

2009 HOUSE FINANCE AND TAXATION

HB 1533

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1533 b

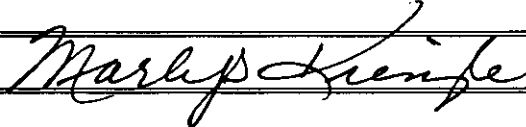
House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 2, 2009

Recorder Job Number: #8321

Committee Clerk Signature



Minutes:

Chairman Belter: Opened the hearing for HB 1533.

Rep Pinkerton: This is a Tax Bill, which will give substantial tax break for property tax.

Testimony attached # 1

Rep Pinkerton: Went through the amendment.

Proposed amendments attachment #2

Rep Headland: The section regarding the allocation of property tax reduction benefits, the property owner is going to have his property tax reduced and in return he's got to give the renter one half of that? He is going have to give them a check?

Rep Pinkerton: How that is going to work is that it would be up to the Landlord to fill out a form that this rental property and you would have to receive that allocation from the landlord.

Rep Headland: It seems considerably more complicated. Do you think that this easier than the Governor's plan of just giving the money?

Rep Pinkerton: I think what this bill does is; Number one, it puts it on the individual student, so the property tax follows the student and Number two, I think you need to give some type of relief to the renter.

Rep Headland: The school districts that don't have a lot of students but have a lot of property, how are they going to feel about not getting a relief?

Rep Pinkerton: No different than the other scenario.

Rep Drovdal: This bill has multiple ideas in it and in my mind I am trying to figure out how it would work for a land owner, first of all how would this work so the Landlord would know how much to give back to the Tenant. With how the county auditors send out the taxes and with how the mill levees are distributed, how would the landlord know how much to give the tenant and who would enforce this refund?

Rep Pinkerton: One is that the details would put much of the burden on the renter and they would have to initiate the process. So if the Landowner would have to fill out their form and ask for the 50% deduction.

Rep Drovdal: I understood this as the renter would go into the office and fill out the paper and the Auditor would tell the school would tell the state that they had this amount coming in.

Rep Pinkerton: Both the Landowner and the renter would have to initiate this as they are the ones getting the reward for this.

Rep Drovdal: You are saying that you are restricting the school districts with the increased amount of money they can spend. We know that 70% of the new money is going to teacher's salary, so are we restricting teacher's salaries?

Rep Pinkerton: In the bill there is the allocation that the state pays is based on a percentage of what our increase to the annual salaries. That would mean if whatever the increase to the state salaries is, that would be the increase for the teachers. That is why the FN for the 2009 would be different from 2009 to 2010.

Rep Drovdal: Is this a dollar for dollar decrease in mill levee?

Rep Pinkerton: Yes it is.

Rep Kelsh: I think for zoning purposes they are classified as multi-residential are they taxed as commercial basis because of income.

Rep Pinkerton: I understand that any complex that has less than 3 units are considered residential.

Rep Kelsh: It is a small portion of property but in some downtown properties they have what is called a mixed use, we have the street level business property and then residential on the 2nd floor. Would that be residential property?

Rep Pinkerton: I would think that is the original language of the bill and that the landowner would have to fill out the paper work to make this residential property and the county would have to determine on a square foot bases, as to what is residential.

Rep Winrich: The FN we received is a revision, but I understood that it did not include the amendments?

Rep Pinkerton: I do not think it includes the amendments. I tried to meet with John Walstad this morning and he was not available. I don't think they can put on the FN until the amendments are approved.

Rep Winrich: So we may be getting another one.

Rep Grande: Would Mr. Coleman be able to address the amendments at all? Could we know if there is a big difference in the FN?

Mr. Coleman: I have not looked through the amendments and do not know what changes are in the FN.

Rep Drovdal: We as this committee do not get into the education laws and language as others as they are accustom all the time with working with the education formula. How workable is this with the current system?

