

# STATE AND LOCAL TAX STRUCTURE FOR FUNDING ELEMENTARY AND SECONDARY EDUCATION - BACKGROUND MEMORANDUM

Section 1 of 2001 Senate Bill No. 2428 (attached as Appendix A) directs the Legislative Council to study the state and local tax structure for funding elementary and secondary education to determine the feasibility and desirability of enhanced state funding to school districts for the delivery of core curriculum instruction, the equity of the existing degree of reliance on property tax revenues for elementary and secondary education funding, and whether improved efficiency is attainable in the delivery of elementary and secondary education services.

## BACKGROUND

During the 1999-2000 school year, the state had 230 school districts, 8,623 full-time administrative and instructional personnel, 108,094 students, and an average cost per student of \$5,136. Of the cost incurred in educating kindergarten through grade 12 students, 43.46 percent was assumed by the state, 42.79 percent was assumed by local sources, 11.8 percent was assumed by federal sources, and 1.23 percent was assumed by county sources. Other sources accounted for 0.81 percent. Ten years earlier, during the 1989-90 school year, the state had 276 districts, 8,723 full-time administrative and instructional personnel, 116,951 students, and an average cost per student of \$3,427.14. Of the costs incurred in educating kindergarten through grade 12 students, 47.33 percent was assumed by the state, 39.34 percent was assumed by local sources, 8.21 percent was assumed by federal sources, and 1.78 percent was assumed by county sources. Other sources accounted for 3.34 percent.

As do most other states, North Dakota finances its state and local government services through state sales taxes and income taxes and through local property taxes and sales taxes. State government relies most heavily on the state sales taxes, which constitute approximately 44 percent of general fund revenue. A listing of the various sources of revenue for all 50 states is attached as Appendix B.

### Sales Tax

The state's sales tax rate is 5 percent. This places North Dakota higher than 16 other states, lower than 17 other states, and at the same level as 12 other states. The collections per capita place North Dakota 12th highest among the states. Appendix C contains the per capita sales and gross receipts rankings for the 50 states.

In a document entitled *A Study of North Dakota's Tax Structure* (February 2001), it is stated that a sales tax provides a significant revenue at a relatively low rate and that it captures payments from some taxpayers who do not otherwise pay state taxes. It is also stated that a sales tax is generally considered to be regressive, that the revenues it generates can fluctuate widely in response to the economy, and that until it is broad based it can introduce distortions into the marketplace. Appendix D illustrates taxes per capita and as a percentage of income for all 50 states for the year 2000.

### Individual and Corporate Income Taxes

Individual income taxes account for 25 percent of the state's revenue while corporate income taxes account for an additional 6 to 8 percent. During fiscal year 1999, the state's income tax rates generated \$287 per capita, thereby placing North Dakota 41st of the 43 states that have individual income taxes (see Appendix E). *A Study of North Dakota's Tax Structure* states that income taxes are progressive in that they are based on the ability to pay and they are responsive to economic growth. On the other hand, income taxes are also responsive to downturns in the economy. Defining what constitutes income is not without its own challenges, and the document notes that corporate income taxes tend to discourage development and are shifted to those who purchase the goods generated by the corporations.

### Other State Taxes

Coal severance and oil extraction taxes accounted for approximately 14 percent of the state's general fund revenue in 1987-89 and during 1999-2001 accounted for approximately 5 percent of such revenue. Estate taxes, which are collected by the state but returned to the counties and cities in which the property is located, generate between \$3 million and \$7 million annually. Taxes on the gross proceeds from games of chance have been levied since 1977 and generate approximately 1 to 2 percent of the state's general fund revenue.

### Local Government Tax Instruments

Of all local government revenues, 38 percent come from the state, 31 percent come from property taxes, 23 percent come from miscellaneous sources,

5 percent come from federal sources, and 3 percent come from local sales and use taxes. Of the \$537 million collected in property taxes during 1999, 55 percent went to school districts, 24 percent went to counties, 13 percent went to cities, 4 percent went to park districts, 2 percent went to townships, and the remaining 2 percent was distributed to special districts.

During 1999, 85 North Dakota cities imposed and collected local sales and use taxes. The total amount generated was in excess of \$53 million. Local governments also collect a portion of their revenues through user fees, such as those applied to building permits, public utilities, and various facilities.

### **PROPERTY TAXES AS A FUNDING SOURCE FOR KINDERGARTEN THROUGH GRADE 12 EDUCATION**

During the 1999 legislative session, funds were appropriated to the Tax Commissioner to support a citizen's study of the tax structure in North Dakota. The study group was charged with analyzing North Dakota's tax structure, taking a critical look at how the tax structure serves the state, and making recommendations to promote a fair and simple tax system that is responsive to a 21st century economy. The study group found that, overall, the state and local tax system in North Dakota is "rather easily understood and generates fairly stable revenues. The burden is spread across a variety of traditional instruments with relatively high taxpayer compliance." With respect to property taxes specifically, the group concluded that:

The property tax burden to support K-12 education is disproportionately borne by agriculture in rural counties. Statewide, agricultural property contributes 32 percent of the property taxes paid to school districts. By county, the percentage of agriculture-related property taxes paid to school districts varies from 4.4 percent to 97.3 percent. A "typical" agricultural or commercial property taxpayer in a rural county pays 55 percent of their property tax to support the local school district.

The group found by reducing taxes on agricultural and commercial properties, through imposition of a local sales tax or through imposition of increased state sales and income taxes, school districts would be less reliant on localized real estate taxes, and the total property tax burden could be reduced. The group also concluded that as the financial burden would shift from the local level to the state level, so too would the degree of decisionmaking otherwise exercised by local entities. In reaching its conclusions, the group noted governmental involvement in the financing of education was a matter for philosophical debate.

Attached as Appendix F are tables showing general property taxes by county in North Dakota, per

capita state and local property taxes for all 50 states, and state and local property taxes per \$1,000 of personal income for all 50 states.

