the reconnaissance survey is completed. It is noted here that a bench mark is one which represents the best land in the county as operated under average management and that the bench mark is determined by relating the various economic factors to the soil type, as explained in detail in the "Report To The Legislative Sub-committee Investigating Rural Land Assessment" by the North Dakota Agricultural Experiment Station, the pertinent part of which appears on previous pages of this Committee's report. These bench marks will then furnish the basis for equalizing land between the counties and shall also be available for additional purposes not directly related to assessment, such as providing a basis for comparing sales prices, for loan security purposes, etc.

In addition to the foregoing recommendations relating to the county assessor bill and the land classification program, the Committee makes the following recommendations relating to present assessment procedures:

1. That the Tax Commissioner's office compile price guide schedules for livestock and for other major items of personal property (both urban and rural), these price guide schedules to be supplied to the county auditors for distribution to the assessors.
2. Since the present assessment laws do not require that the assessor personally view or examine personal property to be listed for assessment and since the property owner is under present law required to sign the listing sheet under penalty of perjury, it is recommended that a procedure for the self-listing of personal property by the owner be provided by the 1953 Legislative Assembly. It is recommended that the procedure include the mailing of prescribed listing blanks by the county auditor between March 1 and March 15 of each year to each personal property owner in the county; that the property owner list his personal property on the listing blank, sign the listing blank under penalty of perjury, and return the completed form to the assessor of the assessment district in which he resides sometime after April 1 and before April 10 of that year. Failure to receive or secure a listing blank shall not relieve a personal property owner from the responsibility of listing his property with the assessor.
3. It is recommended that the Legislative Research Committee study during the next two years the advisability of changing the assessment period to a different time of the year and consider whether the present twenty-one and a half month assessment and tax collection cycle of January first to October fifteenth of the following year should be condensed into a twelve month period.
4. It is recommended that the Legislative Research Committee study during the next two years the advisability of lengthening the present two year interval at which real property is now assessed.
5. It is recommended that the administration of liquor, oleomargarine, and gasoline tax laws be transferred to the Tax Commissioner's office and that proper legislation be prepared to provide an orderly transfer of these functions.

Institutions of Higher Learning

This study of problems of the institutions of higher learning in the State of North Dakota was made as directed in House Concurrent Resolution "J" of the 1951 Legislature. Its purpose, as described in the Resolution, was to "conduct a detailed study of the problems of unification, coordination, and improved standards of education as regards institutions of higher learning in the State of North Dakota". More specifically, the Resolution stated that the study was for the purpose of "ascertaining if it is possible to attain

a better degree of unification and coordination, and improved standards of education through either the establishment of a single president or head of all such institutions or a system of making certain existing institutions branches of other institutions or both, and whether it is possible to improve our institutions of higher learning through the elimination of unnecessary duplication in courses of study and the standardization of the subjects at the junior college level”.

Pursuant to this directive, a sub-committee consisting of Representative H. C. Nygaard, chairman, Senator A. J. Sandness and Representative C. H. Hofstrand made personal visits to each institution of higher learning and conferred with the President, administrative personnel, and faculties thereof, and had several conferences with the Commissioner of Higher Education. The sub-committee further gathered data relating to enrollment, courses of study, and the scope of operations of each institution. The physical plant of each institution was personally inspected while the subcommittee was on the campus. The material gathered was thoroughly studied and tabulated, but because of its voluminous nature, will not be set forth in detail in this report, but is on file in the office of the Legislative Research Committee for reference purposes.

The first subject to receive the attention of the Committee was that of unification and coordination among the institutions of higher learning. As a step toward achievement of such unification and coordination, Article 54 of the North Dakota Constitution was passed on June 28, 1938. The purpose of this constitutional amendment was to create the State Board of Higher Education for the purpose of control and administration of the state institutions of higher learning. Following this constitutional amendment, the Legislature in the 1939 session passed what is now known as Chapter 15-10 of the North Dakota Revised Code of 1943 to further implement Article 54 of the Constitution. With the wide constitutional and statutory powers placed in the hands of the Board of Higher Education, it became possible for this Board to exercise a higher degree of control of all such institutions of higher learning so as to coordinate all phases of their activities and to prevent undue duplications in course offerings and other activities.

It is the considered opinion of this Committee that further unification of governing and administration personnel as suggested in House Concurrent Resolution “J” is not practical. Because of the distance between any of these institutions, it is necessary that governing personnel be located at each institution to make on-the-spot decisions and supervise the administration of the institution affairs. This function is presently carried on by the President of each institution. To take away this authority from the President of an institution would merely make the administration of its affairs more cumbersome and inefficient and do away with the responsibility of direct supervision of the institutional President. It is felt by the Committee that the present Board of Higher Education has the power to exercise the function of central control and administration to the greatest degree practical. Although major duplications between institutions were in existence prior to the forming of the Board of Higher Education, it is recommended that the board increase its vigilance in screening requests from institutions for course changes.

House Concurrent Resolution "J" further directed the study of the possibility of making certain existing institutions branches of other institutions. This, too, is not recommended by the Committee for the same grounds as mentioned in the previous paragraph. It is felt that each institution is of sufficient size and distance from the other so as to warrant its own governing body. No great benefits could be derived from such integration without the physical moving of such institutions and consolidating them with others.

The matter of physical moving and consolidation of institutions is one of policy-making which under our Constitution is vested in the Legislature and the people of North Dakota. It is felt by the Committee that before any consolidation is contemplated, it must be decided whether the state of North Dakota desires to provide the lowest possible cost of education per student through consolidation of education in larger institutions or prefers offering the most education practical to the widest number of people through spreading our institutions of higher learning throughout the state on a geographical basis as it is now done. It must be admitted that some of the attendance of our institutions of higher learning would be lost through consolidation, since for some students the greater distance they must travel from their homes to receive their education and the resulting greater cost, has a substantial bearing upon their financial ability to pursue their education beyond the high school level. In addition, in considering physical consolidation, there is the practical consideration of the loss to the state in the abandonment of the physical plants of the smaller institutions, for because of their design and location, the possibilities of their use for other purposes is very limited. In some fields it would be necessary to expand the physical plant of the institution receiving the additional students.

The next subject the Committee was directed to study by the Resolution was that of the possibility of "improving our institutions of higher learning through the elimination of unnecessary duplications in courses of study and the standardization of the subjects at the junior college level". In this regard, the subcommittee gathered data upon all courses taught at the various institutions of higher learning and compared them to determine the degree of duplication. It was to be expected that there would be a large amount of justifiable duplication of courses among the normal schools, since they all have the same objective, that being the training of teachers. There is laudable tendency for certain normal schools to attempt to specialize in certain phases of teacher training, but this movement has not as yet gained a great degree of impetus. The curriculum of normal schools of necessity must be quite varied since they must qualify teachers upon graduation to instruct in all elementary and high school courses taught in our public schools.

There recently has been a trend in our normal schools toward offering Liberal Arts degrees, in addition to the degrees in Education. This of course duplicates to some degree the Liberal Arts courses being taught at the University and the Agricultural College. However, it is felt by the Committee that this duplication is justified, for the courses offered to obtain such a Liberal Arts degree involve largely the proper selection of courses

already being offered in the field of Education. Little additional faculty is required to offer this Liberal Arts training and no additional plant facilities. Such Liberal Arts training serves the purpose of offering a greater amount of higher education to people living in the area of the school with little additional cost to the institution.

As between the University and the Agricultural College, there are noticeable duplications in such fields as Liberal Arts, Science, Mathematics, and Geology. However, both of the institutions are of sufficient size and have sufficient enrollments in these fields to teach these subjects economically. In addition, many of these subjects are necessary in the case of the Agricultural College, for the degrees in Agriculture, and for the professional degrees at the University. In the case of the Geology courses being taught at the Agricultural College, these courses can be justified on the grounds that some Geology is required for the training in the field of Agriculture. This department is handled by one professor and a further expansion of courses beyond the teaching load of a single professor is not contemplated.

The most noticeable point of duplication between the University and the Agricultural College lies in the field of Engineering. The University offers courses in ceramic, chemical, civil, electrical, mechanical, and mining engineering. The Agricultural College offers courses in civil, electrical, mechanical, agricultural, and architectural engineering. These engineering duplications are of long standing and both schools have their Engineering Departments well staffed and equipped. In offering degrees in any of the fields of engineering mentioned, certain basic courses are required as well as certain basic equipment and facilities. For this reason, both schools in the past have felt that they were justified in offering courses that might duplicate those that might be taught at the other institution, and that the additional cost of such expanded offering would not be great. It is the recommendation of the Committee that further expansion of these duplications be not permitted by the Board of Higher Education, but in view of the present state of development and the size of the enrollment in both institutions in the duplicating fields of Engineering, it appears that both schools are operating with reasonable efficiency. Physical consolidation of the Engineering courses in one institution would require substantially increased faculty and facilities for the institution receiving the additional students and courses.

The School of Pharmacy at the Agricultural College and that of Medicine at the University are sufficiently related so that some duplication of courses apparently arises. However, these schools again are in much the same position as the Schools of Engineering and it would not seem practical to force physical consolidation.

The Committee was unable to find any instances where students had any difficulties in transferring from one institution to another except where a student changed his course of study at the institution to which he transferred from the field in which he had taken his preparatory courses.

The question of minimum enrollments at the various institutions was apparently not a primary subject of this study, but it must be recognized that because of the low enrollments of some of our smaller institutions of higher

learning, operations cannot be carried on as efficiently as desired. The growth of the Junior College movement in North Dakota has, and will, if continued in the future, further reduce the enrollment of the smaller institutions. A tabulation of annual peak enrollments is attached as an appendix hereto for reference purposes. It will be noted on this table that there has been a decline in enrollment from the peak year of 1947-48, caused by the decline in the enrollment of veterans. A further decline in the year of 1951-52 was caused largely because of the call to active duty of National Guard units and the enlistment and draft calls for military service. It is recommended that

ANNUAL PEAK ENROLLMENTS

Full Time Students

| Year | | | | | | | Valley | | | Total |
|---------|--------|----------|-----------|-----------|----------|-------|--------|----------|------------------|-------|
| | U.N.D. | N.D.A.C. | Dickinson | Ellendale | Mayville | Minot | City | Wahpeton | Bottineau | |
| 1920-21 | 971 | 578 | 62 | 70 | 194 | 211 | 367 | 180 | <i>Not</i> | 2633 |
| 1921-22 | 1065 | 625 | 111 | 59 | 201 | 309 | 557 | 117 | | 3044 |
| 1922-23 | 1314 | 805 | 142 | 119 | 245 | 336 | 693 | 122 | <i>Available</i> | 3776 |
| 1923-24 | 1380 | 806 | 153 | 106 | 309 | 467 | 647 | 207 | | 4075 |
| 1924-25 | 1340 | 869 | 169 | 116 | 217 | 554 | 721 | 255 | | 4241 |
| 1925-26 | 1570 | 900 | 174 | 140 | 260 | 543 | 699 | 287 | 77 | 4650 |
| 1926-27 | 1588 | 1025 | 206 | 134 | 285 | 593 | 781 | 325 | 103 | 5040 |
| 1927-28 | 1604 | 1140 | 184 | 142 | 254 | 581 | 786 | 292 | 83 | 5066 |
| 1928-29 | 1559 | 1260 | 227 | 143 | 276 | 592 | 802 | 288 | 83 | 5230 |
| 1929-30 | 1623 | 1424 | 214 | 205 | 264 | 674 | 668 | 395 | 101 | 5568 |
| 1930-31 | 1536 | 1397 | 302 | 191 | 315 | 707 | 676 | 423 | 91 | 5638 |
| 1931-32 | 1507 | 1378 | 366 | 265 | 344 | 714 | 685 | 446 | 63 | 5768 |
| 1932-33 | 1454 | 1224 | 337 | 206 | 312 | 722 | 597 | 390 | 72 | 5314 |
| 1933-34 | 1372 | 1210 | 403 | 200 | 327 | 701 | 641 | 415 | 60 | 5329 |
| 1934-35 | 1531 | 1334 | 389 | 211 | 356 | 684 | 603 | 443 | 106 | 5657 |
| 1935-36 | 1604 | 1413 | 301 | 169 | 293 | 566 | 495 | 566 | 131 | 5538 |
| 1936-37 | 1550 | 1473 | 313 | 212 | 305 | 645 | 523 | 596 | 123 | 5740 |
| 1937-38 | 1706 | 1631 | 384 | 193 | 351 | 667 | 543 | 646 | 149 | 6270 |
| 1938-39 | 1733 | 1388 | 427 | 249 | 457 | 816 | 625 | 701 | 159 | 6555 |
| 1939-40 | 1780 | 1731 | 453 | 267 | 476 | 881 | 684 | 736 | 130 | 7138 |
| 1940-41 | 1599 | 1769 | 370 | 244 | 377 | 800 | 590 | 674 | 143 | 6566 |
| 1941-42 | 1429 | 1634 | 284 | 171 | 287 | 662 | 441 | 611 | 85 | 5604 |
| 1942-43 | 1183 | 1348 | 149 | 100 | 176 | 463 | 283 | 233 | 65 | 4000 |
| 1943-44 | 573 | 521 | 53 | 32 | 95 | 294 | 149 | 143 | 31 | 1891 |
| 1944-45 | 700 | 500 | 46 | 46 | 68 | 282 | 118 | 189 | 29 | 1978 |
| 1945-46 | 1440 | 1167 | 121 | 120 | 104 | 342 | 205 | 458 | 35 | 3992 |
| 1946-47 | 2753 | 2355 | 201 | 192 | 185 | 602 | 362 | 684 | 127 | 7461 |
| 1947-48 | 2761 | 2501 | 260 | 155 | 219 | 698 | 394 | 809 | 121 | 7918 |
| 1948-49 | 2690 | 2380 | 271 | 174 | 229 | 794 | 438 | 705 | 117 | 7798 |
| 1949-50 | 2655 | 2258 | 276 | 212 | 246 | 840 | 464 | 740 | 131 | 7822 |
| 1950-51 | 2298 | 1947 | 258 | 149 | 248 | 764 | 396 | 659 | 84 | 6803 |
| 1951-52 | 2029 | 1737 | 207 | 102 | 183 | 628 | 302 | 430 | 79 | 5697 |
| 1952-53 | 2299 | 1712 | 226 | 86 | 189 | 615 | 322 | 418 | 111 | 5978 |

(Fall term) *This Tabulation Excludes All War Training Students*

the Board of Higher Education determine possible uses of the facilities of the lower enrollment institutions for purposes outside the field of higher education that are of greater public need.

