

1999 SENATE FINANCE AND TAXATION

SCR 4007

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4007

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 01/20/99

Tape Number	Side A	Side B	Meter #
SCR 4007	X		2490-END
Committee Clerk Signature <i>Shila Wald</i>			

Minutes:

Sen. Urlacher opened the hearing on SCR 4007.

Sen. Christmann-Submitted testimony. [Attached]

Sen. Stenehjem-If this bill passes, how would this affect home rule, as far as city sales tax?

Sen Christmann-I would have to check with Leg. Council, this majority to raise state sales tax rate and income tax rates, I don't think this any effect on it at all.

Sen Wardner-What year did we raise the sales and income taxes?

Sen Christmann-'89 we went from 5%-6% sales tax, 14%-17% income tax. In '85-86-87, sales tax 4%-5%, income tax 10.5%-14.5%. In '83 sales tax 3%-4% and income tax 7%-10.5%.

Repr Ed Lloyd-District 19 - I am in favor of this resolution. The people would certainly welcome the opportunity to vote. Realizing income tax is an issue and is a fair tax, one they would like to have more input on as to regards as being taxed at what ever rate it might be.

Bill Butcher-State Director, National Federation of Independent Business. Testimony submitted.

In support of SCR 4007.

Sen. Kinnoin-Does your membership feel the Legislature has not been fiscally responsible for performing their duties, when it comes to taxation?

Bill Butcher-I certainly don't suggest that. We urge you to be in full agreement, before you do raise taxes. The testimony is to the referrals.

Ruth Stefonowisz-NDEA. We are opposed this resolution. Currently in ND, teachers are paid 51 in the nation. Funding in ND., is between 47 & 49%. If there is no help from the Legislators in raising these taxes, the property tax will be escalated, and will hurt a lot of people out there. The children of ND, can be qualified as special interest. We are opposed to this and will hand out an article from Superintendent in the NW part of the State.

Sen. Christmann-When did foundation aid go up?

Ruth Stefonowisz-It went up in 1983.. It was up around 63%-State Aid.

Sen Christmann-My question is dollars? In the last 4 years, with no State Tax rate increase, the foundation aid has gone up as much or more in the past 4 years as it did in the previous 12.

Mary Christmann-Yes there have been increases. The School Districts are hurting for several years.

Sen. Schobinger-In 14 States have adopted tax limitations, does NDEA have any data on where those States rank, as far as teachers salaries go?

Ruth Stefonowisz-I am sure we can furnish it, and we could let you know that.

Sen Urlacher-Any further questions or opposition? We will close the hearing.

Page 3

Senate Finance and Taxation Committee

Bill/Resolution Number Scr 4007

Hearing Date 01/20/99

DISCUSSION 2-1-99 A MOTION BY SEN. CHRISTMANN TO DO PASS AND SECONDED

BY SEN. SCHOBINGER. 4 Y - 3 N CARRIER IS SEN. CHRISTMANN. TAPE B 0-249.

Date: 2-1-99  
Roll Call Vote #: ①

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SCR 4007

Senate Senate Finance and Taxation Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Christmann Seconded By Schobinger

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER		✓			
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM	✓				
SENATOR WARDNER		✓			
SENATOR KINNOIN	✓				
SENATOR KROEPLIN		✓			

Total (Yes) 4 No 3

Absent \_\_\_\_\_

Floor Assignment Sen. Christmann

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

REPORT OF STANDING COMMITTEE (410)  
February 2, 1999 12:49 p.m.

Module No: SR-21-1687  
Carrier: Christmann  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SCR 4007: Finance and Taxation Committee (Sen. Urlacher, Chairman)** recommends **DO PASS** (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SCR 4007 was placed on the Eleventh order on the calendar.

1999 TESTIMONY  
SCR 4007

1-20-99

# Testimony by Bill Butcher, State Director, National Federation of Independent Business (NFIB) in support of SB 4007

SCR

NFIB represents approximately 3000 small business owners throughout North Dakota.

Positions on issues before the legislature by NFIB are determined entirely by member ballots.

