LEVY LIMITATIONS IMPACT ON COUNTY BUDGETS



MARCH 17, 2026
INTERIM TAX & REFORM ADVISORY COMMITTEE

NDACo

COUNTY SURVEY

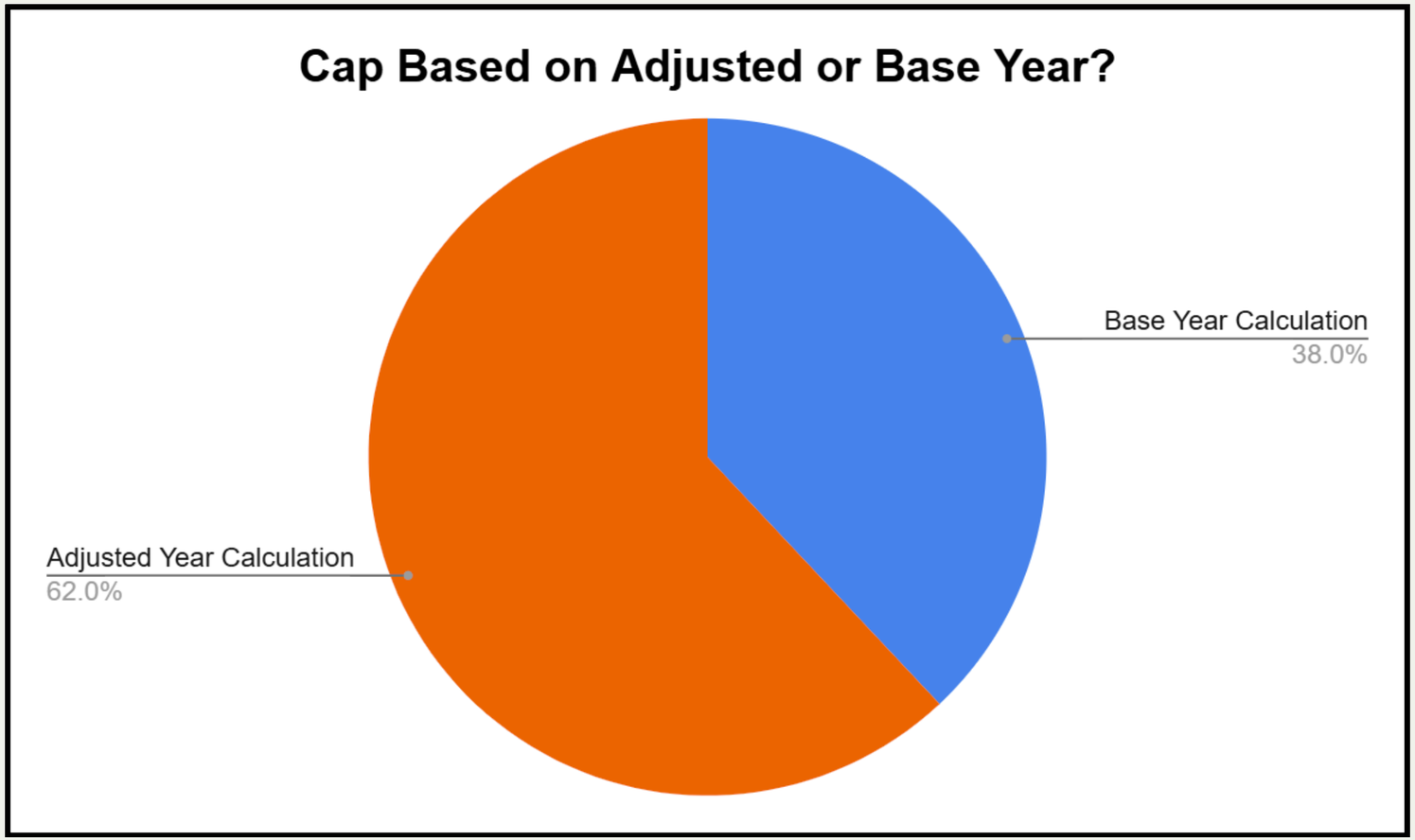
01 51 Counties Responded

02 15 Questions Reqarding 2026 Budget

03 Insight on Concerns & Challenges



LEVY LIMITATION CALCULATION



Adjusted Year:
$ Amount of property tax levied in prior year with allowed adjustments

