

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1447

2007 HOUSE FINANCE AND TAXATION

HB 1447

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1447

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1514

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1447 and asked for testimony in support.

Rep. Lee Kaldor: (See attachment #1)

Chairman Belter: Just in looking at your chart on your handout here it appears to me that with the current rate, which the Cities and Counties of course have just as the State has, has participated in the inflation of what our sales tax brings in. I don't believe you have any types of caps or anything; this is just straight changing the percentage. If we're thinking about true property tax relief, there isn't anything in your Bill that would stop Counties or anything from, this would be additional aide but there's nothing to say that they couldn't still increase their property taxes, is that correct?

Rep. Lee Kaldor: For those Counties or Subdivisions that have latitude left, they would not be restricted from raising their taxes.

Representative Wrangham: I'm thinking about Counties and Cities who probably have a bigger sales tax base now than the others. Do you see this affecting shall we call them the richer or busier entities much more than it does the ones that probably need it the most?

Rep. Lee Kaldor: That's a very good question. I have not had the opportunity to analyze that affect. I have been looking for some information that would give me some help in that regard.

But the distributions a day is based on a very complicated formula and yes, population is going to play a factor of the sales tax receipts while they don't necessarily have a direct impact, they do have an impact on a State wide basis. But this will assist, this will make a difference in even rural communities and Counties that are struggling, it will help them all. I might add that if even our most urban Counties and Cities have the same kind of inflationary costs so that the other parts of the State have, sometimes it's even magnified. The intent here is to try and find assistance for all of them. They're all going to be feeling a pinch. Chairman Belter's question relating to their opportunities to raise property taxes, I think it's important to note that I believe that there will be some property tax relief; I don't know what form it will take. But I'm really concerned about the Subdivisions that government that really don't have an opportunity. They're at their mill levy caps, they have little or no growth, and while this Bill doesn't direct all of this \$22 million in that direction, I still believe that it is important to pass it of the mix of things that are going to be done in this Legislative Session.

Representative Headland: You have indicated to the committee that Political Subdivisions that are at their cap have not had a means to raise anymore revenue, but in fact the evaluations have gone up by double digits percentage rates so they have had an opportunity through inflation to reach their budgets and I think the Bill is lacking when we're looking at spending on the Political Sub level. There's nothing in there to control spending.

Rep. Lee Kaldor: I understand your feelings. There are some divisions that the government put the property values on and that's what's very challenging.

Rep. Kari Conrad: I was very pleased to sign onto this Bill, the way it was prepared, especially for Ward County. We're in a unique situation right now. We're hoping to grow. We see that the County Commissioners are being put under a great deal of pressure to find ways to improve our roads so we get those semis, products to the RR tracks. I see this Bill as an

opportunity to where the State can share some of that surplus with local Subdivisions in their unique situation. For us locally it's a tremendous opportunity and we're afraid we're going to miss it. If we have to wait to collect the funds over a period of time, if we have to wait to get on the list that the State Highway Dept. to get some of those roads fixed. Right now in Ward County I talked to the Auditor this morning for an 83.35 mills for the 2007 budget. And our maximum in our Home Rule Charter is 85 mills. So even if the Legislature says we can have more mills, our Home Rule Charter says we can no longer at 85 mills. We are not at our maximum but each mill generates \$127,000 dollars, when you look at the price of a road, we are at our maximum. And we will not be able to build those roads, even if we were to go to our maximum.

Connie Sprynczynatyk, ND League of Cities: This is not an initiative from either Marks Association or mine but I think that communities across the State happily accept this. I know you're curious about what kind of effort this money buys down at the local level right now. I will prepare this in written form for you. So what your target is now for the State aide fund is allowing Buffalo ND to drop 20.7 mills, their using that money in their general fund and they are not levying 20.7 mills. And Devils Lake is the equivalent of 31.7. It's roughly an average of 27-28 mills. It goes into the general fund, what comes out of the general funds physically? Police, Fire, emergency, different Cities handle this differently. With the money that you're already providing in State aide distribution fund is greatly appreciated and we use it very, very carefully.

Representative Pinkerton: What percentage of the average that Cities spends for protection of your citizens? Is it around 60%?

Connie Sprynczynatyk: There are 357 incorporated Cities and that's a very different number. One good contrast that I've used is the City of Killdeer. They spend more for public safety than

they bring into the general fund through the property tax. In the case of Bismarck, they spend 97% of the money from property tax on police, fire and etc...

