

HB 1130

Chairman Beard – Senate Education Committee

March 25th, 2025

Good morning. Chairman Beard and members of the Senate Education Committee. For the record, my name is Steven Holen and I am the Superintendent of Schools for the McKenzie County Public School District #1 in Watford City. I am testifying in favor of HB 1130 and its proposed changes to Section B of the State Aid to Schools Payment Worksheet involving the foundation aid formula.

Section B of the State Aid to Schools Payment Worksheet addresses contributions from other local revenue to be subtracted from the total foundation aid formula amount in the same manner as local property tax. The total revenue received from other local revenue sources is apportioned by the non-sinking and interest percentage of each school district; with the intent of using the difference in the apportioned revenue and the total revenue for school district debt through sinking and interest payments (voter approved bond referendums). The apportioned revenue is then used with the current factor of 75% (65% proposed in HB 1381) to determine the other local revenue to be subtracted from the total adjusted formula amount determined by taking the per-pupil payment x the total weighted pupil units. This subtraction coincides with the local property tax revenue contribution as both are subtracted from the total adjusted formula amount to determine the actual state aid payment. The apportioned revenue is calculated by using the sinking and interest levy (even numbered years) as a percentage of the total mill levy and using the non-sinking and interest percentage for the apportioned revenue calculation. It is using sinking and interest levy as the sole determination of the apportioned revenue calculation which is also impacted by the total mill levy in the percentage utilized.

HB 1130 revisits the concept of the apportioned revenue, to account for local indebtedness, and applies it in a more practical way in using dollars versus mill levy to provide a more efficient apportionment value. Instead of only accounting for a sinking and interest levy, it accounts for all other revenue as a percentage of this revenue plus the contribution from property tax to determine the apportionment percentage. This provides greater consistency in the calculation as well as accuracy to facilitate the intent to use these funds for sinking and interest debt, voted on by the public. The general fund levy is determined by dollars and not mills; the use of mills has become confusing and a push to use dollars instead of mills, whenever possible, has become a common goal by the legislative assembly. HB 1130 is consistent with this intent and “tweaks” the current system in place to create a better mechanism of which to apply, as well as leaving an option to use dollars or mills, based on unique situations that exists with in lieu revenues, and their sources, across the state.

The rationale behind the apportioned revenue calculation, and the percentage used to determine the overall contribution from local revenue, was to account for the inability to use these revenue factors to address indebtedness, due to these funds being excluded from the taxable valuation of a school district and essentially “not leveraged” with voter approved

sinking and interest indebtedness. Sinking and Interest levies are applied to the taxable valuation of a school district to make the annual debt payments, the other revenue sources are not included in the taxable valuation to be leveraged for these indebtedness payments. The inability to directly tax the entities included in the section was set by NDCC, however, the intent was not to exclude these in lieu revenues from contributing to infrastructure projects funded by local referendum elections and reducing local property taxpayers of their obligation. The apportioned revenue amounts can remain local and used to apply toward indebtedness, which is a direct property tax relief to the patrons of the school district. HB 1130 ensures the apportioned revenue is used for sinking and interested indebtedness to eliminate any discussions on equity as these funds cannot be used to supplement educational programs or have a direct impact on the educational offerings of a school district. The impact of HB 1130 is directly on the taxpayer and their obligation for voter approved indebtedness, of which aligns with the intent of the legislative assembly. Using a greater percentage of the other revenue receipts to leverage debt obligations makes for a more equitable approach to addressing referendum indebtedness, by using sources exempt from property tax to pay their share of the tax obligation.

Property tax relief is a stated goal of the 69th Legislative Assembly. HB 1130 provides a direct form of property tax relief to school districts impacted by loss of property tax base regarding lieu revenues that are not leveraged in a bond referendum or part of advertised mill levy obligations as part of an election. The entities included in the other local revenue contribution should be leveraged for indebtedness to reduce local property tax obligations, HB 1130 provides a cleaner calculation of this method and increases the capacity of this revenue to be used for sinking and interest indebtedness, which will impact local mill levy obligations and directly reduce local property tax. It allows industry, in the case of oil and gas development, to help address voter approved indebtedness, which should be deemed the most appropriate use of in lieu property tax revenue sources.

I ask for your support for HB 1130 and its recommendation. Thank you for your time and consideration, I will stand for any questions at this time.