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2003 HOUSE FINANCE AND TAXATION

HB 1058

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1058

House Finance and Taxation Committee

Conference Committee

Hearing Date January 13, 2003

Tape Number	Side A	Side B	Meter #
1		X	7.4

Committee Clerk Signature *Janice Stein*

Minutes:

REP. DAVID DROYDAL, VICE-CHAIR Called the hearing to order.

REP. BRUCE ECKRE, WAHPETON, Introduced the bill but deferred any questions to other representatives.

SEN. JOEL HEITKAMP, DIST. 26, Testified in support of the bill. The bill will fix things the way they should have been fixed in the first place. If you pass this bill, the same people will suffer the consequences the same as they should have before the bill. It just buys time for the schools.

FRED STREGE, ATTORNEY FOR SCHOOL DISTRICTS, FAIRMOUNT,

WYNDMERE AND HANKINSON SCHOOLS, Testified in support of the bill. See written testimony.

REP. FROELICH If this lawsuit comes out, will they need to go back to the county?

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FRED STREGE This lawsuit will go away, if this bill passes. It is quite unfair for this lawsuit to result in a plaintive victory, because that would mean \$390,000 to be spread throughout the county. Every county resident, will need to pay for that judgment. This bill will allow these three school districts to levy mills only in their own districts. It would put the burden on the folks who would have had the burden to begin with.

REP. SCHMIDT In the last session we had the same problem in Montpelier,

FRED STREGE That is true, it was a one time fix, a beginning and ending date. The same thing in this particular bill.

REP. SCHMIDT Asked if this couldn't be fixed for everyone.

FRED STREGE Stated there is a companion piece of legislation that is currently being worked on through Rep. Eckre. We have submitted a broader fix, not to be confused with this bill. It will allow a grace period to fix these errors, if the errors are discovered within ten or twenty days after the budgetary deadline of October 10. Instead of coming back here for legislative change, the legislation would allow us to work with the auditors to unwind the mistake. Another problem you might want to consider fixing is, the reason for the hubbub around October 10, is that the State Board of Equilization submits their evaluation number for each county sometime in September, and the numbers come to the counties around September 20, which is only a couple of weeks to the October 10 deadline. It is difficult to sift through everything accurately and timely. Those are a couple of the fixes we propose.

REP. WINRICH Commented that the attorney for the county in this lawsuit, is from the city of Grand Forks. He stated that this is a problem that should not have happened, it was a situation where both sides agree that the litigation should not have happened, there was a problem with the

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timing, the September release of information and the October deadline for the school district, and it is just something that needs to be dealt with by the legislature.

BRUCE SCHUMACHER, SUPERINTENDENT OF SCHOOLS, FAIRMOUNT, ND

Testified in support of the bill. He stated their district was hit the hardest. He gave a history of what happened. He stated they have an adversarial situation right now with the county, which should not be. He stated the auditor was brand new, he had many things to do, plus the deadline. He stated once a levy is set, it cannot be changed. If you were to do one thing with the legislation, you would allow a grace period after notification. He stated they were asking for this as a one time fix as they do not want to pursue the lawsuit. He stated \$200,000 for a period of five years, would continue to pay their teachers better, get the educational materials they need, it will allow them to do a better job in teaching the students.

REP. DROVDAL Summarized what was said to make sure he understood the issue.

BRUCE SCHUMACHER Stated they were at 185 mills and came in at 140 after this happened.

REP. IVERSON Asked if they will get the money in the future.

BRUCE SCHUMACHER The difference in the tax evaluation, was Alliance Pipeline's problem. If we would have been able to levy the full levy, taxes would still have dropped about 20 mills throughout the district, even though the district would have received over \$100,000. That property and that money is there. It was not a one year windfall, it is simply, we would have had more. I can only increase my budget request by 18%. It will take at least two years to get back up to where we were.

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REP. SCHMIDT Commented, the higher the land value is, it hurts your school district, doesn't it?

Yes

TIM CAMPBELL, RICHLAND COUNTY Testified in support of the bill.

HARRIS BAILEY, AUDITOR, RICHLAND COUNTY Testified in support of the bill. He stated, most of this had to do with the timing and the turn-over in their office. It had to do with the value of the land went up three percent. Instead of being notified in September, they were notified sometime after September 20.

MARY WAHL, REPRESENTING THE NORTH DAKOTA COUNCIL OF

EDUCATIONAL LEADERS Testified in support of the bill. It is amazing, how something like this can result in a \$390,000 loss to a school district. Urged the committee to pass the bill so that little by little, the school district will get back the money they need.

REP. DROVDAL TO FRED STREGE Could this bill allow the districts who are affected by the lost money, to recover that money, but does it also allow them, to instead of dropping down to 140 mills, and using that as a base increase next year, will it allow them to use the mill levy they would have had, will the state accept that as a starting point next year?

FRED STREGE Using Fairmount as an example, he stated the statutory maximum for next year, will allow them only to budget only 18% higher budget. This bill will allow them to exceed that 18% and eventually exceed the 185 mill levy maximum. It will allow them to exceed either one of those maximums until they can recover the entire \$190,000, they lost. We have that spread over a period of five years.

With no further testimony, the hearing was closed.

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COMMITTEE ACTION 1-13-03, Tape #2, Side A, Meter #6.0

Committee members discussed the bill, stating it was the same situation as Montpelier had last session.

MARCY DICKERSON Was in the room during the committee discussion, so she answered questions the committee members had.

REP. BELTER Stated he would hold the bill for another day, if committee members want to get more information.

COMMITTEE ACTION 1-15-03 Tape #1, Side A Meter 6.

REP. WINRICH Gave an overview of what happened in Richland County, after visiting with Sen. Heitkamp. He stated it varied a little by school districts, because there were three school districts involved. When the county auditor got the assessment forms, he did not process them in a timely manner to get the information to the school district, so when the school district set their budget, they said they needed to have this much money, as is normally done. After that was done, they discovered that, there was this tremendous resource of additional assessments there, they would have had extra money for programs they cut out, if that information would have gotten to them in a timely fashion. This bill corrects that situation. It was a matter in at least one school district, to raise the levies to fund the programs, and they wouldn't have had to.

During discussion, committee members were questioning whether things would go back to the way it was after passing this bill, or what would happen.

