

19.0975.03000

## **FISCAL NOTE STATEMENT**

House Bill or Resolution No. HB 1437

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, school districts, or townships. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

Sheila Sandness  
Senior Fiscal Analyst

19.0975.02000

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Senior Fiscal Analyst

**2019 HOUSE POLITICAL SUBDIVISIONS**

**HB 1437**

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Political Subdivisions Committee Prairie Room, State Capitol

HB 1437  
2/8/2019  
32489

- Subcommittee  
 Conference Committee

Committee Clerk Signature	Carmen Hickle	By: Elaine Stromme
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### Explanation or reason for introduction of bill/resolution:

Relating to city sales tax revenue transfers to school districts for bonded indebtedness;  
Relating to the prohibition on transferring city sales tax revenue to school districts

### Minutes:

Attachments: 1 - 12
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**Chairman J. Dockter:** Opens the hearing on HB 1437.

**Rep. Hatlestad:** (Attachments #1,2) Introduced the bill by reading his testimony.6:13

**Rep K. Koppelman:** If the state started on time funding for students how would that affect your problem, would that change things?

**Rep. Hatlestad:** I think initially with the cash flow that would be beneficial. Our problem is when you hire teachers and create space you don't get the money for a year.

**Rep K. Koppelman:** A bill we had previously would dissolve and be absorbed into a neighboring school. If that passes would that solve your problem?

**Rep. Hatlestad:** That would be a touchy issue an elementary could merge but the high school could not. It's an option. If nothing else, it might wake people up.

**Rep K. Koppelman:** Is the school district at the maximum bond level right now?

**Rep. Hatlestad:** If the next issue passes the 60 million dollars, we would be maxed then.

**Rep K. Koppelman:** As I read your bill the attempt is that the school is not able to levy sale's taxes and cities are, so if the cities agree and collect the sales tax, they would divert it to the school district. The 2007 legislature took that option away so we are trying to put it back.

**Rep. Guggisberg:** I understand the need in your community is because of the oil but I understood that the production taxes made up for the property tax. Have you looked at getting more of the production tax to pay down these debts?

**Rep. Hatlestad** We do some of that now. A few years ago the Willison school district along with others sued the state for inequity that not everyone was being treated fairly. Part of the agreement with the state is the district agreed to give up oil revenue. Now we find ourselves in unintended consequences we lose 75% of that. The state takes back 75% so in lieu of taxes it helps but we have lost a major portion of that.

**David Richter:** Representative from District 1 Williston. (Handout #3). Read his testimony and referred to his attachments. He wants to add amendments.

**Rep K. Koppelman:** An Attorney General said that by entering into a joint powers agreement that somehow schools could work with cities to make this happen. It was never really something the legislature said. They said no you can't do that.

**Mr. Richter:** I think the Attorney General's opinion came out of prior to city sales tax was used in joint projects. It revolved around Jamestown, they were doing a lot of things with their sales tax for their school district. They asked if what Jamestown was doing was legal and the Attorney General said, "Yes". There was number of cities that had joint projects, that's why the word primary is in there. So if the primary use is for the city to give it to the schools, that can't happen. But if it is a secondary then you could still do that.

**Rep K. Koppelman:** So if that is the case why can't that work?

**Mr. Richter:** It still is an option but you still need to come up with the majority of dollars funded by the school district. Then you need to come up with what use the facility will be to the city. In our county there are six school districts so you could do a county wide sales tax.

**Rep K. Koppelman:** So one of the concerns is there is equalization, doesn't this complicate it more?

**Mr. Richter:** the public has to say yes with 60%. It doesn't affect equalization. There are two different budgets. Fargo has a 28% building funds. Some schools don't even have any. Most schools have 10% building fund. In 2007 the legislature took that away from the counties, the right to make that decision.

**Rep K. Koppelman:** So I am assuming that you think that sales tax, because Williston is booming with oil, will help the school districts with its growth costs and needs. Is that the bottom line?

**Mr. Richter:** Yes, that is basically the bottom line.

The purchases made by the oil is massive. They will still pay the sales tax that the state requires but on the special tax they would only pay up to \$25. The gross production tax in lieu of property tax. When the state gives it back to the community they deduct 75% of general fund dollars. We are not able to use that money. But in 2007 they didn't know that because they were just building the formula at the time.

**Rep. Magrum:** What will be plan B, or if we pass this and it has to be approved by your citizens and they vote it down.

**Mr. Richter:** One school district has industry tax and one school district has no industry. We are in the most dire situation. 32:09

**Senator Bekkedahl:** (Attachment #4). He read his testimony. 42:23

**Rep. Adams:** So it was voted down to increase the property tax to build a school?

**Senator Bekkedahl:** yes

**Rep. Ertelt:** Could you clarify what you have in your testimony?

**Senator Bekkedahl:** Today with the \$77 million bond issue that is currently on there The average home will cost for the bond \$560.00 The new bond issue would paste another \$450 on to that.

**Rep. Ertelt:** Is that just looking at residential bearing all the burden or are you also considering all other property types?

**Senator Bekkedahl:** The majority of our tax base for the school district is small commercial and residential, the industrial and large commercial are all on the outskirts of the city which is in District 8. This is for strictly for residential calculations.45:05

**Rep K. Koppelman:** If the bill we looked at the other day. If it passes would that solve the problem?

**Senator Bekkedahl:** District 8 has built a school and has added on to it twice and needs to add on again.

**Senator Bekkedahl**

When I looked at this option all 3 had significant school district debt. Again it's an option.

**Rep. Ertelt:** Do you know the amounts and the dates of the two prior bond issues?

**Senator Bekkedahl:** The school board members are here to testify on that issue.

**Rep. Ertelt:** My question is of that \$60 million do you know how much of that is estimated To go over the sales tax.

**Senator Bekkedahl:** We were bringing in almost 16 million a year with a one penny sales tax. 75% of sales tax is paid by local residents and 25% is paid by people traveling through.

**Rep. Guggisberg** what is the functionality of the sales tax?

Would there be a case where businesses who aren't in that school district be taxed?

Would they pay for school districts that they aren't in?

Would the county would be paying for the school?

**Senator Bekkedahl:** The question about boundary differences, everyone in the City enacted tax is paid by all. Unless District 8 would pay, if not the county would pay.

**Joanna Baltes:** School Board President for Williston Public School District #1. (Attachment #5). Read her testimony. 1:07:51

**Rep. Ertelt:** The revenue you site for in the 430 million in sales tax revenue in the 3<sup>rd</sup> quarter of 18 is that all sales tax is that the whole 8%?

