

2017 HOUSE FINANCE AND TAXATION

HB 1355

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1355
1/25/2017
27369

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

Provide for a legislative management study of political subdivision funding mechanisms for transportation infrastructure projects.

Minutes:

Attachment #1, 2, 3

Chairman Headland: Opened hearing on BH 1355.

Representative Nathe: Introduced bill. Distributed written testimony. See attachment #1. Ended testimony at 3:30.

Representative Hogan: Has the state ever done a study like this?

Representative Nathe: I'm not aware of any.

Chairman Headland: Are there any further questions? Is there any support for HB 1355?

Scott Meske, President for Bismarck-Mandan Chamber of Commerce: Distributed written testimony in support. See attachment #2. Ended testimony at 7:05.

Chairman Headland: Is there further testimony in support?

Bill Wocken, North Dakota League of Cities: Distributed testimony in support. See attachment #3. Ended testimony at 9:03.

Chairman Headland: I certainly understand the infrastructure needs of the cities. I get a little nervous when we start looking into areas of raising revenue that have traditionally been only for the state, like gas tax and things like that.

Representative Ertelt: Has the League of Cities done any study on their own as far as other revenue sources?

Bill Wocken: We have a group within the League of Cities made up of the road superintendents and the city engineers in the various cities. They've come to us with their

hands up to because they don't know what to do. This will take some heavy financial resources in order to get us back on track. We're hoping this study will help steer us in the direction that could be helpful in dealing with our road issues in Bismarck.

Representative Schobinger: You mentioned the study requires Legislative Management. It looks like it does what it does with most other studies and allows Legislative Management to consider studying. Is your support the same, if it does just get thrown into the big box of other studies and chosen by Legislative Management?

Bill Wocken: As long as it's chosen then it's fine with us. We would really like to see this one studied.

Representative Mitskog: The studies are a few years down the road. Are there some innovative things communities are doing?

Bill Wocken: We've tried some things that are innovative but we just can't keep up with the demands for those services.

Representative Mitskog: Are you aware of innovative ways to finance these projects?

Bill Wocken: We've looked at sales tax. Bismarck funds quite a bit of its road projects using sales tax. Sales tax is also under attack and at this point is down considerably than what it's been in previous years. This study is particularly valuable to us so hopefully it will point us in the direction of something perhaps being behind the door.

Chairman Headland: Is there further testimony in support?

Scott Reising, North Dakota Soybean Growers Association: We would ask you to support this piece of legislation. The most recent studies on rural and state highway types of infrastructure indicates that we'd appreciate road and bridge infrastructure in the state costing somewhere between \$1.5 and \$2 billion a year. Obviously we're not funding it at that level so we need to take a look. This study really needs to be looked at. Enabling this piece of legislation enables that discussion to get started.

Chairman Headland: Further testimony in support.

Russ Hanson, Associated General Contractors of North Dakota: With the changing times we think the time to study this is a good use of the interim 18 months. We support you studying this.

Representative Olson: Has the transportation institute identified any needs relating to the urban areas in regards to mass transit, buses, trains, or anything like that?

Russ Hanson: They have done a lot of studies on state, county, and local needs. Transit is certainly part of that. I can get you more specific information regarding this.

Chairman Headland: Further testimony in support.

Jeff Simon, Western Dakota Energy Association: We represent the cities, counties, and school districts in the energy producing counties of oil, gas, and coal. Our members are constantly challenged to keep up with infrastructure needs of building, improving, and maintaining our roads and bridges. We need to look at alternative means of financing these projects so if there are new and better ways to finance transportation infrastructure we'd like to explore it.

Chairman Headland: Is there further testimony in support? Is there opposition?

Opened up for discussion.

Vice Chairman Dockter: I think this is a worthy study. I would support this bill.

Representative Steiner: I have been reprimanded for the word "shall" and I would prefer the word "may."

Chairman Headland: Our intern can write up an amendment that changes the word "shall" to "may." My concern is if it's going to be a study of alternative new ways to look at how locals fund their infrastructure or will it turn into a study of how can we move to give us the ability locally to tax in a way the state does. When they start getting into our taxes it diminishes our ability to fund state government. As it is I may very well vote no.

Representative Mitskog: When communities are strapped for options, if there are innovative ways cities or political subdivisions are using for financing infrastructure projects, I think it might be helpful to communities.

Representative Hogan: In Cass county we have a 10 mil road levy. I'm not aware of how many counties have road levies designated. Is that commonly used? I'm surprised people will always vote for the mil levy which is a fascinating dynamic.

Chairman Headland: In a lot of cases those road levies are to their caps so they are already generating as much specifically for roads that they can and they're looking for more.

Representative Hogan: In Cass it's a supplemental vote because we're home rule that they've been able to maintain.

Representative B. Koppelman: My concern on the study is the cost of the study. The locals can study this and bring ideas to the legislative session. I don't know if it's Legislative Management's job to do this. I'm probably going to vote no on this.

Representative Ertelt: It seems this bill is asking for more ways to tax the citizens of these local political subdivisions. If they want to do that then go ahead and study it on your own. I don't think that is something the state should pay for.

Representative Hogan: Should the state be leading this discussion or should we just be responding to it?

Representative B. Koppelman: If they want local control then let the locals come up with the ideas for local control.

Representative Olson: I've done some research on this subject and right now a city can adopt a home rule charter which will allow them to impose taxes to generate revenue according to Legislative Council. Is someone looking for the ability to create a transit authority that's independent of a city commission or a city council to be able to assess mills to set up a bus or transit system? I'm not sure about this one.

