

**1999 SENATE FINANCE AND TAXATION**

**SB 2105**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2105

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 01/18/99

Tape Number	Side A	Side B	Meter #
1	x		0-1380
Committee Clerk Signature <i>Shila Wald</i>			

Minutes:

SEN. URLACHER Opened the hearing on SB 2105, A BILL RELATING TO THE ACT TO PROVIDE FOR ALLOCATION OF STATE AID DISTRIBUTION FUND REVENUES UPON TRANSITION TO THE ALLOCATION FORMULA ESTABLISHED BY 1997-HB 1019 AND TO DECLARE EMERGENCY. A roll call taken.

BARRY HASTI-TAX DEPARTMENT SUBMITTED TESTIMONY. [ATTACHED]

SEN. URLACHER-Any questions or discussion on Bill 2105? Is the funding in place?

BARRY HASTI-Yes, the repeal of the distribution formula, the timing didn't match up with what was actually needed I would like to point out on pg. 3, the attachment - The reduction in the appropriation does not reflect a decrease in the payments to political subdivisions. The \$51,500,000 was decreased proportionately for the time period the appropriation is to cover.

SEN. STENEHJEM-What quarter are you talking about?

BARRY HASTI- The last 2, January-June, 1999.

SEN. CHRISTMANN-Whatever the amount is, is that set up in the next biennium?

BARRY HASTI-Yes, the mechanism is in place for the new revenues that go into the State Fund. Until the Legislature changes it.

SEN.STENEHJEM-Last session 1019 repealed personal property tax. What personal property tax was repealed at that time?

BARRY HASTI- They did not repeal the personal property tax as such-it was repealed in 1979. A state payment to replace the property tax was enacted.

SEN. CHRISTMANN-Last session the timing that this money go out to cities and counties was delayed. What did we change?

CONNIE SPRYNCZYNATYK-We did 2 things, 1] personal property tax replacement. 2] quarterly payment fund.

SEN. KINNOIN-State aid distribution-What % of sales tax.

CONNIE SPRYNCZYNATYK-78%.

Motion was made to Do Pass by Sen. Wardner and seconded by Sen. Christmann.

Carrier of the Bill will be Sen. Christmann. Roll 7 yeas, 0 nays and 0 absent and not voting.

## FISCAL NOTE

Turn original and 14 copies)

Bill/Resolution No.: SB 2105

Amendment to: \_\_\_\_\_

Requested by Legislative Council

Date of Request: 12/30/98

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

**Narrative:** SB 2105 provides for the allocation of non-appropriated funds remaining in the state aid distribution fund as of December 31, 1998. The bill does not affect revenues being transferred into the fund, but provides for the disbursement of revenues not previously appropriated. State revenues are not affected.

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>						

3. What, if any, is the effect of this measure on the budget for your agency or department:

a. For rest of 1997-99 biennium: \_\_\_\_\_

(Indicate the portion of this amount included in the 1999-2001 executive budget:)

b. For the 1999-2001 biennium: \_\_\_\_\_

(Indicate the portion of this amount included in the 1999-2001 executive budget:)

c. For the 2001-03 biennium: \_\_\_\_\_

4. County, city, and school district fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed  
attach a supplemental sheet.

Signed: *Kathryn L. Strombeck*

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: January 11, 1999

Phone Number: 328-3402

Date: 1-18-99  
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2105

Senate Senate Finance and Taxation Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

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

Action Taken Do Pass

Motion Made By Sen. Wardner Seconded By Sen. Christmann

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM	✓				
SENATOR WARDNER	✓				
SENATOR KINNOIN	✓				
SENATOR KROEPLIN	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Christmann

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

REPORT OF STANDING COMMITTEE (410)  
January 18, 1999 11:12 a.m.

Module No: SR-10-0768  
Carrier: Christmann  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2105: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).** SB 2105 was placed on the Eleventh order on the calendar.

