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ROLL NUMBER

DESCRIPTION

1478

2007 HOUSE FINANCE AND TAXATION

HB 1478

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1478

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 01-22-2007

Recorder Job Number: 1517

Committee Clerk Signature

Lisa M Thomas

Minutes:

Chairman Belter opened the hearing on HB 1478.

Rep. Lisa Meier introduced the bill.

Rep. Meier: I wanted to be a sponsor on HB 1478 for one simple reason. I have a son in the public school system in Bismarck for the past twelve years. He has had a fine education in the public school system. This bill would allow parents, grandparents, aunts, uncles and anyone who wanted to donate up to two thousand dollars towards my child's school to do that. Good programs could be enhanced without state funds plus the donator would receive a one thousand dollar state tax break. This to me is a win-win situation. This legislation would benefit both public and private education and I strongly support HB 1478.

Rep. Dosch: (see attached testimony) I do have a couple of items I would like to bring up. First, the fiscal note, it is inaccurate I have spoken with the tax department and they are in the process of and will be providing you with an updated fiscal note. There were incorrect presumptions on it and therefore you can disregard that. The second note I would like to make is if you look at the bill itself and in the title of the bill there needs to be a slight change. Page one, line three where it has "contributions to school districts of" the of should be "or". This bill is for public and non-public schools. I would like to go through and tell you exactly what this bill

does. It is actually quite simple. HB 1478 offers fifty-percent tax credit to anyone who makes a donation or contribution to any public school district or an approved non-public school in the state up to a maximum of one thousand dollars for married tax payers and five hundred dollars for single tax payers. I am excited to talk to you about this bill today because of the positive impact it would have on our schools across the state. This bill is a win-win-win-win bill. What do I mean? It is a win for the donors in our state who want to make a contribution to our education system for they would receive a tax credit. It is a win for the state that will see an inflow of funds into our education system. It is a win for the school districts who receive these funds and a win for our students in our schools.

Rep. Kelsh: The bill states an approved non-public school. Can you define what that would include, such as home schools as well?

Rep. Dosch: The institution has to be approved. You have to be an approved school in the eyes of ND.

Rep. Headland: With the way the state is and you have areas that there are a lot more wealthy people in certain areas than others, do you see this as causing some equity problems within schools and education?

Rep. Dosch: That is the beauty of this bill. It doesn't get into the education funding formula or any of those debates. This is strictly an opportunity for the private individual to donate money to go directly to that school district or approved school when they receive those money, that school could determine what they want to do with their funds. It doesn't get into any of the formulas or equities.

Rep. Headland: I tend to agree with you to a point in that when we try to provide a equitable education let's face it, how is a small town school out in central ND going to be able to, if they

don't have the wealth behind them in the district, how will they be able to offer a fair and equitable education to their students vs. Fargo?

Rep. Dosch: For one, I think you would be surprised at how many wealthy farmers there are in the state of ND. But again, where the differential comes in we are not talking about equity funding here, that is the responsibility of the state to provide. Where it comes in place where you talk about our small rural communities, there are a lot of struggling school districts and this bill gives some of the opportunity. People will give money, but a lot of times they want a little something in return. This will give the opportunity for someone in that small rural community that farmer that has done quite well to say you know what, I know our local school is struggling and I can give them a couple thousand dollars to help them out with some of these programs that aren't funded under the state program. Then he can get a fifty-percent tax credit, the school gets the money and it will help. This doesn't get into equity at all. That is the state's responsibility. This is frosting on the cake if you maybe want to look at it that way.

Rep. Vig: What they do now is a company comes in and buys a couple of score boards or something, would this affect them as well?

Rep. Dosch: No it would not. It doesn't, appropriations aren't permitted under this to give money under this bill. It is strictly with private individuals. Although I have already been approached by some businesses that asked if they can be added.

Rep. Weiler: The fiscal note, on the note itself, half way down, in the paragraph that begins with section one authorizes..It only mentions private schools. It says that donations, the tax credit is for one thousand and five hundred and then it says the estimated fiscal impact assumed approximately sixty five hundred students attend private schools and the tax credit average is eight hundred dollars each. So the fiscal note only mentions private schools and I am a little concerned about that and when I do the math on that it comes up to five million two

hundred thousand, so ten million four hundred thousand for the biennium. I am wondering why there is no mention of public schools in the fiscal note.

Rep. Dosch: That is why the fiscal note before you is incorrect. She did not take that into account. She did not take into account the money actually going to the school system, the two thousand dollars for example. There are a lot of things wrong with the fiscal note and therefore, that is why she relayed to us that she is preparing a revised fiscal note.

Rep. Froseth: There will have to be a fiscal note with this bill?

Rep. Dosch: Yes they are.

Rep. Froseth: If in fact, a dollar or two dollars goes to, the state gets one dollar for every dollar invested. It seems to me then that should come out of the states budget to Elementary and Secondary schools.

Rep. Dosch: First off, like I mentioned, it is not going to be a substantial element in education funding, put it that way. What this will be is to generate enough funds to provide extra dollars to the school district and because these funds are going to be coming from donations from the private sector directly to that school district, it is a whole different element.

Rep. Froseth: It actually isn't a savings to the state budget or anything then?

Rep. Dosch: I do believe that it in the long run and as this catches on, that it will amount to some good dollars going into education from the private sector. We need the option. If people are given the option to say they can contribute to the school, get a tax credit, I think that is the beauty of it. The school district never has enough money and this gives them the ability that if they have extra money in the fund and go to the teachers and let them use it as an incentive. They can increase the student scores and proficiencies and that and if they can contribute something to the school that is going to help with education of the child and have a

supplemental assistance if you will, I think they are going to go after it. I think they are going to find value to this.

Rep. Belter: For the private schools this would be a no brainer, but as far as a public school, if a public school should decide that they are no longer going to pay for sports and then set a fee for sports and the parent would have to come up with that. Under this bill, that parent could make a contribution to the school and then get a tax credit for half that amount so they could actually in essence save half of the fees?

Rep. Dosch: They could use it that way. The other way to look at it is if there is enough money coming in to the funds in that school district, the school district could say they are going to take care of the cost to have ourselves a football team or whatever, where we don't have to go back to the parents and charge a fee for each kid that wants to participate in sports and stuff like that.

Rep. Drovdal: Rich people generally donate in cash. Poor people donate in kind. They volunteer as a coach or transportation or things like that. Would give any flexibility to a school board as far as a dollar amount of what a contribution is in kind and allow them to also share in helping out the districts with a tax credit?

Rep. Dosch: I guess I haven't given that area much thought. I think this is one area and if we can get this going and see how this works that certainly would be something to take a look at.

