

**1999 SENATE FINANCE AND TAXATION**

**SCR 4041**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4041

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 2-24-99

Tape Number	Side A	Side B	Meter #
SCR 4041	X		3576-4200
Committee Clerk Signature <i>Shelia Mued</i>			

Minutes:

Sen Urlacher - Opened the hearing on SCR 4041, A CONCURRENT RESOLUTION DIRECTING THE LEG. COUNCIL TO STUDY POTENTIAL TAX INCENTIVES & REGULATORY RELIEF THAT WOULD ENCOURAGE GREATER INVESTMENT PARTICIPATION BY ND RESIDENTS IN AGRICULTURAL BUSINESS OWNERSHIP.

Jim Moenck - COFA - It is a desire to figure out a way to tap into money that is available to ND. Some of the figures, people talk about are millions of dollars North Dakotans have made in agriculture and other ways that are invested outside the State. If there is some method that would entice more NDakotans to invest in and made a living or become wealthy. We would encourage the Interim to study that and provide the necessary legislation that would enhance that kind of activity in ND.

Sen Urlacher - Do you know of any suggestions?

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Senate Finance and Taxation Committee

Bill/Resolution Number Scr 4041

Hearing Date 2-24-99

Jim Moenck - The Commission has areas in it that they talk about like a bond, and the investment of these. HB 2425, talks about doing something in that area with livestock.

SEN. SCHOBINGER MADE A MOTION TO DO PASS AND SECONDED BY SEN.

CHRISTMANN. 7-0-0. CARRIER WILL SEN. CHRISTMANN.

Date: 2/24/99  
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SCR 4041

Senate Senate Finance and Taxation Committee

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

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

Action Taken Do Pass

Motion Made By Schobinger Seconded By Stenehjem

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

Total (Yes) 7 No 0

Absent \_\_\_\_\_

Floor Assignment Sen Christmann

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

**REPORT OF STANDING COMMITTEE (410)**  
February 24, 1999 4:28 p.m.

**Module No: SR-32-3501**  
**Carrier: Christmann**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SCR 4041: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SCR 4041 was placed on the Eleventh order on the calendar.**

**1999 HOUSE FINANCE AND TAXATION**

**SCR 4041**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4041

House Finance and Taxation Committee

Conference Committee

Hearing Date , March 8, 1999

Tape Number	Side A	Side B	Meter #
1		x	21.7
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. BELTER Opened the hearing.

SEN. TERRY WANZEK, DIST. 29, Introduced the resolution.

This resolution is trying to recognize the situation in production agriculture that I see today. I know a lot of people think it is dying, the way I see it, it isn't dying, it is changing. The consumer is becoming more demanding of quality and more demanding of safety of the products and they want to know who is growing their food. North Dakota has already seen signs of market integration in the food production where there is more investment by ag producers, farmers and ranchers in crops testing their own products. I think it is a great direction to go. It takes a lot of investment and capital, I am not sure our North Dakota farmers are able financially, to do that. I feel there are certain situations out there, where there are a lot of nonfarm North Dakotans who are investing money outside the state, and I am hoping to find a

way to encourage them to help invest in the state in this new direction we are taking. That is what this resolution is trying to address.

REP. WINRICH There is a sort of popular movement on the national level to promote what is called the "flat tax". That concept is usually applied to the income tax and various fields, etc. if you look at the concept in general, wouldn't we be better off if we stopped giving so many tax incentives and tax breaks and just had a lower over-all rate of taxation?

SEN. WANZEK Certainly, I would agree with you, but I don't know how realistic that would be, of if we will ever get to that point. As a farmer, initially, I start questioning, what expenses are we going to be able to deduct, and we start creating a whole bevy of new questions. If we go with a flat tax on gross farm production, I might have a year where I would have fairly sizable farm production, but it cost me one hundred and ten percent of that amount to produce it. If I go with a flat tax at ten percent or fifteen percent, I would be paying taxes that I wouldn't otherwise pay. There are a lot of questions and uncertainties that need to be answered before we ever get to a perfect flat tax. There are certain tax policies that, in a way, hinder people from making investments, where they would have otherwise done it, if it wouldn't have been for that policy which was contrary or negative for them to make an investment. This study would look into that.