**1999 HOUSE APPROPRIATIONS**

**SB 2105**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2105

House Appropriations Committee

Conference Committee

Hearing Date 2/8/99

Tape Number	Side A	Side B	Meter #
1			0.2-8.6
Committee Clerk Signature <i>Kevin Kaseh</i>			

Minutes:

**SUMMARY OF THE BILL:** A BILL for an Act to provide for allocation of state aid distribution fund revenues upon transition to the allocation formula established by 1997 House Bill No. 1019; and to declare an emergency.

Chairman Dalrymple opened the hearing on SB 2105 in the Roughrider Room. All members were present: Chairman Dalrymple, Representatives Aarsvold, Bernstein, Boehm, Byerly, Carlson, Carlisle, Delzer, Gulleason, Hoffner, Huether, Kerzman, Lloyd, Monson, Nichols, Poolman, Svedjan, Timm, Tollefson, and Wentz.

(0.8) Barry Hasti from the Tax Department testified in support of SB 2105. (see attached testimony)

(2.4) Chairman Dalrymple: "How much money are we talking again?"

(2.5) Mr. Hasti answered: "Not quite \$11.4 million."

(2.6) Chairman Dalrymple: "Barry, why do the appropriations in 1019 not come out a little closer to the remaining balance? I thought that would have been the original intent."

(2.8) Mr. Hasti: "Mr. Chairman, the appropriation, I'm sure, as it's stated on the second to the last page, was intended to cover the 18 month period. However those distributions aren't made, until the January following the last quarter of 1998, and then the state revenue sharing. The distribution for the personal property tax replacement is made in June of each year, the end of June of each year, or the first part of July....."

(3.9) Chairman Dalrymple: "Does this come out to the appropriated amount?"



(4.0) Mr. Hasti: "I know that the personal property tax replacement for sure would come out to the appropriated amount, because the personal property tax replacement would have been proportionately reduced, so that it would come out to the appropriated amount...."

(4.7) Rep. Delzer asked how much the counties got this past biennium, and how much they will get if this bill passes.

(4.9) Mr. Hasti responded that the counties have received \$21, 250,894.72, so far this biennium, and if the bill passes, they would receive the remaining \$11,374,105.28

(6.2) Rep. Gulleson asked if this bill is similar to the school dollars.

(6.3) Mr. Hasti replied that it was not.

The hearing on SB 2105 was closed, and Vice Chairman Byerly moved for a DO PASS. The motion was seconded by Rep. Carlisle. The motion carried, and SB 2105 was moved as a DO PASS.

Date: 2/8/99  
 Roll Call Vote #: 1

**1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2105**

House \_\_\_\_\_ Committee \_\_\_\_\_

Subcommittee on \_\_\_\_\_  
 or  
 Conference Committee

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

Action Taken Do Pass

Motion Made By Byerly Seconded By Carlisle

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	X		Nichols	X	
Vice-Chairman Byerly	X		Poolman	X	
Aarsvold	X		Svedjan	X	
Bernstein	X		Timm	X	
Boehm	X		Tollefson	X	
Carlson	X		Wentz	X	
Carlisle	X				
Delzer	X				
Gulleson	X				
Hoffner	X				
Huether	X				
Kerzman	X				
Lloyd	X				
Monson	X				

Total (Yes) 20 *Click here to type Yes Vote* No 0 *Click here to type No Vote*

Absent 0

Floor Assignment Click here to type Floor Assignment Byerly

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

REPORT OF STANDING COMMITTEE (410)  
February 8, 1999 3:46 p.m.

Module No: HR-25-2228  
Carrier: Byerly  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2105: Appropriations Committee (Rep. Dalrymple, Chairman) recommends DO PASS**  
(20 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2105 was placed on the  
Fourteenth order on the calendar.

1999 TESTIMONY

SB 2105

## **Senate Bill 2105**

**Senate Finance and Taxation Committee - January 18, 1999**

### *Testimony of Barry Hasti*

Chairman Urlacher, members of the committee, my name is Barry Hasti, Director of the Property Tax Division in the Office of State Tax Commissioner. I am here this morning to explain Senate Bill 2105.

Senate Bill directs the State Treasurer to allocate the unexpended Personal Property Tax Replacement and State Revenue Sharing appropriation from 1997 House Bill 1019. This bill is needed to provide a mechanism to allocate the appropriated funds.

