

Representative David Richter District 1 Williston.

Chairman Beard and members of the Senate Education Committee,

House Bill 1130 comes out of presentations and discussion in the Interim School Funding Task Force.

House bill 1130 adds the option for a school district to reduce its local contribution deduction in the school state aid formula by the percentage of the local contribution that comes from in lieu-of revenue for capital debt repayment or use the sinking and interest calculation currently in code. The main language is on Page 11 line 10 and then on page 12 line 4.

In the school funding formula, there are three categories which make up the \$11,200 per pupil payment:

1. In lieu-of taxes: (local contribution)
2. local property taxes: (local contribution)
3. state aid

The formula is calculated out as to how much the school district should receive and then the in lieu-of and local property tax are subtracted out of that to figure out the state's share of the student's payment. Some districts have high local property tax and some districts have low local property tax. Some districts that have high in lieu-of taxes and some districts have low in lieu-of taxes. For the most part, though, the districts that produce energy, have telecom, and Mobil home are the ones that have high in lieu-of taxes.

The purpose of this bill is to allow school districts the option to use a higher percentage of their in lieu-of revenue to fund capital projects or for capital debt repayment. Nearly every school district in North Dakota has some sort of in lieu-of funding, but there are schools in which a large portion of their funding comes from in lieu-of funding. In lieu-of taxes are taxes in place of property taxes. Those taxes are based on a percentage of income the business generates - what the property produces. There are 6 different types of in lieu-of funding, but the majority of them are related to energy. For instance, with oil it's the gross production tax. With coal, it's the coal conversion tax and the coal severance tax. These pay in lieu-of taxes because it's based on what the property produces.

When a school passes a bond referendum for some kind of capital project they are able to collect funding for debt repayment based on the value of the property in their district, since in lieu-of is not based on property valuation but on what the property produces it is not considered in the mill rate and is only available for capital debt repayment as this body sets in the school funding formula. Section 4b(2)a is current law, 4b(2)b is new language that allows districts the option to use school state aid formula by the percentage of the local contribution that comes from in lieu-of revenue.

This bill gives the option to chose the bigger portion of their in lieu-of taxes to be used for a school's capital projects or for capital debt repayment. When choosing one of these options, it will increase the state share of state aid and reduces the sinking and interest mill to the locals.

HB1130 still allows things to be done the way they have always been done in terms of the sinking and interest relative to the total mills levied by a school district for all purposes - there are no changes there. But there are schools in North Dakota that have less in property value but more of in lieu-of taxes that would benefit from a second option.

Kindred

B CONTRIBUTION FROM OTHER LOCAL REVENUE	Apportioned Revenue (Total Revenue X lower % line 44 or 45)			
	Total Revenue	Revenue	Percent	Deduct
37 1300 Tuition	4,800.00	2,700.96	65%	1,755.62
38 2999 County	-	-	65%	-
39 US Flood	-	-	65%	-
40 Electric Generation, Distribution and Transmission Tax	44,909.86	25,270.78	65%	16,426.01
41 Mobile Home and Other In-Lieu Taxes	103,937.73	58,485.76	65%	38,015.74
42 Telecommunications	46,032.96	25,902.75	65%	16,836.79
Total	199,680.55			73,034.16
43 Contribution from Other Local Revenue	S & I Levy	Total Levy	Non S & I Percentage	
44 Sinking and Interest Apportioned Revenue	64.88	148.35	56.27%	
	In Lieu Rev	In Lieu Rev + line 48		
45 In Lieu of Property Tax Apportioned Revenue	199,680.55	2,501,493.37	92.02%	