Mr. Coleman: There would have to be some harmonization with the foundation aid funding bill because it does use mill levees.

Rep Drovdal: My other question has to do with the Landlord paying the renter and coming back with a form, is going to end up with the school being responsible to get this all in order. What additional work is that going to create?

Mr. Coleman: I think the money goes to the schools and when they prepare their budgets and prepare their certificate of levees, the school should be out of that mix.

Rep Drovdal: But the requirement is that they had to guarantee that share was going to that renter and they will need to have some records to make sure that this was happening.

Mr. Coleman: Those must be in the amendments so I really can't address that.

Sarah Houston: North Dakota Tax Department

Rep Headland: Rep. Pinkerton said that the Minot District would have their school Districts Mill levee illuminated, by this bill. My schools districts that I represent will almost get no relief from this bill. So isn't this more of a school funding mechanism than a property relief bill?

Sarah Houston: I would not be able to answer that bill for you.

Rep Belter: Closed the hearing for HB 1533.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1533

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 02/04/09

Recorder Job Number: 8634

Committee Clerk Signature

Lori Engelson

Minutes:

Chairman Belter opened the hearing on HB 1533.

Rep. Grande: I move a **do not pass**.

Chairman Belter: I have a motion for a do not pass on HB 1533 by Rep. Grande. Are all the amendments that were supposed to go on this.

Rep. Pinkerton: They didn't deliver them yet. We can pass it as amended. The new amendments just restructure the wording so it's in the bill.

Chairman Belter: Well, the motion is a do not pass. Do you want to wait for the amendments?

Rep. Pinkerton: Yes. We probably should.

Chairman Belter closed the hearing on HB 1533.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1533

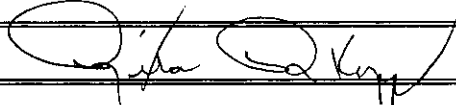
House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 4, 2009

Recorder Job Number: 8730

Committee Clerk Signature



Minutes:

Vice Chairman Drovdal: Let's talk about HB 1533. Do you want to pass the amendments out? I have a motion by Representative Pinkerton to move the amendments .0201 on HB 1533 and a second from Representative Kelsh. Any discussion on the amendments? A voice vote was taken and the **motion carried**. I have a motion for "**do not pass as amended**" from Representative Grande and a second from Representative Headland. Any discussion? A roll call vote on "**do not pass as amended**" on HB 1533 resulted in 8 ayes, 5 nays, 0 absent/not voting. Representative Brandenburg will carry the bill.

FISCAL NOTE
Requested by Legislative Council
02/06/2009

Amendment to: HB 1533

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$488,500,000	\$0	\$509,000,000	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill relates to voter approval for public building projects funded through a building authority or other indirect means, allocation of state funds to school districts for property reduction grants and property tax levies for school districts.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The major fiscal impact of the bill is in the property tax reduction grants to school districts. The grants must be included in the district's certificate of levy and be used to reduce general fund levies for school districts. The property tax reductions apply to residential, agricultural, or commercial property devoted to use by an individual or group as a dwelling.

The property tax reduction grants are based on a formula that reduces combined general funds levies to a range between 50 and 120 mills. The formula uses weighted student units, per student payment rates, general fund, transportation and tuition levies and property valuation. For purposes of the fiscal note, property valuation and per student payment rates were increased 4% each year holding all other variables constant. The projected cost for the 2009-011 biennium is \$488.5 million and \$509 million for the 2011-2013 biennium.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Funding for this bill was not included in the executive budget recommendation.

Name:	Jerry Coleman	Agency:	Public Instruction
Phone Number:	328-4051	Date Prepared:	02/09/2009

FISCAL NOTE
Requested by Legislative Council
01/26/2009

REVISION

Bill/Resolution No.: HB 1533

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$552,000,000	\$0	\$597,000,000	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill relates to property tax levies for school districts.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill provides for a property tax reduction grant of \$2,500 per weighted student unit to school districts. The grants must be included in the district's certificate of levy and be used to reduce general fund levies for school districts. The grants are to be increased each year by the average percentage salary increase provided to state employees for that fiscal year.