Rep. Froseth: On line thirteen it says donations or payments of tuition. There are a lot of students that are open enrolling and the parents pay the tuition for that school and this would include all open enrollment tuitions there?

Rep. Dosch: Anyone that donates in that case, public, it would allow those parents to apply for this credit. Yes.

Rep. Grande: I want to head back towards that equity issue. This committee already heard a bill that was to take away the ability from home rule charters to these to be able to use a sales tax to help fund the schools and this body passed that so that we would stop that type of inequity and yet we come through and do this and I see that same kind of inequity happening with your larger school districts or certain areas that would have more wealth base to them. That money is going to pool into that public school you could have salary increases which will cause inequity for hard to fill positions in rural vs. urban, did we have that kind of discussion regarding this bill?

Rep. Dosch: Again, the whole purpose of this bill is to avoid those equity issues. To avoid the property tax issue, the sales tax issue and any other issue now facing education. This bill is dealing with private individuals for making that decision on their own if they want to give money to this school or that school. I would imagine those funds the school district is going to hold separately to do with what they want. They could use those funds for specific purposes to enhance education at their individual schools, without the equity or sales tax issues coming up.

Rep. Grande: That is exactly what the equity fight is all about. Let's use my school district. They end up with this money if it's in foundation but they end up with a multimillion dollar foundation and they are able to enhance all of these different course works and everything that our school district is criticized for having because other school districts can't afford to have them. Now you have just caused that big inequity again. We are trying to avoid that by redoing the whole payment system right now.

Rep. Dosch: I won't pick on Fargo because I think some of the things that you are doing over there to enhance education is exactly what we should be doing. With that being said, this gives the ability not only for Fargo but for anyone else across the state to get involved in that. If the result of this is school districts have a pool of money that they can use to enhance education in

their school district then we have accomplished exactly the purpose of this bill. We are talking about enhancing what schools are able to provide in that environment without going to property tax payers. This is going to be an individual choice by individual tax payers.

Rep. Weiler: About the equity issue, a very small rural school district that gets ten thousand dollars in donations from five different people vs. a large school district that gets five times that amount, their budgets are all different. A small school district has a smaller budget. Proportionately maybe this does not improve the equity issue, but this is not going to harm the equity issue. You can comment on this, but proportionately this is equal anyway.

Rep. Dosch: I agree wholeheartedly with you.

Rep. Schmidt: I stick up for the millionaires in ND. A lot of them are farmers, but you got to remember if he's got two Quonsets out there full of machinery that is valued at a million dollars, but in order for him to turn that into cash he has to sell everything and if he does he doesn't sell it for a million dollars so I think that is a skewed figure that there is a lot of people that have a million dollars worth of equipment and that is an asset but the only part of that twelve hundred dollars in the bank. A millionaire to me is the guy that has a million in the bank.

Rep. Dosch: We are sure that they have an excellent auctioneer such as yourself, they could get that million dollars.

Jack McDonald, State Association of Nonpublic Schools, spoke in support of the bill.

McDonald: We strongly support the bill. See written testimony and proposed amendment.

Rep. Drovdal: If approved, would that also include home schools?

McDonald: I would have to check on that. I know that the home schools have to get approved.

Christopher Dodson, ND Catholic Conference, spoke in support of the bill. See written testimony.

John Jankowski, Superintendent at St. Mary's Central High School, spoke in support of the bill. See written testimony.

Rep. Vig: On page five, what department numbers are these, are they from the district?

Jankowski: Page five is from the ND DPI.

Jon Backes, President of Minot Catholic Schools Foundation, spoke in support of the bill. See written testimony.

Rev. Dr. Ross Reinhiller, administrator of a private Christian school, spoke in support of the bill. See written testimony.

Opposition to HB 1478 was heard at this time.

Bev Nielson, ND School Boards Association, spoke in opposition to the bill.

Nielson: We have had a resolution in our organization for the past probably twenty years opposing tuition tax credits of all forms for private and religious schools and don't see this as any different. One thing I wanted to do but didn't is I need to check with the DPI about whether we allow tuition into schools anymore. I just had something in the back of my head telling me that last session we couldn't get away with that. You either have a tuition agreement between the schools or you open enroll but I need to double check that. I don't see any win in this bill for us. I do see ten million dollars that would be unavailable to go to support your system of public education.

Rep. Weiler: The fiscal note of ten million four hundred thousand that would be the credit but the additional, basically that is twenty one million dollars would be added into all forms of education. You want to go on record as saying you guys don't want the twenty-one million dollars?

Nielson: I am not prepared to say that I accept that assumption. I don't believe the public school is going to get ten million dollars. I don't know from where it would come. When you say

ten million for each I don't understand where the ten million is going to come for the public schools.

Rep. Pinkerton: Do we know what the constitutionality of tuition tax waivers are?

Neilson: In ND I don't think there has been a challenge about a tax credit for tuition, it has clearly been case law on direct aid and I guess you could argue that. As far as the tuition tax credits go, I had a question to do with donating to schools and I wondered whether that including foundations, for instance if I could deduct five hundred dollars of my donation to the Fargo Public School Foundation every year, I would have to pay an ND taxes and I think that would be the case and I think this could end up costing a hole lot more than we think. If contributions for the public school foundation also applied to this, that you might find a lot of people doing that. That is one question I had.

Nick Whitman, Executive Director of the NDEA, spoke in opposition.

Whitman: We reluctantly oppose this. The NDEA has been one of the partners in a commission that has worked for the last year and a half to overhaul the funding formula in the state and the recommendations that came out of the committee were based on the existing tax structure. We have some concerns about the potential changes in both impact on adequacy and equity that could come as a result of this change in law.

Rep. Weiler: So would you guys like to be removed from the bill?

Whitman: No, I am not saying that at all. I think I am going to be honest with you, I'm not an expert on this bill, I have recently arrived in ND, and this is my third week on the job. In that time period I attended the last of the commission meetings went through the numbers and we looked at that based on the current situation the tax law. Simply saying without an analysis that we would like to be removed, I am not prepared to say that. I am saying that our opposition

today is reluctant because we generally support any positive support financially for education.

Because of the potential tax implications, that is why we are opposed today.

Rep. Wrangham: Are teachers from private schools, are they members of your union?

Whitman: No.

Rep. Belter: Are they not members or are they allowed being members?

Whitman: I believe that they are not allowed to be.

Rep. Belter: *(To Joe Becker of the Tax Dept.)* Does this apply to foundations?

Becker: I am not sure. We don't think so but we are not sure.

Rep. Froseth: I think we need a new fiscal note apparently this will pertain to every student in the private school and I don't know how many students we have in the ten private schools across ND. We need a new fiscal note and look at this pretty carefully.

