

2011 SENATE APPROPRIATIONS

SB 2023

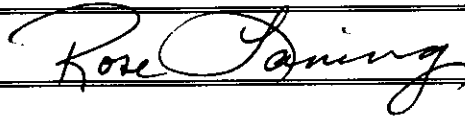
# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee Harvest Room, State Capitol

SB 2023  
January 20, 2011  
Job # 13133

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A bill to provide an appropriation for defraying the expenses of various state departments and institutions.

### Minutes:

See attached testimony #1-4

Chairman Holmberg called the committee hearing to order on SB 2023.  
Sheila Peterson – OMB; Roxanne Woeste -Legislative Council

**Chairman Holmberg** informed the committee that this is the deficiency appropriation bill. We got a clarification letter from the tax commissioner. What was in their line is different than this number in the bill, and this is correct. What was in SB 2006 – that number was incorrect. The tax dept. letter is contains the correct number.

**Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division, Office of State Commissioner**  
Testimony attached - # 1.

Gave information on:

Homestead Credit – requires a deficiency appropriation of \$1,349,000.

Disabled Veteran's Property Tax Credit – requires a deficiency appropriation of \$461,000.

**Chairman Holmberg** told the new members of the committee that they should be aware that this is a bill that is very common every session. We said this is what we are going to give out – as in this case, tax relief which is payment back to the counties in this area but our numbers were estimates last session in order to complete the books. This appropriation is one of those things we have to do.

**Senator Christmann:** Elaborate on the second one, the fiscal note was up \$3.2M of which we gave \$3M, so that explains that \$200,000. On the first one, there was no appropriation for the change was included – was there a discussion and we thought it wouldn't cost that much or did we forget?

**Marcy Dickerson:** The discussion in the Senate Finance and Tax committee, one of the committee members stated that if there was a fiscal note, there was no need for an appropriation. There was some misunderstanding because there was a fiscal note and that was sufficient. It turned out that it wasn't sufficient and there should have been an appropriation.

**Senator Christmann:** The disabled veterans' credit - the bottom one, we thought the fiscal note was up to \$3.2M and it ended up \$3.46?

**Marcy Dickerson:** We were going by the amounts that the political subdivisions had reported in the previous year - the amounts it had cost them when it was an exemption that they had to absorb. We had never had it as a credit before. The state had never had to refund for this. The biggest problem was not only the increase in valuations of homes, but even though we had good information on how many veterans we had in each classification of disability (50%, 60% or maybe up to 100%) we had no way of knowing which veterans at which percent of disability had homes at which price level. You have a whole different situation if you have 100% disabled person in a \$200,000 home. The maximum is \$120,000. Assuming all the 100% disabled people have \$120,000 homes at the credit for the whole \$120,000, it's a whole lot different than if it's people with a different disability in those homes. We had no way of knowing what percentage of disability tied in with what valuation. We came fairly close, but we were short. I like to estimate high rather than low but we estimated a little bit low and we were given a little less than we requested.

**Bill Goetz, Chancellor, NDUS**

Testimony attached - # 2 Testified in favor of SB 2023.

This relates to the 2009 flood expenditures for Valley City State University and the total deficiency request was \$58,904.

**Senator Warner** asked if this brings closure to the flood emergency. This is the total amount?

**Bill Goetz:** It is my understanding that this brings closure to the financial fiscal issues relative to the 2009 flood.

**Senator Kilzer:** Why would this not be a part of the budget section review that we had when the anchoring parts of the gymnasium were found to be rotten. We dealt with that situation in the budget section and now we're dealing with this in the deficiency appropriation. What makes the difference?

**Chairman Holmberg:** We used contingency money that was the residue of the contingency line item for the emergency commission of \$270,000 and gave it to VCSU and told them that they had money that was in their budget for capital repairs, etc. This would be different from the standpoint that this is just like we handled with Grand Forks for a decade paying bills as they finally came back and came due. The big difference there was the magnitude and dealing with the flood related insurance and FEMA. They had to deal with everyone and took a lot longer. This will be closure to the flood.

