

1 Personal Testimony in Opposition to HB 1381 – State Aid In-lieu of Funds

2 Chairman Beard and Members of the Senate Education Committee,

3 Thank you for the opportunity to provide testimony on HB 1381. My name
4 is Paul Stremick, a Mandan resident and a retired superintendent. I was a
5 superintendent in a district that took a lead in the lawsuit against North
6 Dakota for equitable and adequate funding. Additionally, I have been
7 involved in every major rewrite of the funding formula since the year 2000. I
8 am here today to express my strong opposition to HB 1381, as it directly
9 contradicts the agreement reached in the settlement of the lawsuit against
10 the State.

11 The in-lieu of funds were a major issue in the equity portion of the lawsuit.
12 These funds serve as a substitute for property tax. The school funding
13 formula integrates 100% of property tax, and true equity necessitates that
14 in-lieu of funds be calculated at 100%, given that they replace property
15 taxes and should be treated as such. The 75% figure was established as a
16 compromise during the settlement process. These funds are not distributed
17 on a per-pupil basis but instead based on tax amounts. Even at 75%,
18 districts receiving substantial in-lieu of funds have more financial resources
19 per pupil than other districts. The 75% allocation is redistributed through
20 the formula, thereby increasing the per-pupil funding to an adequate level.

21 Reducing the in-lieu of percentage provides additional funding to certain
22 districts beyond what they would receive if the same amount were included
23 in the per-pupil payment. This creates an imbalance where some districts
24 retain a larger portion of their "local" tax dollars while benefiting from an
25 increased State per-pupil contribution. Rather than promoting equity, this
26 measure fosters inequity. It is notable that some districts that previously
27 advocated for equity in the lawsuits against the State now support this bill.
28 While I understand their desire for increased funding, it is concerning that
29 their stance on equity appears to shift based on their immediate financial
30 interests.

31 If districts are truly experiencing financial hardship due to in-lieu of property
32 tax allocations, a weighting factor should be introduced to address the
33 issue. It is also essential to recognize that neighboring districts may face

34 similar financial challenges but lack in-lieu of property within their
35 boundaries. For example, oil activity, wind mills and coal mines may be
36 situated in one district, thereby benefiting them from in-lieu of property tax
37 revenue, while surrounding districts bear indirect economic impacts through
38 labor market competition and associated costs without receiving additional
39 funding. It should be noted that this occurs with typical property tax, such
40 as Marvin Windows and Bobcat; however, the tax dollars are reallocated in
41 the formula benefitting all districts.

42 I urge you to uphold the settlement agreement, prioritize equity, and reject
43 HB 1381. Instead, I encourage efforts to strengthen our public education
44 system by ensuring fairness and adequacy in school funding. Thank you for
45 your time and consideration. I am happy to answer any questions or
46 provide further information as needed.

47 

48 Dr. Paul Stremick
49 Mandan Resident and Retired Superintendent