19.0424.02000

FISCAL NOTE

Requested by Legislative Council
01/12/2019

Bill/Resolution No.: HB 1390

1 A. **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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			$35,020,000		$74,189,213	
Appropriations			$35,020,000		$74,189,213	

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **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 1390 limits the amount the foundation aid formula can deduct for contribution from property tax. HB 1390 also limits the the increases in true and full value taxable property as well as the dollar amount a political subdivision levy.

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.*

Section 1 limits the contribution from property tax revenue in the foundation aid formula to the amount deducted the previous year. If the voters approve additional increase authority, the foundation aid formula will deduct the percentage increase approved by a majority of qualified electors.

Section 2 limits the increase in true and full value of taxable property to the true and full value of the previous year.

Section 3 limits the increase in property taxes levied in dollars to the amount the taxing district levied in the preceding year.

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.*

The foundation aid funding formula would not be able to increase the amount deducted for the contribution from property tax from the amount deducted in school year 2018-19. Restricting this increase would increase the appropriation for the integrated formula payment line by $35,020,000 for the first biennium and $74,189,213 for the 2021-23 biennium. See Attachment for details.

School districts levy authority would change as new taxable property in the district and as there are improvements to current property. The department does not collect enough data at this time to determine the fiscal impact for school districts.

If the qualified electors vote to increase the levy authority for school districts, the foundation aid formula would adjust its contribution from property tax to reflect the increase in levy authority. This could potentially decrease the fiscal impact of this bill.

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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Adam Tescher

Agency: Department of Public Instruction

Telephone: 701-328-3291

Date Prepared: 01/16/2019

HB 1390 Fiscal Note

CoDist	Entity Name	2019-20 Contribution from Property Taxes (12%)	2019-20 Contribution from Property Taxes (HB 1390)	Increase to State Funding 2019-20	2020-21 Contribution from Property Taxes (12%)	2020-21 Contribution from Property Taxes (HB 1390)	Increase to State Funding 2020-21	2021-22 Contribution from Property Taxes (12%)	2021-22 Contribution from Property Taxes (HB 1390)	Increase to State Funding 2021-22	2022-23 Contribution from Property Taxes (12%)	2022-23 Contribution from Property Taxes (HB 1390)	Increase to State Funding 2022-23
01-013	Hettinger 13	891,157	862,688	28,469	920,565	862,688	57,877	950,943	862,688	88,255	982,325	862,688	119,637
02-002	Valley City 2	2,269,257	2,205,303	63,954	2,335,066	2,205,303	129,763	2,402,783	2,205,303	197,480	2,472,463	2,205,303	267,160
02-007	Barnes County North 7	1,814,840	1,758,566	56,274	1,872,915	1,758,566	114,349	1,932,848	1,758,566	174,282	1,994,699	1,758,566	236,133
02-046	Litchville-Marion 46	968,680	944,133	24,547	993,866	944,133	49,733	1,019,707	944,133	75,574	1,046,219	944,133	102,086
03-005	Minnewaukan 5	204,404	203,589	815	205,221	203,589	1,632	206,042	203,589	2,453	206,866	203,589	3,277
03-006	Leeds 6	670,586	652,957	17,629	688,692	652,957	35,735	707,287	652,957	54,330	726,384	652,957	73,427
03-009	Maddock 9	568,992	567,290	1,702	570,699	567,290	3,409	572,411	567,290	5,121	574,128	567,290	6,838
03-016	Oberon 16	138,185	137,909	276	138,461	137,909	552	138,738	137,909	829	139,016	137,909	1,107
03-029	Warwick 29	160,101	159,782	319	160,422	159,782	640	160,742	159,782	960	161,064	159,782	1,282
04-001	Billings Co 1	989,277	883,283	105,994	1,107,990	883,283	224,707	1,175,357	883,283	292,074	1,196,513	883,283	313,230
05-001	Bottineau 1	2,133,947	2,069,784	64,163	2,200,100	2,069,784	130,316	2,268,303	2,069,784	198,519	2,338,620	2,069,784	268,836
05-017	Westhope 17	467,351	465,026	2,325	469,688	465,026	4,662	472,037	465,026	7,011	474,397	465,026	9,371
05-054	Newburg-United 54	571,452	546,844	24,608	597,167	546,844	50,323	624,040	546,844	77,196	652,121	546,844	105,277
06-001	Bowman County 1	1,399,401	1,373,309	26,092	1,425,990	1,373,309	52,681	1,453,084	1,373,309	79,775	1,480,693	1,373,309	107,384
06-033	Scranton 33	530,513	524,222	6,291	536,879	524,222	12,657	543,322	524,222	19,100	549,842	524,222	25,620
07-014	Bowbells 14	480,788	480,788	-	480,788	480,788	-	480,788	480,788	-	480,788	480,788	-
07-027	Powers Lake 27	453,435	404,853	48,582	507,847	404,853	102,994	555,098	404,853	150,245	555,098	404,853	150,245
07-036	Burke Central 36	705,404	705,404	-	705,404	705,404	-	705,404	705,404	-	705,404	705,404	-
08-001	Bismarck 1	28,859,333	28,166,439	692,894	29,569,272	28,166,439	1,402,833	30,296,677	28,166,439	2,130,238	31,041,975	28,166,439	2,875,536
08-025	Naughton 25	40,497	38,753	1,744	42,319	38,753	3,566	44,224	38,753	5,471	46,214	38,753	7,461
08-028	Wing 28	297,460	290,489	6,971	304,599	290,489	14,110	311,910	290,489	21,421	319,396	290,489	28,907
08-033	Menoken 33	196,390	191,975	4,415	200,907	191,975	8,932	205,528	191,975	13,553	210,255	191,975	18,280
08-035	Sterling 35	319,930	310,913	9,017	329,207	310,913	18,294	338,754	310,913	27,841	348,578	310,913	37,665
08-039	Apple Creek 39	314,830	308,657	6,173	321,127	308,657	12,470	327,550	308,657	18,893	334,101	308,657	25,444
08-045	Manning 45	28,161	27,691	470	28,640	27,691	949	29,127	27,691	1,436	29,622	27,691	1,931
09-001	Fargo 1	23,676,346	22,399,571	1,276,775	24,741,782	22,399,571	2,342,211	26,452,374	22,399,571	4,052,803	27,960,160	22,399,571	5,560,589
09-002	Kindred 2	1,570,478	1,502,850	67,628	1,641,149	1,502,850	138,299	1,715,001	1,502,850	212,151	1,792,176	1,502,850	289,326
09-004	Maple Valley 4	1,245,734	1,234,622	11,112	1,256,946	1,234,622	22,324	1,268,258	1,234,622	33,636	1,279,672	1,234,622	45,050
09-006	West Fargo 6	21,520,612	19,214,832	2,305,780	23,146,598	19,214,832	3,931,766	24,709,457	19,214,832	5,494,625	26,098,129	19,214,832	6,883,297
09-007	Mapleton 7	554,414	501,757	52,657	579,362	501,757	77,605	605,433	501,757	103,676	632,678	501,757	130,921
09-017	Central Cass 17	1,663,619	1,623,043	40,576	1,705,209	1,623,043	82,166	1,747,840	1,623,043	124,797	1,791,536	1,623,043	168,493
09-080	Page 80	553,420	542,038	11,382	565,042	542,038	23,004	576,908	542,038	34,870	589,023	542,038	46,985
09-097	Northern Cass 97	1,320,221	1,296,878	23,343	1,343,985	1,296,878	47,107	1,368,177	1,296,878	71,299	1,392,804	1,296,878	95,926
10-019	Munich 19	757,524	751,512	6,012	763,585	751,512	12,073	769,693	751,512	18,181	775,851	751,512	24,339
10-023	Langdon Area 23	2,099,581	2,062,457	37,124	2,137,373	2,062,457	74,916	2,175,846	2,062,457	113,389	2,215,011	2,062,457	152,554
11-040	Ellendale 40	1,048,384	1,029,847	18,537	1,067,255	1,029,847	37,408	1,086,466	1,029,847	56,619	1,106,022	1,029,847	76,175
11-041	Oakes 41	1,216,394	1,212,756	3,638	1,220,044	1,212,756	7,288	1,223,704	1,212,756	10,948	1,227,375	1,212,756	14,619
12-001	Divide County 1	1,910,732	1,706,011	204,721	1,978,911	1,706,011	272,900	1,978,911	1,706,011	272,900	1,978,911	1,706,011	272,900
13-016	Killdeer 16	1,705,096	1,522,407	182,689	1,909,708	1,522,407	387,301	2,138,873	1,522,407	616,466	2,395,538	1,522,407	873,131
13-019	Halliday 19	335,783	299,806	35,977	376,077	299,806	76,271	421,206	299,806	121,400	460,062	299,806	160,256
14-002	New Rockford-Sheyenne 2	866,465	854,502	11,963	878,596	854,502	24,094	890,896	854,502	36,394	903,369	854,502	48,867
15-006	Hazelton-Moffit-Braddock 6	652,842	614,966	37,876	682,220	614,966	67,254	712,920	614,966	97,954	745,001	614,966	130,035
15-010	Bakker 10	209,001	186,608	22,393	234,081	186,608	47,473	258,437	186,608	71,829	270,066	186,608	83,458
15-015	Strasburg 15	519,628	463,954	55,674	554,112	463,954	90,158	579,048	463,954	115,094	605,105	463,954	141,151
15-036	Linton 36	780,072	696,493	83,579	844,606	696,493	148,113	882,613	696,493	186,120	922,331	696,493	225,838