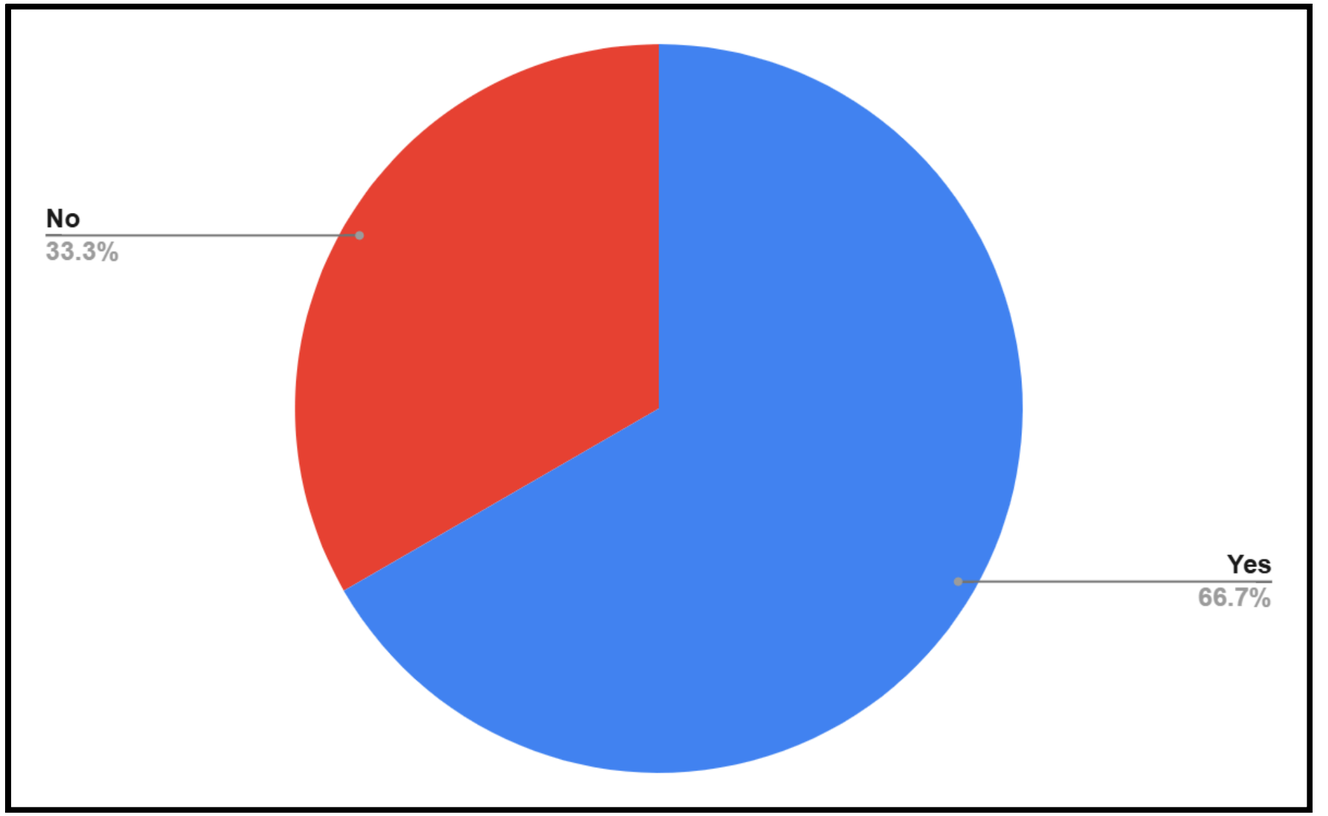
Base Year:
Highest property tax levy in dollars among last 3 years