### **2001 Legislative Proposals to Change Taxation for Purposes of Funding Kindergarten Through Grade 12 Education**

The 2001 Legislative Assembly gave consideration to two principal measures that were designed to significantly alter the way revenue is generated and subsequently distributed to school districts. Senate Bill No. 2428, as introduced, would have raised the federal income tax liability from 14 to 17 percent. This would have generated approximately \$95 million, all of which would have been distributed to school districts in accordance with the current system of state aid distribution. Half the amount received by a district would have been deducted from the estimated expenditures used to determine the maximum levy of the district. The other half would have been excluded from the determination of the school district's levy. The language of Senate Bill No. 2428 was subsequently amended to replace the original provisions with a section to provide for the current study.

The second measure considered by the 2001 Legislative Assembly to change the way revenue is generated was House Bill No. 1432. As introduced, this bill would have imposed an individual income tax surtax of 4.5 percent and a separate 2 percent sales tax. The moneys generated from these taxes would have been distributed to school districts in a prorated manner, based on the relationship between the general fund dollars levied by a district in taxable year 2000 versus the total general fund dollars generated by all school districts in that same year. School districts would have lost their authority to levy property taxes. The bill was defeated in the House of Representatives by a vote of 31-67. See Appendix G for 1999-2001 and 2001-03 estimated general fund revenues by source plus information on actual collections for the 1995-97 and 1997-99 bienniums.

### **EDUCATION FUNDING LAWSUITS IN OTHER STATES - UPDATE Ohio**

Under a court mandate to overhaul the state's education finance system, the Ohio Legislature provided an additional \$1.4 billion to public schools for the next two years. The additional dollars will provide a 12 percent increase in guaranteed per student spending, which was set at \$4,294 this year and at \$4,814 in 2002. Opponents still contend that even with the additional \$1.4 billion, the state is not meeting the requirement that it provide a "thorough and efficient" school finance system. Furthermore, opponents state that the new legislation fails to reduce school districts' reliance on property taxes and fails to provide sufficient funds for severely underfunded special education programs.

### **Montana**

Two Montana school district trustees have filed another lawsuit contending the state's method of financing kindergarten through grade 12 education violates the state constitution. They believe the funding formula is unfair, given the significant difference in property values throughout the state. The position of the state is that there is a rational basis to its formula and that as long as there are counties, and as long as there are property taxes, taxpayers will be charged different amounts for services.

### **Arkansas**

In late May 2001, a Pulaski County judge struck down the state's formula for distributing moneys to schools. He claimed the system is neither adequate nor fair to the poorer districts. The decision, which for the third time in 20 years declares the state's education funding system to be unconstitutional, will be appealed. During the trial, experts stated that Arkansas would require an infusion of \$400 million to \$900 million to provide the necessary improvements in its education system. While the court did not indicate how that money was to be generated, legislators agreed they would have to consider new property taxes and sales tax increases. The court also awarded \$9.3 million in attorneys' fees.

### **New York**

New York is also under a court order to fix its education funding system by this fall. The court indicated the current system hobbles the New York City School District's ability to provide a sound basic education for its 1.1 million students and that it disproportionately harms minority students. The New York decision is viewed as being indicative of judicial trends that focus on adequacy of education rather than on the equalization of education funding. Standards and assessments are being used to determine whether a state is providing sufficient funding to its schools.

### **Alaska**

Nearly two years ago, an Alaska judge ruled the state discriminates against its rural, Native Alaskan schoolchildren by failing to provide adequate school buildings. In late March the court determined the manner in which Alaska pays for its school facilities is unfair to rural communities and directed the

legislature to remedy the situation or face the court's own solution. Last year, the Governor of Alaska proposed a \$510 million plan for school construction, and the legislature appropriated \$93 million.

### **New Hampshire**

In early May 2001, New Hampshire's highest court upheld the constitutionality of the statewide property tax the state used to pay for its schools. The state has had its education funding system declared unconstitutional in both 1993 and 1999. Five poor towns claimed they were unable to provide an adequate education for their children because the state's former funding system relied too heavily on local property taxes to pay for schools. To fix the problem, the state instituted a statewide property tax of \$6.60 on \$1,000 of property value. Communities that were better off argued their property was being taxed to subsidize schooling in poorer towns. Representatives of the "donor" towns won their case at the trial court level but were denied a victory by the state supreme court. The supreme court found that the system is flawed but not so flawed as to be determined unconstitutional.

In addressing the problem, the state legislature increased the room and meals tax from 8 percent to 9 percent. It was argued an electricity tax is something that everyone has to pay, including the proverbial little old lady on fixed income. A room and meals tax, on the other hand, was arguably discretionary. Lawmakers also agreed to lower the state property tax from \$6.60 to \$5.95 per \$1,000 of property value.

### **Texas**

Culminating a decade-long legal battle, the state of Texas in 1993 implemented a new education funding formula. Now it appears that another lawsuit is on the horizon. The Texas Constitution prohibits a statewide property tax. However, the postlawsuit funding formula required wealthier districts to give up part of their tax revenue to assist the state's poor districts. The required revenue shift has resulted in significant consternation, and at least 22 districts have already committed to being plaintiffs in a lawsuit to challenge the distribution. In order to avert a lawsuit, the Texas Legislature was considering the appointment of a commission to examine the current finance law and to report back in time for the legislators to consider an overhaul in the 2003 legislative session.

ATTACH:7

**Fifty-seventh Legislative Assembly of North Dakota  
In Regular Session Commencing Tuesday, January 9, 2001**

SENATE BILL NO. 2428  
(Senators Tallackson, Trenbeath)  
(Representatives Froelich, Maragos, Schmidt, Warner)

AN ACT to provide for a legislative council study of the state and local tax structure for funding of elementary and secondary education.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. LEGISLATIVE COUNCIL STUDY.** The legislative council shall consider studying the state and local tax structure for funding of elementary and secondary education to determine the feasibility and desirability of enhanced state funding to school districts for delivery of core curriculum instruction, the equity of the existing degree of reliance on property tax revenues for elementary and secondary education funding, and whether improved efficiency is attainable in delivery of elementary and secondary education services. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-eighth legislative assembly.