Current school year weighted student units were 108,200. The annual cost the first year would be \$270.5 million. Using 4 percent as the annual increase in state employee salaries, the 2009-11 biennium cost would be \$552 million, the 2011-13 cost would be \$597 million.

Note: These estimates are based on the current formula. Adjustments to that formula changing the calculation of weighted student units will have a direct impact on these estimates.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Funding for this bill was not included in the executive budget recommendation.

Name:	Jerry Coleman	Agency:	Public Instruction
Phone Number:	328-4051	Date Prepared:	01/26/2009

FISCAL NOTE
Requested by Legislative Council
01/20/2009

Bill/Resolution No.: HB 1533

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$553,500,000	\$0	\$553,500,000	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill relates to property tax levies for school districts.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill provides for a property tax reduction grant of \$2,500 per weighted student unit to school districts. The grants must be included in the district's certificate of levy and be used to reduce general fund levies for school districts.

Based on current year weighted student units of 108,000, the annual cost would be \$270 million per year or \$540 million for the biennium.

Note: These estimates are based on the current formula. Adjustments to that formula changing the calculation of weighted student units will have a direct impact on these estimates.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Funding for this bill was not included in the executive budget recommendation.

Name:	Jerry Coleman	Agency:	Public Instruction
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Phone Number: 328-4051

Date Prepared: 01/23/2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1533

Page 1, line 1, after "enact" insert "section 21-03-06.1,"

Page 1, line 2, after "57-15-01.1" insert a comma and after "to" insert "voter approval of public building projects funded through a building authority or other indirect means and"

Page 1, after line 6, insert:

"SECTION 1. Section 21-03-06.1 of the North Dakota Century Code is created and enacted as follows:

21-03-06.1. Voter approval of building authority or other indirect funding methods - School construction project approval.

1. Notwithstanding any other provision of law, a municipality or governing body of a municipality may not enter an agreement pursuant to internal revenue service revenue ruling 63-20 under which payments of any kind would be required by the municipality to any building authority or other entity that incurs indebtedness or other obligation in connection with acquisition, improvements, or construction of any property or structure to be used by the municipality unless the agreement has been approved by a vote of a majority of the qualified electors of the municipality voting on the question if the agreement is for acquisition, improvements, or construction of any property or structure for which an election would be required if the municipality undertook the acquisition or construction project through issuance of bonds of the municipality.
2. The school board of a school district may not enter an agreement pursuant to internal revenue service revenue ruling 63-20 under which payments of any kind would be required by the school district to any building authority or other entity that incurs indebtedness or other obligation regarding construction, purchase, repair, improvement, modernization, or renovation of any building or facility to be used by the school district without approval by the superintendent of public instruction in the manner provided in section 15.1-36-01, if approval by the superintendent of public instruction would be required for the project under section 15.1-36-01 if the school district undertook the project itself."

Page 2, after line 31, insert:

- "2. The grant to a qualifying school district is equal to the greater of:
 - a. The allocation determined under subsection 1; or
 - b. The taxable valuation of property in the school district in the previous taxable year times the number of mills determined by subtracting one hundred twenty mills from the combined education mill rate of the school district for the previous taxable year.
3. The grant to a qualifying school district under subsection 2 may not exceed the taxable valuation of property in the school district in the previous

taxable year times the number of mills determined by subtracting fifty mills from the combined education mill rate of the school district from the previous taxable year."

Page 3, line 1, replace "2." with "4."

Page 3, line 4, replace "3." with "5."

Page 3, line 8, replace "4." with "6."