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16-049	Carrington 49	1,530,187	1,530,187	-	1,530,187	1,530,187	-	1,530,187	1,530,187	-	1,530,187	1,530,187	-
17-003	Beach 3	697,885	657,839	40,046	721,613	657,839	63,774	746,147	657,839	88,308	771,516	657,839	113,677
17-006	Lone Tree 6	236,245	226,071	10,174	246,876	226,071	20,805	257,985	226,071	31,914	269,594	226,071	43,523
18-001	Grand Forks 1	14,291,030	13,977,925	313,105	14,611,149	13,977,925	633,224	14,938,439	13,977,925	960,514	15,273,060	13,977,925	1,295,135
18-044	Larimore 44	887,617	876,226	11,391	899,156	876,226	22,930	910,845	876,226	34,619	922,686	876,226	46,460
18-061	Thompson 61	817,352	782,155	35,197	854,133	782,155	71,978	892,569	782,155	110,414	932,735	782,155	150,580
18-125	Manvel 125	398,730	396,352	2,378	401,122	396,352	4,770	403,529	396,352	7,177	405,950	396,352	9,598
18-127	Emerado 127	239,391	239,391	-	239,391	239,391	-	239,391	239,391	-	239,391	239,391	-
18-128	Midway 128	667,448	666,781	667	668,115	666,781	1,334	668,783	666,781	2,002	669,452	666,781	2,671
18-129	Northwood 129	663,420	658,155	5,265	668,727	658,155	10,572	674,077	658,155	15,922	679,470	658,155	21,315
19-018	Roosevelt 18	342,828	332,843	9,985	353,113	332,843	20,270	363,706	332,843	30,863	374,617	332,843	41,774
19-049	Elgin-New Leipzig 49	616,055	599,859	16,196	632,689	599,859	32,830	649,771	599,859	49,912	667,315	599,859	67,456
20-007	Midkota 7	774,011	770,927	3,084	777,107	770,927	6,180	780,215	770,927	9,288	783,336	770,927	12,409
20-018	Griggs County Central 18	843,818	839,620	4,198	848,037	839,620	8,417	852,277	839,620	12,657	856,539	839,620	16,919
21-001	Mott-Regent 1	1,162,828	1,112,754	50,074	1,215,155	1,112,754	102,401	1,269,837	1,112,754	157,083	1,326,980	1,112,754	214,226
21-009	New England 9	820,694	789,129	31,565	853,522	789,129	64,393	887,663	789,129	98,534	923,169	789,129	134,040
22-001	Kidder County 1	1,089,300	1,074,260	15,040	1,104,550	1,074,260	30,290	1,120,014	1,074,260	45,754	1,135,694	1,074,260	61,434
23-003	Edgeley 3	864,075	829,247	34,828	900,366	829,247	71,119	938,182	829,247	108,935	977,585	829,247	148,338
23-007	Kulm 7	665,797	655,312	10,485	676,449	655,312	21,137	687,273	655,312	31,961	698,269	655,312	42,957
23-008	LaMoure 8	941,741	923,275	18,466	960,575	923,275	37,300	979,787	923,275	56,512	999,383	923,275	76,108
24-002	Napoleon 2	618,438	595,224	23,214	642,557	595,224	47,333	667,616	595,224	72,392	693,653	595,224	98,429
24-056	Gackle-Streeter 56	638,830	626,919	11,911	650,968	626,919	24,049	663,336	626,919	36,417	675,940	626,919	49,021
25-001	Velva 1	1,005,793	994,850	10,943	1,016,857	994,850	22,007	1,028,042	994,850	33,192	1,039,351	994,850	44,501
25-014	Anamoose 14	246,141	238,508	7,633	254,017	238,508	15,509	262,146	238,508	23,638	270,534	238,508	32,026
25-057	Drake 57	467,060	447,376	19,684	487,611	447,376	40,235	509,066	447,376	61,690	531,465	447,376	84,089
25-060	TGU 60	1,145,927	1,128,992	16,935	1,163,116	1,128,992	34,124	1,180,562	1,128,992	51,570	1,198,271	1,128,992	69,279
26-004	Zeeland 4	275,972	274,053	1,919	277,904	274,053	3,851	279,849	274,053	5,796	281,808	274,053	7,755
26-009	Ashley 9	476,195	467,775	8,420	484,766	467,775	16,991	493,492	467,775	25,717	502,375	467,775	34,600
26-019	Wishek 19	549,366	538,067	11,299	560,903	538,067	22,836	572,682	538,067	34,615	584,709	538,067	46,642
27-001	McKenzie Co 1	3,555,487	3,174,542	380,945	3,982,145	3,174,542	807,603	4,460,002	3,174,542	1,285,460	4,995,202	3,174,542	1,820,660
27-002	Alexander 2	1,041,451	929,867	111,584	1,166,425	929,867	236,558	1,306,396	929,867	376,529	1,463,164	929,867	533,297
27-014	Yellowstone 14	335,259	299,338	35,921	375,490	299,338	76,152	387,890	299,338	88,552	387,890	299,338	88,552
27-018	Earl 18	6,750	6,027	723	7,560	6,027	1,533	8,467	6,027	2,440	9,483	6,027	3,456
27-032	Horse Creek 32	76,612	68,404	8,208	85,805	68,404	17,401	96,102	68,404	27,698	107,634	68,404	39,230
27-036	Mandaree 36	151,470	135,241	16,229	169,646	135,241	34,405	190,004	135,241	54,763	212,804	135,241	77,563
28-001	Wilton 1	763,560	747,123	16,437	780,358	747,123	33,235	797,526	747,123	50,403	815,071	747,123	67,948
28-004	Washburn 4	850,062	839,153	10,909	861,113	839,153	21,960	872,307	839,153	33,154	883,647	839,153	44,494
28-008	Underwood 8	799,394	785,260	14,134	813,783	785,260	28,523	828,432	785,260	43,172	843,343	785,260	58,083
28-050	Max 50	566,815	561,203	5,612	572,483	561,203	11,280	578,208	561,203	17,005	583,990	561,203	22,787
28-051	Garrison 51	1,291,916	1,262,870	29,046	1,321,630	1,262,870	58,760	1,352,028	1,262,870	89,158	1,383,125	1,262,870	120,255
28-072	Turtle Lake-Mercer 72	786,996	782,302	4,694	791,718	782,302	9,416	796,468	782,302	14,166	801,247	782,302	18,945
29-003	Hazen 3	948,371	923,438	24,933	973,977	923,438	50,539	1,000,275	923,438	76,837	1,027,282	923,438	103,844
29-027	Beulah 27	1,862,777	1,673,113	189,664	1,946,602	1,673,113	273,489	2,034,199	1,673,113	361,086	2,125,738	1,673,113	452,625
30-001	Mandan 1	8,056,554	7,193,352	863,202	8,501,280	7,193,352	1,307,928	9,521,434	7,193,352	2,328,082	10,488,989	7,193,352	3,295,637
30-004	Little Heart 4	110,361	98,537	11,824	123,604	98,537	25,067	138,436	98,537	39,899	155,048	98,537	56,511
30-013	Hebron 13	550,473	526,769	23,704	575,245	526,769	48,476	601,131	526,769	74,362	628,181	526,769	101,412