**Ms. Baltes:** It is just the 3%.

**Chairman J. Dockter:** So everyone gets taxed 5% then it is up to the individual cities to determine the other tax.

**Rep. Ertelt:** With district 8 students coming in, does district 1 have an option not to accept or are they obligated to accept?

**Ms. Baltes:** The Century Code allows students to come in. We are not obligated to take students if we are out of space.

**Rep K. Koppelman:** Can the elementary school become part of the high school?

**Ms. Baltes:** The only provision in the Century Code is merging or dissolution.

**Rep K. Koppelman:** Do you advocate that maybe an elementary district as an island?

**Ms. Baltes:** I think it is difficult because the receiving district is responsible for building new schools. Because of the way the funding formula works this year we don't get any funding. If they merge their taxes will go up.

**Rep K. Koppelman:** With regard to the question of leverage and the disillusion bill do you have that now?

**Ms. Baltes:** We do. It is a leverage issue. We still need more schools.

**Thomas Kalil:** Vice President of Williston Public School District #1. (Attachment #6).

**Gavin Baltes:** Student in Williston Middle School. (Attachment #7). Read his testimony.

**Margaret Garbel:** Student at Williston Middle School. (Attachment #8). Read her testimony.

**Laurie Garbel:** (Attachment #9). Read her testimony.

**Mark Vollmer:** Superintendent of Minot School District and Minot Air Force Base. (Handout #10). Read his testimony.

**Dr. Aimee Copas:** (Attachment #11)

**Bill Wocken:** League of Cities. The League of Cities is opposed to this bill.  
(Attachment #12)

**Chairman J. Docker:** The hearing is closed on HB1437

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Political Subdivisions Committee Prairie Room, State Capitol

HB 1437  
2/14/2019  
32802

- Subcommittee  
 Conference Committee

Committee Clerk Signature	Carmen Hickle	By: Elaine Stromme
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### Explanation or reason for introduction of bill/resolution:

Relating to the prohibition on transferring city sales tax revenue to school districts.

### Minutes:

Attachments: 1
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**Rep. Hatlestad:** (Attachment #1). handed out a proposed amendment and explained They do not have to do it but it is an option.  
Motion to adopt the amendment

**Rep. Longmuir:** seconded

**Rep. Ertelt:** Going for construction it is still going for the property tax  
Not a substantial savings

**Chairman J. Dockter:** This is another tool that everyone may not use.  
Each school district, county or city will need to decide.

**Rep K. Koppelman:** I don't like the opportunity to tax in just another way  
If the sales tax option is exercised the property tax must be reduced by an equal amount.

A voice vote to adopt the amendment was taken  
Voice vote carries

**Rep. Hatlestad:** Moved for a do pass on HB1437 as amended

**Rep. Johnson:** seconded

A Roll Call Vote was taken: Yes 11 No 3 Absent 0

Do Pass As Amended Carries

**Rep. Hatlestad** will carry the HB 1437

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Political Subdivisions Committee Prairie Room, State Capitol

HB 1437  
2/18/2019  
Job # 32885

- Subcommittee  
 Conference Committee

Committee Clerk Signature	Carmen Hickle
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### Explanation or reason for introduction of bill/resolution:

Relating to city sales tax revenue transfers to school districts for bonded indebtedness;  
Relating to the prohibition on transferring city sales tax revenue to school districts

### Minutes:

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**Chairman J. Dockter:** Opened to reconsider HB 1437.

**Rep. Hatlestad:** We need to make a couple of adjustments. Made a motion to reconsider HB 1437.

**Rep. Longmuir:** Second the motion.

### Voice vote carried

**Rep. Hatlestad:** The last sentence in Section 1, I thought we were going to have a \$.01 county sales tax. Legislative Council interpreted that each district in the county could issue a \$.01 sales tax. Which in our case would have been \$.06 sales tax increase. So it is \$.01 sales tax for the county. In Section 2, the division of the money is based upon taking all the counties indebtedness and then divide by each individual school district and depending on the percentage of indebtedness that is the percentage of the revenue that you get.

**Rep. Hatlestad:** Made a motion to the two changes. Amendment .01004.

**Rep K. Koppelman:** Second the motion.

### Voice vote carried.

**Vice Chairman Pyle:** What do we do if school districts are in more than one county?

**Rep. Hatlestad:** No I don't know. We will get that clarified in the Senate.

**Rep. Hatlestad:** Made a do pass as motion as amended.

House Political Subdivisions Committee

HB 1437

2/18/2019

Page 2

**Rep K. Koppelman:** Second the motion.

**Vote do pass as amended. Yes 11, no 3, absent 0.**

**Rep. Hatlestad:** Will carry the bill.

DA 2/14/19  
lvf2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1437

Page 1, line 1, replace "section" with "sections 11-09.1-05.2 and"

Page 1, line 2, after "city" insert "or county"

Page 1, line 3, replace "section" with "sections 11-09.1-05.1 and"

Page 1, line 4, after "city" insert "or county"

Page 1, after line 5, insert:

"**SECTION 1.** Section 11-09.1-05.2 of the North Dakota Century Code is created and enacted as follows:

**11-09.1-05.2. Sales tax revenue transfer to school districts for bonded indebtedness.**

1. Upon presentation to the board of county commissioners of a resolution adopted by the school board of a school district within the county, the board of county commissioners may place on the ballot at a primary or general election the question of approval of imposition of an additional county sales, use, farm machinery gross receipts, and alcoholic beverage gross receipts tax. The rate of tax imposed for each school district may not exceed one percent for principal and interest payments on school district bonds for school building projects. The board of county commissioners shall place on the ballot the sum of the tax rates proposed for each school district that presented an adopted resolution to the board of county commissioners.
  
2. Upon approval by sixty percent or more of the qualified electors of the county voting on the question, the board of county commissioners shall impose a county sales tax at the rate approved by the electors on taxable transactions occurring outside of the boundaries of a city within that county if the city has imposed a sales tax for school districts, or subsequently enacts and imposes a sales tax for school districts under section 40-05.1-06.2. Proceeds from the tax imposed must be deposited in a special fund of the county and transferred quarterly to each school district that presented an adopted resolution to the board of county commissioners under subsection 1, in proportion to the tax imposed for each school district, for principal and interest payments on bonds issued for purposes of this section. Any funds in the county special fund at the end of a fiscal year which are unused and unobligated for principal and interest payments on bonds issued for purposes of this section may be transferred to the county general fund. Any tax imposed under this section remains effective until bonds issued under the funding authority of this section have been retired. Any shortfall in funding after application of revenue from the tax imposed for principal and interest payments on bonds issued for purposes of this section is the responsibility of the school district and not the county."