The physical plants of all institutions were personally inspected by the subcommittee and the housekeeping in all was found to be excellent. With the completion of facilities now authorized and under construction, very few substantial improvements will be needed in the immediate future.

Oil and Gas Report

Senate Resolution 6 directed the Legislative Research Committee to undertake a study of the "field of taxation, regulation, and conservation in relation to mineral resources, particularly oil, and that such study include a study of the laws of this and other states in order that the Committee may recommend to the next Legislative Assembly a comprehensive system of laws to tax, regulate, and conserve the mineral resources of this state". With the discovery of oil in this state shortly after the Legislature adjourned, this study became one of major importance. To carry the primary responsibility for the conduct of this study, the Legislative Research Committee appointed a sub-committee consisting of Senator Clyde Duffy, chairman, Senator Iver Solberg, and Representative R. H. Lynch. This sub-committee thoroughly studied the laws of other states, model acts recommended by the Interstate Oil Compact Commission, and received advice and counsel from the staff of the Interstate Oil Compact Commission and the tax and regulatory bodies of other states.

The sub-committee held three public hearings. The first hearing was held in Williston in July of 1952 in order to give the residents of that part of the state where oil is being produced an opportunity to express their opinions upon the problem of oil and gas regulation, conservation, and taxation. A second hearing was held in Bismarck in October of 1952, with representatives of the oil and gas industry in attendance, as well as interested citizens of the state. This second hearing was devoted entirely to regulation and conservation of mineral resources. A final hearing was held in November, 1952, at Bismarck, with representatives of the oil and gas industry and other interested parties, to consider the matter of oil and gas taxation.

The Committee also received a very valuable report from Dr. Wilson M. Laird, State Geologist, who personally made a trip through the major oil and gas producing states and conferred with the officials of these states concerning matters of oil and gas regulation and taxation.

The 1941 legislative session adopted the model act prepared under the supervision of the Interstate Oil Compact Commission and approved by it in 1940. The adoption of this model act ten years before oil was discovered in North Dakota represented extraordinary foresight and gave the state one of the best laws in the United States.

In most of the states, legislation grew from time to time as the needs made necessary, but it is only in recent years that the oil producing states

have remodeled their legislation to represent an effective code. In many instances the later statutes are based upon the model act adopted by North Dakota in 1941.

The progress of the oil industry and the additional experience of the regulatory bodies has shown the need for additional legislation. This has been embodied in another model act approved by the Interstate Oil Compact Commission in 1950. It has appeared to your Committee that the adoption of the later model act would give North Dakota a more compact and understandable law than would an attempt to amend and add to the present statute. For this reason, we recommend the adoption of the latest model act with certain eliminations which we now discuss.

Included in the 1950 model act is a provision for compulsory unitization. In substance, this provides that when the regulatory body deems it necessary for efficient operation of a pool and when so petitioned by a substantial majority of the interested parties, it may direct that the pool be operated as a unit under one managing operator. This proposal has been found useful in some of the older oil states where it has become necessary to repressure the pool with gas or water in order to recover oil which has been left under ground. In the opinion of the Committee, however, there is no present need for compulsory unitization in this state. We have, therefore, omitted that feature from the proposed conservation measure. We have, however, included a provision for voluntary unitization.

Various other problems have developed as a result of the production of oil and gas in North Dakota and we are recommending a series of bills to meet the various problems. Altogether we are proposing thirteen measures as follows:

1. A new conservation act based on the model act of 1950.
2. An act authorizing the Board of University and School Lands to lease for oil development the beds of navigable waters.
3. An act authorizing the appointment of a trustee to lease future and contingent interests in land and to hold the rents and royalties for distribution to the persons eventually entitled thereto.
4. An act licensing brokers in oil leases and mineral rights.
5. An act permitting the leasing of homesteads where one spouse is insane.
6. An act authorizing executors, guardians, and public corporations to join in pooling or unitization agreements.
7. An act permitting the payment of delay rentals and oil royalties to the purchasers of land held under contract from the Board of University and School lands, where such contracts are not in default.
8. An act authorizing the state and its political subdivisions to enter into non-development agreements governing schoolhouse sites and other small tracts upon which wells cannot be drilled but which tracts should share in the production from the adjacent drilling area.
9. An act authorizing abstracters preparing abstracts of surface title to omit a detailed abstract of mineral interests and limiting the charge to be made for noting such mineral conveyances.

10. An act for the taxation of mineral interests which have been severed from the surface title.

11. An act for the taxation of oil and gas on a production basis in lieu of ad valorem taxes.

12. An act for the repeal of Chapter 57-04 relating to the taxation of refineries, which section is entirely obsolete and obstructing the building of such refineries.

13. A resolution joining the Interstate Oil Compact Commission.

The purpose of most of these proposals is self-evident, but a few words of explanation may be in order in connection with some of them.

While the State of North Dakota owns the beds of navigable waters, there is at present no state agency authorized to enter into oil and gas leases. It may be highly important that the state be allowed to lease and obtain the revenue from the lands under the Missouri River.

Because of the few irresponsible brokers who have obtained leases or mineral interests on drafts which were subsequently dishonored or which were held on a speculative basis pending the development of a well in the area, it seems advisable to provide for the bonding of all brokers for the protection of the property owners in North Dakota.

At the present time, lessees of lands held under contract from the Board of University and School Lands find difficulty in making payment since they cannot safely pay the purchaser alone and the state cannot receive the money where the contract is current. It seems desirable that the contract purchaser be fully authorized to collect the lease money as long as he maintains the contract in good standing.

The 1951 act requiring the leasing of state and municipal owned land on competitive bidding has brought in substantial revenues but should not be applicable to schoolhouse sites and similar small tracts where the expenses of calling for bids would be out of all proportion to the revenue to be derived therefrom. As a matter of fact, these small tracts cannot be leased for oil development but must be developed in connection with the adjoining spacing unit and should be governed by non-development agreements which would give to the state or municipalities a proportionate share of the revenue from the entire drilling unit. The Attorney General has ruled that it is proper for the state and municipalities to enter into such nondevelopment agreements without competitive bidding, and we believe it wise to confirm this practice by specific act.

The matter of taxation of undeveloped mineral interests presents some complicated problems, including questions of constitutional law and public policy. The Legislative Assembly has heretofore attempted to place a tax on mineral interests which have been severed from the surface rights, but the Supreme Court has held such taxes to be arbitrary and the legislation unconstitutional. Obviously, it is extremely difficult to determine the actual value of such mineral interests. Equally obviously they do have some value and should be subject to some taxation. Today the farmer who retains all of his mineral rights is assessed and taxed exactly the same as the adjoining

farmer who has disposed of one-half or all of his mineral rights, while the owner of those severed mineral rights goes untaxed. We have, therefore, proposed a measure establishing a very small assessment on these severed mineral interests, with the right of the holder thereof to present to the Board of Equalization evidence indicating that even a lower assessment is just. We believe that such a provision should answer the charge that the assessment and tax is arbitrary. If the owner of the mineral interests claims that they have no value, then he cannot be harmed by the tax as he has no property rights requiring constitutional protection. If they have some value, he may show what that value is and the Board of Equalization fixes his assessment accordingly.

The proposed act has two purposes:

1. The raising of revenue.
2. The termination of severed mineral interests which the owners regard so lightly that they will not pay any taxes upon them.

These mineral interests if untaxed will pass on forever from one generation to another and in many instances will not be included in the probate proceedings relating to the deceased owner and in time it will become impossible to determine who the owners are. If subsequently oil be found on the land, it will be impossible to obtain leases from these unknown owners. Alberta has solved the problem substantially along the line recommended in this bill. Louisiana has solved it by terminating all mineral interests if there has been no development within ten years after the mineral right was created. However, Louisiana operates under the civil law, while the rest of the United States operates under the common law, and we would encounter serious constitutional objections if an act similar to Louisiana's were adopted.

In passing upon the question of the taxation of a producing field, the Committee was first confronted with the question of adopting the ad valorem system or the production or severance method. The ad valorem system is the historic one in the United States. Its practical application to oil fields has been found exceedingly difficult. No one can see how much oil or gas is under ground. No one knows how long a well will flow. It would require the employment of trained engineers and geologists to make even an intelligent guess as to the value of a particular area or well. North Dakota does not have the facilities for doing this. In most states which use the ad valorem system, a rule of thumb method is followed whereby the value of the well is determined by the daily production and that daily production is capitalized to determine the value of the well. It has seemed to the Committee that it would be more simple to base the tax directly upon production rather than to use production as a base for computing the value of the well and then attempt to assess an ad valorem tax on such value. The production tax works hand in glove with the conservation practices in that if production must be restricted by the regulatory body, the tax to be paid is automatically reduced. Furthermore, the tax is paid equitably by all of the persons interested in that production. We are recommending a tax of 4% upon the value at the well of the oil produced plus a special tax of $\frac{1}{4}$ of 1% to cover the cost of regulation. This is fairly well in line with the rate prevailing in other

states which have a production tax and, while it is lower than the rate prevailing in some of the states, we feel that at least during the period of development, North Dakota should be moderate in its tax demand.

The question of the distribution of this tax is not free from difficulty. Clearly part of the revenue should go to the state of North Dakota as one of the natural resources of the state is being depleted by the production. On the other hand, it is equally obvious that part of the tax should go to the county and to the local subdivisions. The impact upon the county is largely through the wear and tear on the highways because of the hauling of heavy drilling equipment. The impact upon the local subdivisions is through the influx of oil workers with their families and the increased need for school facilities and municipal services. The impact upon the local subdivisions is not upon the particular township where the oil well is located, but rather upon the cities and villages within the area. There is no exact measure or standard upon which to base the distribution of this revenue. Manifestly, the local subdivisions feel the impact most severely during the early stages of development. Ultimately the increase of population will bring an increase of the tax base, but that increase will lag several years behind the demand for public services. Hence, a greater share of the tax should go to the local subdivisions during the early years of production.

We have, therefore, recommended the following sliding scale:

The first \$200,000 of annual revenue from any county shall be allocated 75% to the county and 25% to the state general fund.

The next \$200,000 of annual revenue shall be allocated 50% to the county and 50% to the state.

Above \$400,000 of annual revenue, 25% shall be allocated to the county and 75% to the state.

The county's share, in turn, shall be allocated as follows:

To the county road and bridge fund 40%.

To the public schools upon a per pupil basis 45%.

To the incorporated cities and villages upon a population basis 15%.

The Interstate Oil Compact Commission, representing the great majority of the oil producing states, under Act of Congress, has been a source of both the 1941 Act and the proposed conservation Act. It has been a source of great assistance in formulating the rules of the Industrial Commission and in preparing the proposed legislation. We believe it can be of great assistance in the future and we recommend that North Dakota join the compact.

The Committee has received much material from the regulatory agencies of many of the oil states of the United States, as well as those of Alberta and Saskatchewan. We have also had the benefit of the thinking of a committee of the North Dakota Bar Association, the County Commissioners of Williams County, and many interested citizens, as well as members of the industry who attended two public hearings at the Capitol. We express our indebtedness to all of these for assistance so freely given.

Farm Retirement

This study of the feasibility of the establishment of a farmers' retirement system for the farmers of the state of North Dakota was made as directed in House Resolution Number Eight of the 1951 Legislature. In the words of the resolution, the Legislative Research Committee was to "make a thorough study of the practicability of a farmers retirement system, to investigate and ascertain how such a plan could be made fair and equitable to all concerned, and to report their findings back to the Thirty-third Legislative Assembly". A secondary subject of the study was to consider "the possibilities of a retirement plan on a broader base so as to include everyone in a retirement plan not based on need".

Pursuant to this directive, the subcommittee on Farmers' Retirement was appointed by the chairman of the Legislative Research Committee. The subcommittee contacted authorities at the University and Agricultural College and obtained the services of Dean Thomas J. Clifford of the School of Commerce at the University and Dr. B. H. Kristjanson, Agricultural Economist of the Agricultural College, to assist the subcommittee in making the study.

Since the reasons for the passage of House Resolution Number Eight were the problems arising in House Bill Number 725 of the 1951 Session, the subcommittee began its work with a detailed study of that bill. This bill was passed by the House of Representatives of the 1951 Legislature, but after reconsideration, action upon it was indefinitely postponed. House Bill Number 725 was essentially a skeleton bill as introduced, since it provided only the bare framework upon which to build the farm retirement system. It was not sufficiently detailed to make it practical for any administrative agency to place the plan in operation had the bill become law.

Section 7 of the bill provides for a tax of one percent on the gross price of all agricultural products produced within the State of North Dakota and sold on the markets within or without the state with a provision exempting the sales of eggs and butterfat, for the financing of the farmers' retirement system. A tax of this type has many weak points in its administration and several apparent injustices. As a matter of law, it is impossible to extend the taxing jurisdiction of the state beyond its geographical borders. This would prohibit the taxing of products physically transported to other states and sold or any sales of products physically existing in the state where the sale was transacted or consummated outside the boundaries of the state. This provision would do great damage to the dealers in farm products who operate their business in North Dakota, since it would be more profitable for the seller to sell the products outside of the state. It would practically bring financial ruin to those North Dakota businesses engaged in purchasing farm products along our state lines. Further, since there is no limit to the taxable transactions in the bill, the same product could be taxed many times. Apparently sales between farmers, seed dealers to farmers, and many other similar transactions would be taxed in exactly the same manner as sales resulting in out-of-state shipment.

As a matter of equity, farmers who are engaged solely in dairy farming

or chicken raising may have good cause for complaint for not being included in this bill. As the bill stands, the raising of a few head of beef cattle or a few acres of grain is sufficient to gain coverage under the bill even though the major portion of the farmer's income may come from dairy farming or chicken raising, yet those engaged solely in raising the exempted products can obtain no benefits.