Chairman Headland: Is there anything else? Looking for direction.

Representative B. Koppelman: Do you recall what the cost of an interim study is?

Vice Chairman Dockter: I don't know the exact cost. We normally have 40 bills that is brought down to about between 18-20 so a lot of them get whittled down. Some are ongoing. It is expensive but many don't get picked by Legislative Management because there are so many out there.

Representative Steiner: If we don't want them to study it then I believe we should do a do not pass. **MADE A MOTION FOR A DO NOT PASS**

Representative B. Koppelman: SECONDED

Chairman Headland: Further discussion?

ROLL CALL VOTE: 8 YES 5 NO 1 ABSENT

MOTION CARRIED

Representative Ertelt will carry this bill.

Date: 1-25-17
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1355**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep. Steiner Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan		✓
Vice Chairman Dockter		✓	Representative Mitskog	AB	
Representative Ertelt	✓				
Representative Grueneich	✓				
Representative Hatlestad		✓			
Representative Howe		✓			
Representative Koppelman	✓				
Representative Olson	✓				
Representative Schobinger	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier		✓			

Total (Yes) 8 No 5

Absent 1

Floor Assignment Rep. Ertelt

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

REPORT OF STANDING COMMITTEE

HB 1355: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1355 was placed on the Eleventh order on the calendar.

2017 TESTIMONY

HB 1355

#1
1-25-17
HB1355

House Bill 1355

This bill was introduced at the request of the Bismarck-Mandan Chamber of Commerce, and has merit on several fronts.

- First, the issue of funding arterial roadways is a statewide and even national issue
- The reduced federal funding sources and state funding sources for local communities to address their roadway infrastructure needs could very well be the cause of another economic slowdown.
- We believe this issue should be taken to a state level and studied through a legislative management study committee this interim, following the 2017 session.

Currently political subdivisions have very few options to funding infrastructure, none of which are long term in nature.

- Increase local sales tax
- Create local gas tax (as the city of Glen Ullin is contemplating)
- Assess a local registration fee adder, or wheel tax based on miles driven

All of these options leave the possibility of creating a confusing patchwork of fee structures across this state. There are other states and communities which may have some best practices and ideas which we should consider.

Thank you Mr. Chairman for the opportunity to present House Bill 1355, and I'm sure others coming behind me will be able to answer some of your questions, but I urge a DO PASS on HB1355.

Thank you.



#2
1-25-17
HB 1355

Date: January 25, 2017

To: Members of the House Finance & Taxation Committee

From: Scott Meske, President

Re: Recommend DO PASS on House Bill 1355, relating to provide for a legislative management study of political subdivision funding mechanisms for transportation infrastructure projects.

Good morning Mr. Chairman, Members of the Committee:

My name is Scott Meske, President of the Bismarck-Mandan Chamber of Commerce, a business and advocacy organization consisting of more than 1,300 companies, organizations, and small businesses in our region of North Dakota.

Last summer our Government Affairs Committee recommended several priorities for our legislative agenda, all of them in some way affect our businesses and members in our communities. Infrastructure planning, development, maintenance and funding was one that rose to the top. Since this issue affects our commerce flow, our communities' budgets, and most importantly, our taxpayers' pockets, we outline several reasons why the State ought to take on this interim study subject

- Drastic state and federal funding for road infrastructure cuts. Communities can no longer budget for or count on these sources to meet their needs.
- Communities have a limited toolbox from which to fix the ongoing issue. We believe there are other tools used by other states and communities which may give North Dakota communities more options to meet their infrastructure needs
- Several other states and regions of the country may have a best practice which our state and cities could benefit, if applied here
- Our communities could benefit from the resources of a state-level study committee on a difficult and complicated issue as infrastructure funding.

Mr. Chairman and Members of the Committee, we recognize this session is different from previous sessions regarding overall funds available to local governments. Nevertheless, that does not change the fact that since 2010, more than 80,000 new residents have moved to North Dakota. That number continues to grow, putting strain on our infrastructure. Communities should have several options to meet these demands, more than just tacking another penny on our local sales tax levies. We believe this issue warrants a state-wide review on behalf of our growing communities. Moreover, if there are state level policies that can be modified in the 2019 Session to give our cities the tools they need to meet those challenges.

Thank you to Representative Nathe for introducing HB1355, and thank you Mr. Chairman for the opportunity to testify this morning. On behalf of the Bismarck-Mandan Chamber of Commerce, I urge a DO PASS on HB1355. Thank you.

#3
1-25-17
HB 1355

Testimony in Support of House Bill 1355
January 25, 2017
House Finance and Taxation Committee
Bill Wocken on behalf of North Dakota League of Cities

Good Morning Mr. Chairman and members of the House Finance and Taxation Committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities in support of House Bill 1355.

House Bill 1355 requires a legislative management study of funding options available to local government for transportation infrastructure construction and maintenance. This is indeed a timely topic with the recent reductions in the federal aid roadway program and the reportedly unhealthy status of the trust funds used to fund the federal roadway and airport programs. Roadway needs have been established by the Upper Great Plains Transportation Institute studies.

The ability of the state to finance needed road projects only complicates and intensifies the crisis facing transportation projects in this state. Energy development impacts on transportation have placed heavy demands on state resources. The funds to deal with these impacts are not in evidence but the traffic continues. Other locations in the state are experiencing growth and the corresponding pressures on their transportation systems with few resources available to address this growth. It is time to stop and assess the options. Please give House Bill 1355 a DO PASS recommendation.