



1 **Testimony in Opposition to House Bill No. 1353**

2 **Chairman Hetland and Members of the Committee:**

3 I appreciate the opportunity to testify in opposition to House Bill No. 1353. While the intent
4 behind controlling property tax increases is understandable and schools are not generally
5 opposed to caps as we've been experiencing caps since 2013, it is important to recognize the
6 unique financial structure and operational challenges that school districts face, which make the
7 application of this bill to schools particularly problematic. Over the years the legislature has
8 been sensitive to this and approach caps on schools different than municipalities.

9 **1. School Funding Differs Significantly from Municipalities**

10 Schools operate under a fundamentally different financial model compared to municipalities,
11 primarily due to the per-pupil payment formula initiated in 2013. Unlike municipalities, whose
12 revenues are based on a model vastly different than schools, and who have the authority to assess
13 fees and specials to make up for budget shortfalls, school district budgets are directly tied to
14 fluctuating student enrollment numbers. These fluctuations are beyond the control of school
15 districts and can vary significantly from year to year. In a small school a flux of 10-15 students
16 is enough to cost a teacher, thereby needing the school board to have the authority to respond.

17 As such, the rigid limitations imposed by HB 1353 would restrict a school district's ability to
18 respond effectively to these changes, potentially leading to budget shortfalls that impact
19 educational quality and student services. Schools need the flexibility to adjust their mill levies
20 within the allowable limits to accommodate unexpected enrollment increases or decreases
21 without requiring voter approval for routine adjustments.

22 Furthermore, schools are continually dealing with unfunded mandates. Special education only
23 reimbursed at about 35%, transportation at about 35%, many unfunded mandates through
24 legislative action based on newly imposed requirements, it is imperative they have a mechanism
25 to respond.

26 **2. The 60-Mill Requirement and the 3% Cap / Price Index**

27 Currently, schools are required to assess 60 mills for their general fund levy. The proposed 3%
28 cap on annual increases will make it impossible for schools to keep pace with rising property
29 valuations. Over time, this restriction will erode the purchasing power of school budgets, leading
30 to financial strain and increased dependency on state funding. Further the consumer price index
31 is such a volatile measure if it dropped below 3 even possibly to zero could devastate districts.



1 It is worth noting that the state has spent the past seven years working diligently to fix the
2 formula through mechanisms such as transition maximums & minimums and we are finally at
3 2025 getting ALL schools on the formula. Imposing this artificial cap will likely undo much of
4 that progress and force the state to absorb greater costs to compensate for school districts'
5 inability to meet financial demands locally.

6 The best solution would be to allow districts to move within their local mill authority and beyond
7 that be capped at zero and any increase is through the per-pupil model. However, another
8 solution to this may be to in Section 1 #5 include the school district's required 60 mills thereby
9 freezing those mills in place (not allowing them to drop below 60) and having the caps only
10 apply to the 10 mills of education allowance and the 12 mills of school board authority for
11 miscellaneous needs such as SPED and transportation and fluctuation of students as mentioned
12 before. This would at least preserve at a higher level the integrity of the formula and not create a
13 repeat of a never-ending increasing cost to the state and inequitable taxation around the state.

14 **3. Need for Financial Flexibility**

15 School districts require the ability to respond to economic changes, inflation, and unique
16 community needs. Limiting levy increases without considering these variables will hinder
17 schools' ability to:

- 18 • Retain qualified teachers and staff.
- 19 • Provide essential programs and services.
- 20 • Maintain and improve facilities to meet safety and educational standards.

21 Unlike municipalities, which can generate revenue through various means, schools rely primarily
22 on property tax levies and per-pupil state funding, making financial flexibility essential for
23 sustainable operations. Again – schools cannot assess fees or specials.

24 For these reasons, I respectfully urge the committee to reconsider the application of HB 1353 to
25 school districts. Schools operate under a distinct financial model that requires the ability to
26 respond dynamically to enrollment changes and funding needs. The proposed cap, while well-
27 intentioned, would have unintended consequences that ultimately harm students, teachers, and
28 communities and nuances for schools must be considered.

29 Thank you for your time and consideration. I am happy to answer any questions you may have.

30