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30-017	Sweet Briar 17	63,778	61,032	2,746	66,648	61,032	5,616	69,647	61,032	8,615	72,781	61,032	11,749
30-039	Flasher 39	478,484	457,879	20,605	500,015	457,879	42,136	522,516	457,879	64,637	546,029	457,879	88,150
30-048	Glen Ullin 48	664,310	616,261	48,049	694,203	616,261	77,942	725,443	616,261	109,182	758,088	616,261	141,827
30-049	New Salem - Almont 49	883,083	788,467	94,616	948,416	788,467	159,949	991,095	788,467	202,628	1,035,694	788,467	247,227
31-001	New Town 1	1,417,549	1,265,669	151,880	1,587,655	1,265,669	321,986	1,778,174	1,265,669	512,505	1,991,555	1,265,669	725,886
31-002	Stanley 2	3,319,205	2,963,576	355,629	3,717,510	2,963,576	753,934	4,163,611	2,963,576	1,200,035	4,663,244	2,963,576	1,699,668
31-003	Parshall 3	1,079,387	1,044,905	34,482	1,115,007	1,044,905	70,102	1,151,802	1,044,905	106,897	1,189,812	1,044,905	144,907
32-001	Dakota Prairie 1	1,322,502	1,300,395	22,107	1,344,984	1,300,395	44,589	1,367,849	1,300,395	67,454	1,391,102	1,300,395	90,707
32-066	Lakota 66	591,866	591,866	-	591,866	591,866	-	591,866	591,866	-	591,866	591,866	-
33-001	Center-Stanton 1	631,660	614,455	17,205	649,346	614,455	34,891	667,528	614,455	53,073	686,219	614,455	71,764
34-006	Cavalier 6	912,757	907,313	5,444	918,233	907,313	10,920	923,743	907,313	16,430	929,285	907,313	21,972
34-019	Drayton 19	643,449	633,316	10,133	653,744	633,316	20,428	664,204	633,316	30,888	674,831	633,316	41,515
34-043	St Thomas 43	359,197	358,123	1,074	360,275	358,123	2,152	361,356	358,123	3,233	362,440	358,123	4,317
34-100	North Border 100	1,603,420	1,603,420	-	1,603,420	1,603,420	-	1,603,420	1,603,420	-	1,603,420	1,603,420	-
34-118	Valley-Edinburg 118	826,271	818,091	8,180	834,534	818,091	16,443	842,879	818,091	24,788	851,308	818,091	33,217
35-001	Wolford 1	235,079	234,376	703	235,785	234,376	1,409	236,492	234,376	2,116	237,201	234,376	2,825
35-005	Rugby 5	1,494,300	1,494,300	-	1,494,300	1,494,300	-	1,494,300	1,494,300	-	1,494,300	1,494,300	-
36-001	Devils Lake 1	2,598,004	2,500,485	97,519	2,699,326	2,500,485	198,841	2,804,600	2,500,485	304,115	2,913,979	2,500,485	413,494
36-002	Edmore 2	570,503	562,626	7,877	578,490	562,626	15,864	586,589	562,626	23,963	594,801	562,626	32,175
36-044	Starkweather 44	355,044	355,044	-	355,044	355,044	-	355,044	355,044	-	355,044	355,044	-
37-006	Ft Ransom 6	225,768	225,768	-	225,768	225,768	-	225,768	225,768	-	225,768	225,768	-
37-019	Lisbon 19	1,086,971	1,059,426	27,545	1,115,232	1,059,426	55,806	1,144,228	1,059,426	84,802	1,173,978	1,059,426	114,552
37-024	Enderlin Area 24	937,463	919,082	18,381	956,213	919,082	37,131	975,337	919,082	56,255	994,844	919,082	75,762
38-001	Mohall-Lansford-Sherwood 1	1,316,245	1,305,798	10,447	1,326,775	1,305,798	20,977	1,337,389	1,305,798	31,591	1,348,088	1,305,798	42,290
38-026	Glenburn 26	602,130	599,134	2,996	605,141	599,134	6,007	608,166	599,134	9,032	611,207	599,134	12,073
39-008	Hankinson 8	716,637	691,734	24,903	742,436	691,734	50,702	769,163	691,734	77,429	796,853	691,734	105,119
39-018	Fairmount 18	360,100	346,250	13,850	374,504	346,250	28,254	389,484	346,250	43,234	405,064	346,250	58,814
39-028	Lidgerwood 28	428,671	424,007	4,664	433,386	424,007	9,379	438,153	424,007	14,146	442,973	424,007	18,966
39-037	Wahpeton 37	2,179,020	2,066,401	112,619	2,277,076	2,066,401	210,675	2,423,005	2,066,401	356,604	2,555,059	2,066,401	488,658
39-042	Wyndmere 42	735,331	730,220	5,111	740,479	730,220	10,259	745,662	730,220	15,442	750,882	730,220	20,662
39-044	Richland 44	660,257	647,946	12,311	672,802	647,946	24,856	685,585	647,946	37,639	698,611	647,946	50,665
40-004	Mt Pleasant 4	786,658	780,415	6,243	792,952	780,415	12,537	799,295	780,415	18,880	805,690	780,415	25,275
40-029	Rolette 29	327,143	326,816	327	327,470	326,816	654	327,797	326,816	981	328,125	326,816	1,309
41-002	Milnor 2	447,812	428,528	19,284	467,964	428,528	39,436	489,022	428,528	60,494	511,028	428,528	82,500
41-003	North Sargent 3	452,977	404,444	48,533	487,586	404,444	83,142	509,528	404,444	105,084	532,456	404,444	128,012
41-006	Sargent Central 6	1,062,689	1,027,746	34,943	1,098,821	1,027,746	71,075	1,136,180	1,027,746	108,434	1,174,811	1,027,746	147,065
42-016	Goodrich 16	233,669	223,606	10,063	244,184	223,606	20,578	255,172	223,606	31,566	266,655	223,606	43,049
42-019	McClusky 19	381,440	365,014	16,426	398,605	365,014	33,591	416,542	365,014	51,528	435,286	365,014	70,272
43-003	Solen 3	126,195	112,674	13,521	137,907	112,674	25,233	144,113	112,674	31,439	150,598	112,674	37,924
43-008	Selfridge 8	167,397	167,397	-	167,397	167,397	-	167,397	167,397	-	167,397	167,397	-
44-012	Marmarth 12	154,984	154,984	-	154,984	154,984	-	154,984	154,984	-	154,984	154,984	-
44-032	Central Elementary 32	-	-	-	-	-	-	-	-	-	-	-	-
45-001	Dickinson 1	8,501,736	7,590,836	910,900	9,478,686	7,590,836	1,887,850	8,605,015	7,590,836	1,014,179	8,198,858	7,590,836	608,022
45-009	South Heart 9	878,929	784,758	94,171	984,400	784,758	199,642	1,102,528	784,758	317,770	1,127,602	784,758	342,844
45-013	Belfield 13	627,592	603,041	24,551	627,592	603,041	24,551	627,592	603,041	24,551	627,592	603,041	24,551
45-034	Richardton-Taylor 34	762,931	759,892	3,039	765,983	759,892	6,091	769,047	759,892	9,155	772,123	759,892	12,231