Representative Pinkerton: So the services there are self funded, like sewer, water, garbage?

Connie Sprynczynatyk: Yes. Those numbers are in utility funds and I'm not talking about those numbers at all.

Representative Pinkerton: In my district, my perception is that my voters trust the lowest level of government the most.

Representative Schmidt: The Counties have not been able to match the allocation for growth from the State. How much of this is going to go to Counties for roads?

Connie Sprynczynatyk: This money comes in typically to a City or general fund and then it would be available for road projects.

Mark Johnson, President of ND Association of Counties: (See attachments #2 & #3) This could be a good mechanism to put money back into local jurisdictions that would in fact eventually trickle down to roads and the ability to match federal funds if in fact their road monies are insufficient which they are, it's very difficult. On an annual basis, it's a little over \$10 million dollars, the local jurisdictions. (He goes on to explain the charts, attachment #2 & #3)

Chairman Belter: Is there any other testimony in support? Opposition? Neutral? Hearing none, we'll close the hearing on HB 1447.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1447 B

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 31, 2007 am

Recorder Job Number: 2370

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB1447. This Bill raises the ratio of sales, gross receipts, use and motor vehicle excise tax collections now distributed to cities and counties through the state aid distribution fund. What are the committee's wishes?

Representative Headland: I move a Do Not Pass.

Representative Weiler: I second it.

Chairman Belter: Is there any discussion? Will the clerk take the roll; 8-y, 5-n, 1-absent; Rep. Wrangham will carry HB 1447.

FISCAL NOTE
Requested by Legislative Council
01/16/2007

Bill/Resolution No.: HB 1447

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$21,000,000)	\$21,000,000		
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1447 increases the share of sales and motor vehicle excise tax revenues that is distributed to the state aid distribution fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

If enacted, HB 1447 will reduce state general fund revenues and increase state aid distribution fund revenues by an estimated \$21 million in the 2007-09 biennium.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/19/2007

Date: 1-31-07
Roll Call Vote #: 1447

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 Not Pass

Motion Made By Rep. Headland Seconded By Rep. Weiler

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) 8 No 5

Absent 1

Floor Assignment Rep. Wrangham

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

REPORT OF STANDING COMMITTEE

HB 1447: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO NOT PASS** (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1447 was placed on the Eleventh order on the calendar.

2007 TESTIMONY

HB 1447

1-22-07

#1

HB
1447-A

Testimony for HB 1447
Finance and Taxation Committee
Rep. Lee Kaldor

Mr. Chairman and members of the House Finance and Taxation Committee, for the record I am Representative Lee Kaldor, District 20. Thank you for the opportunity to present my case before your committee for what I believe to be a part of the solution to the property tax dilemma that we face in North Dakota. In addition, this legislation will bring much needed relief to subdivisions where valuations have been static or have even declined. It will also bring relief to all subdivisions subject to extraordinary inflationary costs like fuel, materials, human services, police protection and safety needs.

HB 1447 does one simple thing, it raises the ratio of sales, gross receipts, use, and motor vehicle excise tax collections now distributed to cities and counties through the state aid distribution fund from .4 of 1 percent to .5 of 1 percent of those taxes collected. While this is a simple change, it provides a significant increase to the current allocation that cities and counties receive. The increase in funding resulting from this change would be approximately \$22 million for the biennium.

This being no trivial amount, I feel the need to explain why I believe this to be one of the positive ways of relieving some of the heavy pressure that has been bearing on property taxes. We can probably acknowledge that out of this legislative session there will be some form of property tax relief. The Governor's plan is very aggressive in total amount and would certainly represent a measure of relief to taxpayers. That is important and I don't want to diminish its effect. On the other hand, while school districts will benefit from increased funding and property owners will gain relief from the property tax rebate, other local subdivisions may not be able to address the challenges they face.

