

2017 HOUSE FINANCE AND TAXATION

HCR 3029

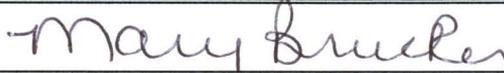
2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HCR 3029
3/8/2017
28886

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A concurrent resolution requesting the Legislative Management to consider studying the degree of tax collections volatility to which this state may be vulnerable and the feasibility of creating mechanisms, including the possibility of expanding the programs offered by the Bank of North Dakota to the agriculture, energy, and manufacturing sectors, to mitigate potential volatility of tax collections and state budget impact.

Minutes:

Attachment #1

Chairman Headland: Opened hearing on HCR 3029.

Representative Guggisberg: Introduced HCR 3029. Distributed written testimony. See attachment #1. Ended testimony at 2:58. This makes me think of what the cost is to us to have that instability in our market. This could look at the economy as a whole, why our taxes are volatile, and if there's anything we could do about it. It would be interesting to figure out what the cost is to us by not having more information. The governor has talked about modeling our revenue projections and ways to do that better but I don't think we should just have him do it; I think we should all do it with him so we could share information. The reason I put the information about the state bank in here is because when there were big swings in agriculture before, the state bank has been able to come up with programs to help out. The vision of the Bank of North Dakota is to be an agile partner that creates financial solutions for current and emerging economic needs. I think we should tap their expertise and possibly their source of revenue. The bankers understand the risk and could probably come up with a solution for us. Because of the volatility of our revenues and the more linearity of our social problems, some states use a social impact fund where you identify a big problem in your state or community, then a for-profit agency who agrees to solve these problems loans you the money. Recidivism is the easiest example to use for this.

Representative Hogan: Are you aware of any state that's done this study of the volatility?

Representative Guggisberg: I'm not aware of any state that has studied it. I would certainly think other states have looked at tax types to change that.

Representative Ertelt: Vermont is listed in here and they aren't far behind us. Can any conclusion be drawn from that?

Representative Guggisberg: I don't know that but I can find out for you.

Chairman Headland: Any other questions? Is there any testimony in support?

Kayla Pulvermacher, North Dakota Farmers Union: The idea of setting volatility is very interesting. As the sponsor spoke about, agriculture is no stranger to volatility. The Bank of North Dakota has been a great benefit for agriculture and for beginning farmers over the years. Farmers are a big fan of data so looking at the data to see where we have been most effective with our dollars and with the programs would be beneficial to the state and to producers.

Chairman Headland: Are there further questions? Is there further testimony in support? Is there any opposition? Seeing none we will close the hearing on HCR 3029.

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HCR 3029
3/8/2017
28920

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A concurrent resolution requesting the Legislative Management to consider studying the degree of tax collections volatility to which this state may be vulnerable and the feasibility of creating mechanisms, including the possibility of expanding the programs offered by the Bank of North Dakota to the agriculture, energy, and manufacturing sectors, to mitigate potential volatility of tax collections and state budget impact.

Minutes:

No attachments

Vice Chairman Dockter: MADE A MOTION FOR A DO NOT PASS

Representative B. Koppelman: SECONDED

Vice Chairman Dockter: Legislative Management picks 21-22 different studies. We already do a lot of what they are asking in this bill. In the studies of budgets, we do forecasts and look at all these items already so I don't think we need to have a study.

Representative Olson: What is meant by the "expanding the programs offered by the Bank of North Dakota to the agriculture, energy, and manufacturing", is that to prop up those industries somehow?

Vice Chairman Dockter: The Bank of North Dakota does loan programs and different incentives so I think that's the genesis behind that.

Representative Howe: Farmer's Union testified and mentioned the young farmer program and the loan program as an example of that.

Representative Olson: If this was just about studying hedging the markets and trying to eliminate price volatility from our budgeting process I'd be in favor of that but I'm not in favor of expanding programs offered by the bank.

Chairman Headland: Is there further discussion?

House Finance and Taxation Committee
HCR 3029
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ROLL CALL VOTE: 12 YES 1 NO 1 ABSENT

MOTION CARRIED FOR A DO NOT PASS

Representative Trottier will carry this bill.

Date: 3-8-17
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 3029**

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. Dockter Seconded By Rep. Koppelman

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

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep. Trottier

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

REPORT OF STANDING COMMITTEE

HCR 3029: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HCR 3029 was placed on the Eleventh order on the calendar.