Page 3, after line 14, insert:

"57-64-04. School district levy limit - Voter approval for Increase. A school district entitled to a grant under this chapter may not increase its combined education mill rate to a number of mills greater than the number of mills remaining unfunded from the combined education mill rate in the previous taxable year after adjustment by subtracting the amount of the grant to be received by the school district for the current taxable year, unless a higher combined education mill rate is approved by a majority of the electors of the school district voting on the question.

57-64-05. Open enrollment transfer of funds. If a student who was included in the weighted student unit calculation under subsection 1 of section 57-64-02 has enrolled in another school district under open enrollment, the school board of the student's school district of residence shall pay to the admitting district the amount of the grant received by the school district of residence under this chapter attributable to that student, computed on the basis of the total of grants received by the school district of residence divided by the number of students in the school district of residence at the time the calculation of the grant under this chapter was made.

57-64-06. Application of grants for property tax reduction. Notwithstanding any other provision of law, the reduction in a school district's mill rate attributable to grant funds under this chapter must be calculated to reduce only property taxes levied for residential and agricultural property and property classified as commercial property to the extent that property is devoted to use by an individual or group of individuals as a dwelling, but not including hotel or motel accommodations."

Page 3, line 15, replace "57-64-04" with "57-64-07"

Renumber accordingly

VR
2/5/09
1082

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1533

Page 1, line 1, after "enact" insert "section 21-03-06.1,"

Page 1, line 2, after "57-15-01.1" insert a comma and after "to" insert "voter approval of public building projects funded through a building authority or other indirect means and"

Page 1, after line 6, insert:

"SECTION 1. Section 21-03-06.1 of the North Dakota Century Code is created and enacted as follows:

21-03-06.1. Voter approval of building authority or other indirect funding methods - School construction project approval.

1. Notwithstanding any other provision of law, a municipality or governing body of a municipality may not enter an agreement pursuant to internal revenue service revenue ruling 63-20 under which payments of any kind would be required by the municipality to any building authority or other entity that incurs indebtedness or other obligation in connection with acquisition, improvements, or construction of any property or structure to be used by the municipality unless the agreement has been approved by a vote of a majority of the qualified electors of the municipality voting on the question if the agreement is for acquisition, improvements, or construction of any property or structure for which an election would be required if the municipality undertook the acquisition or construction project through issuance of bonds of the municipality.
2. The school board of a school district may not enter an agreement pursuant to internal revenue service revenue ruling 63-20 under which payments of any kind would be required by the school district to any building authority or other entity that incurs indebtedness or other obligation regarding construction, purchase, repair, improvement, modernization, or renovation of any building or facility to be used by the school district without approval by the superintendent of public instruction in the manner provided in section 15.1-36-01, if approval by the superintendent of public instruction would be required for the project under section 15.1-36-01 if the school district undertook the project itself."

Page 2, after line 31, insert:

- "2. The grant to a qualifying school district is equal to the greater of:
 - a. The allocation determined under subsection 1; or
 - b. The taxable valuation of property in the school district in the previous taxable year times the number of mills determined by subtracting one hundred twenty mills from the combined education mill rate of the school district for the previous taxable year.
3. The grant to a qualifying school district under subsection 2 may not exceed the taxable valuation of property in the school district in the previous

taxable year times the number of mills determined by subtracting fifty mills from the combined education mill rate of the school district from the previous taxable year."

Page 3, line 1, replace "2." with "4."

Page 3, line 4, replace "3." with "5."

Page 3, line 8, replace "4." with "6."

Page 3, after line 14, insert:

"57-64-04. School district levy limit - Voter approval for increase. A school district entitled to a grant under this chapter may not increase its combined education mill rate to a number of mills greater than the number of mills remaining unfunded from the combined education mill rate in the previous taxable year after adjustment by subtracting the amount of the grant to be received by the school district for the current taxable year, unless a higher combined education mill rate is approved by a majority of the electors of the school district voting on the question.

