



1 **SB 2327 – School District tax levies and school district special reserve funds**

2 **February 3, 2021** Chairman Schaible and members of the Senate Education Committee. I am Dr.  
3 Russ Ziegler, assistant director for the North Dakota Council of Educational Leaders and am here  
4 today to testify in opposition to SB 2327.

5 NDCEL understands the want to lower property taxes for the citizens of North Dakota. However,  
6 this bill has some consequences that some schools and communities simply would not be able to  
7 overcome. I would like to just discuss a few issues with the proposed legislation and let the  
8 committee know how it would have an impact on schools.

9 1) **Authority of locally elected school boards:** What this bill does is take away the local  
10 taxing authority from the locally elected school boards as well as in some instances, voter  
11 approved authority given by patrons of the district. On the first page, the bill indicates the  
12 state would pay off all the school construction indebtedness in the state. While I can't even  
13 begin to imagine the hundreds of millions of dollars of school construction bonds that exist  
14 – it negates the fact that it is the community and the voters that decide if the school needs  
15 to be updated or have a new school built. This is not taken lightly, that is why there is a  
16 60% vote needed to pass a bond issue for a school district. This bill will take that option  
17 away from the community and who would be making that decision- How does this  
18 implicate future school facility needs? Deferred Maintenance, etc.? Furthermore, this  
19 would decimate the Common Schools Trust Fund which currently funds over \$1500 of the  
20 per pupil payment. As was proven last session again, the Common Schools Trust Fund  
21 and its constitutional obligation does not include school construction.

22 2) **Level of appropriateness and equity in paying off voter approved school construction**  
23 **indebtedness:** The first section in the bill retires the total outstanding principal and interest  
24 on school construction indebtedness. The bill states that these funds would come from the  
25 general fund or from the assets of the common schools' trust fund. One thing we have seen  
26 in North Dakota is the fluctuation in revenue dollars from year to year. I am not sure of the  
27 amount of dollars that would be required to do this portion of the bill but I am guessing it



28 would be close to if not more than \$1 Billion. The Common Schools Trust Fund would not  
29 have the funds to cover this cost.

30 3) **Inequities created by elimination of imputation and 60 mill deduct:** Another concern  
31 of many that we have with this bill is removing the 60 mill deduct and the manipulations  
32 of the in-leu of funding would create inequities between districts. The reason we have the  
33 current formula is because of the two former lawsuits in ND that brought to light the  
34 inequities between property rich districts and property poor. Those lawsuits brought us to  
35 our current funding mechanism to reduce winners and losers in school funding. This bill  
36 will again create inequities between districts who have other funding and those who only  
37 rely on the state.

38 4) **Huge loss of state revenue to fund education:** With the elimination of the 60 mill deduct,  
39 how will the state cover the \$400M + shortfall to revenue generated by that property tax  
40 deduction to cover the per-pupil payment. Without property tax and the local ability to  
41 bond and determine local effort as well as the small amount of local levy authority afforded  
42 to school boards, the funding for schools in North Dakota would soon be gone. This bill  
43 even eliminates voter approved excess levy votes. This will handcuff districts, dismantle  
44 teacher pay scales, put schools into disrepair, and most unfortunately, likely result in the  
45 loss of programs and teachers that directly benefit students.

46 While I dislike taxes as much as the next person, I also really do like some of the services that  
47 reasonable taxes provide for our state. I believe we locally have the power to elect reasonable  
48 board members who can set budgets our communities can live with. We have our annually  
49 required budget hearings to provide feedback locally and ultimately the power of the vote to  
50 change what is happening with regard to taxation at the local level. That is democracy at work.  
51 We ask that this committee strongly recommend a Do Not Pass on this bill.

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