The hearing was closed. No action was taken at this time.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1478 B

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1588

Committee Clerk Signature

Mickie Schmidt

Minutes:

Chairman Belter opened the hearing on HB 1478. I'm going to hold this. Someone mentioned that they would maybe want to do some amendments on this. Rep. Grande, were you interested in an amendment?

Representative Grande: I wouldn't mind amending it that we remove the public schools; they don't seem to want to be a part of it.

Representative Pinkerton: What if we have an Attorney General's opinion on this Bill. (He stated that Milwaukee had a similar legislation and explained their situation.) I think you might have trouble with this Bill even if with a donation to a non public school, but it is put in as a payment for tuition. The way this is written, it only affects three schools in the State, its Minot, Bismarck and Fargo catholic systems. Those are the only non public accredited schools in the State. This is like a bomb.

Chairman Belter: Wasn't there amendments here to change "accredited" to "approved"?

Vice Chairman Drovda: There was a suggestion in line 11 for that so it would cover the other non public schools. Also we need to change the wording on line 3, because it doesn't make any sense at all.

Representative Froseth: The title doesn't follow the Century Code, section 1.

Chairman Belter: Rep. Pinkerton, are you saying the gentleman that testified from Shiloh, that they don't qualify for it?

Representative Pinkerton: Absolutely not.

Representative Grande: In Minot?

Representative Pinkerton: They don't have an accredited Principal and Superintendent that have credentials. They have to have an accredited Librarian and Special Ed services. This is my understanding.

Representative Grande: I'd like to check on that because we were considered accredited at Oak Grove and we didn't have all of those services. How we did it was when we would write it up, they just had different titles. That's how we justified it. I remember the accredited issue was lengthy and difficult, they always held accreditation.

Representative Pinkerton: I met with the Superintendent of Catholic Schools and he was very specific about what was approved and he felt that maybe the DPI had a hand in this Bill to put that word accredited in there to try to force a higher standard of education into some of these schools that are not accredited.

Representative Froseth: I think there are more questions on this Bill, on line 13 it says payments of tuition and I asked the question does this include payment of tuition for open enrollment. Is the State liable for the tuition portion credit to that parent for the tuition he pays? I think it's too vague and I didn't get an answer to that question. That could amount to a lot of students.

Chairman Belter: Rep. Grande, will you check on this?

Representative Grande: Yes

Representative Owens: I agree with the Rep. on that. I think it would. I think you'd see everyone doing open enrollment everywhere; it's a tax deduction the way it's written right now.

(He stated that the Supreme Court listened to a Bill for Cleveland schools and went on to explain it) I'm concerned if we don't have that wide option for people to go that that would create a problem.

Chairman Belter: Any other comments? We'll close the hearing on HB 1478.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1478 C

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: 2181

Committee Clerk Signature

Micki Schmidt

Minutes:

Chairman Belter opened the hearing on HB1478. I have amendments for this.

Representative Froseth: (See attachment #1) Rep. Dosch gave me these amendments to me, his father passed away so he could not be here.

The way he explained them to me is page 1, line 3 is just a correction of the word that should have been "of districts," should have been "or districts. "

Page 1, line 11; it includes a credit or approved schools.

Line 12; it replaces kindergarten rather than being grades K-12 or 1-12. The reasoning behind that is because a lot of schools have no kindergarten, some have part time and half time.

On line 13; it removes the "or payment of tuitions for 1 or more students", so this will not include the costs of people paying tuition. It will only be for donations to these school districts that qualify.

On page 14; it lowers the credit from \$1000 to \$500 for joint return and from \$500 to \$250 for single return.

So this would basically cut the fiscal note to less than ½. It only pertains to donations.

Chairman Belter: This doesn't take out the publics?

Representative Froseth: No.

Representative Weiler: If we pass these amendments, I believe what this Bill is then going to do is that if anybody wants to make a donation to a school district, whether it's public or private school, they are going to receive a \$500 or \$250 dollar credit. The donation cannot be tuition. It takes out the tuition. If you donate to your child's school to help them buy basketball uniforms, you're going to get a credit against your taxes for that. My only question is that I think that it's going to knock the fiscal note down to a very small amount of dollars. I don't know if you talked to the Tax Dept. or not but, the reason why the fiscal note was so high is because they took into account every tuition. If you look at the original fiscal note, halfway down the page it says, the estimated fiscal effect assumes approximately 6500 students attend private schools and the tax credit average is about \$800.00 each and that's where they come up with that \$10,400,000 figure. So if you knock out tuitions, that's next to nothing, now what you're talking about is donations, and there might not be a lot of donations. I would like an updated fiscal note

Chairman Belter: Do you want to put these amendments on today?

Representative Froseth: I would move the amendments.

Representative Brandenburg: Second it.

Chairman Belter: Is there any discussion?

Representative Pinkerton: This is an entirely different Bill with the amendments. I had asked for the Attorney General's opinion on it.

Representative Headland: I think the way this amendment neuters the Bill down; basically we're just going to allow for a tax credit for something that people are already doing. They can get a tax credit now for donating to the purchase of new uniforms for kids. We're asking people to do that already, now we're just going to give them a tax credit. I think people are doing it

without a tax credit, so I think the amendments changes the whole Bill and I don't think I could support it.

Vice Chairman Drovdal: Are we debating on do pass or do not pass? I donate to the schools whether or not there is a tax credit.

Representative Brandenburg: Some people deserve a credit for donating, we should encourage it more.

Representative Weiler: The School Boards Association opposed it. They opposed it because they don't want more of their money being taken away.

Chairman Belter: Any other discussion? All those in favor of the proposed amendments signify by saying aye. **The motion carries.** We won't act on this today. We'll close the hearing on HB 1478.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1478 D

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: 2372

Committee Clerk Signature

Micki Schmidt

Minutes:

Chairman Belter opened the hearing on HB 1478 and asked the committee if anyone had amendments.

Representative Froseth: I will move the amendments, # 0201.

Representative Brandenburg: Second it.

Chairman Belter: Is there any discussion?

Representative Weiler: Could we just get a brief explanation for the committee?

Representative Froseth: Rep. Dosch brought these amendments to me the other day because he knew he couldn't be here. What the amendments do is; **(See attachment #1)**

Chairman Belter: Any discussion?

Representative Weiler: If we do get this passed, this will have to go to Appropriations, correct?

Chairman Belter: Yes.

Representative Weiler: The fiscal note is going to be greatly affected by the amendment. It will bring it down.

Representative Froseth: Rep. Wald has an interest in this Bill and he gave me this list of non public schools. There are 55 non public schools in the State. They had a total enrollment of K-

12 of 6,510 students. The number of income tax returns filed were; 328,228, and the number of returns to zero tax liability is 69,852 for 21% of the returns filed that do not have a tax liability. So they would be not affected by this anyway. The number of returns with tax liability from \$1 dollar to \$1,000 dollars is \$201,000; 61% of the tax returns filed. I don't know exactly what that information does to this Bill, but he wanted me to present this information to the committee for considering this Bill.

