

NEWS

## 10 Cass sales tax questions answered

Cass County voters will head to the polls Tuesday and decide whether to support a half-cent sales tax for flood protection. Following is an attempt to answer some of the more common questions about the tax. Q. What is it? A. Cass County is propos...  
Written By: news@inforum.com | Oct 31st 2010 - 12am.

Cass County voters will head to the polls Tuesday and decide whether to support a half-cent sales tax for flood protection.

Following is an attempt to answer some of the more common questions about the tax.

Q. What is it?

A. Cass County is proposing a half-cent, 20-year sales tax to fund local costs associated with a Red River diversion and other flood risk reduction projects.

When would it take effect?

The countywide tax would begin April 1, 2011, raising the total sales tax to 7½ percent in Fargo and 6½ percent in West Fargo, Casselton, Harwood, Mapleton, Leonard and Oxbow.

How much money will it raise?

The county estimates the tax would generate about \$11 million per year, or \$220 million during its lifespan. That's based on current tax receipts and doesn't account for inflation or increased sales.

What's required for it to pass?

The tax must receive a simple majority - more than 50 percent - of the vote to pass.

How would the money be spent?

Cass County adopted a policy in August outlining how the sales tax proceeds will be spent.

It says the main purpose of the sales tax is to fund local costs associated with a diversion in North Dakota - the locally preferred option - or Minnesota.

The latest numbers, compiled by the city of Fargo, show the costs breaking down like this:

A 35,000-cubic-feet-per-second diversion on the North Dakota side would cost about \$1.5 billion.

The federal government would pick up \$840 million, leaving a \$660 million local share. North Dakota would pay \$594 million of that and Minnesota would pay

\$66 million, based on a 90/10 split that has yet to be confirmed.

Fargo and Cass County would be responsible for half of the North Dakota share, or \$297 million. Again, that's assuming the state will pay half, which hasn't been committed yet.

The costs also don't include money that may be needed to mitigate river stage impacts, as the Army Corps of Engineers is still studying those impacts.

Fargo's half-cent sales tax for flood protection, approved in June 2009, is expected to generate \$200 million over its 20-year lifespan, and the county's tax would match dollar-for-dollar Fargo's contribution to the diversion project.

What about other needs in the county?

According to the county's policy, if additional funding is available (county leaders expect it will be, to the tune of \$1 million to \$2 million a year), that money may be spent on other flood projects in the county.

The funds also may be spent on projects outside Cass County that benefit county residents, such as water retention projects, and to assist property owners downstream affected by the diversion.

The commission will solicit project requests annually and prioritize them.

Commissioners could change the policy as they see fit, but they still would have to adhere to the ballot language, which states the tax is to be used "for the engineering, land purchase, construction, and maintenance of a Red River Diversion and other flood control measures."

How much will the tax cost me annually?

Obviously, this depends on how much one spends, but there are some estimates for the average household.

The county has referred to a study conducted by Austin, Texas-based consultant Impact DataSource in 2008 to project the impact of a proposed half-cent countywide sales tax for economic development (which county voters ultimately rejected that June).

That study found a Cass County household with the median income of \$46,060 in 2007 would pay \$44 annually if a half-cent tax was imposed. Doing the reverse math, that assumes that \$8,800, or about 19 percent, of the \$46,060 would be spent on taxable expenses.

The North Dakota Tax Commissioner's Office's 2008 guide to state and local taxes also estimated the sales tax burden for a Fargo family of three making \$50,000 in 2007.

It estimated the family would pay \$780 in sales tax, based on Fargo's rate of 6½ percent at the time. That breaks down to \$60 per half-cent of sales tax, or slightly higher than the consultant's estimate.

What if the tax passes but the diversion doesn't happen?

Because the tax will take effect April 1, 2011, it will already be in place when the Army Corps of Engineers completes its diversion feasibility study, which is expected - but not guaranteed - to happen in November 2011.

If a diversion project didn't materialize, the county's policy would allow the County Commission to spend the money on other flood projects, and county and city officials say there's plenty of need.

If the county wanted to end the tax early, it could seek a public vote to cancel the tax. By collecting enough petition signatures, voters also could refer the ordinance that the county must pass to put the tax into effect.

If the tax fails, will the diversion project be delayed?

The short answer is no.

Here's the long answer, with information provided by Craig Evans, project co-manager for the Army Corps of Engineers.

The corps has different steps that require the project's sponsors - Fargo and Moorhead - to make financial commitments at various stages of the diversion project.

The cities already signed such an agreement, called a "self-certification of financial capability," to pay the local share of the corps' feasibility study.

They'll have to sign two similar agreements in the future: the first before the corps signs a "design agreement" to share the cost of developing diversion plans and specifications, and the second before the corps signs a "project partnership agreement" for construction.

Because those agreements haven't been signed, the county isn't on the hook for the costs yet.

Tax proponents say securing money for the project from Congress and the North Dakota Legislature will be easier if they can show there's a local funding mechanism already in place.

Aaron Snyder, project co-manager for the corps, said, "We have been asked a number of times from corps division and headquarters as to how the local sponsors will be paying for their share, and having a better understanding of that will help address those questions."

What's the alternative to a county sales tax?

If the county tax fails, the city of Fargo could ask its voters to approve another half-cent city sales tax - an option some city leaders initially favored over the countywide vote.

The County Commission also could bring the county sales tax back to voters at a later date, but only during a primary or general election, County Auditor Mike Montplaisir said. That would be 2012 at the earliest, whereas the city can hold a special election for a sales tax vote.

County Commission Chairman Darrell Vanyo has said that if the tax fails, special assessments would be the county's most likely option for paying the local share of a diversion.

Readers can reach Forum reporter Mike Nowatzki at (701) 241-5528