Section 3 of House Bill 725 placed the responsibility for the administration of the system in the North Dakota Industrial Commission, with the authority to administer the plan through any state department or agency. No appropriation for such operation was included in the bill. That supervision and administration of this plan would require the full time efforts of a large administrative agency is evidenced by a comparison of its scope to that of the present Old Age and Survivors Insurance System and the Teachers' Retirement System now in operation in the state. The Old Age and Survivors Insurance System presently gives coverage to approximately 9,000 employees of the state of North Dakota and its political subdivisions, which requires the full time services of three people, plus part time employees to administer the plan, and a biennial appropriation of \$31,500. The Teachers' Retirement System presently gives coverage to approximately 8,933 teachers in the state and requires the full time services of 5 employees in its administration at a cost of \$52,900 biennially. The size of the administrative agency and costs to administer a retirement system affecting the 254,000 persons residing on the farms of the State of North Dakota and those persons and their families who reside off the farm but engage in farming operations would be many times greater. There is no existing state agency that is qualified or has the staff to take on the burden of administration of a plan of this magnitude without a substantial increase in its personnel and budget.

There is no maximum limit to the amount of tax any farmer in the state must pay on his products in any given period. This would result in the successful farmer paying an undue proportion of the tax going into the fund to the benefit of the unsuccessful and indigent farmer, since the successful farmer is not allowed to draw any greater benefit payments than the unsuccessful one. Any tax that penalizes the hard working successful farmer can be expected to be unpopular with the greater portion of the people of the state.

Section 9 of the bill sets the benefit payment at \$80 per month to a farmer qualifying under the act. To qualify the farmer would have to be 65 years of age and have farmed 10 years in the state, two years of which must have been from and after the effective date of the act. This qualifying provision would be very unfair to the younger farmer, since many older farmers would qualify and begin receiving benefits after making contributions to the system for only two years, while conceivably many young farmers could be taxed 45 years or more and then be entitled to no more benefits than the older farmer who contributed to the fund for the two year period. Further, since there are no minimum payments set to gain full coverage, many farmers could qualify without making any substantial contribution if they had only small sales of farm products during the two year period. The

lack of such provisions would place a premium on handling sales in such a manner as to avoid the tax. It is very uncertain that a plan allowing farmers to qualify in only two years could under any circumstances be made actuarially sound. In addition, if a farmer is fully qualified in ten years, it becomes possible for a person to farm for the required ten year period, and then work in a position covered by Federal Social Security and become eligible under two retirement programs.

Section 10 attempts to refine the term "farmer" as used in the bill, and states it shall mean "any person actually living upon a farm and in his individual capacity operating said farm, or any person who individually operates said farm even though he does not reside thereon, but shall not include persons who are not in good faith operating and actually performing the functions of producing the products affected by this Act". The difficulties of adequately defining a "farmer" for the purposes of this act pose an almost insurmountable problem. Should the term include only those farming a minimum number of acres? Should it include those obtaining most of their income or part of it from other sources, and if so what should be the dividing line? Should it include only those doing physical labor on the farm or personally supervising the farming operations or should it include those land owners hiring the farming operations done for them on a cash basis or for a share of the crop? Should it include resident and non-resident land owners engaged in farming operations but who maintain little personal supervision of any kind? These are only a few of the questions that are not answered by the definition of the bill, and each would require a very refined definition to make the bill workable.

Section 11 of the Act provides that the contributions to the system shall be considered as a tax under the Federal Income Tax and be fully deductible. This provision is of no effect, for it is impossible for the state by its own statute to change the meaning of the federal statutes prohibiting the deduction of such insurance or retirement contributions on federal income tax returns.

Section 13 of the bill specifically makes the tax applicable to out of state shipments of agricultural products and provides for the attachment of a lien on such products upon the date of shipment. As a practical matter, this provision would be impossible to enforce, for it would be impossible for the administering agency to know of the sale or the amount of tax payable on a sale to an out of state purchaser in time to enforce the lien before the product is shipped out of the state. Since other states will not lend the process of their courts to enforce the tax laws of another state to foreclose a tax lien without its reduction to judgment, the lien would in effect be valueless. And, as previously stated, if the sale took place or was consummated out of the state it could not be classed as a North Dakota sale and consequently would be beyond the taxing jurisdiction of the state. In addition, in many sales there would no doubt be serious question of the constitutionality of the tax, for instances would arise where it could be construed as an attempt to tax interstate commerce. The practical effect of this provision is simply to rely on the voluntary payment of the tax by farmers shipping out of state or by the out of state purchaser.

The problems brought out above in the discussion of House Bill 725 must all be answered in any farm retirement program that the state should embark upon. In addition there are many other considerations that merit serious attention when determining the feasibility of the establishment of an actuarially sound system.

Any program of retirement must be geared to the retirement needs of the average farmer and within his ability to pay, but of necessity, in order to hope for a wide enough base to make the plan financially sound, would have to include all farmers of the state. This compulsory feature would no doubt be objected to by the more successful and higher income farmers of the state, since they would be forced to pay for a plan that they did not need for the benefit of the less successful farmer. Should the benefit payments be conditioned upon need, his relative position would be even more disadvantageous.

The difficulties arising in determining and defining who would be a farmer under the Act as previously mentioned would arise in any plan of farmers' retirement. Since people engage in farming under many different arrangements and obtain their income from many different sources, the question of qualification under the system would have to be tied to some standards such as percentage of income earned from farming or the number of acres farmed.

One difficulty of a farm retirement system on a state level is that of our shifting farm population. With the present fluid farm population, there is no assurance that a contributor will ever gain any benefits from the plan since he might move to another state before becoming qualified and hence lose all his contributions. The reverse would hold true for any person coming into the state from a state without a similar plan, since he might reach the retirement age without farming for sufficient years to qualify.

Probably the greatest obstacle in developing a sound retirement plan results from the great variation of farm income from period to period and even year to year. This of course is caused by fluctuations in the prices of agricultural products and weather and other conditions effecting crop yield. In order to develop an actuarially sound program, it is necessary to balance reasonably definite future projections of farm income against equally definite future projections of payments from the retirement fund. Although, after a great deal of study and research, it might be possible to make a reasonable estimate of the number of people who would come under the Act at its initiation and in subsequent years, it would be absolutely impossible to make accurate estimates of future farm income and sales. Without such an accurate projection of future income, it would be impossible to determine in advance whether the plan was actuarially sound.

Because of the various difficulties previously mentioned, and more especially because of the fluctuations of farm income, upon which payments to the system would have to be directly or indirectly based, it is the considered opinion of the Committee that a sound farmers' retirement system upon the state level is not practical. Any system that is not based on actuarially sound projections of income and payments to the fund could easily become

bankrupt under a high level farm economy and fall of its own weight. When the effects of regional drouths or other crop damaging elements are considered, it becomes apparent that even a short drouth or farm economic depression could destroy the fund in its early years, and the effect of a serious drouth or farm depression even in later years could not be estimated.

An additional deterrent to the establishment of a farm retirement plan on a state level is that of the probability of the federal government eventually extending the Federal Social Security System into this field. The existence of a state plan might seriously interfere with the operation of the federal system or might prevent the participation of North Dakota farmers in the federal system at all. Once established, it would be most difficult to abandon the state plan, for many vested and contingent claims would have arisen during the plan's operation which would have to be satisfied prior to its abandonment.

A farm retirement system on a national level could overcome most of the problems mentioned in connection with a state system. The shifting population would not be a problem, since the same system would be in operation in all states. The effects of regional drouths upon a national system would not be nearly so serious as on the state level, since the greater portion of the nation is not likely to be effected by such a condition at the same time. Further, since the federal system would depend upon the income of all farm crops and farm income, price fluctuations, crop failures or damage to one or two types of crops would not be nearly so serious.

The Committee recognizes the merits and justice of a farm retirement system. Since the farm population is now one of the principal segments of our economy not covered by retirement programs, the farmers are presently contributing directly and indirectly to the retirement plans of all other major economic classes without receiving any benefits themselves.

It is, therefore, the recommendation of this Committee that the Thirty-third Legislative Assembly of the State of North Dakota, if it so desires, by a proper concurrent resolution, memorialize the Congress of the United States to extend the coverage of the Federal Social Security System to the farm population of the United States.

Revenue Producing Buildings

House Resolution No. 10 directed the Legislative Research Committee to study the program of financing the construction of revenue producing buildings at our state institutions of higher learning. In the words of the resolution, the Committee was to consider the "potential revenue to be derived from existing and proposed buildings and practical methods of finance". This resolution was the result of Senate Bill No. 240, which was introduced and passed in the Senate, but which was indefinitely postponed by the House of Representatives. Senate Bill No. 240 proposed to allow a refinancing plan for institutions of higher learning which have revenue bonds outstanding, whereby the full faith and credit of the state would be placed behind the

interest and principal obligations of the building, in addition to the revenues from the existing revenue producing buildings at the institution.

There are presently five institutional projects with revenue bonds outstanding and negotiations are now being carried on for the issuance of bonds for a sixth revenue producing building. The following table will show the institutions which have issued such bonds, the amount of the bond, the purpose of issue, date of issue, maturity and interest rate. In addition, there is included the debt requirements, meaning principal and interest obligations accruing from the date of issue, the estimated revenues from the time of issuance for the same period, and the actual revenues from date of issue to November 1, 1952, for the University Student Union and dormitory projects and the Minot Student Union addition. There has not been sufficient experience on other issues to warrant their inclusion in this report and in some instances the buildings have not been completed.

SCHEDULE OF ISSUES OF REVENUE BONDS

| Institution and Building | Amount | Date of Issue | Maturity | Interest Rate |
|--|--------------|------------------------|-----------------------|-------------------|
| Minot State Teachers College Student Union Addition..... | \$ 50,000.00 | 3-15-50 | 15 ¹ years | 2 $\frac{3}{4}$ % |
| University of North Dakota Student Union Building..... | 350,000.00 | 8-1-48 | 25 years | 3.21% |
| Men's and Women's Dormitories | 750,000.00 | 2-1-50 | 25 years | 2.87% |
| North Dakota Agricultural College Student Union Building | 350,000.00 | 8-1-52 | 25 years | 3 $\frac{3}{4}$ % |
| Women's Dormitory | 400,000.00 | 11-15-52 | 25 years | 3 $\frac{3}{4}$ % |
| Wahpeton State School of Science Women's Dormitory | 200,000.00 | (Now being negotiated) | 25 years | 3 $\frac{3}{4}$ % |

UNIVERSITY OF NORTH DAKOTA STUDENT UNION

| | |
|---|--------------|
| Debt Requirements August 1, 1948 to August 1, 1952..... | \$ 64,671.45 |
| Estimated Revenues for Same Period..... | 80,839.31 |
| Actual Revenues for Same Period..... | 109,818.73 |

UNIVERSITY DORMITORY ISSUE

| | |
|---|--------------|
| Debt Requirements from Date of Issue to February 1, 1952... | \$ 87,150.00 |
| Estimated Revenues for the Same Period..... | 130,275.00 |
| Actual Revenues from Date of Issue to Nov. 1, 1952..... | 146,199.53 |

MINOT STUDENT UNION ADDITION ISSUE

| | |
|---|--------------|
| Debt Requirements from date of Issue to 3-15-52..... | \$ 12,877.50 |
| Estimated Revenues for the Same Period..... | 16,500.00 |
| Actual Revenues from Date of Issue to Nov. 1, 1952..... | 14,764.05 |

It will be noted, that in all three issues for which experience is shown on the above table, the revenues exceed the debt requirements, and in the

case of the University Student Union and the dormitory issue, the surplus over the debt requirements is very substantial.

The purpose of any bill which would authorize refunding of these issues and placing the full faith and credit of the state behind such issues is, of course, to obtain lower interest rates. This has been done in some states and substantial savings have occurred.

After conference with officers of the Bank of North Dakota and a comparison of interest rates between revenue bonds and full faith and credit bonds of other states, it appears reasonable to assume that the state of North Dakota could obtain interest rates of about 1% lower than that being paid on the present twenty-five year revenue bonds, should they be converted to full faith and credit bonds. It would be reasonable to expect that such a conversion would save about $\frac{1}{2}$ of 1% in the interest on the 15 year bond issue of the Minot State Teachers' College Student Union addition. Converting these percentages into dollars and cents, it appears that the State of North Dakota would save \$325,243.35 through the conversion of these revenue bonds to full faith and credit bonds over the life of the issues. The following table shows project by project the interest savings possible upon a 1% reduction in interest rates.

BOARD OF HIGHER EDUCATION

Revenue Bond Issues

| Purpose | Par Value of Bond Issues | Total Interest | | Reduction Total Reduction | Reduction Bond \$1,000 |
|----------------------|-----------------------------------|---------------------------------------|---|---------------------------------|------------------------------|
| | | Cost—3 $\frac{1}{4}$ % for 25 yrs. | Cost @ 2 $\frac{1}{4}$ % for 25 yrs. | | |
| U.N.D.—Student Union | \$350,000.00 | \$166,588.00 | \$111,440.61 | \$ 55,147.39 | \$157.56 |
| U.N.D.—Dormitories | 750,000.00 | 356,975.00 | 238,801.25 | 118,173.75 | 157.56 |
| A.C.—Student Union | 350,000.00 | 166,588.00 | 111,440.61 | 55,147.39 | 157.56 |
| A.C.—Dormitory | 400,000.00 | 190,392.00 | 127,360.75 | 63,031.25 | 157.56 |
| Wahpeton—Dormitory | 200,000.00 | 95,196.00 | 63,680.38 | 31,515.62 | 157.56 |
| | | 2 $\frac{1}{4}$ % 15 yrs. | 2% 15 yrs. | | |
| Minot—Student Union | 50,000.00 | 11,694.40 | 9,466.45 | 2,227.95 | 44.56 |
| | \$2,100,000.00 | \$987,433.40 | \$662,190.05 | \$325,243.35 | |

The above interest calculations are computed on a level debt payment basis. This therefore is not calculated on the actual maturities of the various bond issues, but approximates interest charges on them in that they are very nearly set up on a level debt payment schedule.