## State Taxes By Source - Fiscal Year 2000

	General Sales & Use	Individual Income	Corporate Income	Motor Fuels	Licenses	All Other
Alabama	27.4%	31.3%	4.3%	8.5%	7.6%	21.0%
Alaska	0.0	0.0	23.2	2.9	8.0	65.9
Arizona	43.9	26.8	7.6	7.7	3.4	10.7
Arkansas	37.3	34.3	6.2	8.6	5.9	7.7
California	31.5	41.0	8.3	4.2	4.6	10.4
Colorado	26.0	48.9	4.6	8.5	4.7	7.4
Connecticut	32.3	36.3	5.7	6.1	3.8	15.9
Delaware	0.0	38.4	10.4	5.0	32.8	13.5
Florida	57.4	0.0	5.6	6.6	6.4	23.9
Georgia	34.5	45.9	6.4	4.8	3.4	5.0
Hawaii	44.9	34.1	1.9	2.3	2.9	13.8
Idaho	31.7	37.9	5.7	10.1	9.5	5.1
Illinois	28.3	35.3	9.9	6.6	6.1	13.7
Indiana	32.5	41.7	9.5	6.6	2.2	7.5
Iowa	31.8	38.3	4.1	6.8	9.4	9.6
Kansas	34.8	37.5	6.6	6.9	4.6	9.6
Kentucky	27.8	34.0	4.7	5.8	6.3	21.4
Louisiana	32.6	23.9	5.9	8.7	7.5	21.4
Maine	35.1	38.2	4.5	6.6	5.0	10.5
Maryland	23.5	45.0	4.1	7.4	3.8	16.1
Massachusetts	20.4	55.4	9.4	4.3	3.1	7.4
Michigan	34.9	31.3	10.9	4.8	5.1	13.0
Minnesota	28.2	41.3	6.5	4.8	7.6	11.5
Mississippi	46.8	19.5	5.6	8.9	6.9	12.2
Missouri	32.0	41.0	4.4	8.1	7.0	7.6
Montana	0.0	35.3	6.8	13.4	11.5	33.1
Nebraska	34.9	37.0	5.4	10.1	6.4	6.2
Nevada	54.9	0.0	0.0	7.7	10.4	27.0
New Hampshire	0.0	6.1	23.4	11.4	12.4	46.6
New Jersey	30.5	35.8	7.5	3.1	4.8	18.2
New Mexico	40.7	22.4	5.0	6.7	5.3	19.9
New York	21.1	50.6	8.7	1.4	2.7	15.7
North Carolina	23.6	44.2	7.2	8.0	6.1	10.9
NORTH DAKOTA	28.7	16.5	7.7	9.8	7.4	30.0
Ohio	31.4	39.5	4.3	7.5	8.3	9.0
Oklahoma	25.1	35.6	4.2	6.7	14.1	14.4
Oregon	0.0	68.8	5.6	7.6	10.1	7.9
Pennsylvania	30.6	29.2	7.6	3.9	10.6	18.1
Rhode Island	29.5	41.2	3.9	7.0	4.9	13.4
South Carolina	38.1	36.7	3.8	6.0	7.1	8.4
South Dakota	53.1	0.0	4.6	13.6	12.6	16.1
Tennessee	57.6	2.3	8.7	10.8	9.4	11.3
Texas	50.6	0.0	0.0	10.2	14.3	24.8
Utah	36.9	39.8	5.6	8.9	4.3	4.6
Vermont	20.3	38.2	4.8	5.9	6.8	24.0
Virginia	21.1	51.3	4.2	7.2	4.3	11.9
Washington	58.5	0.0	0.0	6.0	4.5	31.0
West Virginia	28.4	28.8	7.4	7.7	5.3	22.5
Wisconsin	27.3	45.3	6.1	7.6	5.7	8.0
Wyoming	39.2	0.0	0.0	5.3	9.2	46.2
All States (a)	32.9%	33.9%	6.5%	6.0%	6.2%	14.4%

(a) Does not include the District of Columbia.

(b) Based on quarterly data.

SOURCE: Tax Foundation, based on data from the Department of Commerce, Bureau of the Census.

**Total Sales and Gross Receipts Tax  
Collections Per Capita  
Fiscal Year 1999**

Rank	State	Per Capita Total Sales and Gross Receipts Taxes
1	Nevada	\$1,617
2	Hawaii	1,616
3	Washington	1,574
4	Connecticut	1,469
5	Florida	1,186
6	New Mexico	1,125
7	Minnesota	1,109
8	Mississippi	1,094
9	Michigan	1,054
10	Texas	1,048
11	Tennessee	1,010
12	<b>NORTH DAKOTA</b>	1,006
13	New Jersey	980
14	Rhode Island	932
15	Wisconsin	931
16	South Dakota	927
17	Maine	925
18	Arizona	899
19	Wyoming	895
20	West Virginia	893
21	Arkansas	873
22	Utah	867
23	Kentucky	857
24	California	854
25	Kansas	844
26	Pennsylvania	838
27	Iowa	825
28	Illinois	824
29	Idaho	805
30	South Carolina	794
31	Indiana	787
32	Maryland	780
33	Ohio	772
34	North Carolina	767
35	Massachusetts	767
36	Vermont	753
37	Nebraska	751
38	Louisiana	738
39	Missouri	717
40	Alabama	716
41	New York	705
42	Georgia	690
43	Colorado	622
44	Oklahoma	620
45	Virginia	609
46	New Hampshire	430
47	Montana	367
48	Delaware	364
49	Alaska	213
50	Oregon	201
	US Average	\$843

\* Total Sales and Gross Receipts Taxes includes taxes on alcoholic beverages, amusements, insurance premiums, motor fuels, parimutuels, public utilities, tobacco products and other selective sales.