**Senator Robinson** asked in relation to Senator Kilzer's question and said the Field House was not flood related. The Field House was a situation that had developed over a number of years. We detected a problem and included about \$120,000 in our deferred maintenance budget. Only when we brought engineers back to inspect it to begin the process did they find the situation was much worse. Those beams had been encapsulated in metal – like ABC seamless – once they removed the metal, the deterioration was extensive. So this was not flood related, but the request here is flood related.

**Bill Goetz** – Two other events that potentially could be brought before the session yet, that's the continuing issue at Bismarck State dealing with the Jack Science Center. There is still insurance and legal litigation going on there and also the unknowns of Menard Hall at NDSU. That may be something we will still be dealing with this session.

Chairman Holmberg asked if the Menard Hall issue had been brought up and discussed in the higher education budget bill over in the House.

Bill Goetz – NDSU has been heard before the committee, discussed and notice has been served.

**Bob Marthaller, Assistant Supt. of Department of Public Instruction**  
Presented **Jerry Coleman's** testimony as he had jury duty – Testimony attached - # 3

**Marcy Dickerson, State Supervisor of Assessments, and Director of the Property Tax Division.**

Testimony attached - # 4  
Presented testimony on the requested appropriation for the mill levy reduction grants (MLRGs) that are made by the Department of Public Instruction.

The preceding year's taxable value is used to calculate the MLRGs (Mill Levy Reduction Grants). After the legislation became effective, they realized some property on which school districts levy taxes was not included in the calculations.

The additional requested appropriation for MLRGs is \$4,233,000.

**Senator Christmann** - Speaking of the game & fish land and they pay in lieu of taxes, is that some set amount that's determined by something else, or when they pay in lieu of taxes, do they exactly what it would have been if it was farmed.

**Marcy Dickerson:** They pay exactly what a farmer/land owner would have paid. The property is valued the same way as other agricultural land and tax is same rate as other agricultural land in the same location.

**Senator Christmann:** The way we're doing property tax relief has been a shift from the sportsmen paying it and the cost of the school funding being shifted over to the taxpayers in general.

**Marcy Dickerson:** Game & Fish is paying their in lieu of taxes which have been reduced by the mill levy reduction grants just like the local farmers have been reduced to the same amount by the mill levy reduction grant. The state is kind of paying the school districts and that saves a state agency some money. It's still the same proportion as the individual property owner.

**Senator Christmann:** Are any of these federally funded? By doing that, have we transferred tax burden from the federal government to the state.

**Marcy Dickerson:** I couldn't answer that.

**Senator Christmann:** Could Roxanne look that up?

**Chairman Holmberg** asked for any more testimony. He closed the hearing on SB 2023.

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee  
Harvest Room, State Capitol

SB 2023  
February 10, 2011  
Job #14317 (Meter 2:07)

Conference Committee

Committee Clerk Signature

*Rose Loring*

## Explanation or reason for introduction of bill/resolution:

This was a committee vote on SB 2023 – the deficiency appropriation bill.

## Minutes:

You may make reference to "attached testimony."

**Chairman Holmberg** said this is to catch up on the Homestead Tax Credit and the Disabled Veteran's Credit, the Valley City flood, and the Department of Public Instruction – relating to the 75 mill deduction.

**Senator Robinson** moved Do Pass on SB 2023.  
**Senator Grindberg** seconded.

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 0

**Senator Robinson** will carry the bill.

Date: 2-10-11  
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2023

Senate Appropriation Committee

Check here for Conference Committee

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

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Robinson Seconded By Grindberg

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Robinson

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

**REPORT OF STANDING COMMITTEE**

**SB 2023: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS**  
(13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2023 was placed on the  
Eleventh order on the calendar.



**2011 HOUSE APPROPRIATIONS**

SB 2023

# 2011 HOUSE STANDING COMMITTEE MINUTES

## House Appropriations Committee Roughrider Room, State Capitol

SB 2023  
3/10/11  
15269, 15272

Conference Committee

Committee Clerk Signature

*Meredith Trachott*

### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of various state departments and institutions; to provide for a transfer; and to declare an emergency.