The Committee does not express any opinion as to the practice of financing buildings at our educational institutions by means of revenue bonds. Such methods serve the purpose of giving immediate facilities to these institutions without overburdening the state with construction appropriations during the years in which the facilities are built. However, it must be pointed out that the argument that such facilities do not cost the state any money when

constructed by revenue producing bonds is not entirely valid. Assuming that the facility is going to be built in any event, whether by direct appropriation or revenue bond financing, the revenues from the building are in the case of revenue bond financing, ear-marked for payments upon the bond issue, while in the instance where the facility is constructed by funds directly appropriated, the revenues go into the operating funds of the institution and can be appropriated by the Legislature for normal institutional operation. Consequently, since the operating revenues are never sufficient to cover the cost of operating our educational institutions, a decrease in operating revenues through the earmarking of a portion of these revenues to retire revenue bonds, requires a corresponding increase in appropriations from the state General Fund to meet normal operating expenses of the institution. At times when it is impossible to construct facilities by direct appropriation because of lack of funds, the revenue bond financing method has considerable merit, since the construction of the facility will itself produce the revenue necessary to liquidate the obligation, and in this instance were the facility not constructed at all the potential revenue would be lost.

It is the conclusion of the Committee that the merits of revenue bond financing must be determined project by project, with due consideration, first, to the immediate need of the facility and, second, to the amount of funds available in the State Treasury to support such construction by direct appropriation. If the need for the facility is great and funds are not available in the State Treasury for its construction, the raising of construction money through revenue financing has considerable merit.

In those instances where revenue bond financing is regarded as feasible, it appears that it is possible for the state to make a substantial saving in interest rates by placing the full taxing power of the state behind the issue. It appears since all issues of this type require that the anticipated revenues of all revenue producing buildings at the institution be at least $1\frac{1}{2}$ times as great as the interest and principal obligations, there is very little danger that money from the State Treasury would ever be required to meet the obligations. Further, the addition of the full taxing power of the state would make the investment more attractive to private investors and the funds now invested in these issues by the Bank of North Dakota could be freed to supply needed credit in other fields of North Dakota investments.

Study of Highways, Roads and Streets

One of the major projects of the Legislative Research Committee was the study of the highways, roads, and streets of North Dakota. The study was undertaken as a result of passage of House Concurrent Resolution "P" which was adopted by the North Dakota Legislative Assembly in 1951. The text of the Resolution is as follows: ". . . the Legislative Research Committee shall obtain, study and analyze all facts and matters pertaining to the development of a program of construction, reconstruction, improvement and maintenance of the highways, streets and bridges of the state, the

maximum utilization of existing road facilities, and the efficient administration and sound financing of the highways, streets and bridges of the state. The Committee shall arrive at an informed estimate of the total costs of the aforementioned program and shall allocate such costs to the state and to the various units of government as the benefits of each may be determined. In making its recommendations for the financing of the proposed highway program, the Committee shall include proposals for an equitable division of costs among the several beneficiaries of the highway as well as for the improvement of fiscal administrative practices. The Committee shall file its final report with the governor and make the same available to the press at least ninety days prior to the convening of the 1953 regular session. In making studies, examinations, and recommendations requiring engineering, clerical and stenographic services, the Committee, with the consent of the Highway Commissioner shall utilize such employees and facilities of the State Highway Department as may be necessary and available and shall cooperate with and secure the cooperation of the State Highway Department and any and all other state and local officials who are charged with duties and responsibilities which relate in any way to the administration, construction, maintenance, use and financing of the roads and streets of North Dakota."

There has been a growing feeling among members of the Legislature and the interested public that the highway, road and street programs of the state, county, township and city systems had developed without sufficient factual information or planning. The great variation in efficiency of the various county highway systems suggested that they had been developed according to the ideas of individuals living within the county rather than by following some well-established and accepted methods of operation. Another factor which prompted such a study was the inadequacy of highway revenues to meet the needs for highway construction and maintenance at the various levels. In the 1949 and 1951 Legislative Sessions, the Legislature had no other way or means with which to match the available Federal funds allotted to North Dakota other than to appropriate moneys out of the general fund. Eight million dollars in 1949 and five million dollars in 1951 were appropriated by the Legislature. Obviously, such a plan of financing could not continue indefinitely in the face of the inequities of building highways from general funds and the depletion of general funds available for this purpose. Further, there has been a demand for facts upon which to develop sound highway systems on the state, county, township and city levels. It has been felt by many in North Dakota, as in many other states, that the highway programs have "grown like Topsy" without necessary basic information or planning.

Upon considering the highway study requested by the Legislature, the Committee realized that it had a major project before it. It first reviewed reports of similar projects undertaken in other states and contacted recognized authorities in the field and participants in other such studies. Before the study was undertaken, it was recognized that three prime requisites were necessary in the persons who were to conduct the study. First, such persons must be competent and trained in the phase of the highway

study that was assigned to them. Highway transportation problems have become so complex with the growth of motor vehicle transportation that experienced personnel is absolutely necessary to supervise such a study. A second requirement of the persons or agency to undertake the study is that of impartiality, since the purpose of the study was to find facts and to make recommendations upon which to establish a sound, long-range program. The persons supervising the study would have to be free to report facts as they found them without influence from any source. A third requirement of a successful study is the necessity of cooperation from the many sources within the state that are familiar with the problem, as an aid in gathering information and making recommendations.

Following the plan of the Legislative Research Committee of delegating certain responsibilities to sub-committees with regard to specific topics, a sub-committee was appointed consisting of Senator Orris G. Nordhousen, Chairman, Senator Albert J. Sandness, Representative Walter Bubel, Representative Louis Leet, and Representative R. H. Lynch to bear the primary responsibility for the conduct of the study. However, it should be explained that the entire Committee participated in the study throughout its course and assumed responsibility for the Committee findings and recommendations.

It was decided early in the Committee's deliberations that the project might best be divided into two major phases, engineering and financial, and plans were laid for two coordinated studies. After conferences with official agencies and with industry representatives, personal interviews were had with officers of the Automotive Safety Foundation of Washington, D. C., a nonprofit, automotive industry financed agency, which has conducted surveys of engineering needs in the states of California, Washington, Oregon, Kansas, Nebraska, Mississippi, Ohio, Michigan and Virginia. Interviews were also had with Dr. James C. Nelson, Professor of Transportation Economics of Washington State College. As an economic consultant, Dr. Nelson has conducted two successful studies of highway finance problems for the state of Washington. The Committee was fortunate in being able to obtain the services of the Automotive Safety Foundation and Dr. Nelson to undertake the studies of engineering needs and of highway finance problems, respectively. Upon acceptance and approval, contracts were negotiated by the Committee and the Highway Department jointly and approved by the Bureau of Public Roads, thus insuring competent, unbiased and concurrent objective studies of the two major phases of the project.

The Committee recognized the necessity of securing the fullest information from the public and from interested groups and the importance of having widespread participation in the study. For that reason, the Committee held open meetings during the course of the study and welcomed comments and suggestions from all sources. Invitations were extended to more than thirty state-wide organizations to participate in the study by the designation of representatives to serve upon a Citizens Committee. The Citizens Committee was invited to attend meetings of the Legislative Research Committee for the reception of reports on the progress of the

study phases, assist in the presentation of views, provide specialized information as the study progressed, and disseminate throughout the state a broad understanding of the facts underlying the highway problems. The designation of certain organizations was not an exclusion of others. The door was open to all and advice, suggestions, and factual information was welcomed from all agencies and individuals.

Findings and Recommendations of Engineering Study

It is not contemplated that in its report to the Legislature the Legislative Research Committee should review at any length the findings of either the Engineering Study or the Finance Study. The findings are set out very thoroughly in the reports. However, the Committee would like to call attention of the Legislature to some of the more important points contained in each study.

The Engineering Study reviews the history of travel and the development of the transportation system in North Dakota, and it cites the importance of good roads to the people of this state. It reports on the use of our highways and roads by different segments of our society. For example, it reveals that of all the vehicles using our rural highways, 59% are city owned and 41% are rural owned. On county and township roads, these percentages are 30% city owned and 70% rural owned. On city and village streets, 78% of the vehicles are city owned and 22% rural owned. Consequently, all of our people have a stake and interest in the entire highway, road and street problem.

One of the highly significant subjects reviewed by the Engineering Study was the problem of classification of the highways according to their use and assigning responsibility for their construction and maintenance to the various subdivisions of our government. At present there are 114,000 miles of rural roads in North Dakota, including the seldom used prairie trails. In this state, there is no official, complete or uniform classification of roads and streets. The study reviews the requirements of a highway to justify its being part of the state system. Among such requirements are a sufficient traffic volume, use as a connecting point between towns, communities and markets, and service as a collector of traffic from several routes of lesser travel.

Of the 114,000 miles of rural roads in North Dakota, the Engineering Study found, with the help of county and state officials, that 25,000 miles are the most important. The 25,000 miles selected carry 85% of all rural travel while the remaining 89,000 miles of other rural roads and trails carry only 15% of the rural travel. The study proposes that this 25,000 miles become the classified system and be apportioned with 4,121 miles of rural state highways, 177 miles of urban state highways, 20,482 miles of county roads, and 545 miles of arterial and business access streets. The reasons for the suggested apportionment are set out in the Engineering study. The reduced state system results in the establishment of a plan of highways serving all parts of the state, which will be within the ability of highway users and taxpayers to build and maintain.

Establishing the system of county roads proposed by the Engineering

study would better serve the farmers of North Dakota and others who use the county highways. It would provide them with better highways, year-around transportation, and place more farmers and communities either on or closer to a good highway than at present. For example, instead of traveling more than three miles on unimproved roads to and from town, the average farmer would live about one-half mile from an improved road network connecting all the communities in his area.

Under the proposed classification plan, 2472 miles of roads would be reclassified and placed on the county road system. The larger part of this mileage consists of the lesser traveled routes and duplicating roads. Among the reasons for having this mileage on the county road plan are the advantages of local administration, as compared with district or state-wide administration of a road program, and the substantial reduction in costs. When built as part of a state system, a highway must meet Federal specifications to be eligible for Federal matching funds and the average cost of such a graded and graveled state road is about \$25,000 per mile. Placing a suitable bituminous surfacing on such a highway raises the average cost of a graded and hardsurfaced state road at approximately \$50,000 a mile.

In contrast with that cost if the same road is built as a county road, somewhat lower standards are permitted in building what is a serviceable road and yet qualifying for Federal Aid. Such roads are presently being built by many counties of the state for \$8,000 per mile, or less, either with county equipment or by contract. Costs of hardsurfacing roads on a county system would also be less than hardsurfacing roads on the state system.

It should be pointed out that the taxpayers of North Dakota and highway users must pay the costs of all state and county highway construction and maintenance. The willingness of the people of North Dakota to provide highway funds will determine the number of miles that can be constructed and maintained on the state and county systems. It is obviously necessary to restrict the mileage of road on each system to bring it within the financial limits of what the people are willing and able to purchase. The mileage selected for the state and county systems should remain substantially unchanged until the system has been improved.

A second important subject considered by the Engineering Study is the establishment of standards for the construction and improvement of highways, roads and streets. Standards are merely a codification of the best practices for the economical building of highways to best serve their intended purpose. Had suitable construction standards been adopted years ago in the building of our highways, more of the roads of our country would be adequate for present needs. The standards to be used should be dependent on the use to which the particular road is to be put. Building a road to acceptable standards has an important bearing on its safety, maintenance cost, and snow removal. The Engineering Study recommends that the Legislature provide that local officials and the State Highway Commissioner cooperate in developing sound and practical standards for

county and township roads and municipal streets and that such standards be followed in building the same.

A considerable portion of the Engineering Study is devoted to the problem of maintenance and suggestions for better maintenance practices. After exhaustive review, it makes many practical recommendations for the improved maintenance of all highways, roads and streets of North Dakota.

The present condition of all the highways, roads and streets in the state is thoroughly reviewed. This appraisal gives full information as to the needs that exist and which should be met to bring these facilities up to a satisfactory level. For example, it has been determined that the cost necessary to overcome the present backlog of deficiencies on rural state highways amount to \$134,000,000. The total cost of immediate needs on the present county roads is \$44,000,000. The cost of the improvements needed now on the principal streets in North Dakota amounts to \$39,000,000. It also sets out the estimated cost of alternative future highway programs for state and county highways, and city streets according to present systems and also under the proposed reclassifications. (See pages 137, 138 & 139 of Engineering Study). The full appraisal of the present roads and streets will be very helpful to the proper officials in planning the wise expenditure of road and street funds.

There are many other recommendations made in the study which will provide better road administration at all levels of government. These recommendations point the way toward a sound highway, road and street program and insure the wise and economical use of the taxpayers dollar.

After receiving and reviewing the Engineering Study, the Legislative Research Committee was confronted with the problem of preparing legislation that would translate the recommendations of the Committee into bill form for consideration by the Legislature. It became clear as the Engineering Study progressed that the Committee had two alternatives that it might follow in this regard. First, as has been done for decades, bills might be drawn on each of the subjects involved and placed in the most logical place in our statutes. This would aggravate an already bad situation, because our highway legislation has not been fully reviewed in recent years and it has grown in piecemeal fashion.

The second alternative was to review all existing and suggested legislation and work out a complete framework into which this and all future highway legislation could logically be fitted. Fortunately, the committee was able to obtain the services of the legal staff of the Automotive Safety Foundation in studying and revising Title 24 of the North Dakota Revised Code of 1943, relating to Highways, Bridges and Ferries. This was done through review of all existing laws, opinions of the Attorney General and decisions of the Supreme Court on the subject. The legal staff conferred with all of the departments as to the adequacy of existing laws to meet present problems, and where inadequacy was found, suggested changes were offered. Finally, the legal staff reviewed all of the findings and recommendations of the Engineering Study and placed them in proper form with all of the suggested and existing laws being worked into a logical

framework. There was prepared a complete index of Title 24, as revised and rearranged, a series of memoranda covering other pertinent matters, and a cross index of all the sections in the present Title 24 with the legal study, the recommendations of the Engineering Study, and the special memoranda. A printed report of the legal study entitled "Better Laws Are Basic to Better Highways" has been printed and made available to members of the Legislature and the interested public.

We are most grateful to the Automotive Safety Foundation and especially to Mr. Louis R. Morony, Director of the Laws Division for the work in making this legal study possible. Without such valuable assistance, it would not have been possible for the Legislative Research Committee to accomplish the task in the short time and with the limited staff available.

