

Intro for SB 2066 Senator Don Schaible

Good afternoon, Mr. Chairman and the rest of Finance and Tax 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 25% of your total property tax bill which would provide \$327.5million 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 years 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 every after the first year. This is to prevent property tax creep which could happen by taking all of the evaluation growth of the assessed value.

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 show what the bill does.

The state has done several attempts to 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 use 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 185 mills to 110 mills, and then 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 \$1 billion of property tax relief every session. 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 now 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 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 3 through 4 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 13 is where we get into the real substance of the bill. Lines 26 through 30 clarifies the meaning of taxable valuation and clarifies that the taxable evaluation for 2022 is used as the starting base line reducing from 60mills to 30mills. From this point a dollar amount is what is used going forward. Lines 28 through 30 clarifies that every year after that the maximum amount of evaluation increase is limited to 5% growth starting with the 2024 year and every year thereafter.

The corrected language on page 14, lines 25 and 26 updates the language to the current year and confirming that the base year is 2022

In Sec 2 on page 15 line 19 references current language in law with the new language that we added on page 13 Lines 26 to 30

In sec 3 page 15 lines 27-29 is where we require school boards to communicate with dollars rather than mills.

Section 4 gave political sub an alternative way to calculate the amount of tax that was levied. This has been in existence law but the addition of subsection e. on page 16 line 22 and 23 removes school districts for that alternative method. It should not be necessary with this bill.

The changes in Sec 5 deals with an option schools have to assess 10 extra mills at their discretion. This has been in place since 2013 and you have maybe heard schools could assess 60 or 70 mills as local contribution. In reality we mandated 60 mill and schools had discretion to go to 70mills with a simple vote of the board. The changes here address the 30mill replacement by the state and still allows for the 10 mill discretion. The deletion of language on page 19, line 3 is in reference to the alternative calculation that we just refenced in section 4.

Update the base year to 2022 in line 15 and with the change on line 18 clarifies that they still have authority for the 10mill of discretionary authority.

Sec 6 is similar to what we have seen in the beginning of the bill which address two effective dates. With the changes suggested in this bill the effective date of through December 31, 2024 is unnecessary and is struck out on page 19, lines 29 - 30 and page 20 lines 1 – 27

The changes on page 20 lines 29 – 31 and page 21 lines 1 – 14 mirrors up the intent of the change this bill makes.

Section 7 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.

The changes on page 20 subsection 1 is the section that limited schools to 12% tax value growth and make the change for what would be the new local contribution amount of 30 mills which is limited to 5% evaluation growth. The added language is to mirror the same language that is in other sections of the bill.

This bill did not intend to give property tax relief to Centrally Assessed company's so the language in Sec 8 page 22 and 23 clarifies that.

Mr. Chairman before we get into questions, I would like to offer an amendment that was missed by me in the drafting of this bill.