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ROLL NUMBER

DESCRIPTION

1312

2007 HOUSE FINANCE AND TAXATION

HB 1312

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1312 A

House Finance and Taxation

Check here for Conference Committee

Hearing Date: 16 January 2007

Recorder Job Number: 1194

Committee Clerk Signature



Minutes:

Chairman Belter opened the hearing of HB 1312.

Representative Kari L. Conrad, District 3, introduced the bill. This bill is to correct a mistake. The mistake was made in the Surrey School District where they knew the assistant superintendent was being trained and he put down a number in the wrong column. Everybody passed it and it came to the capitol building and came back. The assistant superintendent looked at it and said that doesn't look right and began to investigate and found that the taxpayers of the Surrey School District were going to be taxed 156 mils for schools instead of 185 mils. That's a big chunk of money for this school. This corrects a mistake in one school district in one instance. This would allow the tax to be recouped over 15 years and the school board will go out and get a loan so they will have the dollars. Other aspects of this bill I wanted to note is that in Section 1, number 5, it allows for intended tax to be used.

Representative Schmidt: I think we had a bill similar to this in our district last year. It was corrected by dollar amount corrections.

Representative Conrad: I will ask I will ask others to answer that.

Representative Lisa Wolf, District 3, testified in favor of the bill. I would add my support to this bill to allow Surrey to recoup what it has lost.

Senator Robert Horn, District 3, testified in favor of the bill. He stated that he was in

support of the bill and would defer any questions to those people who put the bill together and those from the school district who will give more detailed information.

Kevin Klausen, assistant superintendent, Surrey School, testified in favor of the bill. I

would like to provide a scenario for you to show how this dilemma happened. I was in charge of submitting the original budget in July. In October we examined our property value and realizing it had gone up decided to amend our budget to assure that we had received 185 mils.

In doing so, I noticed that I had neglected to take out the mil deduct. I took the mil deduct from our property taxes which dropped us down 29 mils. It went unnoticed until December 5.

When I got a letter from the Ward County Superintendent and in that letter I noticed that we were at 156 mils instead of 185 mils. Immediately I called the superintendent to see what we

could do. She said basically not, but I could visit with the Ward County auditor. I did that and the auditor said there is nothing we can do due to the fact that there are deadlines. She

suggested a meeting with the chamber chairperson. So she, our superintendent, our president of the school board met with the chairperson. They decided there was not a lot they could do because we did not meet the deadline. At that time we got a hold of Representative Conrad and asked if she could help us out and she introduced this bill to hopefully correct this.

This calculation was not detected by several people and if it doesn't get rectified the devastation would be profound to the Surrey community, to the Surrey school, and most of all—the students of Surrey School. I hope you consider passing this bill.

Representative Wrangham: In trying to follow the chain of events, the budget was established way back and evaluations came in at a higher level at that point did the mils equal the budget?

Klausen: No, we would have been deficit spending at 156. We wanted to insure we were at 185 that's why we amended it up. We wanted recoup enough money so we could cope.

With this 29 mil loss, it is devastating to our district. We truly wanted to be at 185.

Representative Weiler: How much money are we talking about between the 29 mils? This was for tax year 2005?

Klausen: We are looking at about \$100,000. It was for tax year 06-07.

Representative Weiler: So it hasn't even happened yet? What kind of devastation are we talking about?

Klausen: Right now at 185 mils we have to scrutinize everything that we purchase. Looking at \$100,000, we are looking at taking out a loan to see that we get through the year.

Representative Weiler: Do you need approval from the state to take out that loan. Is that basically what you are here asking for?

Klausen: We do not necessarily have to have permission to take out the loan. What we are asking for is to be set back at 185 mil to be able to recoup those 29 mils we did lose.

Representative Weiler: So you basically lowered the taxes for the people in your county. If we have a job opening in Bismarck, would you apply?

Representative Headland: I am confused. Did I understand correctly that you had your budget set and that budget was balanced until you found out your taxable valuation had gone up and then you decided to change your levy so you could recoup that additional money? I don't understand if your budget was balanced at that time, why would your budget not be balanced today?

Klausen: When we first put the budget in July, there were things we had to cut out to try to make it balance. This way we could get more dollars to purchase technology or send the teacher to an in-service on technology, or get new textbooks and that nature. In essence we

wanted to make sure that we were 185 mils and receiving the money that would help us function on a day-to-day basis.