### Minutes:

You may make reference to "attached testimony."

**Chairman Delzer:** Opened the meeting. Roll was called and a quorum was declared. We'll open the hearing on SB 2023. The title was read. We'll hear testimony in favor.

**Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division, Office of the Tax Commissioner:** See attachment 1.

**Chairman Delzer:** When do you pay these out?

**Dickerson:** We have to transfer our request to the state treasurer before June 1<sup>st</sup>.

**Chairman Delzer:** When do you collect the data to transfer that over?

**Dickerson:** We're collecting the data right now on the renters. The renters start applying in January for the renters refund. The homeowners we don't get directly; they apply to the cities and counties for their credits, and then the counties send us abstracts of all the homeowners who have received credits. We have some in, we audit them, and then we prepare our statement to the state treasurer of how much each county is to receive for the credits that they have provided to the homeowners and renters.

**Chairman Delzer:** This is an estimate for the second year, though. I take it if we appropriate this and you've missed on the high side, whatever you don't use get's turned back into general funds.

**Dickerson:** Correct.

**Chairman Delzer:** What happens if you're on the low side?

**Dickerson:** I'm in big trouble. I don't want to be on the low side, so I hope there's enough cushion in there.

**Chairman Delzer:** Questions by the committee? Seeing none, we'll take the next testimony.

**Trudy Collins, Vice President for Business Affairs, Valley City State University:** See attachment 2.

**Chairman Delzer:** Have you dealt with the department of emergency services and put in a request for the state share?

**Collins:** I have been informed that this is the proper way the university system comes through to get the state share. The State Department paid us the FEMA 90%.

**Sheila Peterson, Office of Management and Budget:** This is the correct process, and the same process that has always been used for the state share to be paid via a deficiency appropriation.

**Chairman Delzer:** But we never had the disaster relief fund before, we were trying to get away from deficiency appropriations when we set that up. Your take is the only ones who are supposed to use that are political subdivisions, not state entities?

**Peterson:** There is a specific statute that speaks to this, on FEMA eligible disasters. If the state agency does not have resources within their existing budget to pay the state share, they are to approach the legislature for a deficiency. Perhaps we have several different sections of code that we could look at, but this is how we have always done it. That is within the department of emergency services statute for presidentially declared disasters.

**Chairman Delzer:** Do you have that section?

**Peterson:** I can find that.

**Chairman Delzer:** How often do we pay ineligible expenses?

**Peterson:** Most of these disasters do have some ineligible costs. It is not unusual at all for FEMA to say they're not going to contribute to this part, and the state has always picked it up.

**Chairman Delzer:** There is absolutely no request for any money to be used for any of the flood stuff in the request for the next biennium, is that true for Valley City State?

**Peterson:** This will close out Valley City's disaster, which I can assure you is in record time.

**Chairman Delzer:** Questions by the committee? Seeing none, is there further testimony?

**Jerry Coleman, Director of School Finance, Department of Public Instruction:** See attachment 3.

**Dickerson:** Provided additional supporting testimony for DPI, see attachment 4. Similar to my answer to your previous question about if our estimates are low, we think this is a good estimate, we think it's adequate; we would have no difficulty at all if you decided to give us a little bigger cushion for just in case. We are working on additional grants now. We have four counties with reports about school district values still in progress, and we hope to have the final number on this shortly.

**Chairman Delzer:** On the Homestead Tax Credit and the Disabled Veterans' Tax Credit, do the schools not receive their share of that? Isn't that a case where we just take from the counties and pay that portion of their property tax?

**Dickerson:** That is correct, but the problem with the mill levy reduction grants is that the schools levied 75 mills less on the property they are actually getting money from, because the state is paying the 75 mills on that property. The state is not paying the 75 mills on the credit portions or on these other properties that I described, because they were not figured in the taxable value on which those mill levy reduction grants were calculated. If a school district had, for example, \$1 million of taxable value, and everyone was eligible for 40% credit, the school district would get its levy on the \$600,000 that the homeowner paid, but without this grant, they would not get their levy on the \$400,000 that the state is reimbursing.

