

Introduced by

1 A BILL for an Act to amend and reenact sections 57-15-01.1, 57-64-01, 57-64-02, 57-64-03,
2 and 57-64-04 of the North Dakota Century Code, relating to allocation of state funding to school
3 districts for mill levy reduction grants and property tax levies of school districts; to repeal
4 chapter 57-16 of the North Dakota Century Code, relating to certain excess levies of school
5 districts; to provide an appropriation; to provide for transfers; and to provide an effective date.

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

7 **SECTION 1. AMENDMENT.** Section 57-15-01.1 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 **57-15-01.1. Protection of taxpayers and taxing districts.** Each taxing district may
10 levy the lesser of the amount in dollars as certified in the budget of the governing body, or the
11 amount in dollars as allowed in this section, subject to the following:

- 12 1. No taxing district may levy more taxes expressed in dollars than the amounts
13 allowed by this section.
- 14 2. For purposes of this section:
 - 15 a. "Base year" means the taxing district's taxable year with the highest amount
16 levied in dollars in property taxes of the three taxable years immediately
17 preceding the budget year. For a park district general fund, the "amount
18 levied in dollars in property taxes" is the sum of amounts levied in dollars in
19 property taxes for the general fund under section 57-15-12 including any
20 additional levy approved by the electors, the insurance reserve fund under
21 section 32-12.1-08, the employee health care program under section
22 40-49-12, the public recreation system under section 40-55-09 including any
23 additional levy approved by the electors, forestry purposes under
24 section 57-15-12.1 except any additional levy approved by the electors, pest

- 1 control under section 4-33-11, and handicapped person programs and
2 activities under section 57-15-60;
- 3 b. "Budget year" means the taxing district's year for which the levy is being
4 determined under this section;
- 5 c. "Calculated mill rate" means the mill rate that results from dividing the base
6 year taxes levied by the sum of the taxable value of the taxable property in the
7 base year plus the taxable value of the property exempt by local discretion or
8 charitable status, calculated in the same manner as the taxable property; and
- 9 d. "Property exempt by local discretion or charitable status" means property
10 exempted from taxation as new or expanding businesses under
11 chapter 40-57.1; improvements to property under chapter 57-02.2; or
12 buildings belonging to institutions of public charity, new single-family
13 residential or townhouse or condominium property, property used for early
14 childhood services, or pollution abatement improvements under section
15 57-02-08.
- 16 3. A taxing district may elect to levy the amount levied in dollars in the base year.
17 Any levy under this section must be specifically approved by a resolution approved
18 by the governing body of the taxing district. Before determining the levy limitation
19 under this section, the dollar amount levied in the base year must be:
- 20 a. Reduced by an amount equal to the sum determined by application of the
21 base year's calculated mill rate for that taxing district to the final base year
22 taxable valuation of any taxable property and property exempt by local
23 discretion or charitable status which is not included in the taxing district for the
24 budget year but was included in the taxing district for the base year.
- 25 b. Increased by an amount equal to the sum determined by the application of the
26 base year's calculated mill rate for that taxing district to the final budget year
27 taxable valuation of any taxable property or property exempt by local
28 discretion or charitable status which was not included in the taxing district for
29 the base year but which is included in the taxing district for the budget year.
- 30 c. Reduced to reflect expired temporary mill levy increases authorized by the
31 electors of the taxing district. For purposes of this subdivision, an expired

- 1 temporary mill levy increase does not include a school district general fund
2 mill rate exceeding one hundred ten mills which has expired or has not
3 received approval of electors for an extension under subsection 2 of section
4 57-64-03.
- 5 d. Increased, for a school district determining its levy limitation under this
6 section, by the amount the school district's mill levy reduction grant under
7 section 57-64-02 for the base year exceeds the amount of the school district's
8 mill levy reduction grant under section 57-64-02 for the budget year.
- 9 e. Reduced for a school district determining its levy limitation under this section,
10 by the amount the school district's mill levy reduction grant under section
11 57-64-02 for the budget year exceeds the amount of the school district's mill
12 levy reduction grant under section 57-64-02 for the base year.
- 13 4. In addition to any other levy limitation factor under this section, a taxing district may
14 increase its levy in dollars to reflect new or increased mill levies authorized by the
15 legislative assembly or authorized by the electors of the taxing district.
- 16 5. Under this section a taxing district may supersede any applicable mill levy
17 limitations otherwise provided by law, or a taxing district may levy up to the mill
18 levy limitations otherwise provided by law without reference to this section, but the
19 provisions of this section do not apply to the following:
- 20 a. Any irrevocable tax to pay bonded indebtedness levied pursuant to
21 section 16 of article X of the Constitution of North Dakota.
- 22 b. The one-mill levy for the state medical center authorized by section 10 of
23 article X of the Constitution of North Dakota.
- 24 6. A school district choosing to determine its levy authority under this section may
25 apply subsection 3 only to the amount in dollars levied for general fund purposes
26 under section 57-15-14 or, if the levy in the base year included separate general
27 fund and special fund levies under sections 57-15-14 and 57-15-14.2, the school
28 district may apply subsection 3 to the total amount levied in dollars in the base year
29 for both the general fund and special fund accounts. School district levies under
30 any section other than section 57-15-14 may be made within applicable limitations
31 but those levies are not subject to subsection 3.