CoDist	Entity Name	2019-20 Contribution from Property Taxes (12%)	2019-20 Contribution from Property Taxes (HB 1390)	Increase to State Funding 2019-20	2020-21 Contribution from Property Taxes (12%)	2020-21 Contribution from Property Taxes (HB 1390)	Increase to State Funding 2020-21	2021-22 Contribution from Property Taxes (12%)	2021-22 Contribution from Property Taxes (HB 1390)	Increase to State Funding 2021-22	2022-23 Contribution from Property Taxes (12%)	2022-23 Contribution from Property Taxes (HB 1390)	Increase to State Funding 2022-23
46-010	Hope 10	691,154	691,154	-	691,154	691,154	-	691,154	691,154	-	691,154	691,154	-
46-019	Finley-Sharon 19	627,571	625,071	2,500	630,081	625,071	5,010	632,602	625,071	7,531	635,132	625,071	10,061
47-001	Jamestown 1	4,109,688	3,951,623	158,065	4,274,075	3,951,623	322,452	4,445,038	3,951,623	493,415	4,622,840	3,951,623	671,217
47-003	Medina 3	461,526	455,154	6,372	467,988	455,154	12,834	474,539	455,154	19,385	481,183	455,154	26,029
47-010	Pingree-Buchanan 10	483,934	477,252	6,682	490,709	477,252	13,457	497,579	477,252	20,327	504,545	477,252	27,293
47-014	Montpelier 14	379,720	372,640	7,080	386,935	372,640	14,295	394,287	372,640	21,647	401,778	372,640	29,138
47-019	Kensal 19	304,803	301,189	3,614	308,460	301,189	7,271	312,162	301,189	10,973	315,908	301,189	14,719
48-010	North Star 10	1,035,908	1,030,755	5,153	1,041,088	1,030,755	10,333	1,046,293	1,030,755	15,538	1,051,525	1,030,755	20,770
49-003	Central Valley 3	798,746	764,350	34,396	834,689	764,350	70,339	872,250	764,350	107,900	911,502	764,350	147,152
49-007	Hatton 7	505,744	492,447	13,297	519,399	492,447	26,952	533,422	492,447	40,975	547,825	492,447	55,378
49-009	Hillsboro 9	1,160,788	1,125,885	34,903	1,196,772	1,125,885	70,887	1,233,872	1,125,885	107,987	1,272,122	1,125,885	146,237
49-014	May-Port CG 14	1,354,098	1,314,659	39,439	1,394,721	1,314,659	80,062	1,436,563	1,314,659	121,904	1,479,660	1,314,659	165,001
50-003	Grafton 3	974,622	960,218	14,404	989,241	960,218	29,023	1,004,080	960,218	43,862	1,019,141	960,218	58,923
50-005	Fordville-Lankin 5	341,038	336,661	4,377	345,471	336,661	8,810	349,963	336,661	13,302	354,512	336,661	17,851
50-008	Park River Area 8	876,446	841,119	35,327	913,256	841,119	72,137	951,613	841,119	110,494	991,581	841,119	150,462
50-020	Minto 20	406,512	399,324	7,188	413,829	399,324	14,505	421,278	399,324	21,954	428,861	399,324	29,537
51-001	Minot 1	12,628,666	13,017,901	(389,235)	12,628,666	13,017,901	(389,235)	11,884,762	13,017,901	(1,133,139)	11,529,407	13,017,901	(1,488,494)
51-004	Nedrose 4	1,395,172	1,395,172	-	1,395,172	1,395,172	-	1,395,172	1,395,172	-	1,395,172	1,395,172	-
51-007	United 7	1,165,556	1,132,708	32,848	1,199,357	1,132,708	66,649	1,234,139	1,132,708	101,431	1,269,929	1,132,708	137,221
51-016	Sawyer 16	413,565	407,855	5,710	419,355	407,855	11,500	425,226	407,855	17,371	431,179	407,855	23,324
51-028	Kenmare 28	1,105,140	1,105,140	-	1,105,140	1,105,140	-	1,105,140	1,105,140	-	1,105,140	1,105,140	-
51-041	Surrey 41	597,300	597,300	-	597,300	597,300	-	597,300	597,300	-	597,300	597,300	-
51-070	South Prairie 70	791,990	791,990	-	791,990	791,990	-	791,990	791,990	-	791,990	791,990	-
51-161	Lewis and Clark 161	1,821,518	1,796,369	25,149	1,847,020	1,796,369	50,651	1,872,878	1,796,369	76,509	1,899,098	1,796,369	102,729
52-025	Fessenden-Bowdon 25	984,269	981,325	2,944	987,221	981,325	5,896	990,183	981,325	8,858	993,154	981,325	11,829
52-038	Harvey 38	1,240,083	1,218,156	21,927	1,262,405	1,218,156	44,249	1,285,128	1,218,156	66,972	1,308,260	1,218,156	90,104
53-001	Williston 1	6,412,676	5,725,604	687,072	6,831,667	5,725,604	1,106,063	6,831,667	5,725,604	1,106,063	6,831,667	5,725,604	1,106,063
53-002	Nesson 2	1,241,580	1,108,554	133,026	1,390,570	1,108,554	282,016	1,557,438	1,108,554	448,884	1,744,331	1,108,554	635,777
53-006	Eight Mile 6	327,971	292,831	35,140	367,328	292,831	74,497	411,407	292,831	118,576	460,776	292,831	167,945
53-008	New 8	3,670,604	3,277,325	393,279	4,111,076	3,277,325	833,751	4,604,405	3,277,325	1,327,080	5,156,934	3,277,325	1,879,609
53-015	Tioga 15	1,957,098	1,747,409	209,689	2,191,950	1,747,409	444,541	2,454,984	1,747,409	707,575	2,749,582	1,747,409	1,002,173
53-099	Grenora 99	840,818	750,730	90,088	941,716	750,730	190,986	1,054,722	750,730	303,992	1,154,045	750,730	403,315
Grand Total				12,068,542			22,951,458			32,185,530			42,003,683