**Chairman Delzer:** In essence, this \$4 million is more money on the homestead tax credit side?

**Dickerson:** It really isn't. It is reimbursing the school districts for what they would have been able to levy and get if it were not for the mill levy reduction.

**Chairman Delzer:** But we didn't have the property tax relief package out there, the Homestead Tax Credit would have cost us that much more.

**Dickerson:** The school districts would have levied that much more. They levied 75 mills less than they otherwise would have, but the 75 mills that they didn't levy on your house and mine were built into the original mill levy reduction grants. The 75 mills they're not getting from this property was not considered at that time, and the schools would just be shorted by that amount without these additional grants.

**Chairman Delzer:** Questions by the committee?

**Representative Skarphol:** When you say the four counties did not get their evaluations to you on time, what does that mean? What's the proper time?

**Dickerson:** There is no statutory requirement, but we ask for it by January 15<sup>th</sup>. A lot of them came in after that, but they weren't terribly late. We do usually have stragglers. We know how much valuation there was on the Homestead Credit in the county, but we don't have it by school district, they have to do that breakdown for us. Every county's school district total valuation is the same as the total county valuation.

**Representative Skarphol:** That's a problem for some of our school districts out there to figure out their budgets, because they cannot get the valuations on time to be able to do it in a timely fashion. Is there any potential resolution being brought forward in the legislative process to address that?

**Dickerson:** There has been quite a bit of discussion about the timing of the various equalization meetings, but it's a pretty tight schedule and there doesn't seem to be a good place to cut time so these things could be accomplished earlier. The main thing on all valuations is that none of them are official until the State Board of Equalization finalizes them. It can be late September before they are able to finalize everything.

**Representative Skarphol:** And you're still not able to get them by the middle of January.

**Dickerson:** That's not it. The counties had had all the valuations, and had to have them in order to calculate the tax bills, which went out no later than December 26<sup>th</sup>. This is valuations that we have to get from the counties for this purpose. They have them. Once they have their calculations done where they can issue tax statements, they have all this information, but to get them to send it to us, we need to know in each school district in that county, what was the valuation of that county's property in that school district. Some school districts are in several counties. We need to know from each county how much valuation there was so we know how much valuation to apply that mill levy reduction grant number to.

**Representative Williams:** We have some school districts that do not pay the 110 mills. What effect does that have on the 75 mill breakdown?

**Dickerson:** Basically, the amount of mill levy reduction grant they got is connected to the amount that they levied.

**Coleman:** The mills that they were levying over 100, up to a cap of 75, is how that was determined.

**Representative Kaldor:** The legislation that we passed last session, is it your point too that we may have overlooked this particular issue?

**Dickerson:** That's exactly what happened, and this consequence didn't occur to me, either, until after everything was finalized. The bottom line is, without these additional grants, the school districts would not have received as much money as if there had been no mill levy reduction grant program, they would have lost money. I don't think anybody wanted that to happen. The current legislation being considered has a fix in it for this, it includes all this property, so this is just a two year program and we're in the second year.

**Representative Brandenburg:** Going back to the Homestead Tax Credit, we were talking about \$4-5 million for this program. Now it's seven or eight. Do you see this thing growing further?

**Dickerson:** The growth in the program has pretty much followed along with the changes made by the legislature. Last session, you increased eligible income. You also increased

the amount of credit that could be given. Those changes obviously caused more expense. We've also had an increase in renters using this, and they don't have an asset test; we believe the asset limits currently in place do limit the number of homeowner applicants. Starting last year the tax commissioner did do a bigger advertising campaign for the Homestead Credit, and we got a lot of response to it.

**Chairman Delzer:** Further testimony in favor of SB 2023? Is there any neutral or opposition testimony? Seeing none, we'll close the hearing on 2023.

Second recording 15272

**Chairman Delzer:** Do we have any further discussion on SB 2023?

**Representative Skarphol:** I move Do Pass on SB 2023.

**Representative Metcalf:** Second.

**Chairman Delzer:** We have a motion and a second on SB 2023. Discussion? Seeing none, we'll call the roll for a Do Pass. Motion carries 18-0-3. Representative Metcalf will be the carrier.