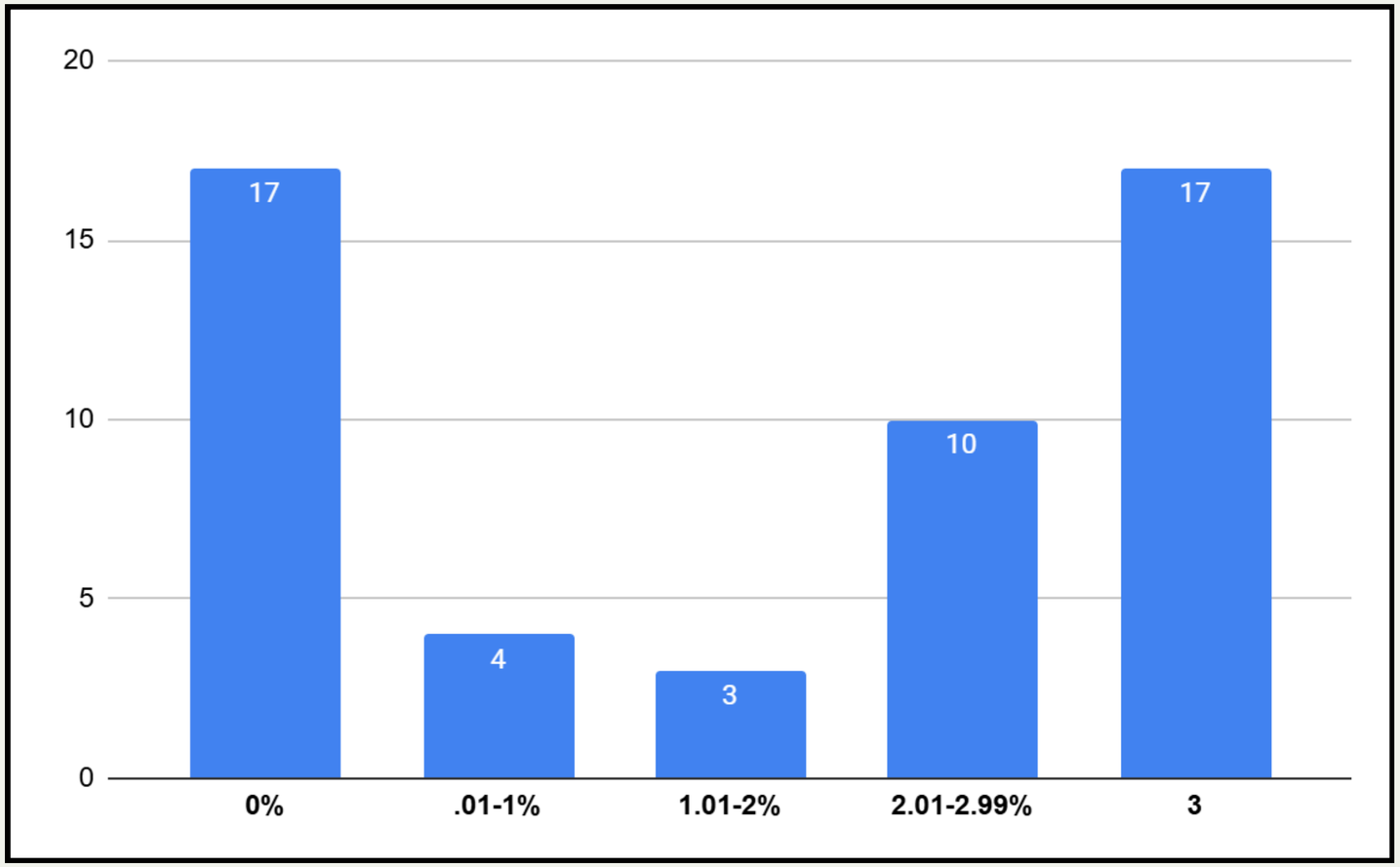
EXCESS CAP ROLL OVER

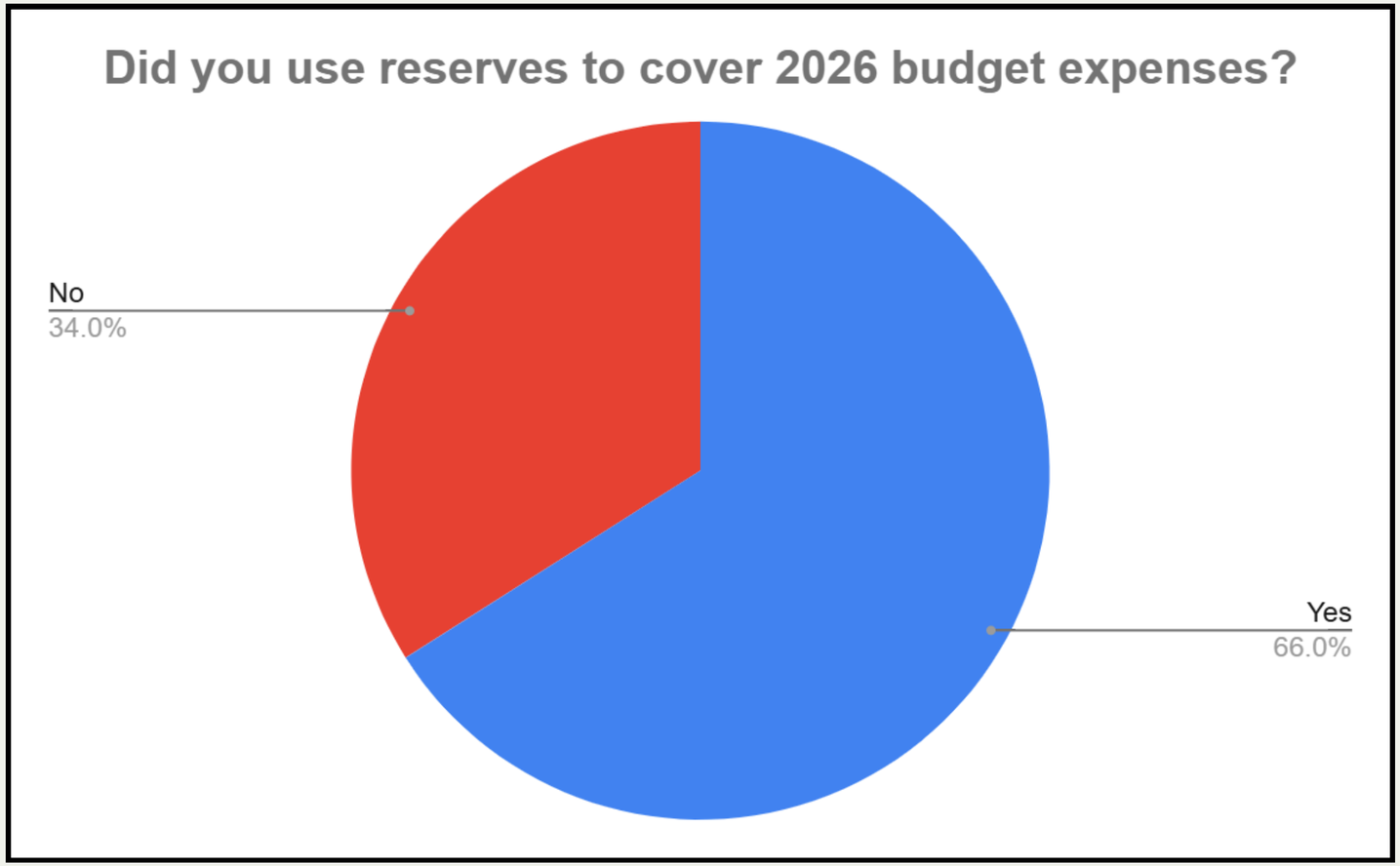


34 Counties carried forward an unused percentage of the 3% CAP for future



PERCENTAGE OF UNUSED CAP TO CARRY FORWARD





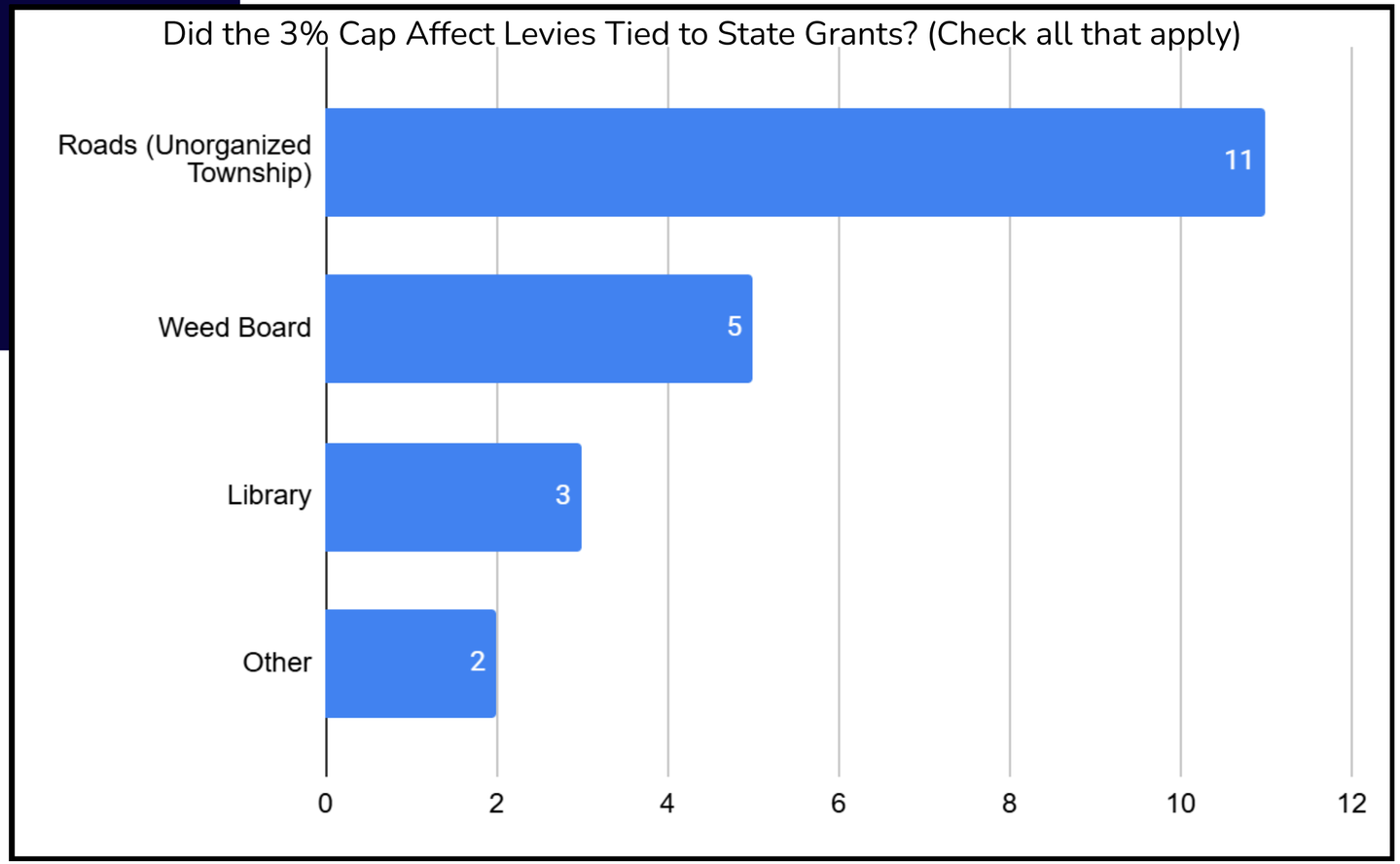
RESERVES

33 Counties
Used Reserves to Fund