Representative Froseth: On the effective date of December 31, 2006, so you did receive your 185 mils for the 2006 tax year. So this would be for the tax year coming up. Why is it until January 1, 2012? Why such a long time?

Klausen: That was so we don't tax our patrons the whole chunk for one time. It spreads it out.

Representative Pinkerton: What was the budget for Surrey School for the year 2006-2007? What was it for 2005-06?

Klausen: I believe we were at about \$3.2 million. For 2006-07 it is roughly \$3.4 million.

Representative Pinkerton: Your price per student is very low. I know they are about \$3.0 per student less than what Minot is. They have made that work by cutting corners here and there. This is a school district that has large needs and a small tax base.

Representative Drovdal: Does the Surrey School District have a reserve fund. If so, what percentage of the budget would it be?

Klausen: We do. I cannot give you percent; it is a number figure of roughly around \$75.0 to \$80.0.

Bob Briggs, superintendent of Surrey School District, testified in favor of the bill. I will try to clarify some of the questions that have been asked. First, you may wonder why we have an assistant superintendent in a school the size of Surrey. The explanation is that I am on my way out going into retirement. This young gentleman is replacing. He did the budget this year and did an excellent job. When we submitted it back in July it was based on 185 mils of the current valuation of the property of the district. When the property valuation rose in early September, the law states that you have until October 10 to amend your budget and that

was the attempt that was being made—to capture the additional dollars between what had been submitted at 185 and what the new 185 would bring. What was submitted in July dropped, because of the additional property value, to about 181 mils? We need and still need to recapture anything that gets us back up to 185 mils. For the past 28 years I have been in the Surrey School District, we have never, ever, been flush with funds. We have always educated the students in dollars below the Minot Public Schools. We have always been near the bottom in cost of education in the state of ND. Consequently, in years past we have not amended our budget due to the fact that we wanted to give whatever tax break we could to our taxpayers because they have paid at the max for as long as I can remember. Recently, with expenses being what they are, with mandates being what are, with wanting to give our students the same thing that every other student in this state has been given; we need every dollar that we can possibly get. That is why the attempt was made to arrange that to 185 mils. There was a calculation error made and consequently you asked how it dropped to 156. It dropped because of the calculation that was made was turned in in dollars and then it is converted to mils. The error wasn't made to level it to 156 from what it had been before, that was just a calculation error. How it happened, who knows—that's why they are called mistakes. We are here today begging your indulgence in trying to allow the Surrey School District to assess this back to our patrons to recapture those dollars that will have been lost which is approximately \$100.0 so that we can move forward. Surrey is a viable school district and it is not going to go away in the near future. We are not in position to consolidate. We are almost an island unto our selves. It is an excellent school district; it has excellent people. If we cannot recapture the \$100.0, we are possibly going to be put in the position of having to cut some staff. That does nothing more than hurt the education of our students.

Representative Weiler: For the past 28 years have you been the one to do the budget? Did you have any hand in this budget where the unfortunate mistake was made?

Briggs: Only for the past 12 years. For the most part the budget was left to Mr. Klausen. A year ago, he and I worked hand in hand to create the budget.

Representative Froseth: On the taxes that are due now on February 15, you will only get 156 mils? So that's where your shortfall is.

Briggs: Yes, that's correct.

Representative Froseth: If we put an emergency clause on this, you would be able to make this work in the 2007 tax year.

John Walstad: We would spread it out over several years so as not to devastate the taxpayers. I think we have a typo here on page 1, line 17 it says 2012, but if you look on line 7, we have an effective date through 2011. That would allow an additional five years for this school district to recoup the amount was under levied for 2006. The way the bill is written, the district would have the option of one year up to 5 years.

Representative Drovdal: Why wouldn't the bill we passed last session cover this?

Walstad: That bill was written just like this bill is to be very specific to apply to one district and one district only and to set a specific period of time in which that district would have excess levy authority to recoup the amount of under levy. I included some language here that when an allocation to school districts, property tax relief or whatever it is that looks at levies, that amount the district intended to levy is the amount that gets plugged into the formula for allocation. Otherwise the school district will continue to lose money. This would allow the school district to go right back to 185 in the next budget cycle.

Representative Grande: Is only going to be in effect for Surrey?

Walstad: If another district finds they under levied by 20 mils or more, they could qualify for this same treatment.

Representative Headland: In the legislation of the past, was the mistake made in adjusting the budget after they found there was more taxable value or was it made when they submitted their first budget.

