

Introduced by

1 A BILL for an Act to provide an appropriation for school district property tax relief; to create and  
2 enact sections 57-01-20 and 57-15-01.2 of the North Dakota Century Code, relating to  
3 allocation of school district property tax relief funds and general fund levy limitations of school  
4 districts; to amend and reenact sections 57-15-01.1, 57-15-14, and 57-15-31 of the North  
5 Dakota Century Code, relating to school district general fund levy limitations; to provide a  
6 statement of legislative intent; to provide for a legislative council study; and to provide an  
7 effective date.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1. APPROPRIATION.** There is appropriated out of any moneys in the  
10 general fund in the state treasury, not otherwise appropriated, the sum of \$74,054,859, or so  
11 much of the sum as may be necessary, to the state tax commissioner for the purpose of  
12 allocation of school district property tax relief as provided in section 2 of this Act, for the  
13 biennium beginning July 1, 2007, and ending June 30, 2009. The state tax commissioner shall  
14 allocate \$35,897,132 of this appropriation among school districts in the first year of the 2007-09  
15 biennium and \$38,157,727 of this appropriation among school districts in the second year of the  
16 2007-09 biennium.

17 **SECTION 2.** Section 57-01-20 of the North Dakota Century Code is created and  
18 enacted as follows:

19 **57-01-20. School district property tax relief allocation.** The state tax commissioner  
20 shall allocate funds appropriated by the legislative assembly for school district property tax relief  
21 as provided in this section.

- 22 1. The state tax commissioner shall determine an adjusted combined education mill  
23 rate for each school district using the school district's combined education mill rate  
24 for the 2005 taxable year and subtracting from that mill rate sixty percent of the

maximum number of mills that may be levied by a school district, without voter approval, under section 57-15-14 for the previous year. The adjusted combined education mill rate for a school district may not be reduced to less than zero mills. A school district that has an adjusted combined education mill rate of zero mills under this subsection is not eligible for an allocation under this section.

2. The state tax commissioner shall determine an adjusted combined education levy in dollars for each school district by applying the adjusted combined education mill rate for the school district to the final equalized taxable valuation of property in the school district for the previous year.

3. The state tax commissioner shall total the adjusted combined education levies in dollars for all school districts eligible for an allocation under this section and divide that total into the total amount available for allocation for the budget year to determine the school district property tax relief percentage for the budget year.

4. The state tax commissioner shall multiply the adjusted combined education levy in dollars for each school district times the school district property tax relief percentage for the budget year to determine the school district property tax relief allocation for the school district.

5. The school district property tax relief allocation for each school district must be adjusted by multiplying it times a factor determined by dividing the average taxable valuation per student for all school districts eligible for an allocation under this section by the average taxable valuation per student for the school district. The adjustment factor for a school district under this subsection may not be more than one and twenty-five hundredths or less than seventy-five hundredths. If after applying the adjustment factor the amount to be allocated does not equal the amount available for allocation, the tax commissioner shall further adjust allocations to provide each school district its pro rata share of the amount available for allocation. The state tax commissioner shall transfer the adjusted school district property tax relief allocation determined under this subsection to each school district no later than April fifteenth of the budget year.

6. The state tax commissioner shall certify to each school district by August first of each year the amount of the school district property tax relief allocation for that

1 school district for the next budget year as calculated under this section. The state  
2 tax commissioner shall certify the same information to each county auditor for each  
3 school district in the auditor's county.

4 7. For purposes of this section:

5 a. "Budget year" means the taxable year in which the adjusted school district  
6 property tax relief allocation under this section is to be transferred to school  
7 districts.

8 b. "Combined education mill rate" means the combined number of mills levied by  
9 a school district for the general fund and the number of mills levied for high  
10 school tuition and high school transportation. Any excess levy authority  
11 approved by the qualified electors of a school district after December 31,  
12 2006, must be excluded from the combined education mill rate.

13 c. "Previous year" means the taxable year immediately preceding the year in  
14 which the budget year allocations are determined under this section.