- 1 7. Optional levies under this section may be used by any city or county that has
2 adopted a home rule charter unless the provisions of the charter supersede state
3 laws related to property tax levy limitations.

4 **SECTION 2. AMENDMENT.** Section 57-64-01 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **57-64-01. Definitions.** For purposes of this chapter:

- 7 1. "Combined education mill rate" means the combined number of mills levied by a
8 school district for the general fund, high school tuition, and high school
9 transportation.
10 2. "Qualifying school district" means a school district that meets the conditions and
11 requirements of this chapter to receive a mill levy reduction grant.
12 ~~3. "Weighted student unit" means weighted student unit as determined for the school~~
13 ~~district under chapter 15.1-27.~~

14 **SECTION 3. AMENDMENT.** Section 57-64-02 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **57-64-02. Mill levy reduction allocation and grant.** Each qualifying school district in
17 the state is entitled to a mill levy reduction allocation and grant as provided in this chapter,
18 subject to legislative appropriation to the superintendent of public instruction.

- 19 1. The mill levy reduction allocation rate for each qualifying school district is equal to
20 the payments to the school district based on the per student payment rate as
21 determined for the school year under chapter 15.1-27.
22 2. The grant to a qualifying school district may not exceed the smallest of:
23 a. The allocation determined under subsection 1;
24 b. The taxable valuation of property in the school district in the previous taxable
25 year times the number of mills determined by subtracting one hundred mills
26 from the combined education mill rate of the school district for taxable year
27 2008; or
28 c. The taxable valuation of property in the school district in the previous taxable
29 year times seventy-five mills.
30 3. For purposes of this section, "taxable valuation" means the valuation to which the
31 mill rate is applied to determine the amount of ad valorem taxes or payments in lieu

1 of taxes, and includes taxable valuation determined for agricultural, residential, and
2 commercial property; gas company property, pipeline property, power company
3 property, and railroad property assessed by the state board of equalization under
4 chapter 57-06; mobile homes under chapter 57-55; land controlled by the game
5 and fish department subject to valuation under chapter 57-02.1; land owned by the
6 board of university and school lands or the state treasurer subject to valuation
7 under chapter 57-02.3; national guard land subject to valuation under chapter
8 37-07.3; farmland or ranchland owned by nonprofit organizations for conservation
9 purposes subject to valuation under section 10-06.1-10; land acquired by the state
10 water commission for the Devils Lake project subject to valuation under chapter
11 61-02; a workforce safety and insurance building and associated real property
12 subject to valuation under section 65-02-32; and carbon dioxide pipeline property
13 subject to valuation under section 57-06-17.2. For purposes of this section,
14 "taxable valuation" includes the taxable valuation of the homestead credit
15 reimbursed by the state under section 57-02-08.2 and the disabled veterans' credit
16 reimbursed by the state under section 57-02-08.8.

17 4. The grant to a qualifying school district may not be less than the grant to that
18 school district in the preceding school year.

19 ~~4.~~ 5. The superintendent of public instruction shall report to each qualifying school
20 district by July fifteenth of each year the mill levy reduction grant in dollars
21 available to that school district during the upcoming school year.

22 ~~5.~~ 6. By December first, January first, February first, and March first of each school year,
23 the superintendent of public instruction shall forward to each qualifying school
24 district installments equal to twenty-five percent of the total mill levy reduction grant
25 the district is eligible to receive during that school year.

