

CONCEPT PAPER FOR COMMITTEE CONSIDERATION REGARDING PROPERTY TAX REDUCTION AND ENHANCED STATE FUNDING FOR ELEMENTARY AND SECONDARY EDUCATION

The Finance and Taxation Committee approved the motion made by Representative C. B. Haas that the committee should consider a "concept paper" to serve as discussion points to help the committee lay out the goals of the committee's study of elementary and secondary education enhanced funding and reduced reliance on property taxes and to identify the information the committee must gather and analyze to make its determinations to reach those goals.

This memorandum was prepared in accordance with the suggestions of Representative Haas. The memorandum sets out six primary considerations for committee discussion. Under each primary consideration are bullet points on which the committee needs to obtain information and make determinations to properly address the major issues.

1. Determine the results if the funding formula were to provide for 70 percent state and 30 percent local shares of elementary and secondary education funding, excluding consideration of federal funding.
 - Total cost of education, for committee purposes, is based on Fund Group 1 expenditures, as identified in *School Finance Facts* as prepared by the Department of Public Instruction, which should be reviewed by the committee.
 - Thirty percent local share includes county sources, which primarily come from oil and gas and coal industries and are not equally available to all counties.
 - Determine the estimated cost of elementary and secondary education statewide for the 2007-08 and 2008-09 school years. Seventy percent of that cost, minus current level of state support, equals the added state funding responsibility if the 70 percent goal is to be met. Thirty percent of that cost, minus funding from county sources, equals school districts' property tax responsibility.
2. Determine property tax savings that will result and how to equitably allocate savings among taxpayers.
 - Determine the method to assure property tax savings will be received and maintained.
 - Avoid creating incentives for current or future tax increases for schools or other taxing districts.
3. Determine whether school spending growth can and should be limited.
 - Determine whether there is an index of education costs, whether it is relevant to North Dakota, and whether it would be appropriate to use.
4. Provide a two-year hold harmless funding floor for school districts.
 - Determine the amount needed to assure hold harmless funding and how it should be funded.
5. Determine appropriate means of meeting the added funding responsibility of the state.
 - Examine state taxes' rates, exemptions, and burdens and how they compare to neighboring states.
 - Examine state spending for funds that might be diverted to this purpose.
 - Determine the estimated rate of growth for selected funding sources.
6. Determine a method to monitor future conformity of elementary and secondary education funding to the 70-30 funding model and obtain estimates of future costs.
 - Determine how future budget requests for elementary and secondary education funding will be initiated.
 - Determine to whom reports on 70-30 funding compliance and future cost estimates should be directed.