It is my intent to provide much needed help to cities and counties as a means of re-balancing the property tax/state support system. To get a better picture of the necessity of this measure, it is important to look back in time at the history of the state aid distribution fund. I have attached to this testimony a history of the state aid distribution fund prepared by Legislative Council for your reading. In the beginning, this distribution was a replacement of the personal property taxes levied by subdivisions prior to 1969. I remember well the personal property tax. My father was the assessor in our township. I

recall going with him on his annual trip around the township to every farm. His job was to record the personal property values at each farmstead, collecting the valuation data for things that today we would think of as somewhat primitive. Most people had a television in their home and normal furnishings that didn't necessitate an "in-house" visit, but a look around the farmyard would disclose any new farm equipment, vehicles and miscellaneous personal property. All of this was taxed as part of the total tax base for the subdivisions of government. In fact my father resigned from his position sometime prior to the change in 1969. He was fed up with the intrusion on his neighbor's personal business. The time was right for change and he wasn't alone in his distaste for the exercise. All across the state, the people of North Dakota were forcing change and the legislature responded. As history describes, personal property tax made up a large portion of the tax base of political subdivisions. By eliminating this tax, subdivisions were unable to balance their budgets on anything but real property taxes. This was not a very attractive solution for the looming shortfalls resulting from the repeal of personal property taxes. To accommodate this loss of revenue the state legislation added a separate one percentage point of sales, use and motor vehicle excise tax and broadened the sales tax base. These additional revenues were intended to provide for allocations to political subdivisions to offset the loss of the personal property tax base. Beginning in 1969, personal property tax replacement allocations were funded through general fund appropriations and, or the state aid distribution fund which began in 1989. In 1997 this formula was repealed. For many of those years, the legislature failed to appropriate the full one percent for allocation. In 1978 the voters, through an initiated measure, created the state revenue sharing fund. This fund used 5 percent of the net proceeds from state income taxes and state sales and use taxes to be allocated to cities and counties. In 1987 the formula for the distribution of these two funds (personal property replacement and state revenue sharing fund) was established based upon 60 percent of revenue from one percentage point of state sales, use and motor vehicle excise taxes. One half of the funds were allocated on the basis of the revenue sharing formula and one half of the funds were distributed under the personal property tax replacement formula.

In 1997, the legislature reduced the amount allocated for distribution from 60 percent to 40 percent of one percentage point of sales, use and motor vehicle excise taxes.

Probably the most important facet of this legislation was to change the fund from being subject to legislative appropriation to a standing and continuing appropriation. You can see the changes in the distribution on the attached history from Legislative Council.

I'm not here to change the allocations of the fund or to retreat from the standing and continuing appropriation. It is my belief that, while there has been steady growth in the state aid distribution fund since 1997, we have never kept good on our promise to replace the personal property tax. At inception it was believed that one percentage point of sales and use tax would suffice for the replacement, but I believe that this has not been the case. All we need to do is look in our homes and garages, machine sheds and toys to see that we have immense personal property compared to that of 1969. I admit that my premise is based on assumptions that may not be scientifically proven. Never the less, I believe that we are far from replacing the personal property tax base that would exist for cities and counties today.

What is the situation today? Many of our rural communities are at their mill levy caps. For many subdivisions, property values have become stagnant, and for some, they are actually deflationary. For some subdivisions, the growth in valuation has been crucial to covering their budgets, but this has certainly not been the case for many. The inflationary effects of higher fuel prices and material costs for roads and infrastructure have put many subdivisions in incredible positions of need without a satisfactory alternative. These are not the only inflationary costs that counties and cities are bearing. Human service cost pressures are also on the increase, again with little opportunity for alternatives. Police and safety costs are also growing, not to mention provisions for jail space. In the cases of my city and my township, for example; they are cutting back services or trying to find other ways to balance their budgets. They not only need our help, they deserve it under the current circumstances if we are to make for meaningful property tax relief.

Property tax rebates are appropriate, but property tax alternatives are imperative for our local subdivisions of government. We have the capacity and we should live up to the responsibility set by the 1969 legislature to give our cities and counties the help they need to meet their obligations.

Mr. Chairman, I realize that to some in this assembly re-opening the state aid distribution fund is going back on another promise made ten years ago. But, this is not a retreat from that promise and it was not generated by the Association of Counties or the League of Cities. While these two fine organizations represent their members most effectively, they are keeping their word. I am suggesting that we need to take the lead here in the North Dakota legislature by helping our communities and the citizens of North Dakota where ever they live.