SOURCE: US Dept. of Commerce, Census Bureau.

**General Sales and Gross Receipts  
Tax Collections Per Capita  
Fiscal Year 1999**

Rank	State	Per Capita General Sales and Gross Receipts Taxes
1	Washington	\$1,260
2	Hawaii	1,221
3	Nevada	1,011
4	Connecticut	981
5	Florida	919
6	Michigan	842
7	New Mexico	835
8	Mississippi	806
9	Tennessee	769
10	Wyoming	724
11	Minnesota	713
12	Arizona	693
13	California	684
14	Maine	661
15	Texas	654
16	Utah	646
17	Kansas	635
18	South Dakota	630
19	Arkansas	628
20	Wisconsin	622
21	New Jersey	621
22	South Carolina	604
23	Iowa	574
24	Rhode Island	566
25	Idaho	561
26	Georgia	558
27	Indiana	557
28	Pennsylvania	555
29	Massachusetts	530
30	Kentucky	527
31	<b>NORTH DAKOTA</b>	525
32	Ohio	522
33	Louisiana	518
34	Nebraska	513
35	Missouri	497
36	West Virginia	497
37	Illinois	491
38	Maryland	445
39	New York	438
40	North Carolina	437
41	Colorado	420
42	Oklahoma	410
43	Alabama	377
44	Virginia	348
45	Vermont	346
46	Alaska	n/a
47	Delaware	n/a
48	Montana	n/a
49	New Hampshire	n/a
50	Oregon	n/a
	US Average	\$578

SOURCE: US Dept. of Commerce, Census Bureau.

## Taxes Per Capita and as a Percent of Income, 2000, by State

	Per Capita Total Taxes	Per Capita Federal Taxes	Per Capita State/Local Taxes	Per Capita Income	Total Taxes as % of Income	Federal Taxes as % of Income	State/Local Taxes as % of Income	Total Taxes as % of Income Rank	State & Local Taxes as % of Income Rank
United States	\$10,026	\$6,945	\$3,080	\$29,705	33.8	23.4	10.4	-	-
Alabama	7,438	5,274	2,164	23,945	31.1	22.0	9.0	48	45
Alaska	8,734	6,816	1,918	28,037	31.2	24.3	6.8	44	49
Arizona	8,435	6,012	2,423	26,044	32.4	23.1	9.3	35	41
Arkansas	7,095	4,845	2,250	22,585	31.4	21.5	10.0	42	25
California	10,554	7,245	3,309	31,138	33.9	23.3	10.6	17	16
Colorado	10,461	7,614	2,647	32,670	32.0	23.3	6.7	36	50
Connecticut	16,143	11,524	4,619	42,641	37.9	27.0	10.8	1	12
Delaware	10,857	7,659	3,197	33,297	32.6	23.0	9.6	32	35
Florida	10,070	7,264	2,806	28,923	34.8	25.1	9.7	8	33
Georgia	9,248	6,407	2,841	28,298	32.7	22.6	10.0	31	26
Hawaii	9,647	6,007	3,640	29,219	33.0	20.6	12.5	27	3
Idaho	7,804	5,225	2,579	23,579	33.1	22.2	10.9	25	11
Illinois	11,115	7,952	3,163	32,613	34.1	24.4	9.7	15	34
Indiana	8,968	6,182	2,787	26,958	33.3	22.9	10.3	22	20
Iowa	8,839	5,963	2,876	26,867	32.9	22.2	10.7	28	15
Kansas	9,311	6,427	2,884	27,851	33.4	23.1	10.4	21	19
Kentucky	7,474	5,219	2,255	24,029	31.1	21.7	9.4	49	40
Louisiana	7,520	5,191	2,329	23,543	31.9	22.0	9.9	37	30
Maine	9,005	5,573	3,431	25,807	34.9	21.6	13.3	7	1
Maryland	11,537	8,107	3,430	33,729	34.2	24.0	10.2	14	22
Massachusetts	12,881	9,095	3,786	37,214	34.6	24.4	10.2	10	23
Michigan	9,728	6,885	2,842	28,730	33.9	24.0	9.9	18	31
Minnesota	10,740	7,320	3,420	31,203	34.4	23.5	11.0	13	9
Mississippi	6,538	4,439	2,099	21,086	31.0	21.1	10.0	50	27
Missouri	8,914	6,279	2,636	27,317	32.6	23.0	9.6	33	36
Montana	7,321	5,131	2,191	23,010	31.8	22.3	9.5	38	38
Nebraska	9,429	6,288	3,140	27,727	34.0	22.7	11.3	16	8
Nevada	10,673	7,600	3,073	30,750	34.7	24.7	10.0	9	28
New Hampshire	10,835	8,058	2,777	32,526	33.3	24.8	8.5	23	47
New Jersey	13,821	9,674	4,147	38,540	35.9	25.1	10.8	4	13
New Mexico	7,389	4,977	2,413	22,320	33.1	22.3	10.8	26	14
New York	13,072	8,384	4,688	35,877	36.4	23.4	13.1	3	2
North Carolina	8,693	5,966	2,727	26,486	32.8	22.5	10.3	29	21
<b>NORTH DAKOTA</b>	<b>7,779</b>	<b>5,417</b>	<b>2,362</b>	<b>24,899</b>	<b>31.2</b>	<b>21.8</b>	<b>9.5</b>	<b>45</b>	<b>39</b>
Ohio	9,516	6,410	3,106	28,130	33.8	22.8	11.0	20	10
Oklahoma	7,308	5,015	2,293	23,401	31.2	21.4	9.8	46	32
Oregon	9,130	6,539	2,590	27,828	32.8	23.5	9.3	30	42
Pennsylvania	10,050	6,979	3,070	30,152	33.3	23.1	10.2	24	24
Rhode Island	10,408	6,943	3,465	30,104	34.6	23.1	11.5	11	7
South Carolina	7,590	5,302	2,288	23,912	31.7	22.2	9.6	40	37
South Dakota	8,066	5,752	2,314	25,452	31.7	22.6	9.1	41	43
Tennessee	8,230	5,991	2,239	26,386	31.2	22.7	8.5	47	48
Texas	8,904	6,395	2,510	27,991	31.8	22.8	9.0	39	46
Utah	8,039	5,196	2,843	23,699	33.9	21.9	12.0	19	5
Vermont	9,369	6,161	3,208	27,164	34.5	22.7	11.8	12	6
Virginia	10,025	6,929	3,096	30,859	32.5	22.5	10.0	34	29
Washington	11,098	7,742	3,356	31,599	35.1	24.5	10.6	6	17
West Virginia	6,734	4,458	2,276	21,539	31.3	20.7	10.6	43	18
Wisconsin	9,963	6,518	3,445	28,171	35.4	23.1	12.2	5	4
Wyoming	9,612	7,234	2,376	26,157	36.7	27.7	9.1	2	44
Dist. of Columbia	15,991	9,875	6,117	42,537	37.6	23.2	14.4	--	--

