

2025 HOUSE FINANCE AND TAXATION

HB 1353

2025 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1353
1/27/2025

Relating to limitations on property tax levies by taxing districts without voter approval; and to provide an effective date.

9:00 a.m. Chairman Headland opened the hearing.

Members Present: Chairman Headland, Vice Chairman Hagert, Representatives Anderson, Dressler, Foss, Grueneich, Ista, Motschenbacher, Nehring, Olson, Porter, Steiner, Toman
Members Absent: Representative Dockter

Discussion Topics:

- Price index
- State funds
- Tax relief

9:01 a.m. Representative Koppelman, District 16, ND Legislative Assembly, introduced the bill.

9:05 a.m. Paul Stremick, Lobbyist, ND School Study Council, testified in favor and submitted testimony #31668.

9:07 a.m. Pete Hanebutt, ND Farm Bureau, testified in favor.

9:08 a.m. Mike Blessum testified in opposition and submitted testimony #31643.

9:18 a.m. Aimee Copas, Executive Director, ND Council of Educational Leaders, testified in opposition and submitted testimony #31642.

9:23 a.m. Chairman Headland closed the hearing.

Janae Pinks, Committee Clerk



Testimony in Opposition to House Bill No. 1353

Chairman Hetland and Members of the Committee:

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

1. School Funding Differs Significantly from Municipalities

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

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

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

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

Currently, schools are required to assess 60 mills for their general fund levy. The proposed 3% cap on annual increases will make it impossible for schools to keep pace with rising property valuations. Over time, this restriction will erode the purchasing power of school budgets, leading to financial strain and increased dependency on state funding. Further the consumer price index 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.

Chairman Headland and members of the House Finance & Taxation committee. My name is Mike Blessum. I am a Minot resident and sitting alderman on the Minot City Council. I'd like to give you my perspectives on the property tax issues you will be facing this session. These thoughts are mine and are not the official positions of the City of Minot or other council members.

First, I'd like to discuss what does not work. Increasing property tax buydowns through the Primary Residence and Homestead Property Tax Credits will give many local subdivisions the cover they want to increase spending and levies. Placing caps on local spending may seem like the answer to offset that issue, but I believe it will just lead to ever increasing burdens on our residents as subdivisions max out their levies to protect against future needs. Allowing us to bank savings is a better version of the caps, but I still believe it is the heavy hand of the state manipulating local decision making. For those that opposed Measure 4 on the grounds of local control, I can't see how this is a better method.

So, what approaches could make a difference? I have a set of structural ideas that I believe would level the playing field and make a real difference for the local subdivisions.

1. Eliminate as many of the local carve outs as possible from century code. While it is true that we could remove programs like the Renaissance Zones and Tax Increment Financing at the local level, there are those that believe we would put our city at a disadvantage if we didn't offer the same programs as the other cities in the state. Remove the incentives to make sure everyone is paying their own (lower) share.
2. Move away from the valuation based system of portioning the levy. Instead, move to something tangible like land and building square footage or some other fixed quality of the property. This will remove the opaque nature of the assessment and improve transparency for property owners. If it is done correctly and other assessment requirements are removed it can also have a direct financial impact on local budgets by

allowing us to close our assessor offices. This alone would save about \$1 million per year in the Minot budget!

3. Roll back the current property tax buydowns in combination with reducing the state share of sales tax. The state has plenty of revenue to reduce the sales tax burden and leave more money in our local communities. This reduction could then be used in local subdivisions to (hopefully) leave more money with residents or introduce new sales tax pennies to provide property tax relief. We do not need a revolving door of cash paid to the state to later be doled back out to the residents through their local subdivisions. Leave the money here in the first place.

As elected officials we all know that the best route to better public policy is electing the right people. Lowering property tax depends on local elected officials making a concerted effort to lower the cost of government and pass those savings along to the taxpayer. With that in mind, you have the opportunity to make a difference for the people of North Dakota through the law. I hope you will consider these ideas as I believe they represent the best set of adjustments that could make real differences at the local level while reducing the burden on the state.

Thank you for your consideration. I would stand for any questions.

Alderman Mike Blessum – Minot City Council

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701-818-2000

1 North Dakota School Study Council Testimony in Support HB 1353 –
2 Limitations on Property Tax Levies

3 Chairman Headland and Members of the Committee,

4 Thank you for the opportunity to provide testimony on HB 1353. The
5 schools I represent are in support of this bill. We understand there will be
6 caps on property tax levies. We can support a 3% overall cap with the
7 understanding new growth will be calculated outside the 3% cap. However,
8 we cannot support the Consumer Price Index or the 3% cap whichever is
9 lower. The Consumer Price Index could be zero or even a negative
10 number which would be devastating to school districts.

11 The school funding formula is intertwined with dollars and mills. Driving
12 mills down due to caps could cost the state extra dollars in order to make
13 the funding formula work.

14 Again, we are in support of HB1353 but would like to see some changes.
15 Thank you for your consideration!

16 

17 Dr. Paul Stremick

2025 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1353
2/10/2025

Relating to limitations on property tax levies by taxing districts without voter approval; and to provide an effective date.

9:38 a.m. Chairman Headland called the meeting to order.

Members Present: Chairman Headland, Vice Chairman Hagert, Representatives Anderson, Dockter, Dressler, Foss, Ista, Motschenbacher, Nehring, Olson, Porter, Steiner, Toman
Members Absent: Representative Grueneich

Discussion Topics:

- Committee action

9:39 a.m. Representative Foss moved a Do Not Pass.

9:39 a.m. Representative D. Anderson seconded the motion.

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Jason Dockter	Y
Representative Ty Dressler	Y
Representative Jim Grueneich	AB
Representative Mike Motschenbacher	Y
Representative Dennis Nehring	Y
Representative Jeremy Olson	Y
Representative Todd Porter	Y
Representative Vicky Steiner	N
Representative Nathan Toman	N
Representative Austin Foss	Y
Representative Zachary Ista	Y

9:40 a.m. Motion passed 11-2-1.

9:40 a.m. Representative Foss will carry the bill.

9:40 a.m. Chairman Headland closed the meeting.

Janae Pinks, Committee Clerk

REPORT OF STANDING COMMITTEE
HB 1353 ([25.0525.02000](#))

Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1353 was placed on the Eleventh order on the calendar.