**Representative Skarphol:** I have something I would like to bring to the attention of the committee before we begin the next hearing. Back in late spring-early summer, Workforce Safety renegotiated a contract on an IT contract that had originally been funded at \$14 million. They were having difficulty with it, and they negotiated with the vendor to see what it would take to get the project completed. The decision was that they needed an additional \$3 million, so they signed a contract with the vendor for the \$3 million to complete the project. I don't know about the rest of the committee, but I find that to be an unacceptable practice by a state agency. Now the \$3 million is in their budget request, after they've signed the contract for it. I would hope we would not in any way, shape, or form encourage anything like that, and in fact I've asked Council to check on the legality of what Workforce Safety did.

**Chairman Delzer:** Was the contract signed with the stipulation that it is subject to approval and appropriation by the legislature?

**Representative Skarphol:** I'm certain that it was signed with that caveat, but it is a bad precedent to endorse.

**Chairman Delzer:** Perhaps we need to come up with some language that puts it in code somewhere that that type of practice is unacceptable. With that, we'll stand in recess until the next hearing starts.

Date: 3/10/11  
 Roll Call Vote #: 1

**2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2023**

House Appropriations Committee

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

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Skarphol Seconded By Rep. Metcalf

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Representative Nelson		
Vice Chairman Kempenich	X		Representative Wieland	X	
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim	X	
Representative Bellew	X		Representative Kaldor	X	
Representative Brandenburg	X		Representative Kroeber		
Representative Dahl	X		Representative Metcalf	X	
Representative Dosch	X		Representative Williams	X	
Representative Hawken					
Representative Klein	X				
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 18 No 0

Absent 3

Floor Assignment Rep. Metcalf

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

**REPORT OF STANDING COMMITTEE**

**SB 2023: Appropriations Committee (Rep. Delzer, Chairman)** recommends **DO PASS**  
(18 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). SB 2023 was placed on the  
Fourteenth order on the calendar.



2011 TESTIMONY

SB 2023

TESTIMONY OF THE OFFICE OF STATE TAX COMMISSIONER  
BEFORE THE  
SENATE APPROPRIATIONS COMMITTEE

SENATE BILL 2023  
JANUARY 20, 2011

Mr. Chairman, members of the Committee, I am Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division for the Office of State Tax Commissioner. The Commissioner supports the requested appropriations for the Office of the Tax Commissioner.

Homestead Credit

The original Homestead Credit appropriation to the Tax Department, before the 2009 changes in the homestead credit program, was \$5,964,000. With the changes made in SB 2402 there was a fiscal note in the amount of \$3,823,000. However, no appropriation for that amount was authorized.

Actual 2010 payments for 2009 applicants were \$2,912,719 for 3,977 homeowners and \$550,955 for 2,400 renters, for a total of \$3,463,674 for one year. We estimate the second year of the biennium will cost \$3,848,900, for a biennium total of \$7,313,000. That will require a deficiency appropriation of \$1,349,000.

Disabled Veterans' Credit

The Disabled Veterans' Property Tax Credit was enacted in 2009, effective for taxable years after December 31, 2008. The State reimburses political subdivisions for the credits, similar to the Homestead Credit Program. Prior to 2009, the cost of the disabled veteran's property tax exemption was absorbed by political subdivisions.

Based on available information, we estimated the 2009-2011 cost of reimbursing political subdivisions for the new Disabled Veterans' Credit could be up to \$3,200,000. An appropriation of \$3,000,000 was approved.

Payments made in 2010 total \$1,632,445.65. We estimate payments in 2011 will equal \$1,828,339.13, for an estimated biennium total of \$3,461,000 (rounded). This will require a deficiency appropriation of \$461,000.

This concludes my prepared testimony concerning Homestead Credit and Disabled Veterans' Credit. I will be happy to try to answer any questions.