FINDINGS OF FINANCE REPORT

The financing of the North Dakota highway, road, and street network has always been a troublesome problem. It has continuously been before the state Legislature, the boards of county commissioners, the township authorities, and the city officials. As in other states, post-war financing of adequate roads and streets has fallen behind requirements because of higher construction costs in an inflationary period, and inadequacy of highway revenues to meet a demand for more and better roads and streets.

The highway finance study entitled "Financing North Dakota's Highways, Roads and Streets" assembles a large volume of historical, financial, and tax data pertaining to the problem of financing any one of the long range programs of highway, road and street improvements recommended alternatively by the engineering study in its report. It is the Legislature's right and responsibility to determine by what means the additional revenues needed for a long range program of highway, road and street improvements are to be raised.

The engineering study shows that North Dakota has been attempting to build and maintain more mileage on its road system than is possible with funds available. Under these circumstances, North Dakota cannot develop a highway, road and street system capable of yielding year-around adequate and efficient service.

Here again, it is not the intention of the committee to review in any detail the findings of the Finance Study. They are fully set forth in the report filed by Dr. Nelson. However, we do desire to call the attention of the members of the Legislature to the more important features of the Finance Study.

Chapters I and II review the highway finance problems that have arisen in the past and the methods used in obtaining highway revenue. The strong features in North Dakota's finance plan, as well as the weak features, are set out. These are: relative relief from bonded debt and the extent to which the system still calls forth contributions from property owners for land-service roads and streets.

Chapter III reviews the projected revenues for a long-range highway

program. Among the anticipated sources of revenue studied are those from registration fees, existing motor fuel taxes and motor carrier fees. The estimated net revenues are summarized for the alternative highway programs in table 19, which is found on page 88 of the Finance Report.

"During the 20-year period, 1952 through 1971, the total highway user tax net revenues estimated to become available for highways, roads and streets amount to \$314 million, or more than a 50-percent increase over the amount found by extending 1950's net revenue from highway users, \$10.4 million, for 20 years. The additional amount to become available from growth of motor vehicles, the higher tax rate and fee schedule, the tendency toward heavier trucks and other factors simplifies the problem of financing North Dakota's future highway requirements under a planned program. It should be recalled, however, that the net revenue estimates summarized in Table 19 assume continuance of a 5-cent motor fuels tax although they do not anticipate any substantial change in the gasoline tax refund situation. Should it be possible to lower the ratio of gallons sold that are refunded, the net revenues from user taxes would be quite materially higher over a 20-year period."

Chapter IV considers projected revenues for a long-range highway program from general sources. This includes anticipated revenues from property taxes, Federal Aid and miscellaneous general sources. Dr. Nelson anticipated that the present high level of Federal Aid will continue for the full 20 year period.

Chapter V balances anticipated revenues against the cost of 10, 15 and 20 year highway improvement programs as recommended in the Engineering Study. The following table illustrates the deficits and surpluses of various highway systems under the present and the reclassified plans for the 10, 15 and 20 years programs.

Comparison of Estimated Average Annual Deficits of Alternative Future Highway Programs under Present Highway Systems and under the Classification of Mileages by System Recommended by the Engineering Staff.

PROGRAMS STARTING JANUARY 1, 1954

| <i>Highway System</i> | <i>Present Highway Systems</i> | | | <i>Reclassified Highway Systems</i> | | |
|--|--------------------------------|------------------------|------------------------|-------------------------------------|------------------------|------------------------|
| | 10 years, 1954-1963 | 15 years, 1954-1968 | 20 years, 1954-1973 | 10 years, 1954-1963 | 15 years, 1954-1968 | 20 years, 1954-1973 |
| | (dollars) | (dollars) | (dollars) | (dollars) | (dollars) | (dollars) |
| State Highways Average Annual Deficit or Surplus | 8,561,924 | 4,563,835 | 2,508,636 | 2,493,647 | 643,620* | 2,296,067* |
| County Roads Average Annual Deficit | 3,321,394 | 1,861,218 | 1,050,246 | 9,611,794 | 6,714,418 | 5,204,246 |
| Township Roads Average Annual Surplus | 346,220* | 1,236,118* | 1,650,675* | 346,220* | 1,236,118* | 1,650,675* |
| City and Incorporated Village Streets Average Annual Deficit | 6,602,278 | 5,229,742 | 4,566,088 | 5,099,055 | 4,038,497 | 3,518,490 |

* Denotes a Surplus. All other figures represent a deficit.

It will be noted that there are substantial deficits for the state, county and city systems under present classification for the 10, 15, and 20 year programs. Further detailed information comparing estimated total cost and estimated revenue is found on pages 132 and 133 of the Finance Report.

Chapter VI gives various alternative general measures that are available with which to deal with the highway income deficiency situation. These are:

1. Curtailment of the program to available funds, an alternative that will not prove very satisfactory to the people of North Dakota;
2. Achievement of greater efficiency in expenditures of available highway funds, an alternative with some promise of lessening the load but one which probably cannot be expected to finance any considerable part of the requirements;
3. Increasing the net highway income from existing user taxes, an alternative that holds considerable promise of additional revenues from the gasoline tax and possibly from the use fuels tax;
4. Revision of apportionments of existing state-collected user fees, an alternative that may be called for by equity considerations, but which cannot possibly solve the income deficiencies;
5. Increases in both highway user fees and property taxes for roads and streets, an alternative which certainly will be required in addition to increasing the yield of the gasoline tax;
6. Continuance of general fund appropriations, an alternative that will in any case be required in the immediate biennium because of the higher level of federal aid under the 1952 act and which may be required continuously if the present highways are not reclassified;
7. Use of bond or credit financing to supplement other immediate sources of existing or new revenues, an alternative that has advantages that are limited to a short run unless economic curve trends are marked and likely to continue for some time.

In Chapter VII the specific problem of the motor fuels tax is considered. Dr. Nelson reviews the income received from gasoline taxes in North Dakota with such income in surrounding states and presents evidence of a low yield of North Dakota's motor fuel's tax. Various standards were applied in determining the extent of excessive refunds. As a result of the measurements applied by Dr. Nelson, he concluded that present refund practices result in excessive refunds of \$1,250,000 annually for both industrial and agricultural uses. Dr. Nelson points out various methods that might be followed in improving the gas tax refund administration.

One of the problems confronting every state is the fair apportionment of highway revenues among the various units of government responsible for the highways, roads and streets of North Dakota. This question is fully reviewed in Chapter VIII. Table 56, page 210, of the Finance Study illustrates the distribution of highway net income under various apportionments of Highway user and responsibility for highways, roads and streets in North Dakota.

Chapter IX is a study of equitability of existing highway user fees among the various classes of motor vehicles, and comparison is made of North Dakota's user tax structure with those of other states. Various measures of vehicle responsibility for highway services are set forth, including the cost of highway services used, the relative use of highways, ability to pay, and carrier operating cost. The gross ton-mile contributions for each class of motor vehicles is found. Much helpful information is available here to the members of the Legislature for establishing equitable fees among the various classes of highway users.

Under the 1952 registration fee schedule and the compensation tax and seat fees imposed upon certain classes of vehicles and the 5-cent motor fuels tax, it was concluded that in relation to the average gross ton-mile payments of all passenger cars the city trucks and farm trucks on the average were contributing highway user taxes in an equitable basis. City buses and intercity gasoline-powered buses were found to be contributing highway user taxes at a slightly lower rate per gross ton-mile than all passenger cars. However, the contributions of gasoline-powered Class A trucks (intercity) were less than two-thirds that of automobiles. Primarily because of less motor fuels tax payments per mile of travel, the gross ton-mile contributions of Diesel-powered Class A trucks and Diesel-powered intercity buses were found to be considerably lower than the average gross ton-mile payment of all automobiles. The Diesel-powered vehicles with lower consumption of motor fuel rates per mile than gasoline-powered vehicles, pay less in fuel tax payments for equal mileages of highway service rendered. Some needed adjustments are evidenced among the licensed weight groups of each class of motor vehicles; in general, the lowering of registration fees with age of the vehicle appears justified.

In Chapter X, the alternatives for financing a long-range highway program are set out. Dr. Nelson states that unless bond financing of large proportions should be undertaken, it is certain that financing even the major needs found by the Engineering Study will require increases in both highway user taxes and property taxes for roads and streets and, in addition, continued State General Fund appropriations, at least for the immediate future. The amount of additional revenue needed for North Dakota's highways, roads and streets is dependent upon the type of roads and mileage on each of the systems and the length of the highway improvement period adopted. Dr. Nelson concludes that the deficits accruing in a 10 year highway improvement program would be beyond the capacity of the people to finance. Among the measures available for obtaining the additional revenues to be needed are the following:

1. Strengthen gasoline tax refund practices.
2. Increase motor fuels taxes.
3. Increase registration fees for all vehicles with provision for correcting inequities found to exist.
4. Property tax increases at both the county and state levels.
5. Bond financing.
6. Continued general fund financing.

It is the recommendation of Dr. Nelson that the additional funds

required be obtained from a combination of sources rather than to attempt to obtain them from a single source. Different financing programs involving a combination of various means of obtaining additional revenue to meet the deficits of the alternative highway improvement programs are set forth as a guide to the Legislature in Chapter X.

With the availability of the complete Study submitted by the Automotive Safety Foundation and Dr. James C. Nelson, the people of North Dakota and the Legislature now have full information regarding engineering and financing aspects of the highway, road and street program upon which a sound highway finance program can be developed.

The Committee expresses its thanks to the Automotive Safety Foundation and Dr. James C. Nelson for their competent, thorough and impartial studies of North Dakota's highway, road and street problems.

RECOMMENDATIONS OF THE LEGISLATIVE RESEARCH COMMITTEE

The Legislative Research Committee reviewed the reports submitted by the Automotive Safety Foundation relating to the engineering problems and the report of Dr. James C. Nelson relating to the fiscal problems involved in perfecting the highway system of North Dakota. The committee recognizes the need for classification of the highway system of the state and the proper apportionment thereof among the state system, the county system, the township system, and the municipal streets. It also recognizes the need for establishment of proper standards and for the utmost efficiency in the organization of the several departments supervising the building and maintenance of the highways and in the collection of the revenue required for the maintenance of such systems.

The Committee believes that the engineering study is of great value as a basis for the planning and future development of the highway system. It appears that the state system is now more extensive than can be efficiently built and maintained and that it should be reduced to include only the principal thoroughfares in all portions of the state and that the farm-to-market roads should be under the jurisdiction of the several counties. We recognize, however, that at the moment, the various counties are financially unable to assume the additional burden of taking over the mileage which should be excluded from the state system and that some of the counties do not have the highway management to assume the additional burden.

Therefore, the Committee recommends that the problem of the reclassification of the highway system of the state be approached in two ways:

1. That additional revenue be made available to the several counties.
2. That the highway commissioner and the county commissioners of the several counties work out the details of the transfer of roads from the state system to the county systems.

It is obvious that if North Dakota is to have an adequate system of roads, additional revenues are required whether those roads be built under

either state or county systems. We suggest the following methods of raising such additional revenue:

1. Increase motor vehicle registration fees on an equitable basis to raise \$1,500,000 annually.
2. Increase the motor fuels tax 1c per gallon on a refundable basis to produce an annual income of \$1,750,000.
3. Increase the maximum county tax levy to 20 mills so as to permit an additional levy of 2 mills for the county road and bridge fund to provide an additional income of \$1,000,000 annually.
4. Close the loopholes and improve the collection of motor vehicle registration fees to produce an estimated additional income of \$1,000,000 annually.
5. Improve the system for the collection and refund of gasoline taxes to produce an estimated additional income of \$750,000 annually.

Dr. Nelson reported that the loss in the collection of present gasoline taxes amounts to \$1,250,000 annually. The Committee believes strengthened administration, which can be attained in a reasonable period of time, would result in increased revenues of \$750,000 from this source. While part of this loss may be undoubtedly represented by intentional evasion, it is believed the greater loss results from a failure to keep adequate records, and a lack of adequate instruction on the law. The state auditor's office reports that claims for refund have been made for gasoline used in trucks employed in transporting grain and livestock to market on the mistaken theory that since it was being used in "an agricultural pursuit" it was tax-exempt.

The Committee believes that there are even greater losses in the collection of motor vehicle registration fees. There are thousands of temporary residents working on oil production projects, dam construction, highway construction, and similar works who do not register their automobiles in this state as the law requires. There are transport companies which take advantage of our reciprocity laws, doing much business in this state without registering any of their trucks in North Dakota.

The Committee recommends that the Legislative Assembly give serious consideration to the formulation of measures which will insure the maximum collection of registration fees and gasoline taxes and that a further study be made of our reciprocity laws and their administration, to see that North Dakota obtains equality in obtaining its share of the taxes paid by highway users.

It is clear that the additional sources of revenue heretofore suggested will not produce during the ensuing biennium, sufficient funds to match the 11½ million dollars of Federal Aid which will be available to North Dakota. The 1949 and 1951 Legislative Assemblies met the deficit in the highway funds by making appropriations from the General Fund for matching purposes. This practice cannot continue indefinitely, and to meet the present needs we recommend a bond issue in the amount of 11½ million dollars, the payment thereof to be secured by a pledge of the earnings to the state from deferred rentals and royalties from state-owned land other than lands

under the jurisdiction of the Board of University and School Lands, and by the state's share of oil taxes.

We recommend that the Legislature pass measures introduced by the Legislative Research Committee carrying out the recommendations of the Automotive Safety Foundation subject to the limitation on reclassification as hereinbefore noted and subject also to the following exceptions:

1. The Committee is not prepared to recommend an increase in the weight and length limitations of trucks at this time.
2. The Committee has been unable to make a sufficient study of the merit system, retirement plans, or engineering scholarships as recommended in the report, to make a definite recommendation at this time and would suggest that these matters be given study by the state Highway Department. The Committee recognizes the necessity of providing inducements which will retain experienced engineers and attract new engineers to the end of building up a stronger highway department, but believes that definite recommendations to that end should come from the department itself.