Note: Totals may not add up to rounding.

SOURCE: Tax Foundation

# Per Capita Comparison of Individual Income Tax Collections \*

Fiscal Year 1999

State	Rank	Per Capita
Massachusetts	1	\$1,301
New York	2	\$1,131
Oregon	3	\$1,119
Minnesota	4	\$1,111
Connecticut	5	1,100
Delaware	6	\$1,023
Wisconsin	7	\$983
California	8	\$927
Hawaii	9	\$902
Virginia	10	\$886
North Carolina	11	\$861
Maine	12	\$814
Maryland	13	\$808
New Jersey	14	\$777
Rhode Island	15	\$770
Michigan	16	\$750
Indiana	17	\$736
Georgia	18	\$731
Colorado	19	\$692
Utah	20	\$686
Idaho	21	\$677
Missouri	22	\$663
Vermont	23	\$646
Nebraska	24	\$643
Kansas	25	\$639
Kentucky	26	\$639
Ohio	27	\$639
Oklahoma	28	\$617
Illinois	29	\$598
Iowa	30	\$598
Arkansas	31	\$562
Montana	32	\$547
Pennsylvania	33	\$534
South Carolina	34	\$511
West Virginia	35	\$509
New Mexico	36	\$465
Arizona	37	\$439
Alabama	38	\$437
Mississippi	39	\$355
Louisiana	40	\$351
<b>NORTH DAKOTA</b>	41	\$287
New Hampshire	42	\$53
Tennessee	43	\$28

\* Seven states levy no individual income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming.

SOURCE: U.S. Department of Commerce, Bureau of the Census.