Representative Weiler: Basically what that means is that even if they come out with a fiscal note that is greatly reduced of the families that attend non-public schools, 21% of them don't even pay any taxes, so they wouldn't be getting anything anyway. So what that means is that the fiscal note is going to be reduced even more, because of the fact that many families don't even have to have a tax line break.

Representative Froséth: I would move the amendments.

Representative Headland: Second it.

Chairman Belter: Is there any discussion? If not, all those in favor of the proposed amendments signify by saying aye. The motion carries. I would ask for a motion on the Bill, I guess I'm not going to support the Bill regardless of what your motion is because there really isn't much left in the Bill at this point, but I'll ask for a motion.

Representative Brandenburg: Do Pass as Amended & Rerefered to Appropriations.

Representative Weiler: Second it.

Chairman Belter: Is there any discussion?

Representative Froelich: Do they go to public scholars or private scholars or both?

Representative Weiler: This isn't college.

Representative Froelich: No, I understand, but I'm trying to correlate it. I know there's a federal deal to go to college because I think my son would qualify for; well take a look at UND, a public college, vs. Mary College, how does that work?

Donnita Wald, Legal Counsel for Tax Dept.: Are you asking does this affect higher education?

Representative Froelich: I understand that, I'm trying to see if there's a correlation here. What we're doing here on a State level vs. with the federal taxes. I know on the federal level, my son goes to UND and receives this tax credit from the federal law. Now if my son went to a private institution, would he still be eligible?

Donnita Wald: Yes.

Representative Froelich: My point being Mr. Chairman, this isn't far off from the federal law.

Vice Chairman Drovdal: This is kind of a difficult Bill for me. We have some private schools in our District and they do an excellent job with their kids there. They're achieving, they've been there for a long time and the students that have graduated out of there are achieving excellent results and good citizens. But still, I look at that we are responsible to support our public schools and this does take money out of the State Treasurer that eventually goes to their public schools. Not only does it affect it that way but in my home district where we have an excellent private school, it actually takes students from the public schools so they're declining at home and they're losing their funding in the public school that would be there if the students were there. That's \$3,000 a year so it kind of gives them a double hit, so I'm afraid that I'm going to have to oppose the Do Pass also.

Representative Froseth: This wouldn't happen to be on the long form?

Donnita Wald: I think it is on the short form.

Chairman Belter: So that means another line. Is there any other discussion?

Representative Pinkerton: Does that mean that the fiscal note won't go into affect until the tax year 2008?

Chairman Belter: That's correct. Wait, no the effective date is December 31, 2007, not 2008.

Representative Pinkerton: (couldn't hear)

Donnita Wald: (couldn't hear)

Chairman Belter: Ok, is there any other discussion? Would the clerk read the roll; **5-y; 8-n; 1-absent; the motion failed.** I would entertain another motion.

Representative Weiler: I make a motion to further amend to put it on the long form.

Representative Headland: Second it.

Chairman Belter: Is there any discussion? All in favor of the proposed amendments signify by saying aye; opposed; **Ok, lets do a roll call vote;6-y; 7-n; 1-absent; the motion fails.**

Representative Wrangham: Mr. Chairman, I move a Do Not Pass as Amended.

Vice Chairman Drovdal: Second it.

Chairman Belter: Any discussion? **Will the clerk read the roll; 6-y; 7-n; 1-absent; the motion fails.**

Representative Weiler: I believe that the Do Pass failed and the Do Not Pass failed; I don't know what to do...

Representative Wrangham: I move a Do Not Pass as Amended.

Chairman Belter: We just did that and it failed.

Representative Wrangham: I know, but maybe we'll have some discussion and maybe someone will explain why they voted on both sides. Obviously they were because both of them failed. I would like to hear from those whom changed their votes, why they did?

Representative Pinkerton: Second it.

Chairman Belter: Now...is there any discussion?

Representative Headland: Ok, I've got to clarify this; we killed the second amendment to put it on the long form. It's still going to go on the short form? Ok.

Chairman Belter: Will the clerk read the roll; **8-y; 5-n; 1-absent; Rep. Headland will carry the Bill.** The hearing was closed.

FISCAL NOTE
Requested by Legislative Council
02/02/2007

Amendment to: HB 1478

1A. 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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Eng. HB 1478 provides for an individual income tax credit for donations to a school district or private elementary and secondary schools.

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.*

The total amount of donations to school districts or to private schools that occur or will occur with the passage of this bill are unknown. It is not possible to estimate the fiscal impact of the tax credit provisions of Eng. HB 1478.

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.*

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

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/04/2007

FISCAL NOTE
Requested by Legislative Council
01/16/2007

Bill/Resolution No.: HB 1478

1A. 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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$10,400,000)			
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. 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 1478 provides for an individual income tax credit for private elementary and secondary school tuition paid, or a donation made to a private K-12 school.

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 authorizes an individual income tax credit equal to 50% of the qualifying contributions, up to \$1000 per tax year for joint filers, \$500 per tax year for single filers. The estimated fiscal impact assumes approximately 6500 students attend private schools, and the tax credit averages \$800 each.

Section 1 of the bill also allows a tax credit for donations to private schools. The fiscal impact of this provision is unknown.

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.*

The tuition component of HB 1478 is expected to result in a reduction in state general fund revenues of approx. \$10.4 million for the 2007-09 biennium. The additional revenue loss from tax credits for donations are unknown.

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.*

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

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
--------------	----------------------	----------------	----------------------------

Phone Number: 328-3402

Date Prepared: 01/21/2007

HB 1478
#1 1-29-07 pm
70464.0201
Title.