The financial report of Dr. Nelson states that if the highway system is reclassified as proposed by the engineering study, the counties would show an annual deficit of from \$5,200,000 to \$5,500,000 annually in carrying out a 20-year program of highway construction. In the event that such reclassification be approved by the Legislative Assembly, the Committee recommends that such deficit may be met as follows:

1. Additional Federal Aid on the basis of \$300 per mile, \$750,000.
2. State aid from the Equalization Fund to match Federal Aid, \$750,000.
3. Counties' share of additional collections through better enforcement of present registration laws, \$500,000.
4. Counties' share of additional receipts from better enforcement of present gasoline tax laws, \$160,000.
5. Counties' share of additional registration fees, \$750,000.
6. Proceeds of additional gasoline tax allocated entirely to counties, \$1,750,000.
7. Two mill additional county road and bridge levy, \$1,000,000.

These additional revenues would enable the counties to take over the roads which should be removed from the state system as well as to properly construct and maintain the balance of the county systems. As the highway commissioner works out with the county commissioners of each county a program for taking over a portion of the present state system, we recommend that there be allocated to the county from the Federal Aid for secondary roads the sum of \$300 per mile in addition to the funds which are already available to the counties from that source, and that in addition thereto, the State of North Dakota shall allocate a like amount of \$300 per mile which might be taken from the present surplus in the state Equalization Fund or from other funds which might be available for the purpose. However, it is recommended that such funds be withheld until the county has adopted

reasonable standards for its county system and has met reasonable requirements for maintaining adequate road building organizations or establishing a contracting system to assure that the money will be expended in a coordinated system of highways.

The Committee recommends that these standards be established by a Board consisting of 5 county commissioners chosen by the County Commissioners Association, 3 county engineers as chosen by the County Engineers Association, and the State Highway Commissioner. It is further recommended that the funds withheld from any county shall be retained for a period of 2½ years after they become available. If at the end of such period, a county still fails to qualify for such aid, the funds should be allocated to counties which have qualified.

It should be pointed out that the state will share in some of the additional revenue hereinbefore suggested and that such additional state revenue will approximate \$1,500,000 annually. This will permit an accelerated state highway program.

It is further recommended that the Congress of the United States be memorialized to allocate to the states the entire proceeds of the present 2¢ Federal gasoline tax until such time as such gasoline tax be repealed. In the event such Federal gasoline tax be repealed, we would recommend that the state gasoline tax be increased in a like amount to the end that the entire tax may be collected and expended under the control of the State and according to North Dakota standards without the necessity of complying with Federal rules to obtain matching funds.

The Committee further recommends that if the engineering report be adopted by the Legislative Assembly that the assembly give explicit expression of its intent to give to the state highway commissioner and to the Boards of County Commissioners broad authority and definite responsibility so that, working together free from political pressure, they may give to the state an integrated system of state and county highways and farm-to-market roads built on the basis of sound engineering and financial principals and uninfluenced by local interests or pressure groups.

Senate Concurrent Resolution "A". Resolution Joining Interstate Oil Compact Commission. Introduced by the Legislative Research Committee. This resolution would allow the Governor on behalf of the State of North Dakota to join the Interstate Oil Compact Commission. The Interstate Oil Compact Commission is an organization of the representatives of most of the oil producing states, and was established by Act of Congress. The Commission was the source of both the 1941 Conservation Act adopted by this state and the proposed new conservation act included in this report. The Commission provides a wealth of information to the regulatory bodies of the states so that they may keep their regulatory practices abreast of the developments of the oil and gas industry. The Commission has been of great assistance in formulating the rules of the Industrial Commission and the proposed oil and gas legislation included in this report and will continue to provide an excellent media for keeping North Dakota well-informed of the latest conservation practices.

Senate Bills 1 to 31—Appropriations.

Senate Bill 32. Oil and Gas Conservation. Introduced by the Legislative Research Committee. This bill is based upon the model act prepared by the Interstate Oil Compact Commission with amendments up to 1951. It would in fact replace the present law of oil and gas conservation which is based upon the 1941 model act of the Interstate Oil Compact Commission. The progress of the oil industry and the additional experience of regulatory bodies has shown the need for additional legislation since the adoption of our present law, and it is felt that the adoption of this later model act would give North Dakota a more compact and understandable law. The provision of the model act relating to field-wide unitization has been eliminated from this proposed bill.

Senate Bill 33. Leasing the Beds of Navigable Waters. Introduced by the Legislative Research Committee. This bill authorizes the Board of University and School Lands to lease the beds of navigable lakes and streams for oil and gas development, with the revenues to be placed in the common school fund. At present, the beds of navigable waters are in the status of unappropriated state land and no state agency has the specific power to deal with them.

Senate Bill 34. Leasing Contingent Future Interests. Introduced by the Legislative Research Committee. This bill would authorize the appointment of a trustee by the district court to lease contingent future interests in real estate for oil and gas development and would allow the trustee to hold the rents, bonuses, and royalties for distribution to persons eventually entitled to receive them. In addition, where owners of real estate cannot be found, it would provide for the appointment of a trustee to lease land for oil and gas development and hold the revenues therefrom for the owners when determined.

Senate Bill 35. Bonding of Oil and Gas Brokers. Introduced by the Legislative Research Committee. This bill would require a person dealing in the business of buying and selling oil and gas leases or minerals from the land or surface owner to file a bond in the amount of \$10,000.00 with the Securities Commissioner to be held by him for the benefit of any land or surface owner who suffers damage in the transactions with such broker. The Securities Commissioner will issue a receipt to the broker acknowledging the filing and approval of such bond.

Senate Bill 36. Leasing of Homesteads where Spouse is Insane. Introduced by the Legislative Research Committee. This bill amends section 47-1823 and would make it possible to lease a homestead where one spouse is insane, by petitioning the county court of the county in which the homestead is situated for permission to lease the homestead. After due notice and hearing, the county court would be authorized to enter an order permitting the leasing of the homestead.

Senate Bill 37. Authorization for Personal Representatives to Join in Pooling Agreements. Introduced by the Legislative Research Committee. This

bill will allow personal representatives to join pooling and unitization agreements for the operation of oil and gas properties as a unit. Since such unit operations are often beneficial, it appears proper that executors, guardians, and administrators, after proper approval by the court, should be given authority to enter contractual agreements of this type in the same manner as other individuals owning similar property.

Senate Bill 38. Oil and Gas Leases on State Owned Lands. Introduced by the Legislative Research Committee. This bill has two purposes. First, it would allow the State of North Dakota and its departments and agencies to execute oil and gas leases without advertisement and public bidding where the acreage or mineral right is less than the minimum drilling unit under well spacing regulations. This would apply to such state-owned land as highway right-of-ways, school house sites, and similar lands that are too small to be of any value to any persons except the person owning the adjacent acreage. Since the state could not allow drilling operations upon such property, it would have to share in oil and gas royalties out of the oil taken from adjacent wells. In addition, the sum of money usually received from the leasing of such small tracts is not sufficient to warrant the expense of advertising for public bidding.

The second purpose of this bill is to allow the state and its political subdivisions to ratify oil and gas leases executed by the purchaser of state lands under a contract for deed. In such instances, if all taxes upon the property and all contract payments are current, the purchaser or holder of the contract for deed would be allowed to receive bonus, rental, and royalty payments.

Senate Bill 39. Abstracting of Oil and Gas Instruments. Introduced by the Legislative Research Committee. This bill would require an abstractor to furnish abstracts to surface titles without abstracting mineral conveyances other than the original entry showing the severance of the mineral rights from the surface rights. It would, however, allow a charge of twenty-five cents per entry to compensate the abstractor for listing the oil and gas instruments not abstracted. It would also require the abstractor to furnish upon request, mineral abstracts of any chain of title to minerals up to and including the instruments of severance from the surface, as well as surface title entries up to the instrument severing the minerals of that chain of title from the surface rights. This bill will minimize the cost of abstracts to the surface owner where there have been numerous conveyances of mineral rights in the chain of title to his land.

Senate Bill 40. Taxation of Severed Minerals. This bill would provide a small tax upon mineral rights severed from the surface, which are presently in practice untaxed. Under our present tax system, it is extremely difficult to determine the actual value of severed minerals, but it is obvious that even undeveloped minerals have some value. This bill would establish a very small assessment on severed minerals with the right of the holders thereof to present evidence to the Board of Equalization indicating that even a lower assessment is just. It is believed that this provision should answer the charge that such assessment is arbitrary. The proposed

bill has two purposes. First, the raising of revenue, and, second, the termination of severed mineral interests which the owners regard so lightly that they will not pay any taxes upon them.

Senate Bill 41. Gross Production Tax on Oil and Gas. Introduced by the Legislative Research Committee. This bill provides for the payment of tax equal to 4% of the value of oil and gas produced, which tax will be in lieu of all ad valorem taxes upon the property from which the oil or gas is produced and upon equipment used in its production at the well site, and providing for the distribution of such revenues. The merits of taxing oil and gas property on the basis of gross production rather than under the ad valorem system is more thoroughly discussed in the oil and gas report of the Legislative Research Committee included elsewhere in this report.

Senate Bill 42. Oil and Gas Excise Tax for Regulatory Purposes. Introduced by the Legislative Research Committee. This bill will provide a tax of one-quarter of one per cent upon the gross value at the well of oil and gas for the purposes of paying the costs of regulation of the oil and gas industry. It has become an established principal in the oil producing states that the oil and gas industry pay for its costs of regulation in addition to other taxes, and it appears that North Dakota should also follow this practice.

Senate Bill 43. Taxation of Refineries. Introduced by the Legislative Research Committee. This bill would remove archaic methods of determining the assessed valuation of oil and gas refineries in the state. As the law presently stands, a great deal of information must be furnished by the owners of the refinery to the state Tax Commissioner and from this information, he must determine the income of the refinery. This income is then capitalized at 6% to determine the valuation, which valuation is then sent back to the township assessor. The affect of this law is to provide a double income tax upon refinery property and tax it in an entirely different manner than other real and personal property, without reasonable justification for such a classification. Since this provision is a deterrent to the construction of refineries within the state, it appears that it should be repealed and that the assessed valuation of refineries be determined in the same manner as other real and personal property.

Senate Bill 44. Appropriation to Interstate Oil Compact Commission. Introduced by the Legislative Research Committee. This bill would provide an appropriation of \$800.00 for the expenses of operation of the Interstate Oil Compact Commission during the coming biennium. In view of the value of the services provided by the Commission, the contribution by North Dakota appears exceedingly small.

Senate Bill 45. Unit Operation of Public Lands for Oil and Gas Development. Introduced by the Legislative Research Committee. This bill would allow the state of North Dakota and its agencies, departments, and political subdivisions to enter into voluntary unit operation agreements for the development and production of oil and gas on publicly owned lands. Unit operation, in effect, means that all the land within the limits of an oil pool

can be developed on a cooperative basis with the owner of each tract sharing pro-rata in the total oil produced from the pool regardless of whether such oil is produced directly from his land or not. It has become widely accepted that it is sound conservation practice in many instances to develop an oil pool in this manner. Through the use of such operations as water flooding and repressuring, the ultimate recovery of oil from that pool may be greatly increased. It, therefore, appears proper that the state of North Dakota have authority to enter into such unit operation agreements where it appears beneficial, in the same manner as the owners of private property.

Senate Bill 46. Salary of State Geologist. Introduced by the Legislative Research Committee. This bill will repeal section 15-1110 of the 1949 Supplement to the North Dakota Revised Code of 1943. The effect of the bill is to remove the \$10.00 a day salary ceiling of the State Geologist and the Deputy State Geologist. It has been found that it is impossible to obtain competent geologists within the statutory maximum salaries. It appears more practical to have the salaries of these officials set by the agency under which they serve or by the bill making the appropriation for salaries.

Senate Bill 47. Weekly Benefits under Unemployment Compensation. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Unemployment Compensation Division of the Workmen's Compensation Bureau. This bill would redefine the term "amended weekly benefit amount", which appears in Chapter 293 of the 1951 Session Laws. As the term stands in the 1951 law, it could be construed to mean that an individual is entitled to his weekly benefit amount plus the combination of his weekly benefit amount and dependents' allowance, which was not the intent and purpose of the Act.

The bill would also increase the maximum weekly benefit amount from \$25.00 to \$26.00. The reason for this change is that under the Federal Unemployment Insurance program for veterans of the Korean War, a \$26.00 weekly benefit amount is set which is to be supplemental to the state program. It seemed to the Department that it would be advisable for the state program to equal the benefit schedule provided for veterans of the Korean War so that such program would not have to process claims for \$1.00 to bring their combined benefits up to the amount of the Federal program.

Senate Bill 48. Benefits and Exemptions under Unemployment Compensation Law. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Unemployment Compensation Division of the Workmen's Compensation Bureau. This bill would prevent benefit payments being charged to an employer where the employee receives the benefits after he has left his base period employer without fault on the part of such employer, or if the employee was discharged because of misconduct in connection with his work.

Senate Bill 49. Appeals under Unemployment Compensation Law. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Unemployment Compensation Division of the Workmen's Compensation Bureau. Employer and claimant alike on numerous

occasions have indicated that the time limit provided for appeal from the tribunal under the Unemployment Compensation Law is inadequate. The law presently allows 7 days for such appeal and this bill would raise this time limit to 10 days.

Senate Bill 50. Homestead Exemptions. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Public Welfare Board. This bill serves two purposes. First, it would change the homestead allowance provided in section 47-1804 of the North Dakota Revised Code of 1943 to \$25,000.00. Chapter 277 of the 1951 Session Laws raised the homestead exemption in section 47-1801 to \$25,000.00, but through error omitted raising the homestead value provided in section 47-1804.

The second purpose of this bill is to make the homestead subject to the claims of the State of North Dakota for repayment of Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to Dependent Children. As the law now stands, children may come in and claim the homestead without repaying the state for payments made under these welfare plans. Since the state in effect is shouldering the burden of support which often should be carried by the children, it is felt by the Public Welfare Board that the claim of the state should be made a prior claim to that of the children under the homestead law.