Minot

B CONTRIBUTION FROM OTHER LOCAL REVENUE	Revenue (Total Revenue X lower % line 44 or 45)			
	Total Revenue	Revenue	Percent	Deduct
37 1300 Tuition	892,448.39	565,098.32	65%	367,313.91
38 2999 County	1,402,535.90	888,085.73	65%	577,255.72
39 US Flood	-	-	65%	-
40 Electric Generation, Distribution and Transmission Tax	50,310.26	31,856.46	65%	20,706.70
41 Mobile Home and Other In-Lieu Taxes	1,309,889.05	829,421.75	65%	539,124.14
42 Telecommunications	221,771.58	140,425.76	65%	91,276.74
	3,876,955.18			1,595,677.21
43 Contribution from Other Local Revenue	S & I Levy	Total Levy	Non S & I Percentage	
44 Sinking and Interest Apportioned Revenue	50.01	136.35	63.32%	
	In Lieu Rev	In Lieu Rev + line 48		
45 In Lieu of Property Tax Apportioned Revenue	3,876,955.18	18,629,068.00	79.19%	

West Fargo

B CONTRIBUTION FROM OTHER LOCAL REVENUE	Apportioned Revenue (Total Revenue X lower % line 44 or 45)			
	Total Revenue	Percent	Deduct	
37 1300 Tuition	91,107.79	74,079.74	65%	48,151.83
38 2999 County	-	-	65%	-
39 US Flood	-	-	65%	-
40 Electric Generation, Distribution and Transmission Tax	182,453.45	148,352.90	65%	96,429.39
41 Mobile Home and Other In-Lieu Taxes	767,064.97	623,700.53	65%	405,405.34
42 Telecommunications	116,722.28	94,906.89	65%	61,689.48
	1,157,348.49			611,676.04
43 Contribution from Other Local Revenue	S & I Levy	Total Levy	Non S & I Percentage	
44 Sinking and Interest Apportioned Revenue	24.19	129.42	81.31%	
	In Lieu Rev	In Lieu Rev + line 48		
45 In Lieu of Property Tax Apportioned Revenue	1,157,348.49	37,794,623.01	96.94%	

Hettinger

B CONTRIBUTION FROM OTHER LOCAL REVENUE	Apportioned Revenue (Total Revenue X lower % line 44 or 45)			
	Total Revenue	Percent	Deduct	
37 1300 Tuition	22,756.04	14,950.72	65%	9,717.97
38 2999 County	-	-	65%	-
39 US Flood	-	-	65%	-
40 Electric Generation, Distribution and Transmission Tax	373,678.64	245,506.87	65%	159,579.47
41 Mobile Home and Other In-Lieu Taxes	61,681.02	40,524.43	65%	26,340.88
42 Telecommunications	26,387.24	17,336.42	65%	11,268.67
	484,502.94			206,906.99
43 Contribution from Other Local Revenue	S & I Levy	Total Levy	Non S & I Percentage	
44 Sinking and Interest Apportioned Revenue	13.65	118.13	88.44%	
	In Lieu Rev	In Lieu Rev + line 48		
45 In Lieu of Property Tax Apportioned Revenue	484,502.94	1,412,529.72	65.70%	

Velva

		Apportioned Revenue (Total Revenue X lower % line 44 or 45)			Percent	Deduct
B CONTRIBUTION FROM OTHER LOCAL REVENUE						
		Total Revenue				
37	1300 Tuition	59,604.96	43,988.46	65%		28,592.50
38	2999 County	14,132.26	10,429.60	65%		6,779.24
39	US Flood	-	-	65%		-
40	Electric Generation, Distribution and Transmission Tax	278,515.67	205,544.56	65%		133,603.96
41	Mobile Home and Other In-Lieu Taxes	40,922.66	30,200.92	65%		19,630.60
42	Telecommunications	18,753.15	13,839.82	65%		8,995.88
		411,928.70				197,602.18
					Non S & I Percentage	
43	Contribution from Other Local Revenue	S & I Levy	Total Levy			
44	Sinking and Interest Apportioned Revenue	13.00	103.00	87.38%		
		In Lieu Rev	In Lieu Rev + line 48			
45	In Lieu of Property Tax Apportioned Revenue	411,928.70	1,572,293.12	73.80%		