15 **SECTION 3. AMENDMENT.** Section 57-15-01.1 of the North Dakota Century Code is  
16 amended and reenacted as follows:

17 **57-15-01.1. Protection of taxpayers and taxing districts.** Each taxing district,  
18 excluding a school district, may levy the lesser of the amount in dollars as certified in the budget  
19 of the governing body, or the amount in dollars as allowed in this section, subject to the  
20 following:

21 1. No taxing district may levy more taxes expressed in dollars than the amounts  
22 allowed by this section.

23 2. For purposes of this section:

24 a. "Base year" means the taxing district's taxable year with the highest amount  
25 levied in dollars in property taxes of the three taxable years immediately  
26 preceding the budget year. For a park district general fund, the "amount  
27 levied in dollars in property taxes" is the sum of amounts levied in dollars in  
28 property taxes for the general fund under section 57-15-12 including any  
29 additional levy approved by the electors, the insurance reserve fund under  
30 section 32-12.1-08, the employee health care program under section  
31 40-49-12, the public recreation system under section 40-55-09 including any

1 additional levy approved by the electors, forestry purposes under  
2 section 57-15-12.1 except any additional levy approved by the electors, pest  
3 control under section 4-33-11, and handicapped person programs and  
4 activities under section 57-15-60;

5 b. "Budget year" means the taxing district's year for which the levy is being  
6 determined under this section;

7 c. "Calculated mill rate" means the mill rate that results from dividing the base  
8 year taxes levied by the sum of the taxable value of the taxable property in the  
9 base year plus the taxable value of the property exempt by local discretion or  
10 charitable status, calculated in the same manner as the taxable property; and

11 d. "Property exempt by local discretion or charitable status" means property  
12 exempted from taxation as new or expanding businesses under  
13 chapter 40-57.1; improvements to property under chapter 57-02.2; or  
14 buildings belonging to institutions of public charity, new single-family  
15 residential or townhouse or condominium property, property used for early  
16 childhood services, or pollution abatement improvements under section  
17 57-02-08.

18 3. A taxing district may elect to levy up to the amount levied in dollars in the base  
19 year. Any levy under this section must be specifically approved by a resolution  
20 approved by the governing body of the taxing district. Before determining the levy  
21 limitation under this section, the dollar amount levied in the base year must be:

22 a. Reduced by an amount equal to the sum determined by application of the  
23 base year's calculated mill rate for that taxing district to the final base year  
24 taxable valuation of any taxable property and property exempt by local  
25 discretion or charitable status which is not included in the taxing district for the  
26 budget year but was included in the taxing district for the base year.

27 b. Increased by an amount equal to the sum determined by the application of the  
28 base year's calculated mill rate for that taxing district to the final budget year  
29 taxable valuation of any taxable property or property exempt by local  
30 discretion or charitable status which was not included in the taxing district for  
31 the base year but which is included in the taxing district for the budget year.

c. Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district.

4. In addition to any other levy limitation factor under this section, a taxing district may increase its levy in dollars to reflect new or increased mill levies authorized by the legislative assembly or authorized by the electors of the taxing district.

5. Under this section a taxing district may supersede any applicable mill levy limitations otherwise provided by law, or a taxing district may levy up to the mill levy limitations otherwise provided by law without reference to this section, but the provisions of this section do not apply to the following:

a. Any irrepealable tax to pay bonded indebtedness levied pursuant to section 16 of article X of the Constitution of North Dakota.

b. The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota.

~~6. A school district choosing to determine its levy authority under this section may apply subsection 3 only to the amount in dollars levied for general fund purposes under section 57-15-14 or, if the levy in the base year included separate general fund and special fund levies under sections 57-15-14 and 57-15-14.2, the school district may apply subsection 3 to the total amount levied in dollars in the base year for both the general fund and special fund accounts. School district levies under any section other than section 57-15-14 may be made within applicable limitations but those levies are not subject to subsection 3.~~

~~7.~~ Optional levies under this section may be used by any city or county that has adopted a home rule charter unless the provisions of the charter supersede state laws related to property tax levy limitations.