## 2009-11 Deficiency Appropriation Request – 2009 Flood Valley City State University

### Deficiency Appropriation Request Summary:

- |                   |               |
|-------------------|---------------|
| o 10% State Share | \$41,361      |
| o FEMA Ineligible | <u>17,543</u> |

2009 Flood Expenditures-Total Deficiency Request: \$58,904

Expenses related to the flood of 2009 totaled \$431,588. Federal reimbursement in the amount of \$372,684 has been received. The total unreimbursed amount is \$58,904. Of the unreimbursed amount, the state share of FEMA eligible expenses is \$41,361. FEMA ineligible expenses total \$17,543 and are described below.

### FEMA Ineligible:

#### **Payroll expenses:**

Payroll expenses of \$9,750 were deemed FEMA ineligible and are included in the deficiency appropriation request. The payroll expenses were incurred to mitigate flood damage and also to keep the campus operational. Information Technology staff continued working during the campus closure to provide the technology necessary to successfully finish the semester through delivery of courses to students at a distance.

#### **Parking Lot repairs:**

Parking lot repair expense exceeded the FEMA estimates by \$7,793. This amount is included in the deficiency appropriation request.

FEMA had agreed to reimburse a certain amount based on their assessment of the flood related damage to the parking lots and campus owned roadways. VCSU requested a small expansion to one repair area deemed necessary and flood related by the university.

**TESTIMONY ON SB 2023  
SENATE APPROPRIATIONS COMMITTEE  
January 20, 2011  
Department of Public Instruction**

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Mr. Chairman and members of the committee:

My name is Jerry Coleman and I am the Director of School Finance for the Department of Public Instruction. The Department fully supports SB 2023.

The 2009 legislature appropriated \$295,000,000 for property tax relief under Senate Bill 2199. The appropriation was based on school district taxable property valuations reported to the Department of Public Instruction. There will be about \$1,000,000 unexpended based on the initial estimate.

The estimate did not include consideration of additional payments approved to make up for the unintended exclusion of several property types from the calculation of the mill levy reduction grants. The cost of the additional payments to school districts for the 2009-2011 biennium is approximately \$5,233,000.

The net shortfall in the appropriation is estimated at \$4,233,000.

This information was presented to the Taxation Committee on March 16, 2010 by Marcy Dickerson with the Tax Department. The reasons for the additional payments are fully explained in the attachment to Ms. Dickerson's testimony. The attachment is published at <http://www.legis.nd.gov/assembly/61-2009/docs/pdf/ta031610appendixc.pdf>.

TESTIMONY OF THE OFFICE OF STATE TAX COMMISSIONER  
BEFORE THE  
SENATE APPROPRIATIONS COMMITTEE

SENATE BILL 2023  
JANUARY 20, 2011

Mr. Chairman, members of the Committee, I am Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division for the Office of State Tax Commissioner.

Jerry Coleman, Director of School Finance for the Department of Public Instruction, is unable to be here today. He has asked me to present testimony on the requested appropriation for the mill levy reduction grants that are made by the Department of Public Instruction.

The 2009 North Dakota Legislature enacted N.D.C.C. chapter 57-64, which provided property tax relief through mill levy reduction grants (MLRGs) to school districts in amounts representing up to 75 mills. To be eligible for a grant, a school district had to reduce the number of mills it levied for the general fund for 2009 to not more than 110 mills (with exceptions). The state grants make up for the revenue school districts lose when they reduce their levies.

The preceding year's taxable value is used to calculate the MLRGs. After the legislation became effective, we realized some property on which school districts levy taxes was not included in the calculations.

In addition to regular locally and centrally assessed property, the following types of property have taxable value and are subject to in-lieu taxes including school taxes on which MLRGs should have been calculated:

- Homestead credits reimbursed by the State
- Property owned by state agencies that are required to make payments in lieu of taxes:
  - Game & Fish Land
  - Land Owned by Board of University & School Lands or State Treasurer
  - National Guard Land
  - Farmland or Ranchland Owned by Nonprofit Organizations for Conservation Purposes
  - Land Acquired by the State Water Commission
  - Workforce Safety & Insurance Building

- Carbon Dioxide Pipeline
- Mobile Homes

Total required additional payments to all school districts for the 2009-2010 year equaled \$2,527,881.35.