Walstad: I don't know how the error was made in those cases. I can recall two where we had

Marcy Dickerson: Richland County was that type of error that was when the Alliance Pipeline came through which produced a lot of value and the school district was not aware of that additional value until it was too late. They had levied what they thought they could get and found out later they could have gotten more.

Representative Headland: Do you recall the Montpelier situation. I am trying to figure out in my mind if we were helping schools that didn't realize they had more valuation give their citizens a tax increase or if If we are going to be faced every session with these similar type problems I think we have to have an understanding of Are we just allowing school districts who don't realize or take advantage of possible increases in valuation recoup that money after the fact, I want to know what we are really trying to accomplish here.

Dickerson: I don't know if it's so much recouping after the fact as it is the philosophy that a lot of school districts use. They are supposed to determine their needs and set their budgets according to what those needs are. Then when they find out what their value is, that will determine the number of mils necessary to raise those dollars they think they need. But they don't do it that way. They find out what their value and then find out what's the maximum amount of money that they can levy. They are all working on what's the most we can get not what is it we need—that's where these things are taking place.

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House Finance and Taxation

Bill/Resolution No **HB 1312 A**

Hearing Date: **16 Jan 07**

Representative Conrad: Before I got this bill, I wanted to be sure that the school board was

sure they wanted this reduced. They thought they were taxing people 185 mils. That's what

everyone intended and everyone understood it to be. An error was made in the paperwork.

That's why we introduced the bill.

There being no further testimony, Chairman Belter closed the Hearing of HB 1312.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1312 B

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1596

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman called the committee to order to hear HB 1312. This is a Bill about the school district for Rep. Conrad.

Representative Weiler: I'm still working on an amendment.

Chairman Belter: Ok, we'll hold this one. Close the hearing on HB 1312.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1312 C

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 23, 2007

Recorder Job Number: 1710

Committee Clerk Signature

Mickie Schmitt

Minutes:

Chairman Belter opened the hearing on HB 1312. What are the committee's wishes?

Representative Pinkerton: I move a Do Pass.

Representative Kelsh: I second.

Chairman Belter: Is there any discussion? Will the clerk read the roll; 11-y, 3-n, 0-absent;

Rep. Froseth will carry HB1312.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1312 D

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 24, 2007

Recorder Job Number: 1789

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1312, asking what the committee's wishes are.

Representative Froseth: I should have caught this, the Bill needs an amendment on page 1, line 17. It has a date of 2012 and the date should be 2011.

Representative Froseth: I move a motion to reconsider action

Representative Grande: I second it.

Chairman Belter: Any discussion? All those in favor of reconsideration signify by saying Aye. The motion carries.

Representative Froseth: I would move that amend HB 1312 to change the date on line 17, page 1, from 2012 to 2011.

Representative Grande: Second it.

Chairman Belter: Is there any discussion? If not, all those in favor signify by saying aye. The motion carries. We have the amended Bill before us, what are your wishes?

Representative Pinkerton: I move a Do Pass as Amended.

Representative Froseth: Second it.

Chairman Belter: Is there any discussion? Will the clerk read the roll; 11-y, 2-n, 1-absent; Rep. Froseth will carry HB 1312.

Date: 1-23-07
Roll Call Vote #: 1312

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee

Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Do Pass

Motion Made By Rep. Brandenburg Seconded By Rep. Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich	✓	
Vice Chairman Drovdal	✓		Rep. Kelsh	✓	
Rep. Brandenburg	✓		Rep. Pinkerton	✓	
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande		✓	Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens		✓			
Rep. Weiler		✓			
Rep. Wrangham	✓				

Total (Yes) 11 No 3

Absent 0

Floor Assignment Rep. Schmidt Froseth

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

REPORT OF STANDING COMMITTEE

HB 1312: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1312 was placed on the Eleventh order on the calendar.

Wesley R. Belter

70557.0101
Title.0200

Adopted by the Finance and Taxation
Committee

January 24, 2007

House Amendments to HB 1312 (70557.0101) - Finance and Taxation Committee
01/24/2007

Page 1, line 17, replace "2012" with "2011"

Renumber accordingly

Date: 1-24-07
Roll Call Vote #: 1312

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee

Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Do Pass As Amended

Motion Made By Rep. Seconded By _____

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich	✓	
Vice Chairman Drovdal	✓		Rep. Kelsh		
Rep. Brandenburg	✓		Rep. Pinkerton	✓	
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande		✓	Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler		✓			
Rep. Wrangham	✓				

Total (Yes) 11 No 2

Absent 1

Floor Assignment Rep. Froseth

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

REPORT OF STANDING COMMITTEE

HB 1312: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1312 was placed on the Sixth order on the calendar.