## General Property Taxes by County - Payable in 1996-2000

County	1996 Total		Percent Change	1997 Total		Percent Change	1998 Total		Percent Change	1999 Total		Percent Change	2000	
	Ad Valorem Property Taxes	Ad Valorem Property Taxes		Ad Valorem Property Taxes	Ad Valorem Property Taxes		Ad Valorem Property Taxes	Ad Valorem Property Taxes		Ad Valorem Property Taxes	Ad Valorem Property Taxes		Ad Valorem Property Taxes	Percent Change
Adams	2,254,872	2,312,840	2.6	2,361,106	2.1	2,342,916	-0.8	2,334,597	-0.4					
Barnes	8,409,944	8,675,015	3.2	8,804,276	1.5	8,964,313	1.8	9,385,558	4.7					
Benson	3,422,967	3,515,420	2.7	3,597,535	2.3	3,699,686	2.8	3,675,953	-0.6					
Billings	616,350	536,666	-12.9	505,267	-5.9	546,818	8.2	616,163	12.7					
Bottineau	5,124,798	5,366,374	4.7	5,665,714	5.6	5,852,357	3.3	6,035,993	3.1					
Bowman	2,146,256	2,112,052	-1.6	2,098,000	-0.7	2,158,629	2.9	2,212,977	2.5					
Burke	1,962,126	2,137,786	9.0	2,160,717	1.1	2,250,631	4.2	2,224,119	-1.2					
Burleigh	43,389,844	45,376,504	4.6	47,728,619	5.2	50,226,947	5.2	54,651,384	8.8					
Cass	77,415,927	82,254,746	6.3	89,589,309	8.9	95,563,273	6.7	101,383,540	6.1					
Cavalier	5,196,295	5,408,823	4.1	5,548,581	2.6	5,679,756	2.4	5,783,453	1.8					
Dickey	4,257,506	4,197,167	-1.4	4,415,335	5.2	4,600,452	4.2	4,645,399	1.0					
Divide	2,122,816	2,246,444	5.8	2,417,738	7.6	2,505,440	3.6	2,614,988	4.4					
Dunn	3,051,744	3,059,262	0.2	3,122,670	2.1	3,085,459	-1.2	3,239,217	5.0					
Eddy	2,024,207	2,077,369	2.6	2,191,620	5.5	2,078,616	-5.2	2,155,978	3.7					
Emmons	3,538,408	3,606,889	1.9	3,673,731	1.9	3,709,537	1.0	3,724,770	0.4					
Foster	2,801,728	2,942,392	5.0	3,037,862	3.2	3,102,357	2.1	3,171,455	2.2					
Golden Valley	1,569,329	1,688,892	7.6	1,693,670	0.3	1,690,150	-0.2	1,726,752	2.2					
Grand Forks	42,503,470	44,534,217	4.8	44,239,890	-0.7	46,921,875	6.1	49,809,986	6.2					
Grant	2,323,389	2,405,068	3.5	2,403,987	0.0	2,499,520	4.0	2,517,920	0.7					
Griggs	2,717,520	2,922,689	7.5	2,898,179	-0.8	2,982,656	2.9	2,952,836	-1.0					
Hettinger	2,358,641	2,415,120	2.4	2,537,794	5.1	2,522,017	-0.6	2,511,400	-0.4					
Kidder	2,383,531	2,461,587	3.3	2,569,018	4.4	2,619,357	2.0	2,631,986	0.5					
LaMoure	3,835,912	3,957,803	3.2	4,097,563	3.5	4,149,137	1.3	4,166,103	0.4					
Logan	1,793,132	1,888,996	5.3	1,935,944	2.5	1,982,347	2.4	1,981,789	0.0					
McHenry	3,825,045	3,931,820	2.8	4,038,651	2.7	4,137,280	2.4	4,216,304	1.9					
McIntosh	2,498,707	2,557,694	2.4	2,576,671	0.7	2,590,827	0.5	2,667,836	3.0					
McKenzie	3,183,313	3,443,948	8.2	3,310,318	-3.9	3,433,244	3.7	3,141,127	-8.5					
McLean	4,481,747	4,787,093	6.8	5,017,738	4.8	5,295,848	5.5	5,251,128	-0.8					
Mercer	4,366,743	4,509,415	3.3	4,783,009	6.1	4,909,452	2.6	5,104,405	4.0					
Morton	15,315,211	16,449,814	7.4	17,378,814	5.6	18,209,938	4.8	19,339,440	6.2					
Mountrail	3,884,588	4,029,499	3.7	4,220,413	4.7	4,401,634	4.3	4,708,705	7.0					
Nelson	3,822,034	3,879,569	1.5	3,932,472	1.4	4,039,402	2.7	4,032,900	-0.2					
Oliver	1,134,499	1,218,618	7.4	1,238,078	1.6	1,296,055	4.7	1,328,251	2.5					
Pembina	7,640,872	7,963,165	4.2	8,136,815	2.2	8,528,196	4.8	8,932,690	4.7					
Pierce	3,514,086	3,655,818	4.0	3,832,193	4.8	3,896,186	1.7	3,983,543	2.2					
Ramsey	7,757,912	8,176,770	5.4	8,549,449	4.6	8,788,791	2.8	8,842,811	0.6					
Ransom	4,250,990	4,589,995	8.0	4,609,040	0.4	4,720,906	2.4	4,840,674	2.5					
Renville	1,860,016	2,079,223	11.8	2,249,062	8.2	2,308,111	2.6	2,450,821	6.2					
Richland	12,831,389	14,187,835	10.6	14,843,743	4.6	15,193,503	2.4	15,322,710	0.9					
Rolette	2,952,509	3,003,999	1.7	3,229,768	7.5	3,086,905	-4.4	3,156,475	2.3					
Sargent	3,873,819	4,177,503	7.8	4,344,847	4.0	4,336,821	-0.2	4,477,969	3.3					
Sheridan	1,566,968	1,611,989	2.9	1,673,643	3.8	1,694,573	1.3	1,746,754	3.1					
Sioux	668,342	697,461	4.4	721,106	3.4	715,566	-0.8	712,232	-0.5					
Slope	814,793	835,644	2.6	851,031	1.8	857,177	0.7	903,887	5.4					
Stark	11,277,642	11,560,234	2.5	11,885,253	2.8	12,297,503	3.5	13,036,350	6.0					
Steele	3,075,245	3,151,581	2.5	3,180,675	0.9	3,171,335	-0.3	3,217,159	1.4					
Stutsman	13,905,990	14,143,841	1.7	14,530,549	2.7	14,752,718	1.5	15,221,145	3.2					
Towner	3,185,784	3,296,242	3.5	3,295,963	0.0	3,361,129	2.0	3,416,568	1.6					
Traill	7,020,095	7,091,772	1.0	7,225,898	1.9	7,237,366	0.2	7,347,792	1.5					
Walsh	9,961,489	9,961,578	4.6	10,602,143	6.4	10,810,271	2.0	11,002,597	1.8					
Ward	26,605,140	27,253,907	2.4	29,938,865	9.9	31,017,936	3.6	32,847,831	5.9					
Wells	4,005,307	4,272,934	6.7	4,430,742	3.7	4,499,213	1.5	4,679,904	4.0					
Williams	12,294,230	13,058,065	6.2	13,661,139	4.6	13,881,264	1.6	14,109,943	1.6					
Total	408,353,215	427,677,147	4.7	447,582,274	4.7	465,203,396	3.9	486,194,264	4.5					

SOURCE: North Dakota Office of State Tax Commissioner. Property Tax Division, "Property Valuations and Property Taxes Levied in North Dakota."

**Per Capita  
State & Local Property Taxes**

1996

Rank	State	Amount
1	New Jersey	\$1,606.00
2	New Hampshire	1,531.00
3	Connecticut	1,425.00
4	New York	1,282.00
5	Rhode Island	1,163.00
6	Vermont	1,163.00
7	Alaska	1,127.00
8	Maine	1,094.00
9	Massachusetts	1,066.00
10	Wisconsin	1,060.00
11	Illinois	1,058.00
12	Wyoming	988.00
13	Nebraska	962.00
14	Minnesota	890.00
15	Montana	889.00
16	Washington	853.00
17	Iowa	838.00
18	Florida	826.00
19	Texas	806.00
20	Kansas	772.00
21	South Dakota	758.00
22	Maryland	753.00
23	Colorado	752.00
24	Oregon	736.00
25	Michigan	732.00
26	Virginia	731.00
27	Pennsylvania	721.00
28	California	718.00
29	Ohio	715.00
30	Arizona	712.00
31	Indiana	693.00
32	Georgia	660.00
33	<b>NORTH DAKOTA</b>	642.00
34	Nevada	561.00
35	Idaho	555.00
36	South Carolina	528.00
37	Hawaii	519.00
38	Utah	505.00
39	Missouri	490.00
40	North Carolina	477.00
41	Mississippi	447.00
42	Tennessee	430.00
43	Delaware	416.00
44	West Virginia	399.00
45	Kentucky	364.00
46	Louisiana	314.00
47	Oklahoma	309.00
48	Arkansas	302.00
49	New Mexico	279.00
50	Alabama	233.00