2017 TESTIMONY

HCR 3029

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3-8-17

Chairman Headland and members of the Finance and Tax Committee,

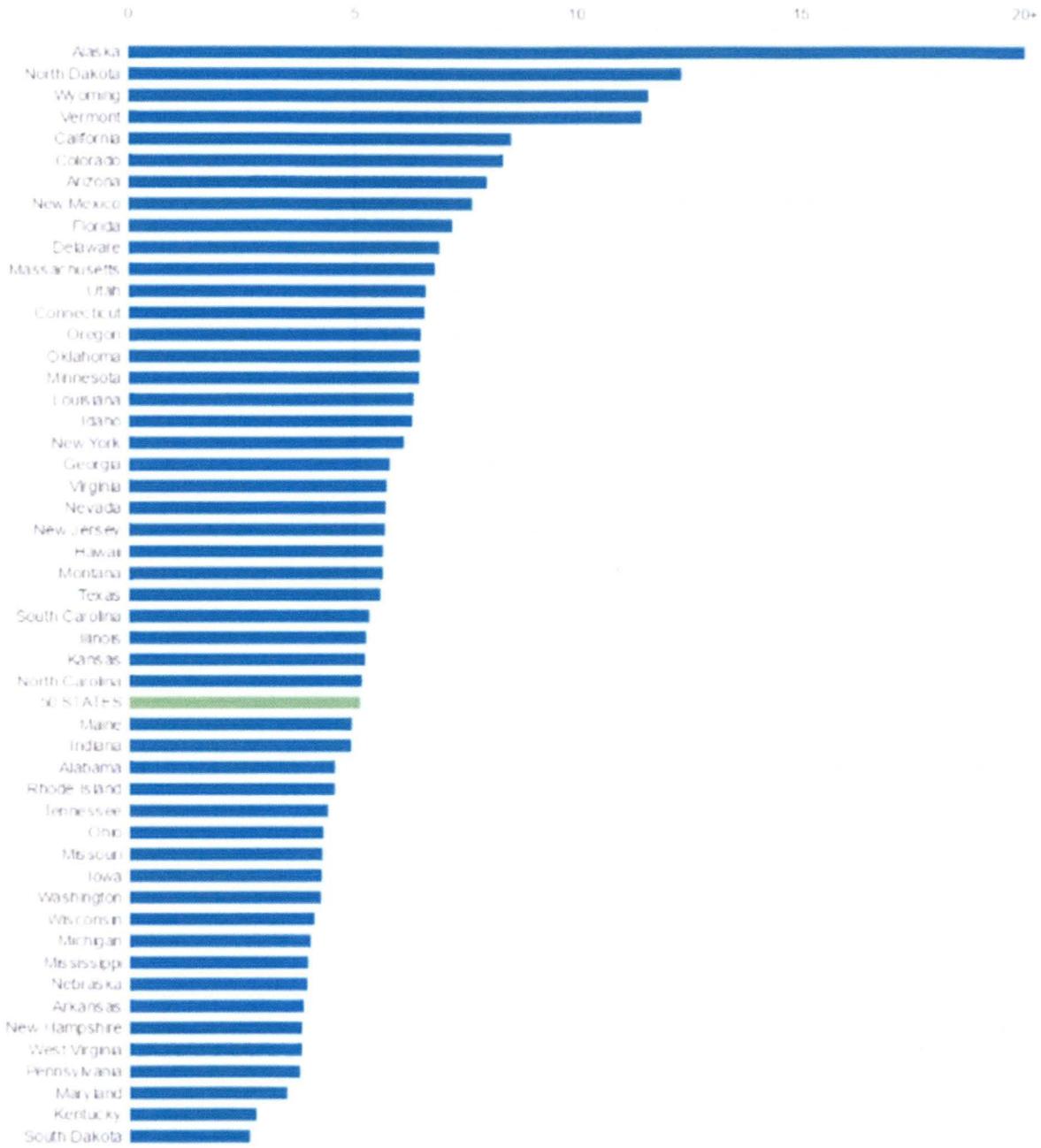
For the record, my name is Ron Guggisberg, I represent District 11 in Fargo.

Often lately we hear that we should run government like a business. I am not sure what that means to you, but to me, we should consider what business strives for. That is, increasing profits while minimizing risk. That is what this bill is about.

In our case government's profits could be thought of as the agreed upon social and economic performance of the state.

Many factors lead to risk in our state. The one I would like to discuss today is our revenue volatility. Pew Research recently conducted a study of state revenue volatility. North Dakota ranked second to last ahead of Alaska. Pew derived the score by averaging over five years the change in revenue as a percentage and using the standard deviation of that for a score. Seems fair to me.

Higher values indicate greater volatility



The reason our economy sees larger than the average volatility score is obvious, Alaska's score confirms it. Our economy is and has always been lead by agriculture. Price swings in both agriculture and energy create revenue uncertainty and systemic unpredictability. HCR 3029

would allow the legislature to take a comprehensive look at our revenues and identify opportunities for improvement.