Page 1, line 11, replace "shall" with "may"

DA 2/14/19  
2 of 2

Page 2, replace line 5 with:

**"SECTION 3. REPEAL.** Sections 11-09.1-05.1 and 40-05.1-06.1 of the North Dakota Century Code are repealed."

Renumber accordingly

DP 2/19/19

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1437

Page 1, line 14, replace "each" with "all participating"

Page 1, line 15, replace "district" with "districts"

Page 1, line 16, remove "The board of county commissioners"

Page 1, remove lines 17 and 18

Page 2, line 2, after "each" insert "participating"

Page 2, line 2, remove "that presented an"

Page 2, remove line 3

Page 2, line 4, remove "proportion to the tax imposed for each school district,"

Page 2, line 5, after the underscored period insert "Proceeds must be transferred to each participating school district in proportion to the amount levied in dollars by the participating school district under section 57-15-14.2 for the payment of principal and interest on bonded debt of the school district as compared to the total amount levied in dollars by all participating school districts under section 57-15-14.2 for the payment of principal and interest on bonded debt."

3."

Page 2, line 12, after the first "the" insert "participating"

Page 2, after line 12, insert:

"4. For purposes of this section, "participating school district" means a school district that presented an adopted resolution to the board of county commissioners under subsection 1, which is entitled to sales tax revenue under this section."

Re-number accordingly

**2019 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO.**

House Political Subdivisions Committee

Subcommittee

Amendment LC# or Description: 19.0975.01003

Recommendation:  Adopt Amendment  
 Do Pass     Do Not Pass     Without Committee Recommendation  
 As Amended     Rerefer to Appropriations  
 Place on Consent Calendar  
 Other Actions:  Reconsider     \_\_\_\_\_

Motion Made By Rep. Hatlestad Seconded By Rep. Longmuir

Representatives	Yes	No	Representatives	Yes	No
Chairman J. Dockter:					
Vice Chairman Pyle:					
Rep. Ertelt:					
Rep. Fegley:					
Rep. Hatlestad:					
Rep. Johnson					
Rep K. Koppelman:					
Rep. Longmuir					
Rep. Magrum:					
Rep. Simons:					
Rep. Toman:					
Rep. Strinden:					
Rep. Adams:					
Rep. Guggisberg					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

VOICE VOTE CARRIES

**2019 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO.**

House Political Subdivisions Committee

Subcommittee

Amendment LC# or Description: 19.0975.01003

Recommendation:  Adopt Amendment  
 Do Pass     Do Not Pass     Without Committee Recommendation  
 As Amended     Rerefer to Appropriations  
 Place on Consent Calendar  
 Other Actions:  Reconsider     \_\_\_\_\_

Motion Made By Rep. Hatlestad Seconded By Rep. Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman J. Dockter:	X				
Vice Chairman Pyle:	X				
Rep. Ertelt:		X			
Rep. Fegley:	X				
Rep. Hatlestad:	X				
Rep. Johnson	X				
Rep K. Koppelman:	X				
Rep. Longmuir	X				
Rep. Magrum:	X				
Rep. Simons:		X			
Rep. Toman:		X			
Rep. Strinden:	X				
Rep. Adams:	X				
Rep. Guggisberg	X				

Total (Yes) 11 No 3

Absent 0

Floor Assignment Rep. Hatlestad

If the vote is on an amendment, briefly indicate intent:

Date: 2-18-19  
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1437

House Political Subdivisions Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar

Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Rep. Hatlestad Seconded By Rep. Longmuir

Representatives	Yes	No	Representatives	Yes	No
Chairman J. Dockter:					
Vice Chairman Pyle:					
Rep. Ertelt:					
Rep. Fegley:					
Rep. Hatlestad:					
Rep. Johnson					
Rep K. Koppelman:					
Rep. Longmuir					
Rep. Magrum:					
Rep. Simons:					
Rep. Toman:					
Rep. Strinden:					
Rep. Adams:					
Rep. Guggisberg					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

*VOICE vote Carried*

Date: 2-18-19  
 Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1437**

House Political Subdivisions Committee

Subcommittee

Amendment LC# or Description: 19.0975.02001

Recommendation:  Adopt Amendment  
 Do Pass     Do Not Pass     Without Committee Recommendation  
 As Amended     Rerefer to Appropriations  
 Place on Consent Calendar

Other Actions:  Reconsider     \_\_\_\_\_

Motion Made By Rep. Hatlestad Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Chairman J. Dockter:					
Vice Chairman Pyle:					
Rep. Ertelt:					
Rep. Fegley:					
Rep. Hatlestad:					
Rep. Johnson					
Rep K. Koppelman:					
Rep. Longmuir					
Rep. Magrum:					
Rep. Simons:					
Rep. Toman:					
Rep. Strinden:					
Rep. Adams:					
Rep. Guggisberg					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

voice vote carried

Date: 2-18-19  
Roll Call Vote #: 3

2019 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1437

House Political Subdivisions Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar

Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Rep. Hatlestad Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Chairman J. Dockter:	/				
Vice Chairman Pyle:	/				
Rep. Ertelt:		/			
Rep. Fegley:	/				
Rep. Hatlestad:	/				
Rep. Johnson:	/				
Rep K. Koppelman:	/				
Rep. Longmuir:	/				
Rep. Magrum:	/				
Rep. Simons:		/			
Rep. Toman:		/			
Rep. Strinden:	/				
Rep. Adams:	/				
Rep. Guggisberg:	/				

Total (Yes) 11 No 3

Absent 0

Floor Assignment Rep. Hatlestad

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1437: Political Subdivisions Committee (Rep. Dockter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1437 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "section" with "sections 11-09.1-05.2 and"

Page 1, line 2, after "city" insert "or county"

Page 1, line 3, replace "section" with "sections 11-09.1-05.1 and"

Page 1, line 4, after "city" insert "or county"

Page 1, after line 5, insert:

**"SECTION 1.** Section 11-09.1-05.2 of the North Dakota Century Code is created and enacted as follows:

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2. Upon approval by sixty percent or more of the qualified electors of the county voting on the question, the board of county commissioners shall impose a county sales tax at the rate approved by the electors on taxable transactions occurring outside of the boundaries of a city within that county if the city has imposed a sales tax for school districts, or subsequently enacts and imposes a sales tax for school districts under section 40-05.1-06.2. Proceeds from the tax imposed must be deposited in a special fund of the county and transferred quarterly to each school district that presented an adopted resolution to the board of county commissioners under subsection 1, in proportion to the tax imposed for each school district, for principal and interest payments on bonds issued for purposes of this section. Any funds in the county special fund at the end of a fiscal year which are unused and unobligated for principal and interest payments on bonds issued for purposes of this section may be transferred to the county general fund. Any tax imposed under this section remains effective until bonds issued under the funding authority of this section have been retired. Any shortfall in funding after application of revenue from the tax imposed for principal and interest payments on bonds issued for purposes of this section is the responsibility of the school district and not the county."