The final amendments to 1997 House Bill 1019 (copy attached) delayed the effective date by six months and appropriated \$32,625,000 for allocation to the political subdivisions through Personal Property Tax Replacement and State Revenue Sharing in six quarterly payments in the 1997 - 1999 biennium. Only \$ 21,250,894.72 was allocated through December 31, 1998. 1997 HB 1019 repealed the Personal Property Tax Replacement and State Revenue Sharing statutes as of January 1, 1999, leaving no mechanism in place to distribute the January payment of State Revenue Sharing and the June payment of Personal Property Tax Replacement.

The allocation formula currently in place was chosen to allocate the remaining funds from the 1997 appropriation for reasons of simplicity and efficiency. A poll of county auditors, North Dakota Association of Counties and North Dakota League of Cities supported using the current allocation system.

This concludes my testimony. I will respond to any questions you may have about this bill.

**REPORT OF STANDING COMMITTEE**

**HB 1019: Appropriations Committee (Rep. Dalrymple, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (22 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1019 was placed on the Sixth order on the calendar.**

Page 1, line 2, replace "and to provide a statement of" with "to amend and reenact section 57-39.2-26.1 of the North Dakota Century Code, relating to deposit and allocation of sales tax revenues in the state aid distribution fund; to repeal sections 54-27-20.2, 54-27-20.3, and chapter 57-58 of the North Dakota Century Code, relating to state revenue sharing distribution and personal property tax replacement; and to provide an effective date."

Page 1, remove line 3

Page 1, line 9, replace "biennium" with "period" and replace "June 30, 1999" with "December 31, 1998"

Page 1, line 11, replace "51,500,000" with "38,625,000"

Page 1, line 12, replace "51,500,000" with "38,625,000"

Page 1, replace lines 13 through 19 with:

**"SECTION 2. AMENDMENT.** Section 57-39.2-26.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-39.2-26.1. Allocation of sales, use, and motor vehicle excise tax revenues ~~to revenue sharing and personal property tax replacement among political subdivisions.~~** Notwithstanding any other provision of law, a portion of sales, use, and motor vehicle excise tax collections equal to ~~sixty~~ forty percent of an amount determined by multiplying the quotient of one percent divided by the general sales tax rate, that was in effect when the taxes were collected, times the net sales, use, and motor vehicle excise tax collections under chapters 57-39.2, 57-40.2, and 57-40.3 must be deposited by the state treasurer in the state aid distribution fund. The state tax commissioner shall certify to the state treasurer the portion of sales, use, and motor vehicle excise tax net revenues that must be deposited in the state aid distribution fund as determined under this section. The Revenues deposited in the state aid distribution fund are provided as a standing and continuing appropriation and must be allocated, subject to legislative appropriation, as follows:

1. ~~Fifty percent of the revenues must be allocated in the first month subsequent to each quarterly period for state revenue sharing as provided in sections 54-27-20.2 and 54-27-20.3.~~ Fifty-three and seven-tenths percent of the revenues must be allocated to counties in the first month after each quarterly period as provided in this subsection.
  - a. Ten and four-tenths percent of the amount must be allocated among counties with a population of one hundred thousand or more, based upon the proportion each such county's population bears to the total population of all such counties.
  - b. Eighteen percent of the amount must be allocated among counties with a population of forty thousand or more but fewer than one hundred thousand, based upon the proportion each such county's population bears to the total population of all such counties.

- c. Twelve percent of the amount must be allocated among counties with a population of twenty thousand or more but fewer than forty thousand, based upon the proportion each such county's population bears to the total population of all such counties.
- d. Fourteen percent of the amount must be allocated among counties with a population of ten thousand or more but fewer than twenty thousand, based upon the proportion each such county's population bears to the total population of all such counties.
- e. Twenty-three and two-tenths percent of the amount must be allocated among counties with a population of five thousand or more but fewer than ten thousand, based upon the proportion each such county's population bears to the total population of all such counties.
- f. Eighteen and three-tenths percent of the amount must be allocated among counties with a population of two thousand five hundred or more but fewer than five thousand, based upon the proportion each such county's population bears to the total population of all such counties.
- g. Four and one-tenth percent of the amount must be allocated among counties with a population of fewer than two thousand five hundred, based upon the proportion each such county's population bears to the total population of all such counties.