Beginning with taxable year 2009 the Disabled Veterans Property Tax Credit is reimbursed to political subdivisions in the same way that Homestead Credit is reimbursed.

The request from the Department of Public Instruction for an appropriation in the amount of \$4,233,000 for mill levy reduction grants is calculated as follows:

Cost of additional payments to school districts for the 2009-2011 biennium:

Paid in 2010	\$2,528,000
To Be Paid in 2011 (estimated)	<u>2,705,000</u>
	\$5,233,000
Less unexpended portion of original appropriation	<u>- 1,000,000</u>
Additional appropriation needed	<u>\$4,233,000</u>

The Office of State Tax Commissioner respectfully requests that you approve the appropriation for Mill Levy Reduction Grants in the amount of \$4,233,000.

This concludes my prepared testimony. I will be happy to try to answer any questions.

SB 2023  
March 10, 2011  
Attachment 1

TESTIMONY OF THE OFFICE OF STATE TAX COMMISSIONER  
BEFORE THE  
HOUSE APPROPRIATIONS COMMITTEE

SENATE BILL 2023  
MARCH 10, 2011

Mr. Chairman, members of the Committee, I am Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division for the Office of State Tax Commissioner. The Commissioner supports the requested appropriations for the Office of the Tax Commissioner.

Homestead Credit

The original Homestead Credit appropriation to the Tax Department, before the 2009 changes in the homestead credit program, was \$5,964,000. With the changes made in SB 2402 there was a fiscal note in the amount of \$3,823,000. However, no appropriation for that amount was authorized.

Actual 2010 payments for 2009 applicants were \$2,912,719 for 3,977 homeowners and \$550,955 for 2,400 renters, for a total of \$3,463,674 for one year. We estimate the second year of the biennium will cost \$3,848,900, for a biennium total of \$7,313,000. That will require a deficiency appropriation of \$1,349,000.

Disabled Veterans' Credit

The Disabled Veterans' Property Tax Credit was enacted in 2009, effective for taxable years after December 31, 2008. The State reimburses political subdivisions for the credits, similar to the Homestead Credit Program. Prior to 2009, the cost of the disabled veteran's property tax exemption was absorbed by political subdivisions.

Based on available information, we estimated the 2009-2011 cost of reimbursing political subdivisions for the new Disabled Veterans' Credit could be up to \$3,200,000. An appropriation of \$3,000,000 was approved.

Payments made in 2010 total \$1,632,445.65. We estimate payments in 2011 will equal \$1,828,339.13, for an estimated biennium total of \$3,461,000 (rounded). This will require a deficiency appropriation of \$461,000.

This concludes my prepared testimony concerning Homestead Credit and Disabled Veterans' Credit. I will be happy to try to answer any questions.

SB 2023  
March 10, 2011  
Attachment 2

**Testimony in support of SB 2023**  
**Provided by Trudy Collins, Vice President for Business Affairs, VCSU**  
**Thursday, March 10, 2011**

**2009-11 Deficiency Appropriation Request – 2009 Flood**  
**Valley City State University**

**Deficiency Appropriation Request Summary:**

o 10% State Share	\$41,361
o FEMA Ineligible	<u>17,543</u>

2009 Flood Expenditures-Total Deficiency Request: \$58,904

Expenses related to the flood of 2009 totaled \$431,588. Federal reimbursement in the amount of \$372,684 has been received. The total unreimbursed amount is \$58,904. Of the unreimbursed amount, the state share of FEMA eligible expenses is \$41,361. FEMA ineligible expenses total \$17,543 and are described below.

**FEMA Ineligible:**

**Payroll expenses:**

Payroll expenses of \$9,750 were deemed FEMA ineligible and are included in the deficiency appropriation request. The payroll expenses were incurred to mitigate flood damage and also to keep the campus operational. Information Technology staff continued working during the campus closure to provide the technology necessary to successfully finish the semester through delivery of courses to students at a distance.