Page 1, line 11, replace "shall" with "may"

Page 2, replace line 5 with:

**"SECTION 3. REPEAL.** Sections 11-09.1-05.1 and 40-05.1-06.1 of the North Dakota Century Code are repealed."

Renumber accordingly

**REPORT OF STANDING COMMITTEE**

**HB 1437, as engrossed: Political Subdivisions Committee (Rep. Dockter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1437 was placed on the Sixth order on the calendar.

Page 1, line 14, replace "each" with "all participating"

Page 1, line 15, replace "district" with "districts"

Page 1, line 16, remove "The board of county commissioners"

Page 1, remove lines 17 and 18

Page 2, line 2, after "each" insert "participating"

Page 2, line 2, remove "that presented an"

Page 2, remove line 3

Page 2, line 4, remove "proportion to the tax imposed for each school district,"

Page 2, line 5, after the underscored period insert "Proceeds must be transferred to each participating school district in proportion to the amount levied in dollars by the participating school district under section 57-15-14.2 for the payment of principal and interest on bonded debt of the school district as compared to the total amount levied in dollars by all participating school districts under section 57-15-14.2 for the payment of principal and interest on bonded debt."

3."

Page 2, line 12, after the first "the" insert "participating"

Page 2, after line 12, insert:

"4. For purposes of this section, "participating school district" means a school district that presented an adopted resolution to the board of county commissioners under subsection 1, which is entitled to sales tax revenue under this section."

Re-number accordingly

**2019 TESTIMONY**

**HB 1437**

# 1  
2-8-19

HB 1437 Political Subs Committee

Chairman Dockter and Distinguished Members of the Political Subs Committee. Thank you for the opportunity to bring HB 1437 before you for your consideration.

For the record, my name is Patrick Hatlestad and I represent District One, which is most of the City of Williston.

HB 1437 is a small, delicate piece of legislation with significant implications. 1437 is a sales tax bill that allows sales tax money to be transferred to the school district to use for bonded indebtedness. Upon a resolution by the school board, the city governing board may place on the ballot, at a regular or special city election, the question of approval, by the people with a 60% vote, of the imposition of a sales tax up to one percent.

Our objective is to provide a quality education with appropriate class sizes and facilities. We need safe, effective class sizes with the resources to be a part of an excellent learning experience. The perceived quality of education is one factor in which our current school infrastructure doesn't paint a pretty picture. Good schools are not only essential for recruiting, hiring, and retaining quality teachers but also the workforce needed to support our rapid economic growth. Simply put we need help, an option beyond using property taxes to provide for safe and adequate learning spaces.

We are overenrolled and aging. D 1 is the smallest school district in the state, covering only 16 square miles, is the second fastest district in terms of growth, with a severe shortage of facilities. We have an abundance of students with limited space. The elementary schools are bursting at their aging seams, are considered 23%+ over capacity and are currently using a significant number of modular classrooms. 30+ students are not uncommon in a classroom. We have run out of options to support the growth and needs of the district.

I hate DOOM & Gloom messages. However, the Williston School District NEEDS help. WE find ourselves against the wall with no place to go. We are rapidly approaching our borrowing limits. As you are aware **PROPERTY TAXES ARE NOT A POPULAR ISSUE! Two failed bond issues and facing a struggle as we approach the**

#1  
2-8-19

HB 1437

**April vote. For us it is also costly: West Fargo, \$100 m bond issue, tax bill is \$15/100,000 TF value // Williston, \$60m bond issue, tax bill is \$169/100,000 TF value. Combination of the Bakken Bump and the limited property value base: W-\$112m tax base (4500+students) District 8/surrounds Williston (elementary district) \$132m (600 students)**

While our district would still need to rely on property taxes for part of the building revenue, the other options requested from the State have not been successful. "The Golden Goose forgot to lay a golden egg."

Passing this bill will not solve all of Williston's problems but will offer an option that helps the schools and provides needed relief for our student as well as our taxpayers. The decision is ours to make.

I respectfully request a "DO PASS" recommendation from this committee.

19.0975.01001  
Title.

Prepared by the Legislative Council staff for  
Representative Hatlestad  
February 6, 2019

#2  
2-8-19

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1437

Page 1, line 11, replace "shall" with "may"

Renumber accordingly

Chairman Dockter and members of the Political Subdivisions committee. For the record my name is David Richter, Representative from District 1 Williston.

I am here in support of HB 1437. Up until April 19 of 2007 it was legal for cities under home rule authority and counties to enter into a Joint Powers Agreement with school districts and levy a sales tax to provide property tax relief to a school district.

In 2007 the current schools funding formula was in its infancy, a work in progress and it has been tweaked several times in the past 12 years. The concern of the House and Senate Finance and Taxation committees during the 60<sup>th</sup> Legislative Session in 2007 was equity in the funding formula, how a sales tax used to provide funding to schools would affect the funding formula.

Twelve years later we know how the school funding formula works. A special levy sales tax that would put dollars into a school districts general fund would most definitely mess up the equity formula. But funding for school construction, building maintenance, building repairs, etc. either comes out of the district's building fund or if there is a bond issue it is the sinking and interest fund. Neither the building fund nor the sinking and interest fund are part of the funding formula. They are not included in the 60 mill general levy or the 12 miscellaneous mills or the school property tax buy down. They are both special local property tax levies and the sinking and interest fund must be approved by a vote of the local taxpayers.

This bill proposes restoring part of the law prior to 2007 by specifying that a city or county can impose a special sales tax to be used for school construction only. This would mean there would be prior approval from DPI, there would be a vote of the local taxpayers, bonds would be issued, funds collected from the special sales tax would go into the districts sinking and interest fund. It would have no affect on the district's general fund, which is where dollars from the funding formula are deposited. The tax would follow the city ordinance on sales tax, which would include a limit on the maximum amount of tax per purchase.

Thank You.

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2-8-19  
HB 1437

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1029

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 28, 2007

Recorder Job Number: # 4074 & # 4076

Committee Clerk Signature *Sharon Ferguson*

Minutes:

**Sen. Urlacher** called the committee to order for discussion and action on HB 1029.

**John Walstad**: from Legislative Council appeared to explain the recommendation and handouts stating the bill came from the interim taxation committee. The bill came up during the committee's deliberation on providing property tax relief, specifically school district property taxes. The committee was examining how to provide relief by reducing school district property tax levies. \*An attorney general's opinion was issued that said a city with home rule authority could impose a city sales tax and by entering a joint powers agreement with a school district could transfer sales tax revenue to that school district to provide school district property tax relief. The immediate concern of the tax committee was if city sales tax revenues are transferred to school districts to offset property tax revenue that really makes equalization of school district funding a much more complicated game for the legislature. So the committee decided on this legislation which would prohibit those kinds of transfers.