Prepared by the Legislative Council staff for
Representative Dosch
January 25, 2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1478

Page 1, line 3, replace "of" with "or"

Page 1, line 11, after "accredited" insert "or approved"

Page 1, line 12, replace "kindergarten" with "one" and remove "grade"

Page 1, line 13, remove "or payment of tuition for one or more students attending the"

Page 1, line 14, remove "school" and replace "one thousand" with "five hundred"

Page 1, line 15, replace "five" with "two" and after "hundred" insert "fifty"

Renumber accordingly

Date: 1-31-07

Roll Call Vote #: 1478 D ①

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____

Finance & Tax _____

Committee _____

☐ Check here for Conference CommitteeLegislative Council Amendment
Number _____

Action Taken

Do Pass As Amended & Rerefer to AppropriationsMotion Made
By _____

Seconded By _____

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter		✓	Rep. Froelich	✓	✓
Vice Chairman Drovdal		✓	Rep. Kelsh		✓
Rep. Brandenburg	✓		Rep. Pinkerton	✓	✓
Rep. Froseth		✓	Rep. Schmidt		✓
Rep. Grande	✓	✓	Rep. Vig		✓
Rep. Headland		✓			
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham		✓			

Total (Yes)

5

No

8

Absent

1

Floor

Assignment _____

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

Failed

Date: 1-31-07
Roll Call Vote #:

(2)

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House Finance & Tax Committee

☐ Check here for Conference Committee

Legislative Council Amendment
Number

Action Taken

Pass Amendment Roll To Further Amend
to put on long form

Motion Made
By

Rep. Weiler

Seconded By

Rep. Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter		✓	Rep. Froelich	✓	
Vice Chairman Drovdal		✓	Rep. Kelsh		✓
Rep. Brandenburg	✓		Rep. Pinkerton		✓
Rep. Froseth	✓		Rep. Schmidt		✓
Rep. Grande			Rep. Vig		✓
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham		✓			

Total (Yes) 6 No 7

Absent 1

Floor
Assignment

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

Pass

Date: 1-31-07
Roll Call Vote #: 1478

(3)

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee _____

☐ Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken

Do Not Pass as Amended

Motion Made
By

Rep. Wrangham

Seconded By

Rep. Drovdal

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich		✓
Vice Chairman Drovdal	✓		Rep. Kelsh	✓	
Rep. Brandenburg		✓	Rep. Pinkerton		✓
Rep. Froseth		✓	Rep. Schmidt	✓	
Rep. Grande		✓	Rep. Vig	✓	
Rep. Headland		✓			
Rep. Owens		✓			
Rep. Weiler		✓			
Rep. Wrangham	✓	✗			

Total (Yes) 6 No 7

Absent 1

Floor
Assignment _____

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

Fails

Date: 1-31-07
Roll Call Vote #: 1478 4

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee

☐ Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Do Not Pass As Amended

Motion Made By Rep. Wrangham Seconded By Rep. Pinkerton

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich		✓
Vice Chairman Drovdal	✓		Rep. Kelsh	✓	✓
Rep. Brandenburg		✓	Rep. Pinkerton		✓
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande	✓		Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens		✓			
Rep. Weiler		✓			
Rep. Wrangham	✓				

Total (Yes) 8 No 5

Absent 1

Floor Assignment Rep. Headland

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

REPORT OF STANDING COMMITTEE

HB 1478: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO NOT PASS** (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1478 was placed on the Sixth order on the calendar.

Page 1, line 3, replace "of" with "or"

Page 1, line 11, after "accredited" insert "or approved"

Page 1, line 12, replace "kindergarten" with "one" and remove "grade"

Page 1, line 13, remove "or payment of tuition for one or more students attending the"

Page 1, line 14, remove "school" and replace "one thousand" with "five hundred"

Page 1, line 15, replace "five" with "two" and after "hundred" insert "fifty"

Renumber accordingly

2007 TESTIMONY

HB 1478

HB 1478A

#1 1-22-07 am

FINANCE AND TAXATION COMMITTEE

Chairman Belter

HB # 1478

Testimony In Support Of HB 1478

Chairman Belter and members of the Finance and Taxation Committee, for the record my name is Mark Dosch District 32 (South Bismarck) I come before you today in support of HB 1478.

First I would like to note an error in the title. Line 3 "of" should be "OR".

What does this bill do?

HB 1478 offers a 50% tax credit to anyone who makes a donation or contribution to any public school district or an approved nonpublic school in the state up to a maximum of \$1,000 per married taxpayers or \$500 per single tax payer.

Mr. Chairman and members of the committee I am excited to talk to you about this bill today because of the positive impact it would have on our schools across the state. This bill is a win, win, win, win bill. What do I mean? It is a win for donors in our State that wants to make a contribution to our education system for they would receive a tax credit. It is a win for the State, who will see an inflow of funds to our education system. It is a win for the school district who receives these funds, and a win for our students in our schools.

The beauty of this bill is that it does not fight for funds from property taxes, or from the state foundation aid payments or from any other funds currently dedicated to education funding. This bill for the first time will make it attractive and provide incentive for private individuals to give money to our education system.

A few years ago, I read an article in one of the financial magazines that stated that ND has more millionaires' per-capata than any where else in the country. Make no mistake; there are a lot of people with money in ND. Unfortunately up to now, there was little incentive for people to actually donate money to education. This bill will provide this incentive. Now I'm

not suggesting that this is a cure all for education funding. Rather I view it as an enhancement to the education system.

Any school administrator will tell you that each year there is some project at their schools that have to go unfunded or undone because the money just isn't there. Funds for example to cover the costs of field trips to parks or museums, or after-school programs, or new play ground equipment, or how about to fund teacher bonuses for increasing student proficiency scores or new computer or chemistry equipment, are just a few examples that these funds could be used for.

It is an opportunity for parents or grandparents of our kids to give money to the school districts to enhance the quality of our kid's education. It's an opportunity for alumni to make a donation to their grade or high school, or other wealthy individuals who may be looking for a tax break.

Another big benefactor could be a school districts endowment funds. There is no doubt that this would make a huge difference in their fund raising efforts, affecting education in years to come.

Think about this, for every 2 dollars given to education, the cost to the state is only \$1 tax credit. That's a 100% return for the state.

This bill is no doubt a win for the state, win for the donor, and win for the school district and a win for the students across ND.

Mr. Chairman and members of the committee give this bill a chance to open a new door in education funding, to open up an opportunity to all citizens across the state to play a roll in our education of our youth. We have nothing to lose and everything to gain. Thank you for this opportunity to appear before you today. Your support of this bill and education funding is greatly appreciated.

1-22-07 am
#2 HB 1478

January 22, 2007

HOUSE FINANCE AND TAXATION COMMITTEE
HB 1478

CHAIRMAN BELTER AND COMMITTEE MEMBERS:

My name is Jack McDonald. I am appearing today on behalf of the State Association of Non-Public Schools (SANS). We strongly support HB 1478 and urge a do pass with the amendment we are offering at the bottom of my testimony.

This bill will provide some much needed relief for parents of children in the state's private schools who are now paying two tuitions for each of their children: one in the form of property taxes to support their local public schools, and the other with a check to pay tuition at the school of their choice.

Many of the state's private schools choose to be "approved" rather than "accredited" for a number of reasons, so we ask that you please adopt our proposed amendment before you give a unanimous do pass to this bill.

If you have any questions, I will be happy to try to answer them. THANK YOU FOR YOUR TIME AND CONSIDERATION.

PROPOSED AMENDMENT TO HB 1478

On page 1, line 11, after "accredited" insert "or approved"

Renumber accordingly.