57-64-05. Open enrollment transfer of funds. If a student who was included in the weighted student unit calculation under subsection 1 of section 57-64-02 has enrolled in another school district under open enrollment, the school board of the student's school district of residence shall pay to the admitting district the amount of the grant received by the school district of residence under this chapter attributable to that student, computed on the basis of the total of grants received by the school district of residence divided by the number of students in the school district of residence at the time the calculation of the grant under this chapter was made.

57-64-06. Application of grants for property tax reduction. Notwithstanding any other provision of law, the reduction in a school district's mill rate attributable to grant funds under this chapter must be calculated to reduce only property taxes levied for residential and agricultural property and property classified as commercial property to the extent that property is devoted to use by an individual or group of individuals as a dwelling, but not including hotel or motel accommodations."

Page 3, line 15, replace "57-64-04" with "57-64-07"

Page 3, line 27, remove "1 and" and after "2" insert "and 3"

Renumber accordingly

Date: 2/4/09

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1533

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 0201

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Pinkerton Seconded By Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovda			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Motion carries
Amendments adopted.

Date: 2/4/09

Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1533

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☒ Do Not Pass ☒ Amended

Motion Made By Grande Seconded By Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich		/
Vice Chairman David Drovdal	/		Representative Kelsh		/
Representative Brandenburg	/		Representative Pinkerton		/
Representative Froseth	/		Representative Schmidt		/
Representative Grande	/		Representative Winrich		/
Representative Headland	/				
Representative Weiler	/				
Representative Wrangham	/				

Total (Yes) 8 No 5

Absent 0

Floor Assignment Representative Brandenburg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1533: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (8 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1533 was placed on the Sixth order on the calendar.

Page 1, line 1, after "enact" insert "section 21-03-06.1,"

Page 1, line 2, after "57-15-01.1" insert a comma and after "to" insert "voter approval of public building projects funded through a building authority or other indirect means and"

Page 1, after line 6, insert:

"SECTION 1. Section 21-03-06.1 of the North Dakota Century Code is created and enacted as follows:

21-03-06.1. Voter approval of building authority or other indirect funding methods - School construction project approval.

1. Notwithstanding any other provision of law, a municipality or governing body of a municipality may not enter an agreement pursuant to internal revenue service revenue ruling 63-20 under which payments of any kind would be required by the municipality to any building authority or other entity that incurs indebtedness or other obligation in connection with acquisition, improvements, or construction of any property or structure to be used by the municipality unless the agreement has been approved by a vote of a majority of the qualified electors of the municipality voting on the question if the agreement is for acquisition, improvements, or construction of any property or structure for which an election would be required if the municipality undertook the acquisition or construction project through issuance of bonds of the municipality.
2. The school board of a school district may not enter an agreement pursuant to internal revenue service revenue ruling 63-20 under which payments of any kind would be required by the school district to any building authority or other entity that incurs indebtedness or other obligation regarding construction, purchase, repair, improvement, modernization, or renovation of any building or facility to be used by the school district without approval by the superintendent of public instruction in the manner provided in section 15.1-36-01, if approval by the superintendent of public instruction would be required for the project under section 15.1-36-01 if the school district undertook the project itself."

Page 2, after line 31, insert:

- "2. The grant to a qualifying school district is equal to the greater of:
 - a. The allocation determined under subsection 1; or
 - b. The taxable valuation of property in the school district in the previous taxable year times the number of mills determined by subtracting one hundred twenty mills from the combined education mill rate of the school district for the previous taxable year.
3. The grant to a qualifying school district under subsection 2 may not exceed the taxable valuation of property in the school district in the previous taxable year times the number of mills determined by subtracting

fifty mills from the combined education mill rate of the school district from the previous taxable year."

Page 3, line 1, replace "2." with "4."

Page 3, line 4, replace "3." with "5."

Page 3, line 8, replace "4." with "6."