- HB 1447

#2 1-22-07 Am

**Testimony To The
THE HOUSE FINANCE & TAXATION COMMITTEE
Prepared January 22, 2007 by
Mark Johnson, CAE - Executive Director
North Dakota Association of Counties**

REGARDING HOUSE BILL 1447

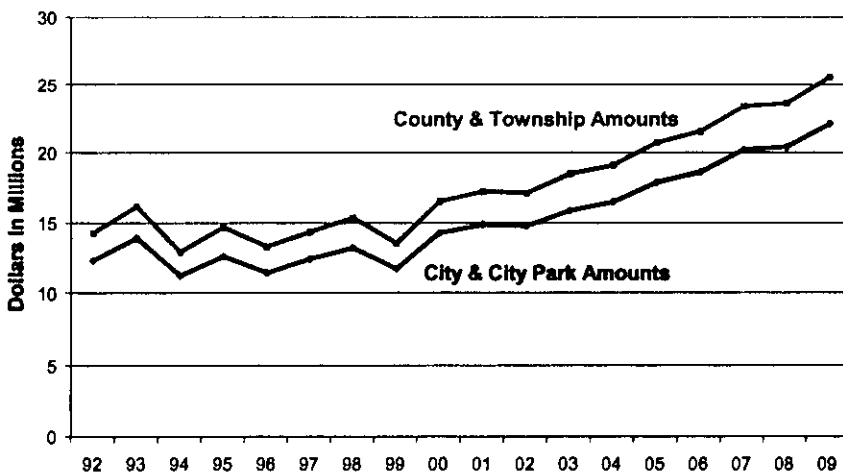
Thank you Chairman Belter and committee members for the opportunity to address HB1447 on behalf of county government. County officials are pleased that the Legislature is willing to examine the revenue and costs of county government in their effort to craft a workable property tax relief mechanism.

The State Aid Distribution Fund is one of the cornerstones of the fiscal relationship between the State and local government, and has been a critical interest of county officials since its replacement of the unpopular personal property tax in 1969.

As a number of you are well aware, this Fund has struggled throughout its thirty-year history, and until 1997 was never fully-funded as provided by law. Through the exceptional efforts of some of you here, some past legislative leaders, and many local government officials, a major change was crafted in the 1997 Session.

That change replaced the long-standing 6-tenths of the first penny of sales & use tax as the Fund's revenue source, with 4-tenths. County officials accepted that significant policy change with the promise of a permanent continuing appropriation that allowed the fund to rise and fall with the economy and fortunes of the State.

**State Aid Distribution Fund
Fiscal Year Distributions**



While it was a risk, looking back, it was a risk well worth taking. As the chart indicates, since that time this fund has grown at a rate at least equaling inflation. Although the increases in mandated social service costs, criminal prosecution expenditures, jail expansion, etc. have certainly kept pace, the current formula is far superior to the pre-1997 situation that left the fund stagnant for a decade or more.

We appreciate the important relationship this fund represents, and are committed to working with the Legislature to examine whether this is an appropriate vehicle for property tax relief.