**Parking Lot repairs:**

Parking lot repair expense exceeded the FEMA estimates by \$7,793. This amount is included in the deficiency appropriation request.

FEMA had agreed to reimburse a certain amount based on their assessment of the flood related damage to the parking lots and campus owned roadways. VCSU requested a small expansion to one repair area deemed necessary and flood related by the university.



**TESTIMONY ON SB 2023**  
**HOUSE APPROPRIATIONS COMMITTEE**  
**March 10, 2011**  
**Department of Public Instruction**

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Mr. Chairman and members of the committee:

My name is Jerry Coleman and I am the Director of School Finance for the Department of Public Instruction. The Department fully supports SB 2023.

The 2009 legislature appropriated \$295,000,000 for property tax relief under Senate Bill 2199. The appropriation was based on school district taxable valuations reported to the Department of Public Instruction. There will be about \$1,000,000 unexpended based on the initial estimate.

The estimate did not include consideration of additional payments approved to make up for the unintended exclusion of several property types from the calculation of the mill levy reduction grants. The cost of the additional payments to school districts for the 2009-2011 biennium is approximately \$5,233,000.

The net shortfall in the appropriation is estimated at \$4,233,000.

This information was presented to the Taxation Committee on March 16, 2010 by Marcy Dickerson with the Tax Department. The reasons for the additional payments are fully explained in the attachment to Ms. Dickerson's testimony. The attachment is published at <http://www.legis.nd.gov/assembly/61-2009/docs/pdf/ta031610appendixc.pdf>.

SB 2023  
March 10, 2011  
Attachment 4

TESTIMONY OF THE OFFICE OF STATE TAX COMMISSIONER  
BEFORE THE  
HOUSE APPROPRIATIONS COMMITTEE

SENATE BILL 2023  
MARCH 10, 2011

Mr. Chairman, members of the Committee, I am Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division for the Office of State Tax Commissioner.

I have some background information on the requested appropriation for the mill levy reduction grants that are made by the Department of Public Instruction.

The 2009 North Dakota Legislature enacted N.D.C.C. chapter 57-64, which provided property tax relief through mill levy reduction grants (MLRGs) to school districts in amounts representing up to 75 mills. To be eligible for a grant, a school district had to reduce the number of mills it levied for the general fund for 2009 to not more than 110 mills (with exceptions). The state grants make up for the revenue school districts lose when they reduce their levies.

The preceding year's taxable value is used to calculate the MLRGs. After the legislation became effective, we realized some property on which school districts levy taxes was not included in the calculations.

In addition to regular locally and centrally assessed property, the following types of property have taxable value and are subject to in-lieu taxes including school taxes on which MLRGs should have been calculated:

- Homestead credits reimbursed by the State
- Property owned by state agencies that are required to make payments in lieu of taxes:
  - Game & Fish Land
  - Land Owned by Board of University & School Lands or State Treasurer
  - National Guard Land
  - Farmland or Ranchland Owned by Nonprofit Organizations for Conservation Purposes
  - Land Acquired by the State Water Commission
  - Workforce Safety & Insurance Building
- Carbon Dioxide Pipeline
- Mobile Homes

Total required additional payments to all school districts for the 2009-2010 year equaled \$2,527,881.35.

Beginning with taxable year 2009 the Disabled Veterans Property Tax Credit is reimbursed to political subdivisions in the same way that Homestead Credit is reimbursed.

The request from the Department of Public Instruction for an appropriation in the amount of \$4,233,000 for mill levy reduction grants is calculated as follows:

Cost of additional payments to school districts for the 2009-2011 biennium:

Paid in 2010	\$2,528,000
To Be Paid in 2011 (estimated)	<u>2,705,000</u>
	\$5,233,000
Less unexpended portion of original appropriation	<u>- 1,000,000</u>
Additional appropriation needed	<u>\$4,233,000</u>

The Office of State Tax Commissioner respectfully requests that you approve the appropriation for Mill Levy Reduction Grants in the amount of \$4,233,000.

This concludes my prepared testimony. I will be happy to try to answer any questions.