

FISCAL NOTE
HOUSE BILL NO. 1168
LC# 25.0044.08000
02/25/2025

1 - 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.

	2023-2025 Biennium		2025-2027 Biennium		2027-2029 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(60,500,000)	\$60,500,000		
Expenditures			\$120,665,705			
Appropriations						

2 - County, City, School District, and Township Fiscal Effect

Identify the fiscal effect on the appropriate political subdivision.

	2023-2025 Biennium	2025-2027 Biennium	2027-2029 Biennium
Counties			
Cities			
School Districts			
Townships			

3 - Bill and Fiscal Impact Summary

Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

HB 1168 decreases the amount school districts can levy on property by 10 mills and mirrors that change in the foundation aid formula, limits mill levy increases on political subdivisions other than school districts, and creates a bucket for the state tuition fund out of the legacy fund earnings.

4 - Fiscal Impact Sections Detail

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.

Section 2 of this bill reduces the contribution from property taxes in the school district integrated formula payment from 60 mills to 50 mills.

Section 3 mirrors the 10 mill buy down for the minimum local effort calculation for the districts with low taxable valuation.

Section 7 removes school districts from using the base year calculation when determining its tax levies. This may cause a school district not to be able to collect their full foundation aid calculation if the district sees a reduction in taxable valuation since the formula uses the prior year's taxable valuation. Section 3 also clarifies that taxing district in this section is any political subdivision, other than a school district, empowered by law to levy taxes. Section 9 changes general fund mill cap from 70 to 50 mills and creates a new mill levy of up to 10 mills. This change corresponds with the funding formula change in section 2. Section 10 limits political subdivisions other than school districts to a 3% increase on property taxes levied on similar properties from the previous year. If a taxing district does not use the full 3%, they can carry forward the unused percentage to the succeeding taxable year. Section 6 adds a \$121 million bucket for the legacy fund earning for the state tuition fund before the 50/50 split for the general fund and the strategic investment and improvements fund.

5 - Revenues Detail

For information shown under state fiscal effect in 1 or 2, please explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

Section 7 - There are likely financial impacts on the taxing districts tax revenue, however, the amount is unable to be estimated as it is unknown how many taxing districts would exceed the 3% cap with no limitations.

Earnings estimate for the 2025-2027 biennium in the legacy fund is \$601,020,950. Adding the state tuition fund bucket of \$121 million would decrease the estimated amount allocated to the general fund and strategic improvements and investments fund from \$86,698,475 to \$26,198,475.

6 - Expenditures Detail

For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

The foundation aid formula uses school district's ability to levy property taxes to calculate the state aid payment. Reducing the school districts' ability to levy in the general fund increases the state payments to school districts. The state payment increases are offset with property tax relief for the taxpayers. The school district does not receive any additional funds, but transfers some of the cost of education from the property taxpayers to the state. The estimates include the actual 2024 taxable valuation and projected 2025 taxable valuation. The estimated growth is 4.1%.

7 - Appropriations Detail

For information shown under state fiscal effect in 1 or 2, please 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.

The appropriation for the foundation aid formula is in HB 1013.

Contact Information

Name: Adam Tescher

Agency: ND Department of Public Instruction

Telephone: 7013283291

Date Prepared: 02/25/2025