REP. WINRICH I didn't mean to move this into the realm of income tax, is it conceivable, do you think, that this study you are proposing is broad enough to look at that question, would just an over-all lower rate of taxation be better than all these special concessions?

SEN. WANZEK I can't disagree with that, I would definitely be in favor of something more simple, less cumbersome, but we are where we are at right now. The intention of this resolution is



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House Finance and Taxation Committee  
Bill/Resolution Number Scr 4041  
Hearing Date March 8, 1999

to maybe even consider that. I hope it is broad enough, maybe it isn't worded quite right, maybe it should be tax policy or total tax policy or something to encourage more investment.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 3-8-99, Tape #1, Side B, Meter 32.8

REP. GROSZ Made a motion for a DO PASS

REP. RENNERFELDT Second the motion. MOTION CARRIED

14 Yes 0 No 1 Absent

REP. NICHOLAS Was given the floor assignment.

Please type or use black pen to complete

Date 3-8-99  
Roll call vote # 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. SCR 4041

House HOUSE FINANCE & TAX Committee

- Subcommittee on \_\_\_\_\_
- Conference Committee

} Identify or check where appropriate

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

Action Taken Do Pass

Motion Made By Rep. Grosz Seconded By Rep. Rennerfeldt

Representatives	Yes	No	Representatives	Yes	No
BELTER	✓		WINRICH	✓	
RENNERFELDT	✓				
CLARK	✓				
FROELICH	A				
GRANDE	✓				
GROSZ	✓				
HERBEL	✓				
KROEBER	✓				
MICKELSON	✓				
NICHOLAS	✓				
RENNER	✓				
SCHMIDT	✓				
WARNER	✓				
WIKENHEISER	✓				

Total 14 0  
(Yes) (No)

Absent 1

Floor Assignment Rep. Nicholas

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

DO NOT USE HIGHLIGHTER ON ANY FORMS

**REPORT OF STANDING COMMITTEE (410)**  
**March 8, 1999 1:03 p.m.**

**Module No: HR-41-4212**  
**Carrier: Nicholas**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SCR 4041: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SCR 4041 was placed on the Tenth order on the calendar.**

1999 TESTIMONY

SCR 4041

50R 4041

# To Stem the Tide

## The Great Plains fights population drain

*A steady exodus from rural communities has been underway in this region for decades. Can value-added ventures halt the migration?*

**C**orsica, S.D., might be described as belonging to an endangered species. This small, agriculturally dependent community is situated in that amorphous region known as the Great Plains, where small towns seem to be going the way of the buffalo that once roamed the area. Vacant storefronts, abandoned homes and an elderly population with too few families to keep schools open are some of the well-documented signs of shrinking communities.

But Corsica's co-op and some of its members have taken the lead in saving their town by building a feed mill and supporting growth of livestock operations. It appears their value-added approach is working: Town leaders say the population has climbed above 700—up significantly from the 1990 Census total of 619.

It is a sound approach, says Mark Drabenstott, vice president and director of the Center for the Study of Rural America at the Kansas City Federal Reserve. "If a rural area wants to have a viable economy in the next decade, adding value to livestock is the first rung on the ladder," he says. "It isn't a panacea, but for many communities in the Great Plains, it is a far more realistic option than manufacturing or tourism."

Factory owners aren't likely to build in the Great Plains because unemployment is too low for a good supply of workers, he adds, and housing can be a problem. "Unless you already have a foothold as a manufacturing center, it will be an uphill battle to attract new businesses."

Back to buffalos. A decade ago, a pair of New Jersey professors, Frank and Deborah Popper, enraged many Great Plains residents by suggesting that part of the region be turned into a "Buffalo Commons"—a huge national park in which buffalo could wander unimpeded. The public outcry obscured the sobering reality underlying the Poppers' message: Most of the

*By Reed Karaim*

Great Plains had been losing population for decades.