Page 1, line 17, replace "2012" with "2011"

Renumber accordingly

2007 SENATE FINANCE AND TAXATION

HB 1312

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1312**

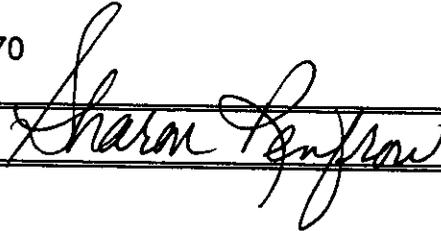
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 28, 2007

Recorder Job Number: #4070

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee to order and opened the hearing on HB 1312.

Rep. Froseth: appeared in support stating he is not a sponsor of the bill but wanted to show his support stating this bill deals with a Surrey School District and corrects an oversight or error that was made in their budgeting process the last budgeting cycle.

Rep. Conrad: prime sponsor of the bill appeared in support stating this was drafted to only address this one school

Sen. Horne: co-sponsor of the bill appeared in support and yielded to the Surry School District people to explain the situation.

Rep. Wolf: Co-sponsor of the bill appeared in support asking for favorable consideration.

Kevin Klassen: Superintendent in training of Surry School District appeared in support and to explain what happened. Discovering they were at 156.9 mills instead of 185 mills so there was a calculation error with property tax.

Sen. Cook: what are the 28 mills worth?

Answer: \$100,000.00

Sen. Triplett: what was the error?

Answer: our property tax should have been \$624,000 and it ended up being \$524,000, less 100,000 short fall. Clerical error.

Bob Briggs: Superintendent of Surry School District appeared in support stating we know where the error is just don't know how it happened.

Sen. Cook: have the property owners in your school district already seen a property tax statement at 156 mills for education? Yes

Sen. Cook: so if mistake had not been made your property tax statement would have reflected a mill levy of 185 mills for education?

Answer: 185 mills in general fund, yes

Sen. Cook: when would you go to 185 mills?

Answer: we would recapture over the next 4 year period from 2007 to 2007.

Sen. Cook: so for 4 years you're going to be allowed to go over 185 until you recover that \$100,000 and then you got back to 185. Right

Sen. Horne: if this isn't corrected than Surry would be punished in the formula that the committee on education studies is putting together. They are held at this level, so it's not only a hit this year but could be well into the future. Is that your understanding?

Answer: that's the way I understand it

Sen. Anderson: so after January 2012, it's done?

Doug Johnson NDCEL: appeared in support stating Surry is has difficulties in getting the dollars that needs generated from its property tax to fund education.

Jerry Coleman: DPI, I just came down to observe but from just listening here I wasn't quite sure if it was an error in establishing a taxable valuation or was in error in setting a new budget. So in terms of numbers that we have at the department to any of the state formula pieces I don't that will have an impact unless they were subject to one of these minimum levy

deducts which going through the process right now that's right at 150 mills for this current school year so they would duck under that particular penalty. So I don't see a problem with their state aid calculation as far as I understand. It's basically a local revenue, it's a local taxing matter with this particular school district as I would understand it.

Sen. Cook: if 2032 was to pass that sends the dollars for property tax relief to school districts and the amount of dollars they get is based, it starts with their general fund levy plus tuition and busing, if that bill passes and if this bill passes what number would we put in their for Surry? Would we put in 185 which is where they would be if the error had not been made or would they put in the higher number that their mill rate would go to for 4 or 5 years until this lost revenue is created? My guess is we are not going to know what to put in there but we might want to have some language either here or in 2032 that identifies what number to put in.

Answer: that would take some special handling. If it goes through as is, we would use the mills that were recorded or actually levied for this particular year so we would have to use the 157 unless we had some direction to do it in a different manner.

Sen. Cook: what will their mill rate be for the 5 or 4 years for which they recover the last \$100,000? But it's going to be a number that over the period of time is only going to recover \$100,000.

Answer: yes, it would only be there to recover the money that was lost on this date.

Marcy Dickerson: Tax Dept. I think the language here on the second page, line 8, #6 takes care of the problem with 2032. as far as the prior time that something like this has occurred I believe that 2 or 3 sessions ago, the time the Alliance Pipeline was being constructed and of course that was adding a large amount of taxable value in the districts of the pass through and at least 2 county auditors when they informed the school districts of the additional value from Alliance Pipeline did not give them the updated figures in which the error occurred.