Fiscal impact 2019-21 biennium	35,020,000
Fiscal impact 2021-23 biennium	74,189,213

2019 HOUSE FINANCE AND TAXATION COMMITTEE

HB 1390

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1390
1/21/2019
31103

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to limitations on the true and full valuation of property for tax purposes and limitations on property tax levies by taxing districts without voter approval; relating to the determination of school district state aid payments; and to provide an effective date.

Minutes: Attachment 1-6

Chairman Headland: Opened hearing on HB 1390.

Representative Schatz: Introduced bill. Distributed written testimony, see attachment #1. Ended testimony at 1:48.

Chairman Headland: Have you seen the fiscal note associated with this bill? It has to do with when you're limiting the local revenue by a school district the state will have to kick in so the numbers are rather large.

Representative Schatz: I've seen it now. There's a way around that; the state doesn't have to kick it in. It can find other ways of funding that. We have a state where we spend a lot of money. We spend a lot more money than our sister state, South Dakota. We have to start looking at tightening our belts because we can't keep going like this. You stop budgets from growing by putting a stop to giving out money and that's what this bill does. I understand what you're saying with the fiscal note but there are ways around that too.

Chairman Headland: Is there support for HB 1390? Is there opposition?

Terry Traynor, North Dakota Association of Counties: Distributed written testimony, see attachment #2. Ended testimony at 11:32.

Chairman Headland: What do you think would happen if instead of taxing for services maybe we better start sending people a bill for their fire and police protection like we do for their water or garbage? We've seen property tax bills year after year. How do you think we can put an understanding out there for the people paying the tax?

Terry Traynor: Some of our counties have done more by putting flyers in the bill informing them where their money is going. The biggest problem is the one big bill you get in December, although it's not a big bill when you look at all the services it includes, and the cost of services. A lot of people spend more time on things like cell phones, cable tv, and internet than they do on city services. Because the bill comes one time a year it is very problematic. California bills twice a year. I don't know how to educate people to understand what government services they are getting. In Burleigh County we've actually seen our property taxes go down. I think this has a lot to do with what you do in here and the notices that you helped us develop to give people a better understanding so they know what their taxes are going for.

Chairman Headland: There is a point to be made. In our constitution it says we are to provide an education and the state is going to be burdened with that until we figure out a way to shift that burden away from property taxes more onto the state.

Representative B. Koppelman: I value the services my city provides. When I look at my property statement I am most discontent with the stealth increase valuation creates. Is it time we link our local mechanism for collecting money for those services to your benefit? Maybe it could be an annual tax. We need some parity there. Right now it's kind of a progressive income tax. If you live in a nice place and fix it up, you get to pay a lot more for city services that are equal to your neighbor. Maybe we should start studying things like that.

Terry Traynor: That's worth looking at. It's more of a special assessment, the benefit to property. We've had challenges with special assessments as well.

Chairman Headland: I think we all understand that people really don't have a problem with taxes as long as somebody else is paying them. Is there further opposition?

Alexis Baxley, North Dakota School Boards Association: Distributed written testimony, see attachment #3. Ended testimony at 22:05.

Chairman Headland: Sooner or later we're going to run out of money and I think sooner is coming rather than later.

Bill Wocken, North Dakota League of Cities: Distributed written testimony from City of Watford City and Fargo City Assessor, see attachments #4 and 5. The discussion we had earlier about the cost of services and the bill for property tax coming once a year are problematic. It comes at the wrong time of year. Anytime you get a large bill at that time of year it is an issue. If there was a way to spread out the impact it might be more interesting and a lot easier on people. The cost of emergency services; fire, police, and emergency dispatch in most cities is more than the property tax itself brings in.

Chairman Headland: Further opposition?

Kevin Ternes, Assessor for City of Minot: Distributed written testimony, see attachment #6. Ended testimony at 29:18.

Chairman Headland: Is there further opposition? Seeing none we will close the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1390
1/21/2019
31131

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to limitations on the true and full valuation of property for tax purposes and limitations on property tax levies by taxing districts without voter approval; relating to the determination of school district state aid payments; and to provide an effective date.

Minutes: No attachments

Chairman Headland: I'll be voting against this. (inaudible as microphone was not on)

Vice Chairman Grueneich: MADE A MOTION FOR A DO NOT PASS.

Representative Eidson: SECONDED

Chairman Headland: Discussion?

ROLL CALL VOTE: 9 YES 4 NO 1 ABSENT
MOTION CARRIED

Representative Mitskog will carry this bill.

