

Intro for SB 2066 Senator Don Schaible

Good, morning Chairman Heinert and the rest of the House Education Committee. For the record, I am Senator Don Schaible, District 31, here to introduce SB 2066. This bill is a property tax relief bill that is a continuation of the tax relief that we started in the 2013 sessions. This bill will provide property tax relief to about 18% of your total property tax bill which would provide \$203 million to the residents of North Dakota. But this bill does much more than provide property tax, it is the first attempt to requires school boards to only discuss dollars when building their next year's budgets by using a last year's base line budget. Currently boards have the ability to see how much money they could receive from evaluation increases and then determine how much they could spend. It is the intent of this bill that requiring board to using a baseline budget when planning for the next year's budget. It will provide more transparency to the patrons and provide discussion on spending before assessing property tax. I believe that by doing it this way will force board members to think about spending, to know that in most cases an increase in the base line budget is a property tax increase. It is also the hope that boards would justify the increased spending, to own that decision and to engage the patrons of the district before accessing more property tax. The bill also requires a limit on evaluation growth after that first year to a 5% maximum evaluation growth after the first year. This is to prevent property tax creep which could happen by taking all the evaluation growth of the assessed value which is what happens now.

To explain how this would work, I may have to explain a little bit of how the school funding formula works. Schools are mostly funded by the per pupil payment which is a combination of local contribution (property tax) and state contribution which is usually general fund and a verity of special fund like the Budget Stabilization fund or Foundation Aid Stabilization fund. The state requires a local school district to contribute 60mills of property tax money as the local contribution of the state plan. This provides that 10,236 per student for each

student they educate. Of course, this is very simplified version of the funding formula, but it helps explain what this bill does.

The state has done sever attempts of replace property tax contributions of local property tax with state funding. At one time local contribution was set at 180 mills. Imagine where your property tax bill would be today if you would us today's evaluation against 185 mills, the portion of school property tax would be triple of what you pay today. Well, the state did take over that level of funding from 185mills to 110 mills, and the in 2013 on the last day of the session, the state decided to require local contribution of school districts to be 60 mills with the state providing that difference to the property owners. By replacing all of that local contribution with state money provides about \$500m of property tax relief every year . That is a lot of property tax relief which I would guess that most legislators would say that we don't get much recognition for that relief. I would bet that most property owners would say that they did receive some relief but that has been eaten up but evaluation increases or other political subdivision taking advantage of the relief that was given. That is why this bill also tries to address spending and to remove the reference to the use of mills.

I would know like to walk through the bill and would also like to apologize in advance for spending a fair amount of time going over school funding but that is what is necessary to explain this bill.

Sec 1 changes are needed so that centrally accessed tax is separate from the other kinds of property tax.

Sec 2 is deleted because the current funding formula has two effective dates on school funding and with this bill only one is needed and so the over struck lines on page 1. Through page 8. Is to eliminate the unneeded effective dates. The reference to the two effective dates are being merged by this bill and will be referenced in several sections of this bill.

Page 9, The changes on lines 14 through 24 is clean up language to clarify what is already in law and does not add any changes to the current law. I can go in more detail if needed.

The over struck language on page 12 is obsolete language that has already happened and is no longer necessary in century code

Page 14 is where we get into the real substance of the bill. Lines 6 -13 requires that property classification of residential, agricultural and commercial property local contribution to the funding formula will be set at 40 mills from the 2022 taxable evaluation which will set the base line going forward. Every year after that would be limited to an up to 5% evaluation growth. Line 14-15 require centrally assessed property would remain at the 60 mill local contribution.

The corrected language on page 15, lines 10 and 11 updates the language to the current year and confirming that the base year is 2022. Line 26 and 28 has added the classification clarification.

In Sec 3 determines minimum local effort 40 mills for residential, agriculture and commercial property and centrally assessed property is 60 mills.

In sec 4 is where we require school boards to communicate with dollars rather than mills.

Section 5 would remove a school district's ability to elect the alternative levy authority. Generally speaking, this alternative levy authority allows a taxing district to look back to the highest amount levied in any of the three preceding taxable years rather than levying the amount certified in the budget of the governing body.

Sec 5 also clarifies that this property tax relief is only for school districts and no other political subdivisions and the balance of the strike language in sec 5 is obsolete language and is no longer needed.

Sec 6 Update the base year to 2022 in line 3 page 20 and with the change on line 18 clarifies that they still have authority for the 10mill of discretionary authority.

Sec 7 page 20 lines 20 through page 21 line is deleted because of an obsolete effective date and is no longer needed.

This sec also clarifies levy limit that is considered local contribution would be 40 mills for property other than centrally assessed property which would remain at 60 mills.

Section 8 is pertaining to our tax statement and the state attempt to provide more clarity to our tax payers. This changes in this section would provide information on the changes that this bill would make to property tax relating to school districts.

Section 9 Repeals three sections

15.1-27-15.1 is being repealed for clean up purposes because language in this section is expired.

15.1-27-04.3 is repealed because there no longer a need to phase in a local property tax effort for districts not levying at least 60 mills.

15.1-27-20.2 This sec is being repealed for clean-up proposes because language in this section is expired.

Sec 10 establishes the effective date for taxable years beginning after December 31, 2022

Mr. Chairman I will now try to answer your questions.