SOURCE: Tax Foundation

**Per \$1,000 of Personal Income  
State & Local Property Taxes**

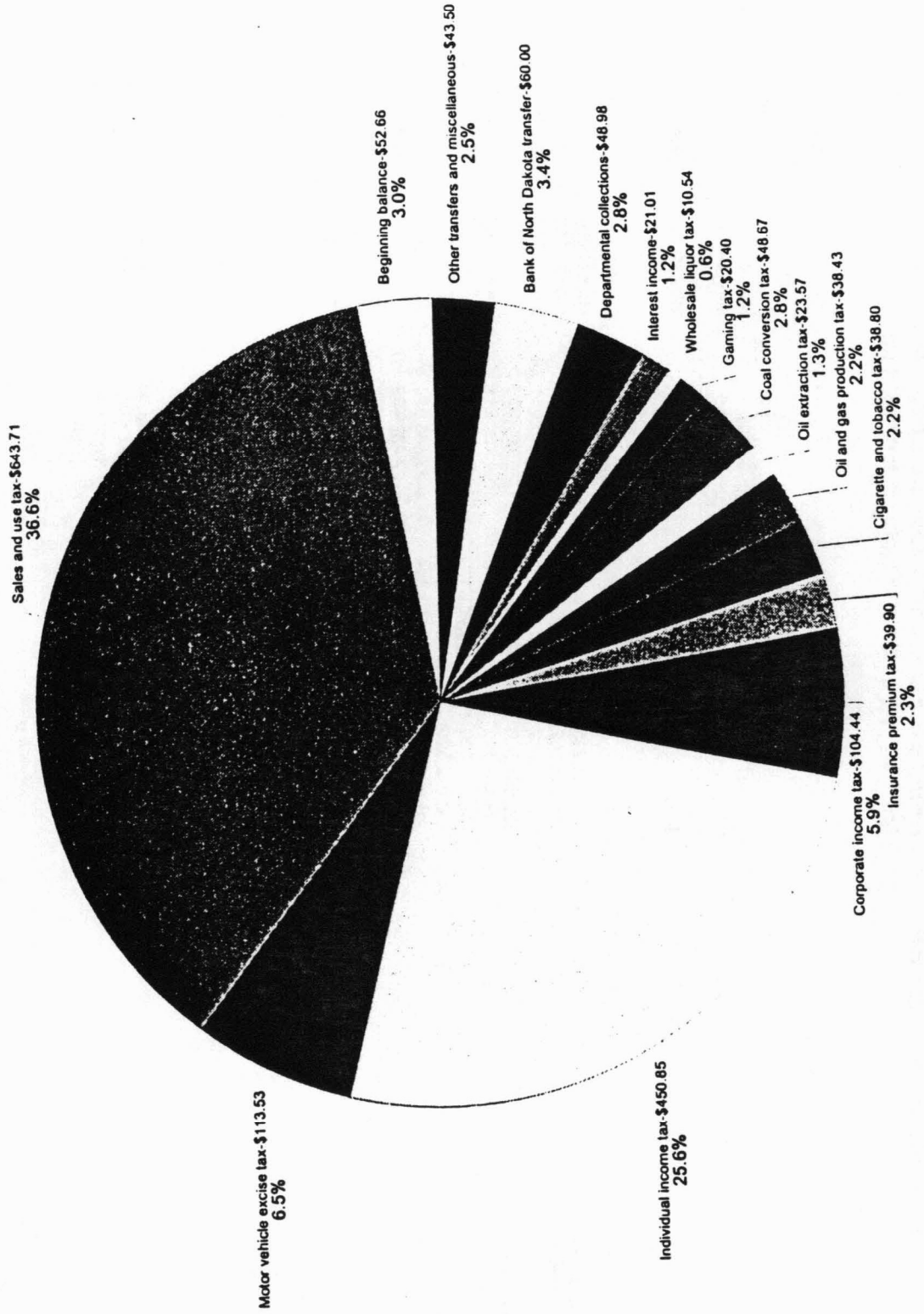
1996

Rank	State	Amount
1	New Hampshire	59.00
2	Maine	54.00
3	Vermont	54.00
4	New Jersey	53.00
5	Montana	48.00
6	Rhode Island	48.00
7	Alaska	47.00
8	Wisconsin	47.00
9	New York	45.00
10	Nebraska	44.00
11	Connecticut	43.00
12	Wyoming	43.00
13	Illinois	41.00
14	Iowa	39.00
15	South Dakota	39.00
16	Massachusetts	37.00
17	Texas	37.00
18	Minnesota	36.00
19	Washington	36.00
20	Arizona	35.00
21	Florida	35.00
22	Kansas	35.00
23	<b>NORTH DAKOTA</b>	33.00
24	Oregon	33.00
25	Indiana	32.00
26	Michigan	31.00
27	Ohio	31.00
28	Colorado	30.00
29	Pennsylvania	30.00
30	Virginia	30.00
31	California	29.00
32	Georgia	29.00
33	Idaho	29.00
34	Maryland	28.00
35	Mississippi	27.00
36	South Carolina	27.00
37	Utah	27.00
38	Missouri	22.00
39	Nevada	22.00
40	North Carolina	22.00
41	West Virginia	22.00
42	Hawaii	21.00
43	Kentucky	20.00
44	Tennessee	20.00
45	Arkansas	16.00
46	Delaware	16.00
47	Louisiana	16.00
48	Oklahoma	16.00
49	New Mexico	15.00
50	Alabama	12.00

SOURCE: Tax Foundation

# 2001-03 ESTIMATED GENERAL FUND REVENUES

Total 2001-03 Estimated General Fund Revenues - \$1,758.98  
(Amounts shown in millions)