Today, many lightly populated areas in the Mountain West, the South and parts of the Great Lakes Region are growing rapidly as urbanites flee increasingly crowded cities. Demographers call the trend the "rural rebound."

But the Great Plains haven't shared in that revival. From 1950 to 1996, the 11-state area showed an overall population increase, but the 40 urban counties (8% of the total) accounted for 93% of the total growth. Rural counties have lost more than a half-million people since 1950, according to a USDA study by Richard Rathge and Paula Highman.

The problem is particularly acute for small farming towns in Kansas and the Dakotas, which generally lack the mountains, lakes and mild weather that lure Americans to other rural areas. "The vast majority of these small towns are having a hard time," says Rathge, who teaches at North Dakota State University.

Hogs Instead. Corsica was once such a town. It is situated in Douglas County, a rectangle of corn, soybean and grain fields in southeastern South Dakota. The county's population peaked in 1930, at 7,236 hardy souls, and has declined every Census since. It currently stands at about 3,573.

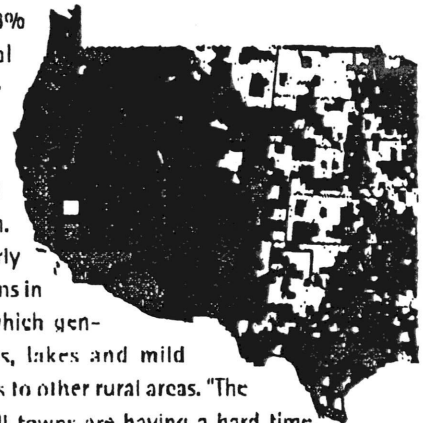
Dan Noteboom, a local implement dealer involved in economic development, remembers how Corsica struggled against the tide. "For 20 years we tried to [recruit] new businesses," says Noteboom. "It just was not working."

Instead, the answer came from within. In 1993, the Corsica Co-op got an aggressive new manager. When Art Duerksen took over, it was a small co-op that had lost rail service and was finding it difficult to compete. "It was either throw the dice and go for it all, or just fade away," says Duerksen.

The co-op's members threw the dice. They built an \$950,000 feed mill to add value to local crops. To create a market for

Other parts of the country grow while the Plains loses people  
Nonmetro population change, 1990-1996

SOURCE: USDA/ERS/BUREAU OF CENSUS



Loss of farmers is cited as a leading cause of the decline in rural population. More than half the country's steadily losing people in agriculture, versus only 20% of the growth counties.



PHOTO: ADAM JAHIEL

the feed, they worked with local farmers in setting up hog facilities owned as limited liability corporations. The co-op also expanded its agronomy and custom-applications department. To finance everything, it became part of the regional co-op, Cenex Harvest States.

In 1993, the co-op had 15 employees and annual sales of \$6.7 million. Five years later, it has 57 employees and \$10.9 million in sales. That's a huge boost in a town the size of Corsica, and it is felt on Main Street.

Indeed, South Dakota voted last fall to outlaw the kind of corporate structure these farmers used.

Some older members of the Corsica community frown on the growth in general. They were comfortable with the sleepy town they knew. But Bob Fosterud, Freeman chair of entrepreneurial studies at the University of South Dakota, cites it as an example of a town that has done what is necessary to survive. "It comes down to community leadership and initiative," he says. "If people care, they can do something about it." ■

Corsica sports two grocery stores, a drug store, a hardware store and a couple of cafes. "The biggest thing I've seen is the number of additional families in town," says Manley Peterson, president of Community First State Bank. "They have kids in school; they buy houses, and they spend money in town."

Russell Melzger, 43, runs a cow-calf operation and farms 1,800 acres of corn, soybeans and wheat. He is also one of several farmers who has invested in the hog production facilities.

He says he viewed it as a chance to take advantage of the latest technology by working in partnership with other farmers. But he also wanted to help his community, he adds: "It's a kind of economic development that makes sense."

Such hog facilities are not without controversy, of course. Some farmers object to such operations on the grounds they make it impossible for smaller producers to compete.