A county shall deposit all revenues received under this subsection in the county general fund. Each county shall reserve a portion of its allocation under this subsection for further distribution to, or expenditure on behalf of, townships, rural fire protection districts, rural ambulance districts, soil conservation districts, county recreation service districts, county hospital districts, the Garrison diversion conservancy district, the southwest water authority, and other taxing districts within the county, excluding school districts, cities, and taxing districts within cities. The share of the county allocation under this subsection to be distributed to a township must be equal to the percentage of the county share of state aid distribution fund allocations that township received during calendar year 1996. The governing boards of the county and township may agree to a different distribution.

- 2. Fifty percent of the revenues must be allocated for personal property tax replacement as provided in section 57-58-01. Forty-six and three-tenths percent of the revenues must be allocated to cities in the first month after each quarterly period as provided in this subsection.
  - a. Fifty-three and nine-tenths percent of the amount must be allocated among cities with a population of twenty thousand or more, based upon the proportion each such city's population bears to the total population of all such cities.
  - b. Sixteen percent of the amount must be allocated among cities with a population of ten thousand or more but fewer than twenty thousand, based upon the proportion each such city's population bears to the total population of all such cities.
  - c. Four and nine-tenths percent of the amount must be allocated among cities with a population of five thousand or more but fewer than ten

thousand, based upon the proportion each such city's population bears to the total population of all such cities.

- d. Thirteen and one-tenth percent of the amount must be allocated among cities with a population of one thousand or more but fewer than five thousand, based upon the proportion each such city's population bears to the total population of all such cities.
- e. Six and four-tenths percent of the amount must be allocated among cities with a population of five hundred or more but fewer than one thousand, based upon the proportion each such city's population bears to the total population of all such cities.
- f. Three and five-tenths percent of the amount must be allocated among cities with a population of two hundred or more but fewer than five hundred, based upon the proportion each such city's population bears to the total population of all such cities.
- g. Two and two-tenths percent of the amount must be allocated among cities with a population of fewer than two hundred, based upon the proportion each such city's population bears to the total population of all such cities.

A city shall deposit all revenues received under this subsection in the city general fund. Each city shall reserve a portion of its allocation under this subsection for further distribution to, or expenditure on behalf of, park districts and other taxing districts within the city, excluding school districts. The share of the city allocation under this subsection to be distributed to a park district must be equal to the percentage of the city share of state aid distribution fund allocations that park district received during calendar year 1996, up to a maximum of thirty percent. The governing boards of the city and park district may agree to a different distribution.

**SECTION 3. REPEAL.** Sections 54-27-20.2 and 54-27-20.3 and chapter 57-58 of the North Dakota Century Code are repealed.

**SECTION 4. EFFECTIVE DATE.** Sections 2 and 3 of this Act are effective on January 1, 1999."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**DEPARTMENT 85 - PAYMENTS TO POLITICAL SUBDIVISIONS**

HOUSE - This amendment reduces the amount of funding deposited in the state aid distribution fund from an amount equal to 60 percent of one percent of the net sales, use, and motor vehicle excise tax collections to an amount equal to 40 percent of one percent of the net sales, use, and motor vehicle excise tax collections. In addition the amendment provides that revenues deposited in the state aid distribution fund are appropriated as a continuing appropriation. This change becomes effective January 1, 1999.

The appropriation was reduced to cover the first 18 months of the biennium (the period beginning July 1, 1997, and ending December 31, 1998) after which time the funds are appropriated through a continuing appropriation. The appropriation was thereby reduced from \$51,500,000 to \$38,625,000, a reduction of \$12,875,000. The reduction in the appropriation



**REPORT OF STANDING COMMITTEE (410)**  
**February 20, 1997 3:06 p.m.**

**Module No: HR-32-3355**  
**Carrier: Gerntholz**  
**Insert LC: 78019.0102 Text: .0200**

does not reflect a decrease in the payments to political subdivisions. The \$51,500,000 was decreased proportionately for the time period the appropriation is to cover.