Senate Bill 51. Beneficiaries of Fraternal Benefit Societies. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Public Welfare Board. Many Old Age Assistance, Aid to the permanently and Totally Disabled, and Aid to Dependent Children recipients hold fraternal benefit insurance policies. However, section 26-1219 of the North Dakota Revised Code of 1943 prevents governmental agencies from which such a policy holder received aid from being made a beneficiary under the policy. Because of this prohibition many fraternal insurance companies have refused to accept assignments of such policies when requested to do so by state welfare recipients. It is felt by the Public Welfare Board that the recipients of state aid under the various welfare programs should be allowed to make the state their beneficiary under these policies to reimburse the state. A further benefit of this change is that it will then be possible for the state to include in its grant to the welfare recipient a sum of money to take care of the policy assessments.

Senate Bill 52. Double Liability on Bank Stock. Introduced by the Legislative Research Committee at the request and under the sponsorship of the State Examiner. Although North Dakota has passed several laws attempting to remove the double liability from bank stock, because of technicalities involving the effective dates of such Acts, it appears that at least one state bank was not able to have this double liability removed from its stock. This bill will be all-inclusive in removing the double liability provisions upon the stock of all state banks.

Senate Bill 53. Additional Assistant Attorneys General. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Attorney General. This bill will allow the Attorney General to appoint

five regular Assistant Attorneys General instead of the three now provided. Because of the increase of work in the Attorney General's office, it has been necessary for some years for that office to carry additional Assistant Attorneys General on a temporary or special appointment basis over and above the three allowed by statute. Since there is no likelihood that the work of that office will materially lessen, the Attorney General has requested that his office be provided with five permanent assistants.

Senate Bill 54. Interest Rate on Farm Mortgages. Introduced by the Legislative Research Committee at the request and under the sponsorship of the State Land Department. The present law sets the maximum rate of interest the state may receive on farm mortgage loans at 3½% per annum. Since the going rate of interest on this type of loan is now 4% as evidenced by the rate being charged by the Federal Land Bank and the FHA, it was the request of the Department that the State of North Dakota remove the maximum interest rate provisions of section 15-0309 of the 1949 Supplement to the North Dakota Revised Code of 1943. This will allow the state to vary its interest rates in accordance with those being charged by the Federal Land Bank and the FHA.

Senate Bill 55. Clarification of Refunds under Old Age and Survivor Insurance System. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Unemployment Compensation Division of the Workmen's Compensation Bureau. This bill would allow an individual who has been employed for less than six quarters when terminating his employment to withdraw, without interest, any contributions he has made to the OASIS fund. It would also allow a similar refund where an individual terminates his employment when his coverage is less than one-half the quarters elapsing after July 1, 1947.

Senate Bill 56. Rate of Contributions to Old Age and Survivor Insurance System. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Unemployment Compensation Division of the Workmen's Compensation Bureau. This bill would provide for a gradual increase in the rate of contributions to the OASIS fund by both the employer and employee. The contributions would be at the rate of 1½% from July 1, 1951, to June 30, 1953; 2% from July 1, 1953, to June 30, 1955; 2½% from July 1, 1955, to June 30, 1957; and 3% thereafter. It is felt by the Unemployment Compensation Division that increases of this magnitude will be necessary in order to improve the actuarial soundness of the OASIS.

Senate Bill 57. Possession of Registration Card. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Highway Patrol. This bill would amend section 39-0512 of the North Dakota Revised Code of 1943 by providing that failure to carry the motor vehicle registration card in the drivers compartment of the vehicle constitutes a misdemeanor, and sets out the penalty for such violation. Under the present law, this violation is covered by the general penalty provisions at the end of Chapter 39-05. These general penalty provisions are exceptionally severe for this offense and the fine and sentence are of an amount that takes it out

of the jurisdiction of justice courts. It was the opinion of the Highway Patrol that this minor offense could be handled in a better manner and more expeditiously in a just court.

Senate Bill 58. Benefits under Highway Patrol Retirement Law. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Highway Patrol. The purpose of this bill is to give coverage under the Highway Patrol Retirement Law to members of the Highway Patrol who have reached the compulsory retirement age with less than twenty years of service. It would allow a patrolman who reaches the age of 65 an option of working for a maximum of three additional years in order to reach the twenty-years of service required under the Highway Patrol Retirement Law. Any patrolman who would be forced to retire with less than twenty years of service would be eligible for a monthly retirement benefits equal to that portion of the twenty year retirement benefits as his total payments to the fund may bear to what his accumulations would have been had he completed the twenty years of service. Since this provision would not effect the soundness of the retirement plan, it was the request of the Highway Patrol that this measure be passed to give coverage to the seven patrolmen who will have service upon retirement ranging from thirteen to nineteen years, but who are presently excluded from any retirement benefits. Since the Patrol may not now employ men over forty years of age, all employees of the Highway Patrol hereafter will always have worked not less than twenty-five years and hence this provision will not affect patrolmen hired hereafter.

Senate Bill 59. Increase in the Maximum Number of District Deputy Game Wardens. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Game and Fish Department. This bill would increase the maximum number of district deputy game wardens that may be employed by the Game and Fish Department from eighteen to twenty-seven. The actual employment of such additional wardens, however, would continue to be dependent upon the appropriations provided for such purposes.

Senate Bill 60. Posting Lands to Prohibit Hunting and Trapping. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Game and Fish Department. The purpose of this bill is to prevent anyone other than the owner or tenant of any land from posting such land to prohibit hunting or trapping. Chapter 155 of the 1951 Session Laws of North Dakota was intended to accomplish this purpose, but because it stated that "the owner or tenant may post" it did not prohibit others from also posting the land. In addition, it would not prohibit persons other than the owner or tenant from evading the specified posting requirements by putting up "No Trespassing" signs, which would have the effect of prohibiting hunting or trapping without complying with the law. This bill would eliminate these discrepancies. In addition, it would make the penalties of section 20-0117 of the 1949 Supplement to the North Dakota Revised Code of 1943 applicable only if the land was legally posted as provided in this bill.

Senate Bill 61. Revision and Recodification of the Fur Code. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Game and Fish Department. This bill would revise and recodify Chapter 20-07 of the North Dakota Revised Code of 1943, as amended, in order to remove ambiguities and obsolete provisions and to bring this Chapter into conformity with other sections of our Game and Fish laws.

Senate Bill 62. Filing Date of State Income Tax Returns. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Tax Commissioner. This bill would change the deadline for the filing of North Dakota income tax returns from March 15 to April 15. Because of bad roads and general inclement weather, it has generally been necessary for the Tax Commissioner to extend this deadline to April 15, and there appears no reason why the filing date should not be set at April 15 by statute. In addition, it would relieve the taxpayer from the burden of filing and paying both his Federal and state income tax return on the same date.

Senate Bill 63. Appropriation.

House Bills 501 to 531—Appropriations.

House Bill 532. Homestead Exemption. Introduced by the Legislative Research Committee. This bill would raise the homestead exemption from \$8,000.00 to \$25,000.00 in section 47-1814 of the North Dakota Revised Code of 1943, to correspond with section 47-1801. Section 47-1801 was amended in the 1951 Session, raising the homestead exemption from \$8,000.00 to \$25,000.00, but through error the exemption stated in section 47-1814 was not changed correspondingly.

House Bill 533. Revolving Fund for School Construction. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Department of Public Instruction. This bill would establish a school construction fund to give aid to school districts in constructing or renovating school facilities where such school district has bonded to the maximum and is making the maximum levy, but still is not able to raise sufficient funds to complete its fiscal plant without additional assistance. Under the plan, an appropriation of \$5,000,000.00 would be made to the Revolving Fund from the State Equalization Fund. This money would be used to supplement the resources of the needy school districts for construction purposes, but the title to the facility constructed would remain in the state until the school district had repaid the state school construction fund for all moneys expended from it. These funds would have to be repaid within thirty years and the school district must agree to maintain the 10-mill building fund levy for repayment of the obligation. After the school construction fund has been reimbursed, title to the facility would then be transferred to the school district.

The bill also establishes a state school construction board to administer the state school construction fund. This board would consist of the Governor,

the Superintendent of Public Instruction, the Attorney General, the President Pro Tem of the Senate, and the Speaker of the House of Representatives. There is an appropriation included in the amount of \$25,000.00 for the payment of costs and expenses incurred in commencing the work of the board and administering such fund.

House Bill 534. Consolidation of Soil Conservation Districts. Introduced by the Legislative Research Committee at the request and under the sponsorship of the State Soil Conservation Committee. This bill provides a method for the consolidation of soil conservation districts. It provides for the designation of supervisors of a newly consolidated district, the distribution of costs of consolidation, disposition of property and the assumption of contracts and applications in force at the time of consolidation.

House Bill 535. Election and Terms of Office of Soil Conservation Supervisors. Introduced by the Legislative Research Committee at the request and under the sponsorship of the State Soil Conservation Committee. This bill amends sections 2 and 3 of chapter 99 of the 1951 Session Laws of North Dakota by providing that the regular board of elections shall supervise the election of soil conservation district supervisors and requires the election ballots to be prepared and printed by the supervisors and delivered to the County Auditor at least five days prior to the general election. It further requires the County Auditor to submit the election returns to the state soil conservation Committee.

Provision is also made for clarification of the terms of office of those supervisors now holding office and those hereafter elected at elections subsequent to the first election of a soil conservation district. Supervisors are to hold office for terms of six years so staggered that the term of one supervisor and only one shall expire at the end of each two-year period.

House Bill 536. Investment of Funds of the Common Schools and other Public Institutions. Introduced by the Legislative Research Committee. This bill is proposed for the purpose of implementing the recent Constitutional amendment allowing the Board of University and School Lands to invest permanent funds of common schools and certain other public institutions in farm mortgages that are guaranteed or insured by the United States or any instrumentality thereof. The bill allows loans on farm mortgages when so guaranteed for a maximum of forty years at an interest rate of not less than 3% per annum. Mortgages not so guaranteed or insured would not be allowed to run for a period of more than twenty years and would bear interest at not less than 3½% per annum.

House Bill 537. Manner of Listing Personal Property. Introduced by the Legislative Research Committee. This bill would accomplish a recommendation of the Legislative Research Committee contained in its report on assessments, relating to self-listing of personal property by the taxpayer. Under this bill, on or before the fifteenth day of March the County Auditor would mail personal property listing blanks to each owner of personal property in the county. The owner of personal property would have the

duty of listing all his personal property and the delivery of such list to the township assessor who would value the same. Failure to receive such a listing blank from the County Auditor would not relieve the taxpayer of his duty to file his list of personal property with the township assessor.

House Bill 538. Reckless Driving and Speeding. Introduced by the Legislative Research Committee at the request and under the sponsorship of the State Highway Patrol. This bill would amend section 39-0709 of the North Dakota Revised Code of 1943 by providing that when a person is arrested for reckless driving or speeding, the arresting officer may, in his discretion, release such person upon promise to appear. Although both these offenses are of a serious nature, it has often been impractical and unwarranted for the officer to detain the persons arrested, particularly when the arrest occurs at night and where a magistrate is not accessible. Providing for the discretion of the arresting officer in such cases will relieve the arresting officer of the mandatory requirement of detaining the offender and will instill more equitable and effective traffic law enforcement.

House Bill 539. Wages and Expenses due to Deceased Employees. Introduced by the Legislative Research Committee at the request and under the sponsorship of the State Examiner. This bill amends section 34-0112 of the North Dakota Revised Code of 1943 and provides for payment by an employer to the surviving spouse of the deceased employee of wages and expense account claims due at the time of the employee's death, without limitation as to amount.

House Bill 540. Regulations Governing Admittance to the Soldiers' Home. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Board of Trustees of the Soldiers' Home. This bill creates subsection 6 of section 2 of chapter 226 of the North Dakota Session Laws of 1951. The purpose of this bill is to provide for reasonable compensation to be paid to the State of North Dakota by veterans residing in the Soldiers' Home for their support and for the maintenance of the Home, if they have income over and above a reasonable amount necessary to secure their private needs. As an additional qualification for admittance to the Home, applicants and present members may, in the discretion of the Board of Trustees, be required to enter into a contract for the payment of such reasonable compensation.

House Bill 541. District Board of Health Budget and Levy. Introduced by the Legislative Research Committee at the request and under the sponsorship of the State Health Department. This bill would amend subsection 1 of section 23-1411 of the North Dakota Revised Code of 1943 by providing that the budget of a district Board of Health be submitted to and approved by the joint board of county commissioners. The amendment authorizes a budget amount of not to exceed a sum which can be raised by a 1-mill levy, removes reference to the former 11-mill county tax levy limitation, and provides for a carry-over of funds from one fiscal year to the next.

House Bill 542. Fees of State Registrar of Vital Statistics. Introduced

by the Legislative Research Committee at the request and under the sponsorship of the State Health Department. This bill would amend section 23-0205 of the North Dakota Revised Code of 1943. It would raise the cost of a certified copy of a birth or death certificate from 50¢ to \$1, the cost of a registrar's certificate of record of birth from 50¢ to \$1, and set the cost for filing a delayed registration of birth for any person twelve years of age and over at \$2. The department felt that these increases were justified in order to bring their fees within the approximate range of the cost of the services.

House Bill 543. Benefit Determinations under Unemployment Compensation Law. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Unemployment Compensation Division of the Workmen's Compensation Bureau. This bill would amend section 52-0403 of chapter 294 of the North Dakota Session Laws of 1951 by deleting the word "title" as it appears in the section and inserting the word "Chapter." There has been some dispute as to whether an individual who has earnings in excess of \$3000.00 can use such earnings for a determination of eligibility should he become unemployed. As this particular chapter limits the taxable wages to \$3,000.00, the Department requested that the limitation be confined to the chapter only, and that other earnings in excess of \$3,000.00 be used for benefit determination purposes should the individual become unemployed, since this would be in accordance with the original intent of the law.

House Bill 544. Contributions to the Unemployment Compensation Fund. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Unemployment Compensation Division of the Workmen's Compensation Bureau. This bill would amend section 52-0406 of the 1949 Supplement to the North Dakota Revised Code of 1943 by providing a schedule of contribution rates to the unemployment compensation fund, with the size of the reserve determining the percentage of taxable wages to be paid into the fund. It also includes provisions making it easier for employers to receive a reduction in their contribution rate as well as providing for a lower rate. Under the present law, the minimum rate has been one-fourth of one percent. The proposed schedule provides for a minimum rate of one-tenth of one percent.