2

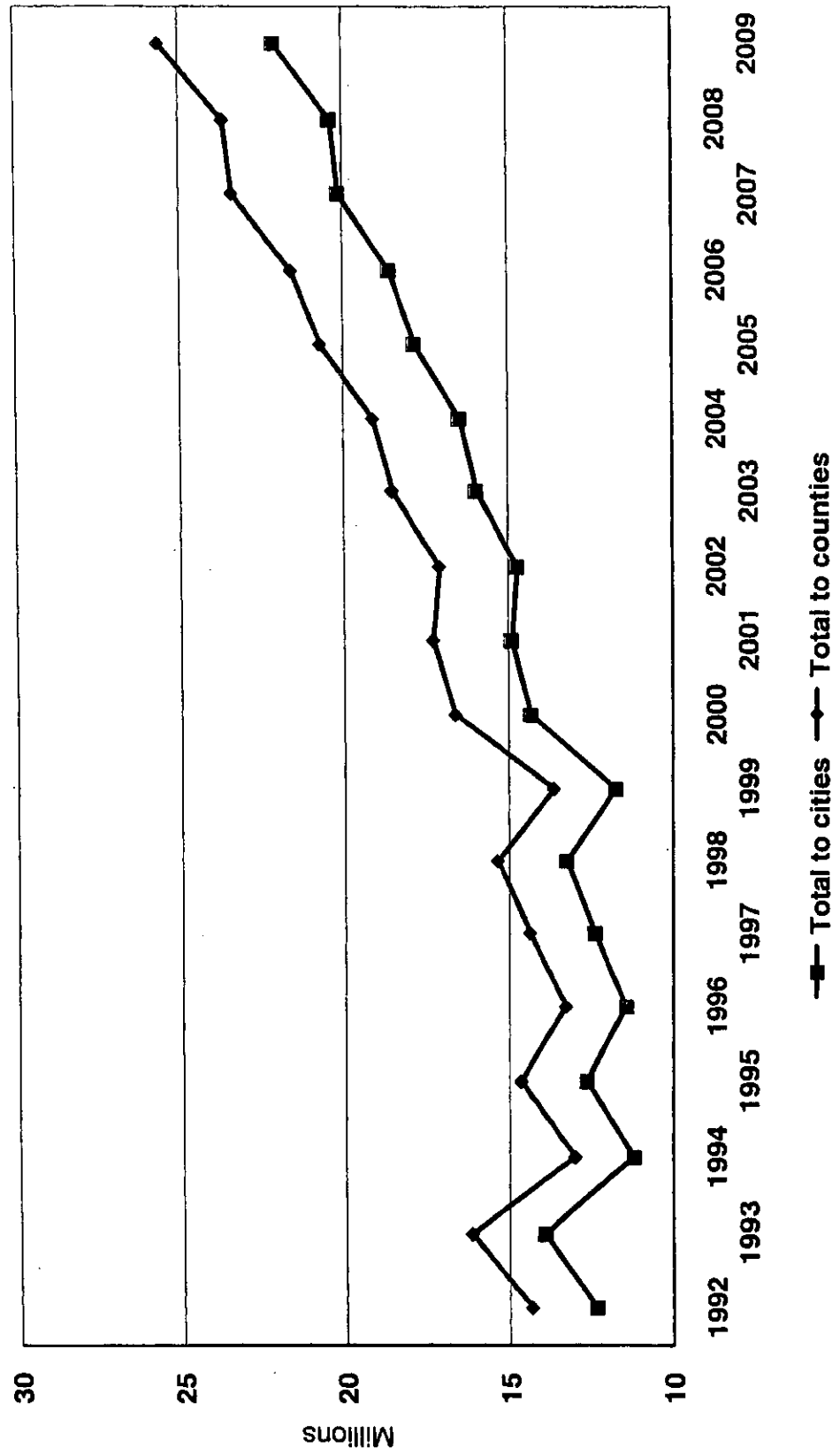
STATE AID DISTRIBUTION FUND ANALYSIS - CALENDAR YEAR

COUNTY	CY2006 Distribution Amount	Impact of HB1447	Approx. Mill Value of Impact
ADAMS	165,423	41,356	5.8
BARNES	420,911	105,228	3.0
BENSON	297,239	74,310	5.8
BILLINGS	118,991	29,748	6.0
BOTTINEAU	300,413	75,103	2.9
BOWMAN	182,461	45,615	4.7
BURKE	141,533	35,383	4.1
BURLEIGH	1,480,474	370,118	2.2
CASS	2,367,882	591,970	1.7
CAVALIER	226,031	56,508	2.8
DICKEY	257,299	64,325	3.9
DIVIDE	141,262	35,315	3.9
DUNN	215,713	53,928	4.2
EDDY	163,560	40,890	6.5
EMMONS	234,965	58,741	4.3
FOSTER	190,345	47,586	3.8
GOLDEN VALLEY	136,874	34,219	6.2
GRAND FORKS	1,383,167	345,792	2.3
GRANT	180,684	45,171	5.7
GRIGGS	161,015	40,254	4.6
HETTINGER	161,148	40,287	4.3
KIDDER	164,301	41,075	4.3
LaMOURE	222,442	55,611	3.2
LOGAN	161,557	40,389	6.2
McHENRY	265,250	66,312	3.1
McINTOSH	207,433	51,858	5.3
McKENZIE	268,980	67,245	4.0
McLEAN	404,321	101,080	3.8
MERCER	424,021	106,005	5.7
MORTON	732,868	183,217	3.1
MOUNTRAIL	286,041	71,510	4.7
NELSON	193,630	48,408	4.4
OLIVER	160,968	40,242	7.4
PEMBINA	359,345	89,836	3.0
PIERCE	239,784	59,946	4.4
RAMSEY	438,501	109,625	4.3
RANSOM	260,915	65,229	4.0
RENVILLE	155,519	38,880	3.9
RICHLAND	528,693	132,173	2.7
ROLETTE	506,572	126,643	13.0
SARGENT	211,290	52,823	3.5
SHERIDAN	135,742	33,936	5.4
SIOUX	230,107	57,527	28.1
SLOPE	101,987	25,497	5.0
STARK	684,680	171,170	4.3
STEELE	143,371	35,843	3.4
STUTSMAN	601,663	150,416	3.0
TOWNER	168,182	42,045	3.7
TRAILL	374,647	93,662	3.6
WALSH	440,177	110,044	3.5
WARD	1,242,771	310,693	2.7
WELLS	235,985	58,996	3.4
WILLIAMS	562,868	140,717	3.7
COUNTY TOTAL	19,941,591	4,985,398	3.0
TOWNSHIP	1,888,757	472,189	0.8
CITY/CITY PARK	18,822,069	4,705,517	5.4
STATEWIDE TOT.	40,652,416	10,163,104	