1-22-07
#3 HB 1478



*Representing the Diocese of
Fargo and the Diocese
of Bismarck*

Christopher T. Dodson
Executive Director and
General Counsel

To: House Finance and Taxation Committee
From: Christopher T. Dodson, Executive Director
Subject: House Bill 1478 (Tax Credit for Contributions to School Districts and Nonpublic Schools)
Date: January 22, 2007

The North Dakota Catholic Conference supports House Bill 1478.

House Bill 1478 recognizes and helps North Dakotans who contribute to the education of our state's children, whether they attend a public school or a nonpublic school. Throughout the state, schools struggle to keep up with the costs of educating our children. Contributions from the private sector towards the cost of education should be encouraged. Providing a tax credit is one way to do that.

By providing a limited tax credit for parents who have made tuition payments, HB 1478 acknowledges the sacrifices parents make in order to provide what they have determined is the best education for their children.

The most important reason, however, to support House Bill 1478 is to help those most in need. Parents may have the right to choose where to educate their children, but that right means nothing if the cost is beyond their means. Not only would House Bill 1478 directly help those parents have a real choice, it would also encourage contributions by others that can go to scholarships for those in need.

The economic challenges experienced by some families extend to entire communities. Those communities face unique additional challenges when it comes to educating their children. By providing a tax credit for contributions to public school districts, House Bill 1478 can help encourage donations to those districts.

The North Dakota Catholic Conference supports House Bill 1478 as a means to help all families and communities, especially those most in need. We ask for a **Do Pass** recommendation.

1-22-07

#4 HB 1478

HB 1478

House Finance and Taxation Committee

Representative Belter Chairman

My name is John Jankowski, superintendent at St. Mary's Central High School here in Bismarck.

This testimony to the House Finance and Taxation Committee is to request your consideration for HB 1478. HB 1478 is not a bill of providing dollars to school districts or non public schools in the state of North Dakota. It's a bill to provide a tax credit to your constituents for making a contribution to their school whether the school is a public school district or a non public school.

Yes the bill defines a contribution as donation or payment of tuition. The opponents of this bill would have you believe that this bill can't be passed because it supports a non public school. I'm not sure why they would believe this.

I imagine part of the reasoning is that they see a non public school as a threat. This certainly isn't true. I have a tremendous amount of respect for the Bismarck Public School system. They do an excellent job in educating the students in Bismarck. I would like to believe that there is a healthy competition between our schools to get better. If SMCHS were to close there certainly would be a financial impact on the school district. It would take an additional \$967,000 in foundation aid and a \$1.2 million dollars in local tax revenue. I have attached this information to my handout.

I don't believe that if you pass this bill it will necessarily mean an increase in enrollment for my school. What I believe it will do is to give my parents more disposable income to

carry on their lives each and every day. Parents of non-public schools will continue to pay their property tax, continue to pay their sales tax, and continue to pay their income tax which all support their public school district directly or indirectly. This bill will just make their lives a little easier.

I started my career 30 years ago at St. Mary's High School in New England, now the state prison for women. I have worked in 3 public school districts and 2 other non-public schools in this state. At each and every one, money was an issue. We always had the discussion of how to generate more dollars to carry on the goals of the school. How could we get taxpayers to support our schools? Many school districts in the state have established foundations for education to provide funds to support the various programs necessary to provide a quality education for their students. At one the public school district that I worked at we had over 40 different fund-raising activities.

Will the passage of this bill eliminate all fund-raising that is done for school districts and non-public schools? Certainly not, but it will help the local taxpayer when they are asked to make that donation. It will help non-public school parents as they write out their tuition checks.

It will give those parents a few dollars more to make their daily life just a little easier.

Thank you for your consideration.

Finance Facts

St. Mary's Central High School & Bismarck Public Schools

2005-06

St. Mary's Central High School Enrollment

Grades 9-12
2005-06

350

Bismarck Public Schools

Cost Per Student
2004-05

\$ 6,257.00

Additional Cost

\$2,189,950.00

Foundation Aid
2005-06 payment per student

\$ 2,765.00

SMCHS Enrollment

350

Total Additional Foundation Aid

\$ 967,750.00

Additional Local Expenditure Needed

\$1,222,200.00

Foundation Aid Per Pupil and Transportation Payments
2005 - 2007 Biennium

FOUNDATION AID PAYMENTS		2005-06	2006-07
Base Payment		\$2,765	\$2,879
	Weighting Factor	Weighted Payment	Weighted Payment
Preschool	1.1871	\$3,282.33	\$3,241.18
Kindergarten	0.6562	\$1,814.39	\$1,931.81
Grades 1-6 (Less than 100)	1.3619	\$3,765.65	\$3,988.57
Grades 1-6 (100 or more)	1.0067	\$2,783.53	\$2,897.43
Grades 7-8	1.0080	\$2,787.12	\$2,891.38
Grades 9-12 (Less than 120)	1.2836	\$3,549.15	\$3,703.55
Grades 9-12 (120-299)	1.0254	\$2,835.23	\$2,966.23
Grades 9-12 (300 or more)	1.0000	\$2,765.00	\$2,879.00
OTHER PAYMENT RATES		2005-06	2006-07
Teacher Compensation (fte)		\$3,000	\$3,000
1st Year Teacher Compensation (fte)		\$1,000	\$1,000
		Interim Rate	
Summer School Programs - High School (wpu)		\$1,800	\$1,800
Summer School Programs - Remedial Elem (wpu)		\$1,800	\$1,800
Special Education (ADM)		\$188	\$190
Tuition Apportionment (6-17 census)		\$349	\$349
Home Education (wpu)		\$1,382.50	\$1,439.50
TRANSPORTATION AID PAYMENTS		2005-06	2006-07
Rural Vehicles (Less than 10)		\$ 0.40 per mile	Block Grant
Rural Vehicles (10 or more)		\$ 0.67 per mile	Block Grant
Rural Pupils Transported (10 or more)		\$ 0.40 per pupil day	Block Grant
In-city Vehicles (Less than 10)		\$ 0.25 per mile	Block Grant
In-city Vehicles (10 or more)		\$ 0.50 per mile	Block Grant
In-city Rides		\$ 0.20 per ride	Block Grant
Family Transportation (one way per day)		\$ 0.40 per mile	Block Grant
School district equalization factors (NDCC 15.1-27-05)		2005-06	2006-07
a. Local Share (mill deduct)		38 mills	41 mills
(Taxable valuation times statutory mill rate)			
b. Excess Fund Balance Deduct		50%	50%
(Ending fund balance in excess of statutory percentage of general fund expenditures - \$20,000)			
c. Minimum Levy Deduct		140 mills	140 mills
(Number of general fund mills below the statutory minimum times the taxable valuation of the district)			

Note: Transportation payments in the first year will be based on the formula in law at 6/30/2001. In the second year transportation will be block granted based on the first year payments.