Date: ~~1-22-19~~ 1-21-19
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1390

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. Grueneich Seconded By Rep. Eidson

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson	✓	
Vice Chairman Grueneich	✓		Representative Mitskog	✓	
Representative Blum	✓				
Representative Dockter	✓				
Representative Ertelt		✓			
Representative Fisher	✓				
Representative Hatlestad	✓				
Representative Kading		✓			
Representative Koppelman		✓			
Representative Steiner	✓				
Representative Toman		✓			
Representative Trottier	A				

Total (Yes) 9 No 4

Absent 1

Floor Assignment Rep. Mitskog

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

REPORT OF STANDING COMMITTEE

HB 1390: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1390 was placed on the Eleventh order on the calendar.

2019 TESTIMONY

HB 1390

#1
HB 1390
1-21-19

HB 1390 1-21-19

House Finance and Tax Committee

Chairman Headland and Committee,

For the record, my name is Mike Schatz, from District 36. HB 1390 is a bill to put a cap, or a freeze, on the increases of property tax. Everything in life has its limits, and I feel that we have reached the saturation point with property tax.

This bill stops governments from collecting any more money from property tax. In other words, what you paid in dollars last year is what you will pay this year. There is an exception for improvements. Of course, governments may lower the tax.

North Dakotans are tired of getting their tax statement and constantly seeing it go up. If the counties, cities, and school districts want to raise revenue, then they should do it by a vote of the people and not have it done automatically for them. Or they can get a vote to raise the sales tax in their county, rather than the backdoor way of raising property values.

When only the rich can afford to own land and property because the property taxes are too expensive, then this is not North Dakota anymore. I hope you will agree with me and pass this bill, you will make a vast majority of your constituents happy. Thank you.

#2
HB 1390
1-21-19
P. 1

Testimony Prepared for the
House Finance & Taxation Committee
January 21, 2019
By: Terry Traynor, NDACo Executive Director

NDACo
NORTH DAKOTA ASSOCIATION OF COUNTIES

RE: Opposition to House Bill 1390 – Property Value and Tax Limits

Good morning Chairman Headland and committee members. Thank you for this opportunity to provide testimony in opposition to House Bill1390 on behalf of our 53 counties and our county officials that are charged with the fair and equitable administration of our property tax system.

Again, our Association recognizes and appreciates the intentions behind this proposed legislation – a reduction in property tax growth that is equitable for all taxpayers. This bill, we believe, would also fail in achieving that goal and most likely have adverse consequences.

As the constitutional conflict and the economic implications of the valuation caps of Section 2 of this bill were addressed in my testimony regarding HB1182, I will not repeat that information here, and focus my remarks on the budgetary limitations of sections 1 and 3.

The first point regarding this bill raised immediately by county officials was 'why are the state medical school and garrison diversion – essentially state agencies – allowed to automatically raise property taxes (a tax constitutionally reserved for local government) but local political subdivisions are not?'

As with value limits, there is a wealth of research regarding the effect of property tax caps. Again, to quote the Tax Foundation:

> Property taxes also come closer to passing the benefit test, whereby taxes paid roughly correlates with benefits received. However imperfect, the value of one's property is a better proxy for the value of local services received than most alternative tax bases. … If, therefore, aggressive property tax limitations drive localities to shift to alternative revenue options, the net economic effect may be negative. <u>For these and other reasons, governments may wish to exercise caution in adopting any regime of property tax limitation.</u>

With the removal of social service costs from county property taxes, the benefit of county levies in North Dakota are much more clearly aligned with the value of property, as so many of the services funded – law enforcement, courts, roads, land records, etc. – have a clear nexus with property value.

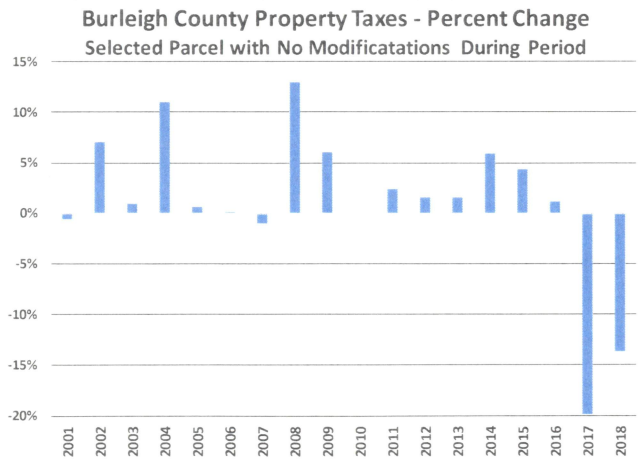
We believe everyone is in agreement that reducing the growth in property taxes is important. However, as stated by a Purdue University economist in speaking of the property tax caps imposed several years ago in Indiana: "*The tax cap credit system is just a few hundred words [in*

law]. But once you start overlaying that on the whole rest of the budgeting and taxing system, then you get these sometimes strange and unexpected results."

Bill Sheldrake, president of Policy Analytics is cited in the Indianapolis Business Journal that *rental property – rather than farmers – probably benefited the most* (from the Indiana property tax caps).

Increased state control of local finances was identified as a negative unintended consequence of property tax caps in one of the most recent comprehensive papers on the subject prepared for New York's consideration of the issue in 2014. This paper is available online here: http://bit.ly/2U1t5vp

This same paper looked at the New York property tax cap and cited the result as "However, local governments are now more reliant on state aid and budgets are less stable because of it." Probably the most concerning consequence is the dramatic impact to the state's economy. An economic analysis by the Perryman Group (a consultant for most major energy companies operating in North Dakota) of a Texas proposal for a 3% valuation and/or a 3% property tax limitation concluded with the statement: "*By restricting the capacity of local governments to provide services; appraisal caps, revenue limits, and expenditure limits lead to a reduction in the quality of life and economic performance of the state*." A summary report of this analysis has been posted to the NDACo legislative blog, and can be found here: http://bit.ly/capscolumn



North Dakota's county officials also don't believe, there is a great need for this bill – when looking at taxes over the long term. The chart to the right is percentage change in the actual county taxes paid in Burleigh County (within Bismarck – often considered a high tax jurisdiction) for a parcel that has not had a significant change in valuation due to additions or remodeling.

When you compare the annual percentage changes – you see that some years the county needed to make a significant adjustment, and many years taxes increased by little, or even decreased. Clearly the county commission has been adjusting taxes to meet the very specific budgetary needs of each particular year. As the actual dollar amount of county tax paid on this parcel for 2018 is roughly the same as twelve years ago, it seems that holding a county election six or seven times in fifteen years would ultimately cost this taxpayer more.

And finally, county officials truly believe that this bill would just mandate no tax decrease – ever. In three of the last 15 years, county taxes have gone down on this parcel. As an elected official could not know if the next year, or the year after, would involve a snow emergency, a

flood, or a protest, it would only be prudent to never lower taxes to ensure that any potential need three, five, or fifteen years down the road could be met and the county board had not jeopardized their citizens.

The attached table from Tax Department testimony during the interim shows that over the last two tax years, 47 counties decreased taxes in at least one of the two years, and 18 counties reduced them in both. These figures are calculated using the "zero growth" formula – excluding new property – much as HB1390 calculates the cap. These decreases are very unlikely to happen with the restrictions proposed in this bill.