**SECTION 4.** Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

**57-15-01.2. School district optional levy limitation.** Each school district may levy the lesser of the amount in dollars as certified in the budget of the school board, or the amount in dollars as allowed in this section, subject to the following:

1. No school district may levy more taxes expressed in dollars than the amounts allowed by this section.

2. For purposes of this section:

- a. "Base year" means the school district's taxable year with the highest amount levied in dollars in property taxes of the three taxable years immediately preceding the budget year;
- b. "Budget year" means the taxing district's year for which the levy is being determined under this section;
- c. "Calculated mill rate" means the mill rate that results from dividing the base year taxes levied by the sum of the taxable value of the taxable property in the base year plus the taxable value of the property exempt by local discretion or charitable status, calculated in the same manner as the taxable property; and
- d. "Property exempt by local discretion or charitable status" means property exempted from taxation as new or expanding businesses under chapter 40-57.1; improvements to property under chapter 57-02.2; or buildings belonging to institutions of public charity, new single-family residential or townhouse or condominium property, property used for early childhood services, or pollution abatement improvements under section 57-02-08.

3. A school district may elect to levy up to the amount levied in dollars in the base year. Any levy under this section must be specifically approved by a resolution approved by the school board. Before determining the levy limitation under this section, the dollar amount levied in the base year must be:

- a. Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that school district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the school district for the budget year but was included in the school district for the base year.
- b. Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that school district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the school district for the base year but which is included in the school district for the budget year.

1           c. Reduced to reflect expired temporary mill levy increases authorized by the  
2           electors of the school district.

3           d. Reduced by the amount of the school district's property tax relief allocation  
4           under section 57-01-20 for the budget year to the extent that allocation  
5           exceeds the amount of the school district's property tax relief allocation under  
6           section 57-01-20 for the base year.

7       4. In addition to any other levy limitation factor under this section, a school district  
8       may increase its levy in dollars to reflect new or increased mill levies authorized by  
9       the legislative assembly or authorized by the electors of the school district.

10      5. Under this section a school district may supersede any applicable mill levy  
11      limitations otherwise provided by law, or a school district may levy up to the mill  
12      levy limitations otherwise provided by law without reference to this section, but the  
13      provisions of this section do not apply to any irrepealable tax to pay bonded  
14      indebtedness levied, pursuant to section 16 of article X of the Constitution of North  
15      Dakota.

16      6. A school district choosing to determine its levy authority under this section may  
17      apply subsection 3 only to the amount in dollars levied for general fund purposes  
18      under section 57-15-14 or, if the levy in the base year included separate general  
19      fund and special fund levies under sections 57-15-14 and 57-15-14.2, the school  
20      district may apply subsection 3 to the total amount levied in dollars in the base year  
21      for both the general fund and special fund accounts. School district levies under  
22      any section other than section 57-15-14 may be made within applicable limitations  
23      but those levies are not subject to subsection 3.

24      **SECTION 5. AMENDMENT.** Section 57-15-14 of the North Dakota Century Code is  
25      amended and reenacted as follows:

26      **57-15-14. Tax levy limitations in school districts.** The aggregate amount levied  
27      each year for the purposes listed in section 57-15-14.2 by any school district, except the Fargo  
28      school district, may not exceed the amount in dollars which the school district levied for the prior  
29      school year plus ~~eighteen percent~~ two percentage points more than the percentage increase in  
30      the consumer price index, midwest region, for urban consumers, as computed by the United  
31      States department of labor, bureau of labor statistics, for the most recent full calendar year, up

to a general fund levy of one hundred ~~eighty-five~~ sixty-five mills on the dollar of the taxable valuation of the district, except that:

1. In any school district having a total population in excess of four thousand according to the last federal decennial census:

a. ~~There~~ there may be levied any specific number of mills ~~that, not exceeding~~ five percent more than the maximum number of mills the school district may levy under this section or section 57-15-01.2, which upon resolution of the school board has been submitted to and approved by a majority of the qualified electors voting upon the question at any regular or special school district election.

b. ~~There is no limitation upon the taxes which may be levied if upon resolution of the school board of any such district the removal of the mill levy limitation has been submitted to and approved by a majority of the qualified electors voting at any regular or special election upon such question.~~

2. In any school district having a total population of less than four thousand, there may be levied any specific number of mills ~~that, not exceeding~~ five percent more than the maximum number of mills the school district may levy under this section or section 57-15-01.2, which upon resolution of the school board has been approved by fifty-five percent of the qualified electors voting upon the question at any regular or special school election.

