



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

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

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

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

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



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

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

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

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