As a legislature, you have shifted significant school and social serve costs off the property tax, you have increased the notices of value and tax adjustment – providing more opportunity for informed citizen input. Ultimately, control of property taxes is a local responsibility of the governing boards and the citizens. Adequate information and active participation is the key – not artificial limitations that may cause unknown and unintended results.

Citizens within home rule counties and cities can refer governing board actions, just as the citizens can refer legislative actions. Other jurisdictions can "refer" their elected leaders at the ballot box, if they are unsatisfied with budget and taxation decisions. This has happened and will happen when needed. Arbitrary controls will only increase the citizen's view that the Legislature controls property taxes. Please give House Bill 1390 a Do Not Pass recommendation.

Zero Growth Countywide Levies

#2
HB1390
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District Name	2015 to 2016 Percent Change	2016 to 2017 Percent Change
ADAMS COUNTY	(3.40%)	(13.97%)
BARNES COUNTY	14.40%	(6.61%)
BENSON COUNTY	(19.80%)	(21.07%)
BILLINGS COUNTY	8.49%	(5.18%)
BOTTINEAU COUNTY	(1.36%)	2.44%
BOWMAN COUNTY	21.54%	(25.93%)
BURKE COUNTY	10.40%	(14.55%)
BURLEIGH COUNTY	(1.12%)	(21.53%)
CASS COUNTY	(0.96%)	(12.34%)
CAVALIER COUNTY	0.50%	(10.38%)
DICKEY COUNTY	(1.48%)	(51.80%)
DIVIDE COUNTY	(3.41%)	(13.98%)
DUNN COUNTY	(10.52%)	(46.12%)
EDDY COUNTY	0.32%	(16.21%)
EMMONS COUNTY	0.60%	(4.73%)
FOSTER COUNTY	6.48%	(10.41%)
GOLDEN VALLEY COUNTY	5.89%	(16.05%)
GRAND FORKS COUNTY	(3.01%)	(25.84%)
GRANT COUNTY	8.87%	(12.01%)
GRIGGS COUNTY	(0.38%)	(21.77%)
HETTINGER COUNTY	(0.36%)	(17.10%)
KIDDER COUNTY	(7.23%)	(13.57%)
LAMOURE COUNTY	45.59%	(72.12%)
LOGAN COUNTY	(0.12%)	(11.09%)
MCHENRY COUNTY	9.78%	(24.82%)
MCINTOSH COUNTY	2.29%	(11.79%)
MCKENZIE COUNTY	13.71%	(30.23%)
MCLEAN COUNTY	31.64%	(14.71%)
MERCER COUNTY	24.51%	(14.10%)
MORTON COUNTY	(0.13%)	(9.48%)
MOUNTRAIL COUNTY	9.76%	(11.97%)
NELSON COUNTY	2.84%	0.00%
OLIVER COUNTY	(3.40%)	(14.73%)
PEMBINA COUNTY	1.43%	(8.18%)
PIERCE COUNTY	(27.41%)	(10.49%)
RAMSEY COUNTY	(14.38%)	(32.46%)
RANSOM COUNTY	(9.09%)	12.74%
RENVILLE COUNTY	9.09%	(9.38%)
RICHLAND COUNTY	0.97%	(21.57%)
ROLETTE COUNTY	29.64%	(10.48%)
SARGENT COUNTY	8.16%	(7.47%)
SHERIDAN COUNTY	(0.68%)	(18.20%)
SIOUX COUNTY	14.97%	34.59%
SLOPE COUNTY	9.69%	19.95%
STARK COUNTY	4.95%	(26.36%)
STEELE COUNTY	(1.47%)	(29.38%)
STUTSMAN COUNTY	(0.09%)	(22.46%)
TOWNER COUNTY	5.69%	(4.10%)
TRAILL COUNTY	0.64%	(8.75%)
WALSH COUNTY	5.49%	(4.99%)
WARD COUNTY	(1.08%)	1.88%
WELLS COUNTY	11.55%	(17.21%)
WILLIAMS COUNTY	(3.82%)	(20.68%)

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NDSBA
NORTH DAKOTA SCHOOL BOARDS ASSOCIATION
P.O. Box 7128
Bismarck ND 58507-7128
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www.ndsba.org

HB 1390
Testimony of Alexis Baxley
House Finance & Taxation Committee
January 21, 2019

Chairman Headland and members of the House Finance and Taxation Committee, my name is Alexis Baxley. I am the executive director of the North Dakota School Boards Association. NDSBA represents all 178 North Dakota public school districts and their boards. I am here today in opposition to HB 1390.

HB 1390 would remove a school district's ability to increase its mill levy without going to a vote. Currently, the number of dollars a district can raise each year – mills levied multiplied by assessed valuation – cannot increase by more than 12 percent each year. Additionally, the formula caps the number of general fund mills a district can levy at 60. This provides protection to property owners. If districts are forced to go to a vote each time they hope to raise their mill levy – if they aren't already at the max - and assessed valuations can never increase, it will be absolutely devastating. The costs school districts incur are not stagnant – electricity, food, transportation costs, teacher salaries – the cost of these things increase every year.

Additionally, capping the number of dollars a district can raise at the current levels is only going to push more of the burden to fund K-12 education on the state. HB 1390's fiscal note estimates the state's increased share to be around $35 million this biennium and another $74 million for the 2020-21 biennium. I can only imagine those totals will continue trending upward. Locking local contributions in at 2019 levels and requiring the state to pick up the tab for the rest going forward is incredibly dangerous. Sooner or later, our state will be tapped out and we will unable to provide an equitable education to all students as required by our constitution.

This change could also create considerable inequities between districts. One district's patrons may be willing to increase their mill levies regularly, while another district's may not never be willing to approve an increase. Requiring the state to pony-up the extra dollars without local skin in the game would likely lead us to litigation like we saw in 1989 and 2005.

We believe protections for property owners are already written into the formula and state law. Additionally, citizens have the opportunity to vote out anyone who they believe is not being prudent with

taxpayer funds. To halt property valuations at the amount they are now – never allowing them to increase – is foolhardy, and will lead to the demise of school districts and other political subdivisions. If we want quality schools, quality roads, quality services in the future, we can't lock our property taxes in the past.

For this reason, NDSBA stands in opposition to HB 1390 and encourages this committee to give it a do not pass recommendation. I would be happy to answer any questions the committee may have.

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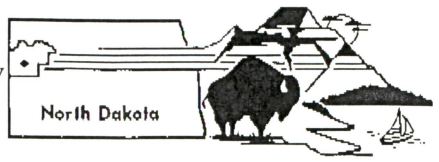

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1/21/2019

10:30 AM – Fort Totten Room

URGE a DO NOT Pass recommendation on HB 1390

Chairman Headland and Committee members of House Finance and Taxation,

The City of Watford City opposes the proposed amendments to subsection 4 of section 15.1-27-04.1 of NDCC and the proposed new sections of NDCC chapter 57-02 and 57-15. The language of this bill erodes two important components of public policy; the first, a balanced taxing structure and the second, it reduces locally elected official's ability to be able to properly serve their constituents (the same folks they see in church, at high school ball games, and at public budget hearings). The public hearing process works well in local communities and is a good barometer to elected officials of Local Political Subdivisions (LPS's) on how they are doing from a service, budgeting and levying standpoint.