2026 budget

13 Counties
Used Reserves + ALL $
Allowed Under 3% CAP

20 Counties
Used Reserves +
Forwarded % of
Unused CAP

FISCAL IMPACTS



Lost Revenue in 17 Counties Due to 3% Cap on Levies Tied to State Grants

Election Costs = 9% of Total Dollar Amount of CAP Allowance

30% Counites Forced to Defer Equipment Purchases Due to Cap

COUNTY BUDGET CUTS & CHALLENGES

CUTS

1. Salary Increases
2. Employee Benefits
3. Road Projects
4. Law Enforcement
5. Equipment Purchases
6. Capital Projects

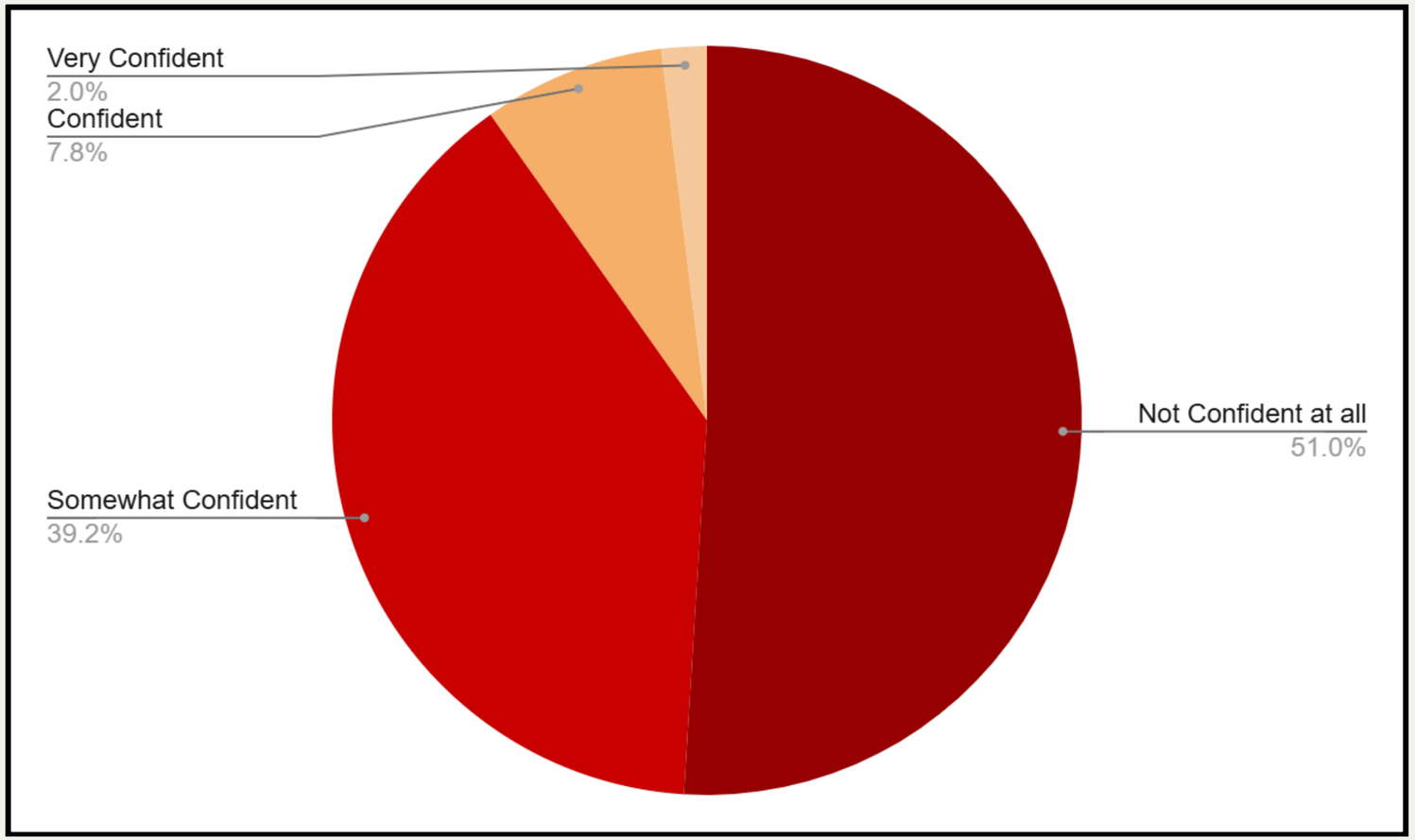
CHALLENGES

- Depleting reserves in order to fill gap is unsustainable
- Unable to provide adequate/ competitive salary increases
- Limits ability to budget for large projects
- Unable to keep up with costs of maintaining or repairing county buildings
- Inflation costs are greater than 3%



UNDER 3% CAP RESTRICTION: HOW CONFIDENT ARE YOU THAT YOUR COUNTY CAN MEET NEEDS OF CITIZENS IN NEXT 5 YEARS?