#13 - HB 1447
1-22-07-AMM

Prepared by the North Dakota Legislative Council
staff for Representative Berg and Senator Stenehjem
December 2006

TOTAL STATE AID DISTRIBUTION ALLOCATION TO CITIES AND COUNTIES - FISCAL YEARS 1992 THROUGH 2009



STATE AID DISTRIBUTION FUND ANALYSIS - CALENDAR YEAR

COUNTY	CY2006 Distribution Amount	Impact of HB1447	Approx. Mill Value of Impact
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DICKEY	257,299	64,325	3.9
DIVIDE	141,262	35,315	3.9
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STATEWIDE TOT.	40,652,416	10,163,104	

STATE AID DISTRIBUTION FUND HISTORY

The state aid distribution fund provides for allocation of a portion of sales, use, and motor vehicle excise tax collections among political subdivisions (North Dakota Century Code Section 57-39.2-26.1). The state aid distribution fund was created by 1987 legislation (1987 S.L., ch. 35) to become effective in 1989 to combine preexisting state revenue sharing and personal property tax replacement programs. The 1987 legislation introduced a provision dedicating 60 percent of one percentage point of sales, use, and motor vehicle excise tax revenues for state aid distribution fund allocation in equal amounts to revenue sharing and personal property tax replacement.

PERSONAL PROPERTY TAX REPLACEMENT

Personal property tax replacement allocations to political subdivisions began with 1969 legislation intended to eliminate the personal property tax. Because personal property made up a large portion of the tax base of political subdivisions, eliminating the tax required the Legislative Assembly to overcome several obstacles, the biggest of which was replacing lost personal property tax revenues for political subdivisions. The 1969 legislation added a separate one percentage point to sales, use, and motor vehicle excise tax and broadened the sales tax base. These additional tax revenues were intended to provide for allocations to political subdivisions to offset the loss of the personal property tax base. Personal property tax replacement allocations were funded through general fund appropriations from 1969 until 1989 and incorporated in allocations from the state aid distribution fund beginning in 1989. The allocation formula was based on personal property taxes assessed in 1969 with a growth formula and personal property tax replacement continued to be allocated under this legislation until the formula was repealed in 1997.

STATE REVENUE SHARING

An initiated measure approved by the voters of the state on November 7, 1978, created the state revenue sharing program. The initiated measure

created a state revenue sharing fund to which 5 percent of net proceeds from state income taxes and state sales and use taxes were to be deposited and allocated to city and county governments. One-half of the money in the state revenue sharing fund was to be allocated among counties and cities on the basis of population and the remaining one-half was to be allocated among counties and cities on the basis of property tax levies.

State revenue sharing was funded through general fund appropriations from 1979 until 1989 and from the state aid distribution fund beginning in 1989.

STATE AID DISTRIBUTION FUND

The 1987 legislation establishing the state aid distribution fund (effective beginning with the 1989-91 biennium) retained the separate statutory allocation formulas for state revenue sharing and personal property tax replacement. The legislation provided that 60 percent of revenue from one percentage point of state sales, use, and motor vehicle excise taxes would be allocated among political subdivisions, with equal amounts allocated under the state revenue sharing formula and the personal property tax replacement formula. The 1987 legislation also provided that state aid distribution fund allocations were subject to legislative appropriation. In 1997 (1997 S.L., ch. 19) significant changes were made to the state aid distribution fund. The amount allocated for distribution through the fund was reduced from 60 to 40 percent of revenue from one percentage point of state sales, use, and motor vehicle excise taxes. The bill provided that state aid distribution fund allocations would be provided as a standing and continuing appropriation rather than being subject to legislative appropriation. The bill also eliminated the preexisting state revenue sharing and personal property tax replacement formulas and created a single formula for allocation of state aid distribution fund revenues among political subdivisions. The following table shows biennial amounts allocated from the state aid distribution fund and the predecessor personal property tax replacement and revenue sharing programs:

Biennium/Funding Source	Personal Property Tax Replacement	Revenue Sharing	Counties	Cities	Total
1969-71/general fund	\$18,900,000				\$18,900,000
1971-73/general fund	\$42,600,000				\$42,600,000
1973-75/general fund	\$18,170,000				\$18,170,000
1975-77/general fund	\$21,900,000				\$21,900,000
1977-79/general fund	\$24,300,000				\$24,300,000
1979-81/general fund	\$26,044,401	\$17,403,838			\$43,448,239
1981-83/general fund	\$32,577,000	\$21,840,000			\$54,417,000

Biennium/Funding Source	Personal Property Tax Replacement	Revenue Sharing	Counties	Cities	Total
1983-85/general fund	\$29,377,000	\$22,000,000			\$51,377,000
1985-87/general fund	\$31,289,226	\$28,654,079			\$59,943,305
1987-89/general fund	\$20,877,700	\$20,877,700			\$41,755,400
1989-91/state aid distribution fund	\$27,104,150	\$27,104,150			\$54,208,300
1991-93/state aid distribution fund	\$28,375,000	\$28,375,000			\$56,750,000
1993-95/state aid distribution fund	\$25,750,000	\$25,750,000			\$51,500,000
1995-97/state aid distribution fund	\$25,750,000	\$25,750,000			\$51,500,000
1997-99/state aid distribution fund			\$28,968,508	\$24,992,092	\$53,978,600
1999-2001/state aid distribution fund			\$33,940,222	\$29,263,170	\$63,203,392
2001-03/state aid distribution fund			\$35,502,898	\$30,810,328	\$66,113,226
2003-05/state aid distribution fund			\$39,489,898	\$34,048,087	\$73,537,985
2005-07 state aid distribution fund			\$44,966,766	\$38,770,228	\$83,736,994
2007-09 state aid distribution fund (executive revenue forecast)			\$49,266,528	\$42,477,472	\$91,744,000

The state aid distribution fund allocation divides revenues for allocation 53.7 percent to counties and 46.3 percent to cities. The distribution to the counties and cities is based on population categories. Each population category receives a percentage of the county or city share of the total and is then allocated

to the counties or cities within the categories based on population. The following chart shows the allocation of the fund among county and city population categories prior to the revision for the 2000 federal census:

POPULATION CATEGORY			
Counties	Percentage	Cities	Percentage
100,000 or more	10.4%	20,000 or more	53.9%
40,000 or more but less than 100,000	18.0%	10,000 or more but less than 20,000	16.0%
20,000 or more but less than 40,000	12.0%	5,000 or more but less than 10,000	4.9%
10,000 or more but less than 20,000	14.0%	1,000 or more but less than 5,000	13.1%
5,000 or more but less than 10,000	23.2%	500 or more but less than 1,000	6.4%
2,500 or more but less than 5,000	18.3%	200 or more but less than 500	3.5%
Less than 2,500	4.1%	Less than 200	2.2%
Total	100.0%	Total	100.0%

House Bill No. 1025 (2003) revised the state aid distribution formula for cities and counties to account for population changes resulting from the 2000 federal census and became effective August 1, 2003. The bill provided for total distribution percentages to cities and

counties to remain at current levels—53.7 percent to counties and 46.3 percent to cities. However, the allocation formula among counties and cities was changed to the following:

POPULATION CATEGORY			
Counties	Percentage	Cities (Based on Population)	Percentage
17 counties with the largest population (allocated equally)	20.48%	80,000 or more	19.4%
17 counties with the largest population (allocated based on population)	43.52%	20,000 or more but less than 80,000	34.5%
Remaining counties (allocated equally)	14.40%	10,000 or more but less than 20,000	16.0%
Remaining counties (allocated based on population)	21.60%	5,000 or more but less than 10,000	4.9%
		1,000 or more but less than 5,000	13.1%
		500 or more but less than 1,000	6.1%
		200 or more but less than 500	3.4%
		Less than 200	2.6%
Total	100.0%	Total	100.0%