A special ballot was distributed in January 1999 and one of the issues presented in that ballot related to requiring a majority vote of 60% of the members of both houses to raise taxes. The question was posed as to four distinct types of taxes and called for members to cast ballots on each one. The result was overwhelmingly, with the percentage in support of the 60% super majority vote in regards to each tax as follows:

- |                            |                                |
|----------------------------|--------------------------------|
| Personal Income Tax - 82%  | Sales and Use Tax - 75%        |
| Corporate Income Tax - 78% | Motor Vehicle Excise Tax - 71% |

Members believe that government should only tax its citizens when necessary, and, when it is necessary, at least 60% of the votes will be there. If passed by such a majority, a proposed tax increase would then be referred for a vote by the people who would be unlikely to reject it.

60% of North Dakotans are presently required to approve school bond issues. The same standard should apply to the legislature to raise any tax.

Such tax limitations work in the 14 states that have adopted them and they will work in North Dakota. Studies show that with tax limitations taxes and hence spending will grow more slowly, economies expand faster and the job base grows more quickly than they do under our present simple majority system.

Low taxes won't guarantee growth and prosperity, but high taxes will almost certainly slow the economy. Passage of this bill will protect and assure our future.

A great majority of NFIB voters strongly urge the passage of SB 4007!

SCR



# SENATE FINANCE AND TAXATION COMMITTEE

SCR 4007

Sen. Randy Christmann

January 20, 1999

Good morning Chairman Urlacher and fellow members of the Finance and Taxation Committee. Thank you for this opportunity.

Today I am pleased to introduce Senate Concurrent Resolution 4007. The purpose of this legislation is to begin the process of allowing the people of North Dakota to have an opportunity to adopt a 60% "supermajority" requirement for broad-based tax rate increases.

Several myths need to be dispelled before I begin to make the case for this proposal. First of all, a change in the constitution, if the voters decide that is what they want to do, is not a giant step. North Dakota's constitution is a fluid document that changes regularly to keep up with the times. We have changed it many times, including some changes in just the last few years.

Second, requiring more than a simple majority to take certain actions is not a particularly unusual idea. Our state constitution already requires a two-thirds vote of the members elected to each house to attach an emergency clause, to expel a member, to override a veto, or to repeal or amend an initiated or referred measure that has been approved by the electors within seven years of the effective date. State law requires a "supermajority" vote of the people to pass some local issues. On the federal level there are things like removal of the president which take more than a simple majority of the elected members.

The third myth I want to dispel is that this amendment will tie the hands of future legislatures. This will not tie the hands of future legislatures and render them ineffective. The fact is we pass legislation on a regular basis with far more than 60% of the votes. When there is a broad consensus for a proposal the votes can be put together and it happens quite regularly.

The best reason I can give you for supporting this proposal is that it is what the people want. So far 14 states have adopted some type of supermajority requirements, and when they get the chance to vote on these proposals they are usually approved overwhelmingly.

The reason the people want this stabilizing force in their tax laws is that it is effective. An economist with the WEFA group said he felt that “real personal income” would be a good indicator to reflect the strength of North Dakota’s economy if he were to pick one indicator. During the years of 1983 to 1989 when North Dakota’s tax rates were raised regularly, our “real personal income” actually dropped. During the 1990’s, when we have had a stable tax policy, our “real personal income” has risen dramatically.

Let’s not stop there though. During those same years during the 1980’s our “taxable sales and purchases” were almost stagnant. During the 1990’s our “taxable sales and purchases” have grown at a healthy rate.

The fact is, according to the American Legislative Exchange Council, research shows that states with supermajority requirements have had stronger economic growth and faster job creation than states that can pass a tax increase with a simple majority.

Clearly, stable tax rates with a strong base of support are not the only factor in creating a good economy. Obviously though, this is one extremely important factor that the people of North Dakota deserve a chance to implement...and it is important to remember that SCR 4007 does not create a supermajority requirement, **it simply gives the people of North Dakota a chance to decide** if they want this building block of economic growth.

Supermajority requirements are here by popular demand and are necessary because government spending often benefits special interests. When these special interests work together to encourage more government spending they become a powerful lobbying force. Individual taxpayers, on the other hand, tend to spend their time at their jobs or with their families, not roaming the halls of the capitol. This difference can leave the people who are paying the tab at a distinct disadvantage.