90% of Counties Lack Confidence that Needs Can Be Met in Future with 3% Cap Restriction



CONSIDERATIONS FOR 2027

Survey reveals an overarching deep concern for the future without changes to the 3% Levy Limitation in 2027.

- **Expand Exemptions**
  - Elections
  - Health Care Premiums
  - Corrections
  - Unfunded Mandates or other costs counties can’t control
  - Prior voter approved levies
- **Public Safety Levy Authority**
- **Adjust CAP Upward to 5%**
- **Adjust CAP that Reflects Inflation**
- **Eliminate Current Mill Rate Limitations**
- **State Appropriation for Programing Costs Associated with Tax Statement Changes**
- **Additional Revenue Sharing from State**



CONSIDERATIONS FOR 2027

Other Legislative Considerations in Relation to HB 1176

- Address Budget Hearing / Notices for: townships, rural fire districts, rural ambulance districts, hospital districts, soil conservation districts
  - Statutory deadlines earlier in year
  - Define that deadline pertains to co, cities, schools, parks

- Tax Department to issue Notification of Approval / Denial of PRC

- Remedy for Taxing Districts that Fail to Provide Certified Levies by Deadline
  - Frozen at Dollars Levied in Previous Year
- Address Conflict in Code for Townships (unorganized) Eligibility for Funding
  - Required to Levy 18 mills to receive Prairie Dog & Flex Funding
    - 3% Cap restricts ability to obtain required mills



Testimony prepared for:
Tax Reform & Relief Advisory Committee
Donnell Preskey, NDACo
March 17, 2026

The North Dakota Association of Counties (NDACo) has spent the last year and a half working with counties on the implementation of HB 1176 which was the major property tax relief and reform bill. Staff have provided numerous presentations and have been a reliable, go-to source for questions and assistance in working through the various questions and challenges. In an effort to capture the impacts of the 3% limitation on property tax revenues on county budgets, NDACo developed a survey for counties to complete. We have a 96% completion rate with 51 of the 53 counties responding. This survey provides insight into how counties managed their 2026 budgets with the mandated limitations along with their outlook on how the 3% cap will impact the well-being of the county in the future.

First, we asked counties how they calculated their Cap. Counties were allowed to base the cap on either the adjusted year or base year. The adjusted year is the dollar amount of property tax levied in the prior year with allowed adjustments. The base year is the highest property tax levy in dollars among the last three years. **62% of counties used the adjusted year and 38% used the base year calculation.**

In dollars, the allowed revenue calculated from the 3% cap limitation was equal to anywhere from $18,000 in Slope County to $1.8 million in Cass County.

HB 1176 allows taxing districts to carry forward unused percentages of the 3% cap for up to 5 years. **34 counties made budget decisions to roll over a percentage of the unused cap. This varied from .03% to 3%. 17 counties used the full 3% of their cap allowance.**

The survey teased out a lot of information from counties about their use of reserves and a concern for how those reserves will be depleted in the future. A majority of counties depended on their reserves to help them meet the needs of their 2026 budget, however the use of reserves to fill the gap in budgets is unsustainable. The data shows us that:

- **33 Counties used reserves to fund their 2026 budget.**
    - 13 Counties used reserves plus all the dollars allowed under the 3% cap.
    - 20 Counties used reserves and had a percentage of the unused cap to use in the future.

FISCAL IMPACTS

The 3% cap resulted in a loss of funding in 17 counties where levies are tied to state grants - with road funding seeing the greatest impact.

Another area that wasn't considered with HB 1176 is that election costs were not included in 2025 budgets, but counties budgeted for elections in 2026. Counties reported in the survey that this line-item alone totals over $3.5 million statewide. The county impact is anywhere from $4,000 for Renville County to more than a half million dollars in Cass County. Election costs alone account for 9% of the total dollar amount of cap allowance across the state.

30% of the counties also reported that they were forced to defer equipment purchases due to the cap along with many reporting unanticipated costs for software and programming changes that were required to meet the legislative requirements in HB 1176.