**Rep. Belter**: appeared in support stating our biggest concern was the equity situation.

**Tom Decker**: Director of School Finance and Organization of DPI appeared in support with written testimony. (See attached)

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2-2-9  
HB 1437

# COUNTIES

## CHAPTER 103

**HOUSE BILL NO. 1029**  
(Legislative Council)  
(Finance and Taxation Committee)

### SALES TAX TRANSFER TO SCHOOL DISTRICTS

AN ACT to create and enact a new section to chapter 11-09.1 and a new section to chapter 40-05.1 of the North Dakota Century Code, relating to limits on transfers of home rule county and city sales tax revenue to school districts; and to declare an emergency.

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

**SECTION 1.** A new section to chapter 11-09.1 of the North Dakota Century Code is created and enacted as follows:

**Sales tax revenue transfer to school districts prohibited.**  
Notwithstanding the provisions of chapters 54-40 and 54-40.3 or any other provision of law, revenue from sales, use, or other excise taxes levied under this chapter may not be transferred to or for the primary benefit of a school district except for payment of bonded indebtedness incurred before the effective date of this Act or for capital construction and associated costs approved by the electors of the county before the effective date of this Act.

**SECTION 2.** A new section to chapter 40-05.1 of the North Dakota Century Code is created and enacted as follows:

**Sales tax revenue transfer to school districts prohibited.**  
Notwithstanding the provisions of chapters 54-40 and 54-40.3 or any other provision of law, revenue from sales, use, or other excise taxes levied under this chapter may not be transferred to or for the primary benefit of a school district except for payment of bonded indebtedness incurred before the effective date of this Act or for capital construction and associated costs approved by the electors of the city before the effective date of this Act.

**SECTION 3. EMERGENCY.** This Act is declared to be an emergency measure.

Approved April 18, 2007  
Filed April 19, 2007

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P 1

House Political Subdivisions Committee  
Honorable Representative Jason Dockter, Chairman  
House Bill 1437  
Testimony by Senator Brad Bekkedahl

February 8, 2019

Good morning Chairman Dockter and committee. I am Brad Bekkedahl, Senator from District 1, City of Williston. As a co-sponsor to HB 1437, I am here to offer testimony in support of this legislation. This has been a session of education issues for our District 1 legislative team. We have sponsored or co-sponsored over a dozen bills in our attempt to provide adequate and equitable resources to our Williston School District 1, suffering the consequences of the smallest geographic property tax base in the state, with the 6<sup>th</sup> largest enrollment, and overcapacity facilities, while still adding hundreds of new students each year. House bill 1437 would provide an option for the community to address the need for new facilities. For background, Williston School District 1 passed a \$77 million bond issue 4 years ago to build a new High School, that went over its capacity of 1200 students in its second year. The old high school was converted to a grade 5 and 6 elementary school to alleviate crowding at its five existing grade schools. They are also using 52 portable classrooms to accommodate the growth, with 33% of our elementary students in these portable facilities. There have been two bond issues in the last year to build two new 600 student elementary schools, add 400 student capacity to the high school, and bring all the existing elementary schools up to ADA and mechanical codes. However, both votes have failed to pass, and the problem continues to exist for our students and teachers working in portable facilities and substandard buildings. The next bond issue vote is April 9<sup>th</sup>, and if that fails again, statute requires a year to pass before allowing another bond vote attempt.

What our community has asked us to do is to get statute passed this session that would allow once again the option for a local sales tax to fund school bond issues. This option existed in 2001 and it was rescinded in legislation in 2007, after only two school districts used it for bond issues. Jamestown used it to build a new high school, and Williston used it to build a new middle school. House Bill 1437 seeks to authorize again the same sales tax option that worked so well for our community in the past. Some may ask why our community doesn't just pass a property tax bond issue like other communities have for school projects. With our small property tax base, the existing \$77 million bond plus a new \$60 million bond would add over \$1,000/year in property tax to the average residence in Williston. In comparison, that amount of bonds would add property taxes in West Fargo, another rapidly growing school district with a larger geographic tax base, of under \$100/year for the average residence. As you can see, the cost to the local property owner becomes too great to bear. And, projections show that five years from today, the school district will have to build another middle school facility, potentially further increasing the local property tax burden.

Mr. Chairman, in 1953, the state took away our local property tax rights to tax the oil industry facilities. They replaced that with an in-lieu-of property tax gross production tax on oil sold at the well head. The revenue collected by the state is shared to the local entities and it used to provide a buffer that helped accommodate oil industry growth demands, but in the current education funding formula, the state subtracts 75% of this GPT revenue, leaving too little to pay for increased operation costs and facility needs in times of extreme growth like now. We are at a point of desperation in our school facility needs. I ask that this committee please recommend a Do Pass on this legislation to give our community the option to build facilities that accommodate the existing and continuing growth demands of the oil industry. Please put this tool back in the tool box of options for us to use.

I am happy to stand for any questions at this time.

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HB 1437

2-8-19

House Political Subdivisions Committee

To: Chairman Dockter  
Vice-Chairman Pyle  
Representative Adams  
Representative Ertelt  
Representative Felgey  
Representative Guggisberg  
Representative Hatlestad

Representative Johnson  
Representative Koppelman  
Representative Longmuir  
Representative Magrum  
Representative Simons  
Representative Strinden  
Representative Toman

My name is Joanna Baltes and I serve as School Board President for Williston Public School District #1. I am here to testifying favor of 1437.

Enrollment in K-12 schools in Williston has grown by 100% from 2185 in 2009 to 4386 today. Williston has been fortunate to invest in infrastructure that has improved the quality of life for Williston residents and has provided stability for the oil and gas industry. Major facility investments include over 28 miles of water main, 22 miles of new sewer, 33 miles of new street construction and renewal, new fire stations, a new water resource recovery facility, a water treatment plan expansion, improvements to City Hall and the Law Enforcement Center, and a new recreation facility. Arguably, schools have been impacted as much as any other category of infrastructure or social service in Williston, but our K-12 schools have not received the same type of financial benefit. Schools in our District have seen a massive influx of students over the past decade and for several years struggled with educating children who followed their parents' schedule of 2 weeks on and 1 week off in the oil field. Many of our teachers finish the school year with a completely different group of students that they started the year with. Although that trend has dissipated in the last three years, we continue to experience record annual growth.