Page 3, after line 14, insert:

"57-64-04. School district levy limit - Voter approval for increase. A school district entitled to a grant under this chapter may not increase its combined education mill rate to a number of mills greater than the number of mills remaining unfunded from the combined education mill rate in the previous taxable year after adjustment by subtracting the amount of the grant to be received by the school district for the current taxable year, unless a higher combined education mill rate is approved by a majority of the electors of the school district voting on the question.

57-64-05. Open enrollment transfer of funds. If a student who was included in the weighted student unit calculation under subsection 1 of section 57-64-02 has enrolled in another school district under open enrollment, the school board of the student's school district of residence shall pay to the admitting district the amount of the grant received by the school district of residence under this chapter attributable to that student, computed on the basis of the total of grants received by the school district of residence divided by the number of students in the school district of residence at the time the calculation of the grant under this chapter was made.

57-64-06. Application of grants for property tax reduction. Notwithstanding any other provision of law, the reduction in a school district's mill rate attributable to grant funds under this chapter must be calculated to reduce only property taxes levied for residential and agricultural property and property classified as commercial property to the extent that property is devoted to use by an individual or group of individuals as a dwelling, but not including hotel or motel accommodations."

Page 3, line 15, replace "**57-64-04**" with "**57-64-07**"

Page 3, line 27, remove "1 and" and after "2" insert "and 3"

Renumber accordingly

2009 TESTIMONY

HB 1533

Testimony 1
2/2/09

Property Tax Reduction HB1533

Fiscal note is based on bill before amendments. The fiscal note of the amended bill should be slightly smaller. This bill, as amended, would give substantial school property tax reduction. Some of the following examples will have perhaps 10% additional decreases in mills in the amended version.

Fargo	266 mil to 120 mil
Bismarck	206 mil to 78 mil
Grand Forks	199 mil to 62 mil
Minot	192 mil to 50 mil
West Fargo	188 mil to 79 mil
Kenmare	181 mil to 66 mil
Maddock	172 mi to 50 mil
Montpelier	185 mil to 59 mil
Selfridge	184 mil to 67 mil
McKenzie	156 mil to 50 mil
Central Cass	156 mil to 50 mil
Edgeley	181 mil to 68 mil

HB1533, as AMENDED

The bill will apply to residential, agriculture, and a new class of property, residential commercial. Residential commercial is that portion of commercial property containing residential property (apartments houses primarily). The tax department did not seem to believe it would be difficult to institute and would not cause legal issues with the railroads.

The reduction will be based on student numbers, and in this bill, is based on \$2500 per student, technically \$2500 per student unit. School property taxes would be set between 50 and 120 mils, some districts on the bottom and top end of the mill range receiving more or less than \$2500 per student unit.

School without property taxes would not receive any money.

The bill has an increase built in, based on the average percentage salary increase provided to state employees for that state fiscal year. There is a limit to the ability of a local school board to raise taxes without an election, so long as the percentage increase is maintained, and IF not maintained, the local

school board can only increase taxes based on the difference between the actual amount provided and how much this bill indicated should be provided.

This bill provides for allocation of property tax reduction to lessees. Renters of residential, commercial residential and agriculture property would receive 50% of the property tax reduction. There is language in this section to help the renter if legal action was needed.

MOST IMPORTANT and different from all other property tax bills we have seen, this bill bases property tax relief on student numbers and that relief is applicable to the district the student attends. Without this provision, school districts have less incentive to provide the quality and type of education the student and parent want, and in, most cases, deserve. This bill limits a school district from entering into a "revenue bond" building project without voter approval.

The bill has a large fiscal note, much, but not all of the property tax reduction will go to residents of our state. The reductions are large enough to provide real property tax relief. These reductions will hopefully help stabilize the residential and agricultural property values if our state enters an economic down turn. There are no limits on the value of the housing, agriculture lands and, includes second homes.

Legislative council did not believe allocating the reduction to the included property would be a problem.