26 ~~6.~~ 7. Allocations to a school district under this chapter are not considered per student
27 payments or state aid for purposes of chapter 15.1-27.

28 ~~7.~~ 8. For all purposes under law relating to allocation of funds among political
29 subdivisions based on property tax levies, property taxes levied by a school district
30 are the amount that would have been levied without the mill reduction grant
31 provided to the school district under this chapter.

1 **SECTION 4. AMENDMENT.** Section 57-64-03 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **57-64-03. School district levy compliance.**

4 1. To be eligible to receive a grant under this chapter, a qualifying school district must
5 establish a spending level that does not result in a general fund mill rate exceeding
6 one hundred ten mills. The certificate of levy form filed with the county auditor by a
7 qualifying school district must reflect the revenue to be received by the school
8 district under this chapter and that the general fund mill rate for the school district
9 will not exceed one hundred ten mills unless:

- 10 a. The district has approval of a majority of the electors of the school district for a
11 higher levy;
12 b. The higher levy is the result of a school district reorganization in compliance
13 with chapter 15.1-12; ~~or~~
14 c. The higher levy does not produce an amount in dollars exceeding the amount
15 allowed under section 57-15-01.1 ~~for taxable year 2008~~ reduced by the
16 amount of the school district's mill levy reduction grant under section 57-64-02
17 for the budget year; or
18 d. The district has authority for a higher levy under subdivision b of subsection 2.

19 2. The authority under subdivision a or b of subsection 1 for a school district to levy a
20 general fund mill rate exceeding one hundred ten mills applies for not more than
21 ten taxable years at a time after taxable year 2008 unless a majority of the electors
22 of the school district approve an extension of that authority. Approval by electors
23 of extension of levy authority under subdivision a or b of subsection 1 is effective
24 for not more than ten taxable years at a time. A ballot measure for approval by
25 electors of extension of levy authority under subdivision a or b of subsection 1 is
26 subject to the following:

- 27 a. The ballot measure must specify the number of mills for the general fund mill
28 rate for which approval is sought.
29 b. If a ballot measure for approval of extension of levy authority ~~to levy a specific~~
30 ~~number of mills~~ under this subsection is not approved by a majority of the
31 electors of the school district voting on the question, the school district general

1 fund levy limitation for subsequent years is subject to the limitations as
2 determined for the school district's budget year under section 57-15-01.1 or
3 57-15-14, whichever produces the higher levy limitation.

4 **SECTION 5. AMENDMENT.** Section 57-64-04 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **57-64-04. Levy reduction priority.** In setting mill rates for qualified school districts,
7 the county auditor shall apply funds allocated to a school district under this chapter for mill levy
8 reduction first to reduce the number of mills levied for general fund purposes and, if allocation
9 funds remain after the general fund mill rate is reduced to zero, the balance must be applied to
10 reduce the high school tuition levy and, if allocation funds remain after the high school tuition
11 levy mill rate is reduced to zero, then to reduce the high school transportation levy of the
12 qualified school district.

13 **SECTION 6. REPEAL.** Chapter 57-16 of the North Dakota Century Code is repealed.

14 **SECTION 7. APPROPRIATION.** There is appropriated out of any moneys in the
15 general fund in the state treasury, not otherwise appropriated, the sum of \$341,790,000, or so
16 much of the sum as may be necessary, to the superintendent of public instruction for the
17 purpose of allocation of mill levy reduction grants to school districts under chapter 57-64, for the
18 biennium beginning July 1, 2011, and ending June 30, 2013.

19 **SECTION 8. TRANSFER - PROPERTY TAX RELIEF SUSTAINABILITY FUND -**
20 **GENERAL FUND.** The office of management and budget shall transfer the sum of
21 \$295,000,000 from the property tax relief sustainability fund to the general fund on July 1, 2011.

22 **SECTION 9. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND.**
23 The office of management and budget shall transfer the sum of \$46,790,000 from the
24 permanent oil tax trust fund to the general fund on July 1, 2011.

25 **SECTION 10. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX**
26 **RELIEF SUSTAINABILITY FUND.** The office of management and budget shall transfer the
27 sum of \$341,790,000 from the permanent oil tax trust fund to the property tax relief
28 sustainability fund on July 1, 2012.

29 **SECTION 11. EFFECTIVE DATE.** Section 1 of this Act is effective for taxable years
30 beginning after December 31, 2010. The remainder of this Act is effective July 1, 2011.