3. In any school district in which the total assessed valuation of property has increased twenty percent or more over the prior year and in which as a result of that increase the school district is entitled to less in state aid payments provided in chapter 15.1-27 because of the deduction required in section 15.1-27-05, there may be levied any specific number of mills more in dollars than was levied in the prior year up to a general fund levy of one hundred ~~eighty-five~~ sixty-five mills on the dollar of the taxable valuation of the school district. The additional levy authorized by this subsection may be levied for not more than two years because of any twenty percent or greater annual increase in assessed valuation. The total amount of revenue generated in excess of the ~~eighteen percent~~ increase of two percentage points more than the percentage increase in the consumer price index,



1           midwest region, for urban consumers, as computed by the United States  
2           department of labor, bureau of labor statistics, for the most recent full calendar  
3           year which is otherwise permitted by this section may not exceed the amount of  
4           state aid payments lost as a result of applying the deduction provided in section  
5           15.1-27-05 to the increased assessed valuation of the school district in a one-year  
6           period.

- 7           4. The question of authorizing or discontinuing such specific number of mills authority  
8           or unlimited taxing authority in any school district must be submitted to the qualified  
9           electors at the next regular election upon resolution of the school board or upon the  
10          filing with the school board of a petition containing the signatures of qualified  
11          electors of the district equal in number to twenty percent of the number of persons  
12          enumerated in the school census for that district for the most recent year such  
13          census was taken, unless such census is greater than four thousand in which case  
14          only fifteen percent of the number of persons enumerated in the school census is  
15          required. However, not fewer than twenty-five signatures are required unless the  
16          district has fewer than twenty-five qualified electors, in which case the petition must  
17          be signed by not less than twenty-five percent of the qualified electors of the  
18          district. In those districts with fewer than twenty-five qualified electors, the number  
19          of qualified electors in the district must be determined by the county superintendent  
20          for such county in which such school is located. However, the approval of  
21          discontinuing either such authority does not affect the tax levy in the calendar year  
22          in which the election is held. The election must be held in the same manner and  
23          subject to the same conditions as provided in this section for the first election upon  
24          the question of authorizing the mill levy.

25          **SECTION 6. AMENDMENT.** Section 57-15-31 of the North Dakota Century Code is  
26          amended and reenacted as follows:

27          **57-15-31. Determination of levy.** The amount to be levied by any county, city,  
28          township, school district, park district, or other municipality authorized to levy taxes shall be  
29          computed by deducting from the amount of estimated expenditures for the current fiscal year as  
30          finally determined, plus the required reserve fund determined upon by the governing board from  
31          the past experience of the taxing district, the total of the following items:

1. The available surplus consisting of the free and unencumbered cash balance.
2. Estimated revenues from sources other than direct property taxes.
3. The total estimated collections from tax levies for previous years.
4. Such expenditures as are to be made from bond sources.
5. The amount of distributions received from an economic growth increment pool under section 57-15-61.
6. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.
7. The amount certified to a school district by the state tax commissioner as the school district's property tax relief allocation for the budget year under section 57-01-20.

Allowance may be made for a permanent delinquency or loss in tax collection not to exceed five percent of the amount of the levy.

**SECTION 7. LEGISLATIVE INTENT - LEGISLATIVE COUNCIL STUDY.** It is the intent of the sixtieth legislative assembly that enactment of this Act will initiate an increase in the state's share of elementary and secondary education funding to secure immediate and future benefits to the citizens of the state. These benefits include relief from the expanded property tax burden that has created disparity within the tax structure of the state, enhanced equity of funding to support elementary and secondary education students, enduring property tax reductions, and returning to taxpayers a substantial measure of revenue collections augmented by a robust state economy. It is the further intent of the sixtieth legislative assembly that enactment of this Act will produce a reduction in property tax burdens which, with continued efforts of future legislative assemblies, will result in reduction of each annual property tax bill to not more than one and one-half percent of the true and full value for any parcel of residential property.

The legislative council shall assign a study in each legislative interim through 2012 by the interim committee for taxation issues, for consideration by that committee of compliance with, and future funding sources for, the shift in education funding and taxation policy initiated by enactment of this Act.

**SECTION 8. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2006.