Former Chief Justice John Marshall once said, “The power to tax is the power to destroy.” The people of North Dakota deserve this opportunity to make sure this power is never exerted without a broad consensus. Allowing them the opportunity to have this on the ballot and decide for themselves is majority rule at its finest.

# Funding and staffing problems place education's future in peril

By Darlene Hingst

Inadequate state funding and a shortage of teachers have placed rural North Dakota education in peril, says Divide County Superintendent Don Nielsen.

"If I had a young child in the school system right now, I would be very concerned about that child's education," Nielsen told the school board last week.

"I'm concerned that we don't have, particularly in secondary education, people who are staying in education in North Dakota. They are finding other fields that are paying better and are probably less stressful. Consequently, good applicants are going to be tough to come by."

Nielsen expanded on these thoughts in a telephone interview Monday after returning from a meeting at Kenmare with other area administrators and educators. He said all the area schools are experiencing the same problems and the same concerns.

Funding for education and where the money is going to come from is the big concern facing North Dakota school districts.

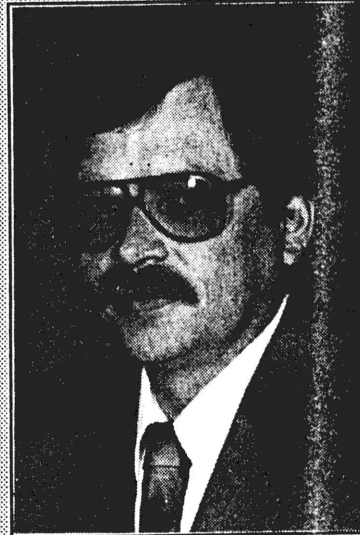
"People in North Dakota are going to have to make the commitment -- we are going to have to do it. Some people really scream if their taxes go up \$100, but there aren't any questions asked if we go buy a \$140 pair of tennis shoes."

Nielsen and other administrators are preparing for their biennial appeal to the state legislature for more

School officials from northwestern North Dakota are unhappy with the state's method of funding education, believing the largest four schools in the state get more than their fair share. For details turn to the Back Page.

*"If I had a young child in the school system right now, I would be very concerned about that child's education."*

-- Don Nielsen



funding for education.

"The state has got to pick up a greater share of the cost of education. They can sit down there (in Bismarck) and say they are holding down taxes, but that is very misleading. Local districts are picking up more of the share, and local taxes are going up."

Ideally, the state should be funding 70 percent of education, Nielsen said. Actually, the state is only funding about 47 percent of the cost in Divide County.

What legislators are promising and what they are producing are very different, Nielsen said

"When I visit with legislators, especially at campaign time, all I hear is that education is their number one priority. I don't see that happening. More and more of the burden is being put on the local level. What makes it more frustrating is that they don't want to fund us, but they are more than willing to tell us what we should be doing in our schools."

When the legislature goes into session after the first of the year, Nielsen and other school administrators will be in frequent contact with their local representatives. "It's too early yet, but once I see the legislative agenda, you can bet I will

be visiting them."

Nielsen believes that parents and school board members could do a better job of pleading for funding than administrators.

"When a superintendent goes in, they know we are going in begging for more money, but if we could get some parents down there, that would carry a lot more weight."

The shortage of secondary teachers in certain subject areas can be seen in college records, Nielsen said.

Minot State University records showed no graduates last spring in physics or chemistry, four in biology, two in music, six in English, five in math, and 93 in elementary education. The University of North Dakota in Grand Forks had no graduates in science education, one in music, and 75 in elementary education, Nielsen said.

"We need parents and board members to get more involved in pleading for funding. A lot of people think if a teacher coming out of college is making \$17,000 or \$18,000, that's pretty good, but they can take the same investment and make double that amount somewhere else."

"We need good people. It's not like they are on an assembly line turning out a product. They are dealing with human beings whose future depends on them. I'm not satisfied with throwing a body in there that has a degree. I want somebody that is dedicated and is going to be paid for that."