Our District's 5 elementary schools were constructed between 1951 and 1983. They currently house our K-4 students and 120 Pre-Kindergarten special needs children. The K-4 buildings have a capacity of 1,580 students. We currently educate 1,821 K-4 students and 121 Pre-Kindergartners for a total of 1,942. Those buildings are now 23% over capacity. Without counting growth, we will be overcapacity by 27% for the 2019 school year for our K-4 population. None of our aging elementary schools are ADA compliant, and they are either too expensive to remodel or are in areas where we can't significantly increase the square footage for educational space. Accordingly, we have increasingly relied on modular classrooms. Overall our District educates 33% of our K-4 population in modular classrooms and for one lucky school that number rises to 83%. None of the elementary schools have increased common space despite the increase in modular so our gym, cafeteria, and kitchen spaces are grossly inadequate for the students they serve. At Wilkinson Elementary, our dedicated staff cooks lunch on the stage in the gym while students at McVay Elementary perform PE in modular classrooms. At our high school, we are over capacity after opening just two years ago and we have students that eat lunch sitting on the floor. These are just a few of the many examples of how our students and staff are impacted by our overcrowded facilities.

Williston needs to continue to provide excellent education for all children in our District for our entire community or we will not sustain our economic growth. We know that a major factor that influences whether companies will continue to expand production in the Bakken is whether they can convince their employees and management teams to move their families to Williston. The perceived quality of education is one of the top three factors and our current school infrastructure does not paint a pretty picture. Our schools are overenrolled and aging and within two years of opening, our new high school is already overcapacity. Our voters rejected a

\$77 million bond in March of 2018 and a \$60 million bond on January 8, 2019. No one in the State of North Dakota will benefit if oil and gas companies determine that other parts of the United States offer better infrastructure and more attractive options for their employees. As a growing city, Williston needs to be able to attract professionals and those who provide specialty services. We are aware of at least two specialty-health care providers who cited the current state of our overcrowded schools as the primary reason for declining employment in Williston.

Revenue generated in the Williston area through the oil & gas industry directly benefits residents across North Dakota. In fiscal year 2018, Williams County was responsible for contributing over 16% of the State's total oil and gas tax revenue collections. Together with McKenzie County, our area contributes 50% of the State's total oil and gas tax revenues. From 2008 to 2018, oil and gas production tax revenue was \$18 billion. That represents 44% of all taxes collected through the State and over the past five years it accounts for 50% of the tax collected. This revenue has directly benefitted residents across the State.

During the third quarter of 2018, Williston contributed \$430 million in sales tax revenue, second only to Fargo at \$671 million. Williston's sales tax revenue has increased 28.8% from the third quarter last year. Watford City's sales tax revenue also has double digit increases over the past year.

Williston Public School District #1 is the smallest school district in North Dakota, covering just 16 square miles, but we have the 6<sup>th</sup> largest enrollment and are the second-fastest district in the State in terms of growth. We are surrounded by a K-8 district, District 8, and over 90% of their high school age students attend our high school. At 211 students, that makes up 20% of our high school population. Although we do receive the operational funding for all our out-of-district students, we receive no corresponding benefit for capital construction projects. This means that we receive no building fund revenue for each and every one of the 211 District 8 students in our high school. The issue of property tax is a divisive issue in our community, as District 8 property taxes remain much lower due to their larger size and taxable valuation. The taxable value per pupil in District 8 is 279,000 while District 1's per pupil taxable value is 27,900.

The size of our district and the impact of our neighboring K-8 district have disproportionately impacted our District's residents. For example, in West Fargo a recent \$100 million bond cost taxpayers \$15 per year per \$100,000 of true and full residential property value, while a proposed \$60 million bond with a mil levy increase will cost Williston taxpayers \$214 per \$100,000 of true and full residential property value. Our voters repeatedly cite the cost of their property taxes as a significant factor in their decision to support school building construction.

The State Legislature's approach to school funding has not really taken into account the cost of actually building schools – most legislative efforts were during a time of declining population but since 2009, we have more than doubled our enrollment – that's a 100% increase in 10 years. Our most recent enrollment analysis projects a continued increase of over 15% each year for at least the next five years and within the first year of that study, our actual numbers exceeded the projections.

Our Districts' schools have been impacted more than many others by the oil and gas industry and yet our schools do not receive on-time funding nor do we receive funding adequate to build schools without having to dramatically increase property taxes in our 16 square mile district. We respectfully request a DO PASS for HB 1437.

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**House Political Subdivisions  
Committee Hearing-2/8/2019  
Testimony In Favor of HB 1437**

Representatives:

I'm Thomas Kalil, the Vice President of the Williston Public School District#1 School Board. I'm here today to ask for a DO PASS recommendation for HB 1437.

Williston has an enormous ability to generate sales tax, we are presently the second highest generator of sales tax in the state, behind Fargo, but if you compare the populations of Williston and Fargo, it's easy to see just how staggering our ability to produce that sales tax is. Even before this latest oil boom, our city has turned to sales tax to fund our biggest civil projects. Sales tax has built our parks, our new Area Recreation Center (the ARC) a new jail and addition to the Williams County Courthouse, and just this summer, Williston's rural firefighters were able to open a brand new state of the art firehouse funded by sales tax. But directly related to this bill, one of the other things our city built with sales tax is the Williston Middle School, the last time the law allowed us to do so.

As you might know, our school District recently failed, by less than sixty votes, to pass a bond referendum that would have allowed us to build two new elementary schools, and make an addition to our high school. We held a dozen public forums prior to the vote, and one of the repeated themes we heard at these forums was, "Why can't you just build schools with sales tax?" Our population views sales tax as a much more equitable way to fund infrastructure. We have a transient population, and many individuals reside in our community for a couple of weeks a month, and then go back to wherever they actually live. Further, given all the oilfield service companies in Williston, sales tax allows Williston to capture revenue from extremely valuable goods that do not ever become subject to property tax.

This measure, if passed, would significantly change the education landscape in Williston. With just a .5% sales tax, we would be able to build a new school every two years, and give our tax payers a substantial reduction in property tax. It would, quite frankly, resolve many of the issues facing our district.

Please understand that this measure is really about giving an option to all communities, not just Williston. In our public forums, one of the lines I often repeated was that property tax was the only tool in our tool kit when it came to building schools. This bill would give our community another option, and every other community would have the same option.

To be clear, this bill is an option-any community that doesn't support an increase in its sale tax, doesn't have to use this option. One of the criticisms I anticipate is the idea that outlying populations who do their business in a city might be negatively impacted by this bill. But again, this is something that will be decided by voters at the ballot box, and these voters know their own communities. Further, given that 11% of all retail is done online these days, and 28% of that is Amazon, the reality is that your average consumer can probably find an alternative.