Summer program payments will be capped at 1.5% of the per student and transportation appropriation.

EXPENDITURE CALCULATION OF AVERAGE COST PER PUPIL FOR 2004-2005

RANK ORDER OF HIGH SCHOOL DISTRICTS

BY 2004-2005 AVERAGE COST PER PUPIL

RANK ORDER OF HIGH SCHOOL DISTRICTS

BY 2004-2005 AVERAGE COST PER PUPIL

Rank No.	Co. No.	Dist. No.	District Name	Average Daily Membership	Average Cost	Rank No.	Co. No.	Dist. No.	District Name	Average Daily Membership	Average Cost
61	39	018	Fairmount 18	111	7,906	101	01	013	Hettinger 13	346	6,648
62	40	003	St John 3	319	7,800	102	51	001	Minot 1	6,901	6,642
63	33	001	Center-Stanton 1	280	7,745	103	50	079	Fordville 79	75	6,533
64	12	001	Divide County 1	284	7,720	104	45	034	Richardton-Taylor 34	282	6,591
65	31	001	New Town 1	727	7,712	105	28	001	Montefiore 1	208	6,569
66	36	044	Starkweather 44	95	7,692	106	40	004	Mt Pleasant 4	308	6,568
67	53	002	Nesson 2	166	7,632	107	15	015	Strasburg 15	187	6,566
68	10	019	Munich 19	113	7,600	108	47	010	Pingree-Buchanan 10	159	6,501
69	22	028	Tappen 28	102	7,572	109	52	038	Harvey 38	492	6,454
70	21	009	New England 9	224	7,535	110	10	023	Langdon Area 23	502	6,432
71	47	014	Montpelier 14	109	7,472	111	48	008	Southern 8	233	6,374
72	15	006	Hazellon-Moffit-Braddock 6	143	7,452	112	26	019	Wishek 19	247	6,320
73	31	003	Parshall 3	278	7,449	113	13	016	Killdeer 16	402	6,275
74	40	029	Rolette 29	188	7,361	114	50	020	Minto 20	227	6,270
75	51	028	Kenmare 28	284	7,321	115	23	003	Edgeley 3	237	6,264
76	18	128	Midway 128	246	7,287	116	08	001	Bismarck 1	11,325	6,257
77	09	001	Fargo 1	11,477	7,274	117	09	006	West Fargo 6	5,634	6,235
78	46	019	Finley-Sharon 19	188	7,230	118	21	001	Mott-Regent 1	272	6,204
79	47	003	Medina 3	164	7,218	119	45	001	Dickinson 1	2,630	6,147
80	18	129	Northwood 129	320	7,213	120	39	042	Wyndmere 42	244	6,142
81	38	026	Glenburn 26	273	7,200	121	50	106	Edinburg 106	133	6,132
82	26	009	Ashley 9	166	7,061	122	46	010	Hope 10	139	6,110
83	49	007	Hutton 7	239	7,050	123	24	002	Napoleon 2	244	6,074
84	51	161	Lewis and Clark 161	393	7,048	124	29	027	Beulah 27	809	6,054
85	28	050	Max 50	165	7,037	125	20	018	Griggs County Central 18	337	6,047
86	03	006	Leeds 6	185	7,034	126	45	013	Belfield 13	236	6,045
87	34	027	Walhalla 27	284	7,023	127	23	008	LaMoure 8	324	6,043
88	03	009	Maddock 9	203	7,015	128	15	036	Linton 36	350	6,030
89	27	001	McKenzie Co 1	579	6,934	129	37	022	Enderlin 22	326	6,004
90	25	060	TGU 60	381	6,878	130	41	006	Sargent Central 6	300	5,988
91	31	002	Stanley 2	344	6,867	131	05	001	Bottineau 1	771	5,973
92	30	039	Flasher 39	215	6,857	132	22	026	Steele-Dawson 26	301	5,955
93	28	051	Garrison 51	355	6,802	133	45	009	South Heart 9	246	5,926
94	06	001	Bowman 1	404	6,793	134	28	004	Washburn 4	327	5,901
95	30	048	Glen Ullin 48	215	6,783	135	36	001	Devils Lake 1	1,940	5,890
96	32	001	Dakota Prairie 1	329	6,776	136	41	003	North Sargent 3	203	5,824
97	35	005	Rugby 5	555	6,772	137	49	009	Hillsboro 9	430	5,821
98	34	006	Cavalier 6	502	6,763	138	30	001	Mandan 1	3,318	5,792
99	18	001	Grand Forks 1	8,137	6,722	139	49	014	May-Port CG 14	594	5,790
100	39	028	Lidgerwood 28	208	6,718	140	41	002	Milnor 2	281	5,751

Testimony of Jon Backes
Before the House Finance and Taxation Committee
Regarding House Bill 1478

Mr. Chairman, Members of the House Finance and Taxation Committee. My name is Jon Backes. I am the President of the Minot Catholic Schools Foundation and I am here today to urge your approval of House Bill 1487. I have provided copies of my written testimony and will do my best to keep my comments brief.

House Bill 1478 would provide a means of investment by the state and its citizens in both public schools and accredited nonpublic schools. Before I discuss the merits of the bill, however, I would like to point out a minor, but important inconsistency between the precatory language of the bill and the legislation itself. In line three of the precatory language of the bill it refers to "contributions to school districts of nonpublic elementary and secondary schools in this state" whereas the language of the bill itself, at lines 10 and 11, refers to "a school district or an accredited nonpublic school in this state." Because school districts can only be public schools, I presume that use of the word "of" in the precatory language is a typographical error and should, consistent with the wording of the bill be "or". This is important because a casual reader of only the precatory language of the bill may mistakenly assume that the bill is only related to nonpublic schools, which the language of the bill itself makes clear that it is not.

With respect to the merits of House Bill 1478, the bill provides for an investment in our schools by allowing individuals who make contributions to public or accredited nonpublic schools, an income tax credit of fifty percent of their contribution, up to \$1,000. Because House Bill 1478 applies equally to contributions to public and accredited nonpublic schools, the investment that would be made by the state in our schools breaks logically into a public school component and an accredited nonpublic school component. As with any investment, the returns break into those components as well. Significantly, both the public school and accredited nonpublic school components provide excellent returns to the citizens of the North Dakota.

With respect to the public school component of the bill, the return on the investment proposed by House Bill 1478 is clearly apparent. We are all aware that the cost of primary education continues to rise. In a world of limited resources, there is rarely sufficient funding to meet all of the educational needs of a school. As budgetary constraints tighten, schools turn to fundraising as an alternative source to fund needs. I suspect that we have all experienced some form of fund raising for our local schools, whether in the form of kids selling candy to raise money for athletic programs, or larger fundraising efforts for bleachers, gymnasium floors, band uniforms and even computer and science labs. As our facilities age and technology advances at an ever increasing pace these, fund raising efforts continue to increase.

