

HB1226 Minimum Local Effort

Representative Marvin E. Nelson, District 9

House Education Committee, Representative Mark S. Owens, Chairman

Committee members, HB1226 looks at the deduction from state aid imposed on the very poorest school districts in the state on the basis that since they have effectively no tax base, they should have money taken from them, like they do have a tax base.

If a school district doesn't have 20% of the average taxable base per student. The state pretends it does, multiplies that by 60 mills and deducts that from their Foundation Aid. This is what I call phantom land resulting in phantom money.

If you take a look at the State Equity report, you can pick out those school districts. They will show a taxable valuation of \$7481 per student. This is the 20% number. It is used like it is real.

I have included a spreadsheet showing the effect on the Impact Aid schools in 2017. I haven't updated it but did check enough to be able to tell you things really haven't changed much.

It shows the actual taxable valuation per student. I included the 9 Impact Aid schools hitting the transition maximum in 2017 and you can see when they get enough valuation, the deduction goes away. maximum.

So as we work across the sheet we start with the schools sorted by actual taxable valuation. Then the actual taxable valuation. And then we see how many mills equivalent on their taxable valuation is deducted from their Foundation Aid by the State. Belcourt actually get deducted more than the taxable valuation at 1054 mills.

Then we see the computed property tax, what 60 mills would actually produce.

Then we get what the reports say the schools received in 2017 in state and local funds when the formula was at \$9646, but wait, those numbers include the not actual money phantom money. So if you look at the last column, that's how much less per student the schools actually had than the reported number.

Deducting money from a school specifically because they are poor is offensive and should have never happened. The fiscal note says \$1.3 a year to correct this inequity. I ask for the committee's support in the elimination of the minimum local effort.

I should note that would seem a little higher than the Impact Aid schools would indicate, White Shield also have very little or no tax base and is also affected.

Treating these schools the same and simply deducting 60 mills multiplied by their actual taxable valuation is the fair and equitable thing to do in the formula.