By increasing the budgeting hurdles and creating caps, it reduces efficiency and hinders fiduciary responsibility of elected officials. The board members of local taxing districts are elected and can be voted out by their electorate when an engaged public believes they no longer represent them in the way they want to be represented.

Further, caps create a situation where monies needed locally cannot be generated to meet those local needs. This will continue to shift the burden of securing needed revenue to other places caused by an imbalance in the taxing structure.

Again, the **City of Watford City recommends a DO NOT Pass on HB ~~1221~~.** 1390

Thank you for your time and consideration of our concerns.

Mayor Phil Riely, Watford City
(701) 570-4338
phil_riely@yahoo.com

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NORTH DAKOTA HOUSE OF REPRESENTATIVES
FINANCE AND TAXATION COMMITTEE

House Bill 1390
Testimony of Ben Hushka
Fargo City Assessor
January 21, 2019

Mr. Chairman and members of the House Finance and Taxation Committee, my name is Ben Hushka. I am the City Assessor for Fargo.

There are concerns I have with this bill and I will briefly address them as they relate to the good of the taxpayers in this state. This bill calls for placing virtually a 0% cap on increases in assessment values for existing property by limiting the current year value to the same as the previous year value.

At the very least, impeding an accepted, industry-wide standard of valuation methodology will lead to more confusion for the taxpayer. Most people have an understanding of the concept of market value as it relates to properties. It is the standard measure by which properties are exchanged. For instance, if someone purchases a property for $250,000 and the assessment valuation is at, over, or under $250,000, they know whether or not they are being fairly assessed. And, they know that without needing to understand any more about appraisal or assessment.

By freezing the assessment value at a point in time, it would be very difficult over time for taxpayers to know the fairness of an assessment as it relates to the value of their property, or other properties in the same class. The taxpayer's ability to understand, predict, and afford the property tax is at the heart of good property tax policy.

Also, with any type of tax, there will be discussions of fair distribution of the tax burden. Property tax valuation caps have predictable consequences that affect the distribution of the property tax burden. One group of property owners will have to pay an increased tax burden if another is allowed to pay less than they would have had to pay if there was no cap.

As a result of changing economic conditions, real property market value changes are not uniform across all properties in a jurisdiction. Even within the same class of property. Over time, for a large number of properties, assessment value caps can result in the unintended consequence of adversely affecting the tax burdens that the caps were intended to assist them with. This is a result of the fact that not all properties increase in value the same due to external market forces. Some may decrease in value.

Placing any kind of cap or limit on value increases will cause inequities in the assessments and ultimately taxes on the same class of property. This is not just theoretical. This is fact. There have been several decades of real life case study in this across several states.

Not only would properties within the same classification be assessed at different effective tax rates, generally more desirable properties, often at the higher value range, would be assessed at lower rates than other properties. That is because they tend to inflate more in up markets. The properties whose real inflation in value is closer to the percentage of the cap will be assessed closer to their real market value. Those that inflate more, would be assessed at a lower percentage of real value, thereby shifting the tax burden to the others.

Article X, Section 5 of the Constitution of North Dakota says, "Taxes shall be uniform on the same class of property…". Capping assessment values assures that would not be the case.

Finally, the role of valuation in the property tax process does not determine the level of taxation. It determines and affects the uniform distribution of the property tax. Altering or arbitrarily lowering the value will not lower the taxes. Budgets determine the amount or level of taxation.

This concludes my testimony. Thank you for your consideration.

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North Dakota House of Representatives
Finance and Taxation Committee
Chairman Craig Headland
January 21st, 2019

By: Kevin Ternes
Minot City Assessor
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701.721.6839

HB 1390

Thank you for accepting my testimony on behalf of House Bill No. 1390.

Regarding section 2, the suggestion of caps or freezes on property taxes has been discussed in previous legislative sessions and nationwide, and the concerns are always the same. As I understand the intent of this section of the bill, it would be to keep the True and Full Value from going up unless there were improvements made that were not accounted for in the prior year's assessment. As an assessor I would be opposed to Section 2 for the simple reason that, in my opinion, it is simply impossible to administer as currently written.

We know that property taxes are a result of the budgets from park, county, city and schools. They are not the result of the assessment itself. In Minot, residential assessments went down a total of about 6% in the last 2 years to reflect the market. Yet property taxes to property owners went up because of mill levy changes and the loss of the 12% buy down from the state.

The assessment now called the True and Full Value simply attempts to spread the tax fairly and equitably over the taxable property on a simple and understandable approach, that being market value. In my 28 years as an assessor, I have found people understand market value. They may not always agree with the assessor's estimate, but they do know generally how their home compares to the homes in their neighborhood that are selling. Section 2 of this bill creates a lock on all assessments after 2019 (unless an improvement is made). So, basically, assessments will no longer be based on market value after 2019, but rather on the 2019 assessment into perpetuity.

It would seem this bill which is freezing the True and Full Value at the 2019 level should also specify a new name for the new frozen assessment. It would be improper to call a number that has been frozen--or not allowed to trend up, but only down with the market—"True and Full Value" because it won't actually be True and Full Value. It would not be proper in my opinion to use True and Full Value on the tax statement and in North Dakota Century Code because it won't be.

Currently all property is assessed at its market value per NDCC 57 02 11. If this bill is passed with Section 2 in place, it would not be possible to follow NDCC 57-02-11. If assessments cannot be adjusted upward as the market changes, but only down as the market changes, the current system of market value assessments will be no more. Yet if an improvement is made, this bill indicates that would be taxable according to this bill.

Assessors are appraisers, we can analyze how much a property's estimated market value is, or was, prior to an improvement, and after completion of the improvement. But it isn't clear how we would analyze the value of an improvement alone and ignore market appreciation of the remainder of the property.

For instance, consider a property's assessment that hasn't changed in 5 years even though the market has gone up, and now improvements are made in year 6. Under the terms of this bill, does the assessor now do an entire revaluation of the entire property in year 7 to include the updated value of the property with the improvement and the market appreciation? If that is the case than a simple improvement could mean a large increase in the assessment because it will include the updated appreciated market value of the home and the new improvement.

If the assessor does not include the lost appreciation during the last 5 years, it is almost impossible to determine a reasonable estimate of market value of and isolated improvement and add that to the frozen, non-market, "True and Full value" to arrive at a new assessment with the improvement.

These are just a few of the concerns and confusion I believe Section 2 of this bill is going to create for assessors. Thank you for your consideration.

As always, the Minot Assessor's Office is willing to provide any additional information or database statistics you might require in your studies and decisions.