



Senator David Hogue

2024 SUMMER CONFERENCE JULY 9-11

MINOT, NORTH DAKOTA

# Remembering the good ol' ND Association of Telephone Cooperatives Days

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Annual meetings

David Crothers

Formation of DCN

# Why are your members well regarded in ND Legislature

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Continued willingness to serve rural and insular parts of ND that would otherwise be unserved



Aggressive build out of fiber broadband that is appreciated but not widely known

# Why are your members respected in communities?

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## SRT MAKES SIGNIFICANT DONATION TO THE MAGIC CITY DISCOVERY CENTER



# Why are your members respected in communities?

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Consistent support for USF integrity

Support for Lifeline customers

Roll out of broadband across the state and during Covid-19 pandemic

Is ND now 100% served with broadband?

# The Constitutional Property Tax Proposal

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Prohibits political subdivisions from levying taxes based on the assessed value of real property

Requires state to “replace” property tax revenue equal to amount of tax levied by political subdivisions in 2024.

Eliminates issuance of general obligation bonds backed by property tax revenues after effective date of proposal

# What are trends in property tax increases?

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Tax valuations increased at a rate of 3.6% from 2018 to 2021

Tax liability annual increases for property owners has been approximately 4.5% for years 2018-2022.

Source: ND Redbook, page 72

# What is amount of property tax revenue the state must replace?

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Lost revenue state needs to replace is \$ 1.33 billion per year or **\$ 2.67 billion for the biennium.**

This amount includes: commercial property, residential property, agricultural land, wind turbines, and most centrally assessed property, e.g., railroads, pipelines, air carriers, publicly traded utilities.





# What are options of replacing \$ 2.67 Billion of property tax revenue

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Budget cuts?

New taxes?

Reductions in other payments to political subdivisions?

Spend from “rainy day” funds? E.g., Budget Stabilization, Legacy Fund, Strategic Investment and Infrastructure Fund, Common Schools Trust Fund?



# What are options for replacing \$ 2.67 Billion of lost property tax revenue– other taxes

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Sales Tax: based on current figures, 1% increase will raise **\$ 484 million** per biennium.

Corporate Tax: 10% increase yields **\$ 38 million** per biennium.

Motor Fuels Tax: 10 cent per gallon increase yields **\$ 134 million** per biennium.

Individual Income Tax: 10% increase yields **\$ 87 million** per biennium

How about elimination of previous sales tax exemptions? **\$65 million**

# Total revenues from modest tax increases above

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Modest increases yields \$ 808 million.

Measure leaves open possibility of local taxes based on metrics.

But it's clear we must replace the full 2024 levy.

# Reducing what state otherwise provides to political subdivisions

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State Aid distribution for counties and cities: \$ 243 million per biennium; a 10% cut thus yields \$ 24.3 million

Hub city funding for cities with large oil and gas workforce is \$ 98 million; a 10% cut yields \$9.8 million.

Prairie Dog Funding: \$ 230 million per biennium; a 10% cut yields \$ 23 million

Gross Production in lieu of property taxes is \$ 512 million; a 10% cut thus yields \$ 51.2 million

Total savings from a 10% cut to these funds is: \$ 108 million per biennium

Note: DOT funding not included

# Legacy Fund

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Current estimate of value is \$ 10.6 billion

- Constitution forbids spending of principal w/o 2/3rds vote of legislature and then only fraction. See November 2024 results: 15% or 5%?
- How about spending all of the projected \$ 584.5 million earnings of Legacy Fund?
  - \$ 102.6 million to bond repayments
  - \$ 100 million to highway tax distribution fund
  - \$ 225 million for tax relief fund
- Realistically: \$ 150 million to 200 million available for meeting \$ 2.67 billion obligation

# What is long term effect of this tax shift

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State legislature will make spending decisions for all local governments

State will consolidate local governments into regional authorities

- Can we really hear from 53 counties, 100 plus school districts, hundred plus cities?

The centralization of power is the proposal's biggest threat to rural North Dakota