Sen. Cook: Richland County? And I think a situation in Montpelier

Answer: yes and Sargeant

Sen. Oehlke: can't we just say you get a do over and have the county mills or the \$100,000 that was goofed up on for last year?

Answer: there is nothing in the statute that provides for that, they are not supposed to amend their budget after October 10th no matter how big of an error may have occurred. So this apparently is the only remedy if you feel that this should be corrected, this type of legislation I believe is the only remedy I believe available.

Sen. Urlacher: so this bill will do the job?

Answer: I believe so, it will be additional bookkeeping for the next 5 yrs. It will take that long to recoup.

Sen. Triplett: would you consider borrowing against this promise of the money in the future so that you could keep your income level over the next 5 years?

Superintendent: we have already been to the bank and we have that option.

Sen. Oehlke: Marcy, you reference item 6 on second page on line 8 and it specifically says the year 2006, when we're talking about our other bills relative to education funding, would that 2006 also have to include through 2012 in order not to goof up their mill level as far as the funding on that, one of those education bills?

Marcy: I'm not quite sure, 2032 as it progresses on will be using subsequent years using new numbers each year. I would assume when it comes to 2007 being the base for the first go round they will be at 185 mills but they will be at something in addition to that probably 192 or something. I would think that 185 would still be the number that should go into 2032 calculations because that's their real levy or will be their real levy for the tax year 2007 and they shouldn't get the additional money that's catch up money.

Sen. Horne will get an amendment.

Closed the hearing.

Discussion.

John Walstad: Legislative Council stating the bill was drafted because of a significant oversight in the Surry school district. In this one, being cognizant of the fact that there are bills pending that would put a significant weight on property tax levies in determining property tax relief allocations perhaps or school district funding. I put some language in this subsection 6 on page 2 intended to provide that if there is an allocation like that that's going to be made the number that goes in for the Surry school district is not the number that they actually levied but the number they intended to levy.

Sen. Cook: if 2032 passes that the amount is going to change in 2007, 2008 and 2009, should there be something else in here that makes sure that in the future years that the number that the Surry school district uses in the calculations of 2032 is the number that would have been if it had not been the mistake?

John: I think after the 2006 year they will be back on track because they can base their levy on the 3 previous years so they can ignore that one down year where the mistake was made.

Sen. Cook: our understanding after listening to this bill is that they will be at a higher mill levy recovering the \$100,000 they were short for 4 or 5 years. Are you saying that they are only going to be at a higher levy one year?

John: I could do an amendment to add some further language there that we're not going to count their low year and we're not going to count their excess levy years either for purposes of determining. And it probably should not be just for purposes of determining allocations of relief or whatever, it also is going to be relevant to their future levy authority because you base on last years levy in dollars.

Sen. Horne: if such an amendment is drafted and we adopt this bill and it passes the Senate and goes back to the House, is there any need to put any language like that in SB 2032 or SB 2200? Or will this take care both of those bills?

John: I would write the language for this so that it deals with this individual problem and we don't have to put any language for this unique situation in that bill that applies to all districts?

John Walstad will draft amendment and bring to the committee.

End of discussion.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1312**

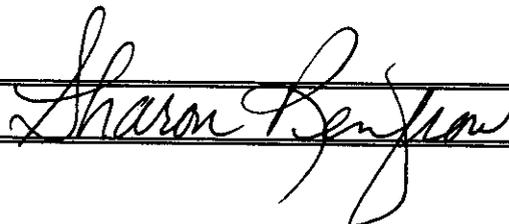
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 6, 2007

Recorder Job Number: # 4466

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee back to order for action on HB 1312.

John Walstad: Legislative Council appeared to explain the amendments he drew up. There wasn't any language about adjusting for the 2007 to 2011 levies that might be made under this bill. We are just adding another phrase into that section, I left the reference alone about adjusting for the 2006 levy year and the mistake and then just tacked on an additional phrase that for 2007 through 2011 any mill rates or levies for school districts would have to be adjusted by reducing the levy to take out the amount of the levy made for correcting the mistake from 2006. It would bring the school district back down to where they would be without accounting for this error.

Sen. Triplett: made a **Motion to Move the Amendments**, seconded by Sen. Oehlke.

Voice vote: 6-0-1 amendments carry.

Sen. Horne: made a **Motion for DO PASS as Amended**, seconded by Sen. Anderson.

Roll call vote: 6-0-1 Sen. Horne will carry the bill.