The same can be said for impact on local small business. In our last bond referendum, we had less than ten percent participation by our eligible voters. But you know who did show up? Small business owners. Those are the people that show up to vote, and if they feel that a sales tax increase would impact them, they can, and probably will, defeat it at the ballot box. But that's the thing, in our last bond referendum, small business owners in our community rallied around us, because they understood that building new schools is necessary for our community. I think they would also rally around a sales tax, and I would respectfully request that give this bill a DO PASS recommendation.

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My name is Gavin Baltes, I am 12 years old and am an 8<sup>th</sup> grader at Williston Middle School. I am an officer in student council, I am interested in personalized learning. I am also a competitive swimmer and tennis player and I enjoy hunting with my Dad. Thank you Mr. Chairman and members of the Political Subdivisions Committee for listening to my testimony. 2-8-19

I am here today because I want all students to have a better education and reducing the class sizes will help lower the burden on the teachers. The middle school is the only school in Williston funded by sales tax and it was paid off early. It was built for five hundred kids, and there are over six hundred kids in the school, and the temporary mods have not helped lower the amount of kids in my classes. I am used to having thirty-five kids in many of my classes. Most of the teachers have to waste valuable teaching time to enforce behavioral problems in the class. I have seen teachers spent over twenty minutes trying to get kids to stop being rude and disrespectful. The whole reason kids are being rude and disrespectful is because of the large amount of kids in the class. In fall of 2019, every class will have a minimum of thirty kids. In 2020, the minimum will be thirty four.

The temporary modules are being overused, and rundown. They are so terrible they get snow in the hallways. If you want to go to the bathroom, you can spend two minutes walking there, and then you can choose between the stall that does not have a door, or does have a door. That goes for the girls and boys bathrooms. Also, in the locker rooms, there are so many holes in the ceiling, you can throw a pencil through one hole in the ceiling, and it will fall out another. I am going to high school next year and I am worried that the overcrowding will be worse. At lunch there will be over 450 kids per lunch period.

You shouldn't have to go out and have an election and get sixty percent of the vote every time you need more money for schools. You don't have to do that for trash collection so why are schools less important? I have lived here since fourth grade, and my family has become deeply involved in our community. Together with our friends who are from Williston and those who have moved here from other places, we want it to be a better community. Having more schools will give us lower class sizes and happier and less stressed teachers for the generations that will be growing up in Williston.

I want a great education, because I want to do great things in life and change the world. I request a DO PASS from this Committee for House Bill 1437.

HB 1237 #8

2-8-19

My name is Margaret Garbel and I am an eighth grader at the Williston Middle School. I play volleyball and am currently in band. Thank you, Chairman Dockter and members of the House Political Subdivisions Committee for listening to my testimony today.

I would like to talk about the overcrowding in our schools and the problems it is causing. Overcrowding to me is when too many people are in an environment that is not built to hold that number of people. The overcrowding in our school district is causing problems in the classrooms, lunchrooms, and hallways at the Middle School.

Classrooms are becoming overcrowded because they are not built to hold the large number of students they have. Teachers are not able to teach to their best ability because having so many students in one class is hard to keep a good momentum of teaching their subject going. Students who need help are having a hard time getting it because the teachers have to focus on so many students at one time.

We have three lunches periods that are thirty minutes long. Each period has to get around two-hundred students through the lunch line to get food. Some students only have about ten minutes to eat because there are so many students that need to get through the line.

The hallways and stairways are so overcrowded that it can take two minutes to get upstairs or downstairs. If you want to get to class on time you have to rush. Some kids don't even care if they are late and walk slowly to class, because it's overcrowded you have to find a way to get around them so you yourself are not late.

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In Middle School, you have to share a small locker with another person. The lockers are so small that they barely have enough room for one backpack, which makes it hard to fit two backpacks in them.

Everytime we need money to build schools we have to have a vote. Bringing back the sales tax offers voters a different option than having their property tax increase. Right now schools in Williston are overcrowded which impacts the learning environment. It makes it harder on the teachers, students, and school staff members. In conclusion I ask for a do pass on this bill.

HB1437 #9

2-8-19

Good Morning Chairman Dockter and members of the House Political Subdivisions Committee. Thank you for the opportunity to testify in support of HB 1437. My name is Laurie Garbel and I am also from Williston. My husband is a veterinarian and a partner in the vet clinic there. I am a substitute teacher and I volunteer with the Williston Yes Matters Committee and the Mondak Animal Rescue. Until I worked with the group who promoted the yes vote for the bond referendum in January I did not truly understand how complex the issues are and how they can divide a community. We are not the only school district in our area experiencing tremendous growth and the challenges that come with overcrowding. Our neighboring community of Ray is also beginning the process of addressing the growth in their K-12 school and how to fund a needed addition and renovations. Watford City just passed a bond to build an additional elementary school in their community.

Governor Burgum's Main Street Initiative includes reinventing education in order to create a skilled workforce that contributes to our state's economic success. Our new superintendent is implementing 21st Century Learning in our schools with the support of staff, teachers and our school board. Overcrowding is not conducive to individualized learning. Dr. Thake and our board members have invested many hours in creating a plan to address current and future facility needs. As a community we know that even with the passing of a bond in April the projected growth of students in our district will require additional facilities in the near future. By allowing school districts to once again use sales tax to reduce debt there would be another option for funding those future needs. I am more than aware that whether it is an increase in property taxes or a sales tax there will continue to be division within the community which we will need to resolve as a community.

I want to close by thanking Representative Hatlestad and Representative Richter for sponsoring this bill for the future of our schools, our communities and our state and respectfully ask this committee for a do pass on HB 1437. Thank you.

**Political Subdivisions Committee**  
**Chairman Jason Dockter**  
**February 8, 2019**

**HB 1437**

**Chairman Dockter** and members of the Political Subdivisions Committee, my name is Mark Vollmer. I proudly serve as Superintendent of Minot Public School District #1 and Minot Air Force Base #160. I stand in front of you today to offer my support for HB 1437.

School construction comes at an incredible cost. This cost has been noted in school districts across the state, but especially school districts that have noticed rapid growth.

Cities in Western North Dakota such as Minot have noted drastic increases in local property taxes. In many instances, revenues from property tax increases have been used to fund infrastructure projects that are needed to meet the needs of a growing population. This includes streets, sewer lines, water access, landfill expansions, and waste storage expansions.

No doubt, we have seen home values increase. While this is of great value when a resident sells his home, it does nothing to put money in the hands of residents who live on a fixed income, and who see drastic mill requests.