One reflection of this increase is the number of grant application submitted by our schools. For the past several years I have served on the Board of Directors of the St.

Joseph's Community Health Foundation. That foundation was formed to administer a portion of the proceeds of the sale of St. Joseph's Hospital in Minot for the benefit of the health of the residents of Northwestern North Dakota. The foundation provides grants benefiting the health and healthcare. In the first three years of its grant making, the foundation received 2 grant requests from schools, both private. This year alone, we received 6 grant application requesting for over \$165,000 in funding related to health needs. Of these requests 5 were from public schools. House Bill 1478 would greatly assist both public and private schools in raising funds to meet their needs by encouraging contributions in return for a tax credit.

Now some may look at the lost revenue arising from the tax credit provided by House Bill 1478 as a cost or expense to the state. I would suggest, however, that the better view is as an investment by the state in primary education in that the funds contributed go directly to our local schools, to be used by the local school boards for their direct needs. Not only is the better view that of an investment, but it is a great investment. It is an investment that puts no principal at risk and that guarantees a one hundred percent return on every dollar invested. If potential contributors do not respond to the incentive provided by the state, the state's is out nothing. Conversely, if the state's collective donors do respond, the state's education system gets \$2.00 or more for each \$1.00 it has provided in tax credit. Given the state's constitutional mandate to fund primary education; and, given the fact that a dollar paid to the school is a dollar whether it comes from the state's general fund, from property taxes or from private contributions; House Bill 1478 will provide schools with a positive source of alternative fund raising while providing the state with an excellent return on its investment.

As I indicated earlier, the second component of House Bill 1478 relates to accredited nonpublic schools, in that 1478 provides the same tax credit to contributors to accredited nonpublic schools as it does to public schools. While the analysis of the cost and benefit of a tax credit for contributions to accredited nonpublic schools is not as lineal as the analysis for public schools, it is no less of a quality investment.

How, you may ask, can a credit for contributions to an accredited nonpublic school work as a positive investment for the state. Let me do my best to explain.

Because I am familiar with Minot Catholic's numbers, I will address that system as an example of the investment and return House Bill 1478 provides. While the numbers may vary to a degree for the other accredited nonpublic schools in the state, conceptually the analysis is the same.

In Minot, the Minot Catholic Schools educate approximately 400 students. The contribution made to the Minot Catholic Schools for each student is between \$2,000 and \$3,500 per year depending on the student's grade level. The 400 students attending the Minot Catholic Schools come from 260 North Dakota families. These are families who support the public schools with their tax dollars, both general fund and property taxes, but who choose to have their children educated in an accredited nonpublic school. While some of those families are single parent families, for ease of math, let's assume all are

North Dakota taxpayers who would receive the maximum credit allowed under House Bill 1478 of \$1,000. Thus, the investment made by the state under House Bill 1478 in the form of tax credits to parent contributors would total \$260,000. In addition, to calculate the total state investment, we must determine how many non-parent contributors would receive a tax credit based on contributions to the Minot Catholic Schools. Based on last years contributions, 100 contributors would have qualified for all or most of the credit. If we assume that those contributors received the maximum tax credit of \$1,000 the state's investment would total \$360,000, \$260,000 for the parent contributors plus \$100,000 nonparent contributors.

The question becomes, then, what return does the state get for its \$360,000 investment. As I indicated previously, the Minot Catholic Schools educate approximately 400 students. If the average cost of educating a student the public schools is between \$5,000 and \$7,000 per student, the public school system is avoiding an expenditure of between \$2,000,000 and \$2,800,000 per year. Based on this analysis, each \$1.00 of tax credit invested in accredited nonpublic schools results in between \$5.55 and \$7.00 in savings to the public education system.

As you can see, the analysis based on Minot Catholic Schools numbers are significant. I believe the analysis of those numbers holds true for the other accredited nonpublic schools in the state. In that regard, it is important to understand who falls into the class of accredited nonpublic schools. It is my understanding that nonpublic schools in North Dakota can be either accredited, approved or nonapproved. House Bill 1478 applies only to public schools and accredited nonpublic schools. ~~The Minot Catholic Schools are accredited. It is my understanding that in addition to Minot Catholic Schools, there are currently only three other accredited nonpublic schools in the state of North Dakota, those being Fargo's Catholic Schools, Dickenson Trinity and Bismarck St. Mary's.~~

In summary, House Bill 1478 provides for an investment in our schools by providing a positive incentive for the citizens of the state of North Dakota to contribute to our schools. The returns to ours schools from these incentives will positively impact primary education and education funding for years to come. I encourage your support of House Bill 1478 and thank you for your time.

1-22-07

#6 HB 1478

January 22, 2007

House Bill 1478

Dear Chairperson Belter, Vice Chairperson Drovdal and Members of the Committee:

Thank you for the opportunity to present testimony supporting House Bill 1478. As the administrator of a private Christian school and as a parent of students in that school the consideration and passing of HB 1478, with one minor amendment, is welcomed by Shiloh Christian School and our constituents.

We welcome and support this bill for the following reasons:

1. The five hundred or one thousand dollar tax credit available will alleviate some of the financial pressure on parents and contributors to Shiloh Christian School. Like most schools in North Dakota the cost of educating a student for a year is in excess of seven thousand dollars. Because of our role as an independent and private school this cost is bore solely by tuition and contributed dollars. Tuition at Shiloh Christian School for the school year 2006/07 is \$4800 for elementary school and \$5060 for high school. The difference in cost and tuition is made up through contributions.
2. The tax credit will make possible for more families to consider Shiloh Christian School. The greatest deterrent for enrollment or even seeking enrollment is financial. In Bismarck were city data reports the average household income as thirty nine thousand dollars, the cost of a Christian education is beyond the means of many Christian families.
3. Increasing private school enrollment makes good fiscal sense for North Dakota. Every student enrolled in a private school like Shiloh Christian School saves the state \$2879 in foundation payments. If every student at Shiloh Christian School attended a public school the foundation payments to the Bismarck and Mandan school districts would increase by \$696,918.00. For a modest credit to parents and donors the state will save in foundation dollars.

In addition to these reasons for supporting HB 1478, I support an amendment to the bill by inserting in line 11 the words "or approved" following the word accredited and before the word nonpublic. Because of the administrative structure of a private school and the allocation of resources, many do not seek accreditation. Shiloh Christian School are approved rather than accredited by the Department of Public Instruction.

Thank you for your consideration and your time. Rev. Dr. Ross Reinhiller