House Bill 545. Disqualification for Benefits under the Unemployment Compensation Law. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Unemployment Compensation Division of the Workmen's Compensation Bureau. This bill would amend section 52-0602 of the 1949 Supplement to the North Dakota Revised Code of 1943 by providing for the disqualification period to begin with the filing of a valid claim rather than the date on which the disqualifying act occurred. It also provides for disqualification from benefits for any person who leaves his employment for the purpose of regularly attending an established school, college, or university, since these persons are not unemployed as originally intended in the Act.

House Bill 546. Disqualification from Benefits under the Old Age and

Survivor Insurance System. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Unemployment Compensation Division of the Workmen's Compensation Bureau. This bill would create subsection G of section 52-0915 and amend subdivision 1 of subsection F of section 52-0920 of the 1949 Supplement to the North Dakota Revised Code of 1943 by allowing a former state employee to earn up to \$75.00 per month from the state or its subdivisions without being disqualified from OASIS benefits. Since occasionally the specialized skill of a retired employee is needed on a special or part time basis, this bill would allow his employment without disqualifying him from his OASIS benefits.

House Bill 547. Exemptions for Dependents under State Income Tax Law. Introduced by the Legislative Research Committee at the request and under the sponsorship of the State Tax Commissioner. This bill would amend section 57-3828 of the North Dakota Revised Code of 1943 by fixing the end of the individual's income tax year as the date for determining whether an individual is the head of a family, or in fixing the number of personal dependents. Under the present law, an individual must pro-rate his exemption allowances according to the number of months in the income tax year that dependency existed. This change would bring North Dakota law into conformity with the Federal Income Tax Law.

This bill would also amend section 57-3826 of the 1949 Supplement to the North Dakota Revised Code of 1943 by raising the exemption allowance for dependents from \$500.00 to \$600.00 per dependent. This change would allow the same exemption under North Dakota income tax law as is allowed under the Federal Income Tax Law.

House Bill 548. Deduction of Taxes under North Dakota Income Tax Law. Introduced by the Legislative Research Committee at the request and under the sponsorship of the State Tax Commissioner. This bill would amend subsection 3 of section 57-3822 of the North Dakota Revised Code of 1943 by providing that only taxes paid upon property or business, the income from which, if any, would be taxable under North Dakota income tax law, can be deducted as a business expense against North Dakota income. Since income from property outside of North Dakota is not taxable under North Dakota income tax law, it was the opinion of the State Tax Commissioner that taxes paid upon such out-of-state property should not be deducted against income earned in North Dakota.

House Bill 549. Recovery of Assistance under Aid to Dependent Children Program. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Public Welfare Board. This bill would provide that certain specified property of the parent or parents of children receiving Aid to Dependent Children assistance be subject to the claim of the State of North Dakota for such assistance in the same way that such claims of the state are satisfied under the Old Age Assistance and Aid to the Permanently and Totally Disabled programs. There is specific provision in the case of a homestead that nothing be done that would interfere with the full use of the homestead during the lifetime of the parent title holder.

The effect of the bill would be to bring out of imbalance the present state statutory provision whereby the recipients of Old Age Assistance and Aid to the Permanently and Totally Disabled are governed by property provisions after death, while in the case of the Aid to Dependent Children program, this provision is missing.

House Bill 550. Statute of Limitations as it Affects Welfare Claims. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Public Welfare Board. This bill would exempt claims of the State of North Dakota for repayment of Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to Dependent Children from the statute of limitations. Under the present law, North Dakota claims for these purposes are barred in seven years, but it is often the case that homesteads are still in use by a surviving spouse or children at the end of such period and the Department does not desire to disturb their occupancy by enforcing its claim against such a homestead, but yet it does not wish this claim to be lost by allowing the statute of limitations to run against it. This bill would allow the homestead or other property to be used by the surviving spouse or dependent children during the period that they require it and still protect the claim of the State of North Dakota for eventual reimbursement for assistance given.

House Bill 551. Fishing License Fees. Introduced by the Legislative Research Committee at the request and under the sponsorship of the State Game and Fish Department. This bill would increase the license fee for residents fishing licenses from 50c to \$1.00. The department requested this change in order to bring the revenue from this source closer to the cost of operating the fish propagation program.

House Bill 552. Regulation of Water Craft. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Game and Fish Department. This bill would amend section 1 of chapter 301 of the Session Laws of 1951 by allowing the State Game and Fish Commissioner to prescribe standards of seaworthiness of all water craft.

The bill would also provide for the licensing of water craft use for hire and for the inspection of such water craft, or safety equipment, the craft's construction and the manner of operation.

House Bill 553. Game Management Areas. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Game and Fish Department. This bill would provide for the reclassification of certain State game refuges as "State Game Management Areas" at the discretion of the commissioner. Such State game management areas could be opened for hunting or trapping by the governor's proclamation as provided in Chapter 20-08 of the North Dakota Revised Code of 1943, as amended.

House Bill 554. Inventories of Department and Agencies. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Board of Auditors. This bill would amend Section 44-0407 of the North Dakota Revised Code of 1943 by requiring every department,

industry, institution, board, association or commission to maintain inventories of all their property. At present the law requires only certain departments and agencies to maintain such inventories but it was the opinion of the Board of Auditors that accurate and comprehensive audits could not be had unless such inventories were available from all departments and agencies.

House Bill 555. Structures Near Airports and Airways. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Aeronautics Commission. This bill would require any person desiring to build a tower or structure over 150 feet in height in the vicinity of any airport or airway to obtain a permit for such construction from the Aeronautics Commission. It is the opinion of the Aeronautics Commission that such authority is required as a safety measure and is especially pertinent at this time with the contemplated construction of television towers and short wave broadcasting stations. In addition it would give the commission authority to overrule zoning ordinances of municipalities in certain instances since such zoning ordinances are not always promulgated with full knowledge of the necessities of air safety requirements.

House Bill 556. Authority to Restrain Patients from Leaving the State Tuberculosis Sanitorium. Introduced by the Legislative Research Committee at the request of the Board of Administration. This bill would give authority to the superintendent of the State tuberculosis sanitorium to restrain patients having active tuberculosis from leaving the State tuberculosis sanitorium when such patient has been committed to the State tuberculosis sanitorium upon order of any court or quarantined at this institution by order of the county superintendent of public health. To prevent such patients from leaving, the superintendent would be authorized to have such patients placed in a room with barred doors or locked windows. The purpose of this bill is to protect the public health from those tuberculosis patients who refuse to continue treatment at the sanitorium, and who upon leaving the sanitorium refuse to conduct themselves in a manner that will minimize their contact with the general public.

House Bill 557. Filing of Corporation Certificates. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Secretary of State. This bill would amend Chapter 10-17 by removing the requirement of filing a foreign corporations certificate of authority with the Register of Deeds of the county in which the corporations' regular office is situated. Since all persons desiring information upon foreign corporations always direct their requests to the Secretary of State, the filing of such certificates with the Register of Deeds is a useless procedure.

House Bill 558. Registration and Protection of Trade Marks. Introduced by the Legislative Research Committee at the request and under the sponsorship of the Secretary of State. This bill would repeal Chapter 47-22 of the North Dakota Revised Code of 1943, which is our present chapter covering trade marks, and substitute therefor a new model trade mark act prepared by the drafting committee of the Council of State Governments and approved by the National Association of Secretaries of

State. Since our present law is a hodgepodge of numerous separate statutes dealing with this subject, the procedure of the Secretary of State's office under such a law is unduly cumbersome. The new model act on trade marks is a comprehensive bill on this subject and would greatly simplify the work of the Secretary of State in this field.

House Bill 559. Appropriation to Finance a Soil Reconnaissance Survey. Introduced by the Legislative Research Committee. This bill would provide an appropriation of \$50,000 to the North Dakota Agricultural College for the purpose of financing the first two years of a four year land classification program to be undertaken by the North Dakota Agricultural College with the cooperation of the Federal Bureau of Plant Industry. The purpose of this classification program is to establish the principal soil association throughout the State by means of a soil reconnaissance survey, as recommended by the Legislative Research Committee in its report on tax assessment included elsewhere in this report. Further details of the purpose of this classification program and the manner in which the work will be carried out can be found in the previous report on tax assessment.

House Bill 560. Highway Administration. Introduced by the Legislative Research Committee. This bill represents a recodification of Title 24 of the North Dakota Revised Code of 1943, covering Highways, Bridges and Ferries, and subsequent amendments thereto, as they relate to the powers and duties of the State Highway Commissioner and the State Highway Department. The "Engineering Study of North Dakota's Roads and Streets" serves as the basis for the changes and additions to the present highway laws.

The objective is to provide for North Dakota a modern framework of highway legislation which will result in efficient administration and fully effective expenditure of available highway funds. Subjects treated within the bill include a declaration of legislative intent, words and phrases, highway administration, Federal aid, location and design, planning and research, construction and maintenance, equipment and materials, contracts, land acquisition, control of access, bridges, and rights-of-way.

House Bill 561. State Highway System. Introduced by the Legislative Research Committee. This bill repeals section 24-0101 of the North Dakota Revised Code of 1943 in accordance with the recommendations of the "Engineering Study of North Dakota's Roads and Streets". It provides for the ultimate mileage of 4,200 rural miles on the state highway system, after gradual reduction of the present system is accomplished by agreements between the state highway commissioner and the boards of county commissioners. Thus, the objective is to convert an over-extensive state system into a network of state-wide principal thoroughfares which can be built, maintained and improved efficiently within available financial means. Provision is also made for a limited annual increase of mileage on the state highway system which shall be confined to construction of necessary by-passes and alternate routes.

House 562. County Road System. Introduced by the Legislative Research Committee. Repeals section 24-0105 of the 1949 Supplement in

accordance with the recommendations of the "Engineering Study of North Dakota's Roads and Streets." As a vital factor of the road reclassification plan recommended in the Engineering Study, this bill provides for an initial designation of 21,000 miles of basic farm-to-market roads on the county road system. The mileage designated and selected by the boards of county commissioners, with the approval of the state highway commissioner, will connect virtually all principal cities and important unincorporated communities and link every rural area with its market center. The objective is to integrate the important farm-to-market roads into a general scheme of a state-wide network of county roads and state highways and to establish a county road system based upon sound county standards and geared to an adequate financial program.

Provision is also made for a breakdown in percentage figures of the approximate county road mileage to be allocated to each county as a part of the county road system.

House Bill 563. Agreements Between Municipalities and Counties for Construction and Maintenance of Streets. Introduced by the Legislative Research Committee. In accordance with the recommendations of the "Engineering Study of North Dakota's Roads and Streets," this bill authorizes municipalities of less than 5,000 population to contract with the board of county commissioners for construction and maintenance of municipal streets to be performed by the county highway department. The smaller cities and villages of the state cannot afford to organize and equip themselves effectively for street construction and maintenance. The procedure authorized by this bill will provide municipal street maintenance at a reasonable cost and still leave the initiative for highway expenditures with the local subdivision. The additional work load, organized under one operating unit, would allow the counties to afford at least some of the specialized equipment which keeps the cost of maintenance at a minimum.

House Bill 564. Standards for County and Township Roads and Municipal Streets. Introduced by the Legislative Research Committee. At the present time in North Dakota the only uniform, state-wide design standards are those adopted by the State Highway Department for construction projects on the State Highway System and on the Federal-aid Secondary System. This bill provides a new section to carry out recommendations of "An Engineering Study of North Dakota's Roads and Streets" which call for the development of standards for county and township roads and municipal streets to be applied on any road or street where state allocated funds are used.

House Bill 565. Change in Topography of Lands Under or Adjacent to Electric Transmission or Telephone Lines. Introduced by the Legislative Research Committee. Amends section 1 of chapter 282 of the North Dakota Session Laws of 1951, relating to change in topography under, or adjacent to, any electric transmission or telephone lines. In addition to proper notice to the public utility or cooperative corporation, this bill requires a written permit from the State Highway Commissioner before any such change shall be made which increases the hazards to highway travel, or in any other way affects the State Highway System.

House Bill 566. Drains Across State Highways. Introduced by the Legislative Research Committee. Amends section 61-2135 of the 1949 Supplement to the North Dakota Revised Code of 1943 by requiring a more equitable distribution of cost in the construction and maintenance of drains across state highways. The bill provides that the cost of construction of such drains shall be the obligation of the drainage district benefitted while the cost of maintenance and minor repairs shall be assumed by the State Highway Department.

House Bill 567. Use of Road and Highway Ditches for Drainage Purposes. Introduced by the Legislative Research Committee. Amends section 1 of chapter 338 of the North Dakota Session Laws of 1951, relating to drains and drainage projects and permitting the use of road and highway ditches for drainage purposes. This bill provides that lands benefitted by the improvement in drainage facilities in connection with highway development shall bear the costs of repairs, alteration or maintenance in proportion to the benefits derived.

House Bill 568. Additional Appropriation for State Highway Department Administration Expenses. Introduced by the Legislative Research Committee. Amends section 24-0238 of the North Dakota Revised Code of 1943 to cover the additional cost of administration of the State Highway Department. A continuing appropriation of \$200,000.00 for each biennium is provided for, plus a sum of not to exceed three percent of the cost of all highway work undertaken in whole or in part from Federal, county and state funds.

House Bill 569. Right-of-Way of Pipe Lines. Introduced by the Legislative Research Committee. Amends section 49-1909 of the North Dakota Revised Code of 1943 by clarifying the requirements to be met by common carrier pipe lines in securing a right-of-way along, across or on highways, roads and streets. The bill provides that pipe lines must comply with regulations prescribed by highway, road and street authorities in addition to meeting the conditions set out by the Public Service Commission.

OTHER COMMITTEE BUSINESS

In the course of the Committee's activities, many other subjects which have not resulted in concrete legislative proposals have received varying degrees of consideration, while the Committee believes that a decided reduction in the number of bills that would otherwise confront the Legislature and require expenditure of time by the members during the session has been accomplished in many instances by pre-session conferences on proposals advanced to the Committee, it should be emphasized that many subjects that have been considered and suggestions and proposals that have been advanced to the Committee undoubtedly contain merit and will result in bills in this session. On many such topics the Committee has accumulated material which will be valuable to members of the Legislature in dealing with proposals in this and future sessions. Such material in the office of the Committee is available to all members as are the services of the Committee staff and the experience developed through the preliminary work that has been undertaken.