Minot Public Schools has seen an increase of nearly 1,600 students since 2008. This increase has put a strain on existing facilities. Our patrons generously approved a bond referendum in 2014 to expand elementary school capacity. Today, our middle schools and high schools are at capacity or have exceeded capacity.

Simply put – property tax has become onerous for many of our residents.

Using the “three legged stool” analogy for understanding taxes, one can easily argue that property tax is the most “fair” tax. Tax money generated from good and services rendered, while still a tax, is paid in small amounts and is paid more

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2-8-19

often, making the impact seem a bit less obtrusive. The end result can be beneficial for school districts that are allowed to use this creative funding source for school construction.

So why should school districts be afforded this opportunity? Here's the short answer – Cities, park districts and other public, taxing political subdivisions are allowed to seek approval for sales tax funding. These taxing subdivisions also have the authority to bond without voter approval. School districts are required to receive a 60% approval rating in order to bond for school construction purposes. This is not a guaranteed funding source – a school district would still need to seek approval from patrons before sales tax revenue could be used to support structured bond repayment.

HB 1437 can help to ease the property tax burden for home owners in rapidly growing districts. I offer my full support of HB 1437, and encourage the House Political Subdivisions Committee to forward this bill with a DO PASS recommendation.



#11  
HB 1437  
2-8-19

HB 1437 – City Sales tax for School Bonded Indebtedness  
NDCEL - Testimony in Support

Good morning Chairman Dockter and members of the House Political Subdivisions Committee, my name is Aimee Copas – I am the Executive Director for North Dakota Council of Educational Leaders representing our school superintendents, principals, business officials, county superintendents, athletic directors, CTE directors, REA directors (truly most of the school personnel outside of teachers and school board members).

This bill reinstates an opportunity that formally existed in our state and served our schools very well. This bill provides an opportunity to bring to the vote of the people in an election the choice for the community to support (or not) an approval of an additional city sales tax to support the principal and interest payments on school district bonds for school building projects. During this legislative session we've heard scores of bills that were all attempting to find resolution to the issue of school building and school building projects throughout our state. At times it becomes a challenge to the members of a community to have the debt of the school always handled by-in-large by the property tax modality. This provides an opportunity for a rather equalized approach to payoff. This would provide a venue for the voters to CHOOSE to have assistance through that local city sales tax. This would provide an opportunity for involvement by community members that may not be property owners thereby realizing the end to that debt at a much faster rate, ultimately saving that community dollars in interest payments.

We believe that this move would help communities large and small handle their school construction issues and also deferred maintenance issues and projects so long as their debt is bonded debt. The other piece that we believe is ideal for taxpayers is that there is a foreseeable end to this tax increase as when that bonded indebtedness is payed off, the sales tax is then retired.

Because this is a voter approved tax increase at 60%, we believe it provides the taxpayer protection that the state appreciates yet allows for communities to make conscious decisions to help pay off bonded debt more efficiently.

We recommend a do pas son HB 1437. Thank you

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education for all students in North Dakota.*

*Executive Director: Aimee Copas-----Assistant Director: Russ Ziegler*

Testimony in Support of Amendment to House Bill 1437  
February 8, 2019  
House Political Subdivisions Committee  
Bill Wocken on behalf of the North Dakota League of Cities

Good Morning Mr. Chairman and members of the House Political Subdivisions committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities in support of <sup>the</sup> amendments to House Bill 1437.

House Bill 1437, as initially proposed, would allow a school district to adopt a resolution requesting a vote on increasing a local sales tax, with the proceeds being dedicated to the retirement of school building debt. The resolution would be given to the local city governing body who would have had no choice but to call for the requested election. <sup>if there is an</sup> The bill sponsor's amendment to the bill comes on Page 1, Line 11. <sup>changing "shall" to "may"</sup> It would allow the city governing body <sup>to</sup> ~~the~~ determine for themselves whether to call for the election on the requested ballot issue.

~~The state has been well served by excellent cooperation between units of local government and the League of Cities expects that will continue. However, the local option sales tax is administered by city government so the city needs to have some discretion in calling for an election on a sales tax measure.~~

~~The bill sponsor has agreed that this change should be made and has had the appropriate amendment drafted. The North Dakota League of Cities urges adoption of this amendment and subsequent passage of the bill as amended so that those who would like to ask their voters for the opportunity to use this vehicle can do so.~~

*Without the amendment the League would approve this bill.*

*Note neutral but ...*

*I understand*

*The bill sponsor is considering this Amendment.*

#1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1437

Page 1, line 1, replace "section" with "sections 11-09.1-05.2 and"

Page 1, line 2, after "city" insert "or county"

Page 1, line 3, replace "section" with "sections 11-09.1-05.1 and"

Page 1, line 4, after "city" insert "or county"

Page 1, after line 5, insert:

"**SECTION 1.** Section 11-09.1-05.2 of the North Dakota Century Code is created and enacted as follows:

**11-09.1-05.2. Sales tax revenue transfer to school districts for bonded indebtedness.**

1. Upon presentation to the board of county commissioners of a resolution adopted by the school board of a school district within the county, the board of county commissioners may place on the ballot at a primary or general election the question of approval of imposition of an additional county sales, use, farm machinery gross receipts, and alcoholic beverage gross receipts tax. The rate of tax imposed for each school district may not exceed one percent for principal and interest payments on school district bonds for school building projects. The board of county commissioners shall place on the ballot the sum of the tax rates proposed for each school district that presented an adopted resolution to the board of county commissioners.
2. Upon approval by sixty percent or more of the qualified electors of the county voting on the question, the board of county commissioners shall impose a county sales tax at the rate approved by the electors on taxable transactions occurring outside of the boundaries of a city within that county if the city has imposed a sales tax for school districts, or subsequently enacts and imposes a sales tax for school districts under section 40-05.1-06.2. Proceeds from the tax imposed must be deposited in a special fund of the county and transferred quarterly to each school district that presented an adopted resolution to the board of county commissioners under subsection 1, in proportion to the tax imposed for each school district, for principal and interest payments on bonds issued for purposes of this section. Any funds in the county special fund at the end of a fiscal year which are unused and unobligated for principal and interest payments on bonds issued for purposes of this section may be transferred to the county general fund. Any tax imposed under this section remains effective until bonds issued under the funding authority of this section have been retired. Any shortfall in funding after application of revenue from the tax imposed for principal and interest payments on bonds issued for purposes of this section is the responsibility of the school district and not the county."

Page 1, line 11, replace "shall" with "may"

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Page 2, replace line 5 with:

**"SECTION 3. REPEAL.** Sections 11-09.1-05.1 and 40-05.1-06.1 of the North  
Dakota Century Code are repealed."

Renumber accordingly