**GENERAL FUND REVENUE ESTIMATES FOR THE 1999-2001 AND 2001-03 BIENNIUMS  
AND ACTUAL COLLECTIONS FOR PRIOR BIENNIUMS**

	Actual		Estimated		2001-03 Percentage Increase (Decrease) Compared to 1999-2001
	1995-97 Biennium	1997-99 Biennium	1999-2001 Biennium <sup>1</sup>	2001-03 Biennium <sup>2</sup>	
<b>Beginning balance</b>	\$31,151,278	\$65,000,000	\$61,114,425	\$52,662,700	-13.83%
<b>Revenues</b>					
Sales and use tax	\$517,328,106	\$569,501,827	\$616,840,047	\$643,705,000	4.36%
Motor vehicle excise tax	88,142,913	94,863,089	109,998,958	113,531,000	3.21%
Individual income tax	315,516,252	358,287,825	402,767,325	450,847,000	11.94%
Corporate income tax	99,347,937	123,420,219	94,220,001	104,439,000	10.85%
Insurance premium tax	36,968,670	33,133,216	39,260,916	39,896,000	1.62%
Business privilege tax	3,854,132	6,494,162	4,782,211	4,800,000	0.37%
Cigarette and tobacco tax	45,030,090	44,091,170	41,692,734	38,796,000	-6.95%
Oil and gas production tax	33,042,320	26,973,613	38,433,430 <sup>3</sup>	38,431,000 <sup>3</sup>	-0.01%
Oil extraction tax	21,987,655	16,703,114	23,566,570 <sup>3</sup>	23,569,000 <sup>3</sup>	0.01%
Coal severance tax	22,245,267	22,596,137	22,437,459	(22,437,459)	-100.00%
Coal conversion tax	24,064,781	23,786,790	25,518,737	48,670,000	90.72%
Gaming tax	22,848,486	22,801,868	27,046,000	20,403,000	-24.56%
Wholesale liquor tax	10,339,078	11,140,328	10,857,646	10,540,543	-2.92%
Mineral leasing fees	5,629,526	7,257,989	7,896,523	6,757,500	-14.42%
Interest income	15,554,914	19,013,889	20,382,000	21,011,000	3.09%
Departmental collections	28,737,207	32,997,069	42,544,198	48,977,350	15.12%
<b>Total revenues</b>	<b>\$1,290,637,334</b>	<b>\$1,413,062,305</b>	<b>\$1,528,244,755</b>	<b>\$1,614,373,393</b>	<b>5.64%</b>
<b>Transfers and other sources</b>					
Bank of North Dakota	\$50,214,540	\$29,600,000	\$50,000,000	\$60,000,000 <sup>4</sup>	20.00%
Student loan trust	1,000,000	3,000,000	3,000,000	9,000,000	100.00%
Mill and Elevator	1,071,878	1,128,872	1,380,608	1,363,392	-1.25%
Gas tax administration	2,000,000	5,500,000	3,000,000	3,545,102	18.17%
Lands and minerals fund			1,500,000	(1,500,000)	-100.00%
PERS life insurance fund			200,000	100,000	50.00%
Financial institutions regulatory fund				9,733,820	
Water development trust	35,444,748	28,016,831		2,000,000 <sup>5</sup>	
State aid distribution fund			442,859	(442,859)	-100.00%
Sale of DD loans	1,000,476	3,197,042			
Other					
<b>Total transfers</b>	<b>\$90,731,642</b>	<b>\$70,442,745</b>	<b>\$59,523,467</b>	<b>\$91,942,314</b>	<b>54.46%</b>
<b>Total beginning balance, revenues, and transfers</b>	<b>\$1,412,520,254</b>	<b>\$1,548,505,050</b>	<b>\$1,648,882,647</b>	<b>\$1,758,978,407</b>	<b>6.68%</b>

11 Revised 1999-2001 revenue forecast (March 2001).

12 Legislative amounts for the 2001-03 biennium.

13 North Dakota Century Code Section 57-51.1-07.2 provides that if, at the end of any biennium, oil and gas production and extraction tax collections during the biennium exceeded \$62 million, the excess amount must be transferred from the general fund to the permanent oil tax trust fund. Moneys in the permanent oil tax trust fund may only be spent upon approval of two-thirds of each house of the Legislative Assembly.

Total oil and gas tax collections are estimated to be \$75.3 million during the 1999-2001 biennium, resulting in \$13.3 million being transferred to the permanent oil tax trust fund. Total oil and gas tax collections are estimated to be \$71.2 million during the 2001-03 biennium, resulting in \$9.2 million, for a total of \$22.5 million, being transferred to the permanent oil tax trust fund at the end of that biennium. Interest on moneys in the fund are transferred to the general fund.

14 In addition to the \$60 million transfer from the Bank of North Dakota included in the legislative amounts, Section 12 of 2001 House Bill No. 1015 provides that if actual general fund revenues are less than projected for the 2001-03 biennium, an amount equal to the revenue shortfall, not to exceed \$25 million, may be transferred from the Bank of North Dakota. The transfer may not reduce the Bank's capital structure below \$140 million.

The 1999 Legislative Assembly, in Section 18 of 1999 Senate Bill No. 2015, authorized up to \$40 million of additional general fund transfers as necessary to achieve a June 30, 2001, general fund balance of \$10 million. No contingent Bank of North Dakota transfers to the general fund are anticipated during the 1999-2001 biennium.

15 The 1999 Legislative Assembly authorized the sale of up to \$2.15 million of loans from the developmental disabilities (DD) revolving loan fund, if necessary, to achieve an end of biennium general fund balance of \$11.3 million. Current projections included in the 2001-03 executive budget recommendation provide for a June 30, 2001, balance of \$52.7 million. Consequently, no loans are anticipated to be sold during the 1999-2001 biennium.

Section 9 of 2001 House Bill No. 1015 provides that, at the request of the director of the Office of Management and Budget, up to \$2 million of loans from the DD revolving loan fund may be sold and the proceeds deposited in the general fund.