Overall, counties prepared their 2026 budgets to the best of their abilities, but the comments and results of the survey illustrate a bleak outlook for budgeting and planning for the future. Counties made **budget cuts** in several areas highlighted here:

- Salary increases
- Employee benefits (retirement)
- Road projects
- Law enforcement
- Equipment purchases
- Capital Projects

Challenges counties listed mirror areas where some counties were forced to already make cuts in budgets.

- Depleting reserves to fill gap in funding county needs.
- Unable to provide adequate and competitive salary increases.
- Restricts ability to budget for large projects.
- Unable to keep up with maintaining or repairing county buildings (many are 100 years old).
- Inflation costs are greater than 3%.

What is very telling is the answer to the survey question, "Under the 3% cap restriction, how confident are you that your county can meet the needs of your citizens in next five years?" **90% of the counties say they lack confidence.**

FUTURE CONSIDERATIONS

Counties express a deep concern for the future without changes to the 3% Levy Limitation in 2027. Because of that, we have compiled suggestions for lawmakers to consider as we work towards the next Legislative Session.

- Expand exemptions for the 3% cap for:
    - Elections
    - Health Care Premiums (Counties in the NDPERS health insurance saw a 15% increase in rates from last biennium. These rates are set by the state.
    - Corrections
    - Unfunded mandates
    - Prior voter approved levies
- Public Safety levy authority
- Adjust Cap to 5%
- Adjust Cap that reflects inflation
- Eliminate current mill rate limitations
- State appropriation for programming costs associated with tax statement requirements
- Additional revenue sharing from State

Through NDACo's work on the implementation of HB 1176 and providing guidance to counties and others we have flagged other technical items that should be addressed in the next Legislative Session that we would like to put on the committee's radar to address.

- **Address Budget Hearing/Notice Requirement for Townships, Rural Fire Districts, Rural Ambulance Districts, Hospital Districts, Soil Conservation Districts**
    - Language in HB 1176 required Townships, Rural Fire Districts, Rural Ambulance Districts, Hospital Districts, Soil Conservation Districts to have a 2nd budget hearing even though they have different statutory budget hearing deadlines. Century Code requires these taxing entities to finalize their budgets by July 1st and certify their levies by August 10th. HB 1176 and existing century code for those taxing districts are in conflict.
    - Define that the deadlines for budget hearing notices (57-15-02.2) pertain only to counties, cities, Schools, Parks as the other taxing entities (Townships, Rural Fire Districts, Rural Ambulance Districts, Hospital Districts, Soil Conservation Districts) have different statutory deadlines already in code that take place in the first half of the year.
- **Require Tax Commissioner's Office to provide notification of Approval/Denial of Primary Residence Credit**
    - HB 1176 requires county tax directors to notify PRC applicants of approval or denial of application within 15 days of receipt of applications from the tax commissioner (57-02-01.2 subsection 3c). This is a new requirement, an

additional cost to counties for programming and mailing, in addition to the timeline being extremely tight. Counties do not have access to the applicant's contact information as that process is handled by the tax commissioner through the application process, therefore this would be a very manual process for counties.
    - Tax Commissioner's office provides the notification as they have the contact information for the applicant.
- **Remedy for Taxing Districts who fail to certify levies by deadline**
    - While taxing districts are required to provide their certified levies to the county auditor by October 10th, there is no default if a taxing entity fails to meet the deadline. Under current law, if they miss the deadline the taxing district is held to zero dollars.
    - Solution is for those taxing districts that fail to meet the deadline are frozen at the dollars levied from the previous year. Similar language is currently in code for taxing districts that fail to meet the budget hearing notice deadline.

- **Address Conflict in Code for Townships (unorganized) for eligibility for funding**
    - In order to be eligible for the county and township infrastructure fund (prairie dog) and flexible transportation funding a township needs to levy 18 mills. Unorganized townships fall under the county budget process and therefore are limited by the 3% cap which will prohibit those townships from reaching the 18 mill requirement and being eligible for the infrastructure funding.
    - Eliminate the 18 mill requirement for the direct funding for county and township infrastructure fund (prairie dog) and flexible transportation funding.