

**FIRST ENGROSSMENT**

**ENGROSSED HOUSE BILL NO. 1130**

Introduced by

Representatives Richter, Jonas, Novak, Sanford, Swiontek, Murphy

Senators Bekkedahl, Patten, Schaible

1 A BILL for an Act to amend and reenact section 15.1-27-04.1 of the North Dakota Century  
2 Code, relating to the option for a school district to reduce its local contribution deduction in the  
3 school state aid formula by the percentage of the local contribution which comes from in lieu of  
4 revenue.

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

6 **SECTION 1. AMENDMENT.** Section 15.1-27-04.1 of the North Dakota Century Code is  
7 amended and reenacted as follows:

8 ~~15.1-27-04.1. Baseline funding – Establishment – Determination of state aid. (Effective~~  
9 ~~through June 30, 2025) (Retroactive application – [See note](#))~~

- 10 1. ~~To determine the amount of state aid payable to each district, the superintendent of~~  
11 ~~public instruction shall establish each district's baseline funding. A district's baseline~~  
12 ~~funding consists of:~~
- 13 a. ~~All state aid received by the district in accordance with chapter 15.1-27 during the~~  
14 ~~2018-19 school year;~~
- 15 b. ~~An amount equal to the property tax deducted by the superintendent of public~~  
16 ~~instruction to determine the 2018-19 state aid payment;~~
- 17 c. ~~An amount equal to seventy-five percent of the revenue received by the school~~  
18 ~~district during the 2017-18 school year for the following revenue types:~~
- 19 (1) ~~Revenue reported under code 2000 of the North Dakota school district~~  
20 ~~financial accounting and reporting manual, as developed by the~~  
21 ~~superintendent of public instruction in accordance with section 15.1-02-08;~~

- (2) ~~Mineral revenue received by the school district through direct allocation from the state treasurer and not reported under code 2000 of the North Dakota school district financial accounting and reporting manual, as developed by the superintendent of public instruction in accordance with section 15.1-02-08;~~
  - (3) ~~Tuition reported under code 1300 of the North Dakota school district financial accounting and reporting manual, as developed by the superintendent of public instruction in accordance with section 15.1-02-08, with the exception of revenue received specifically for the operation of an educational program provided at a residential treatment facility, tuition received for the provision of an adult farm management program, and beginning in the 2021-22 school year, seventeen percent of tuition received under an agreement to educate students from a school district on an air force base with funding received through federal impact aid, and an additional seventeen percent of tuition received under an agreement to educate students from a school district on an air force base with funding received through federal impact aid each school year thereafter, until the 2024-25 school year when sixty-eight percent of tuition received under an agreement to educate students from a school district on an air force base with funding received through federal impact aid must be excluded from the tuition calculation under this paragraph;~~
  - (4) ~~Revenue from payments in lieu of taxes on the distribution and transmission of electric power;~~
  - (5) ~~Revenue from payments in lieu of taxes on electricity generated from sources other than coal; and~~
  - (6) ~~Revenue from the leasing of land acquired by the United States for which compensation is allocated to the state under 33 U.S.C. 701(c)(3);~~
- d. ~~An amount equal to the total revenue received by the school district during the 2017-18 school year for the following revenue types:~~
  - (1) ~~Mobile home tax revenue;~~
  - (2) ~~Telecommunications tax revenue; and~~

(3) Revenue from payments in lieu of taxes and state reimbursement of the homestead credit and disabled veterans credit; and

e. ~~Beginning with the 2020-21 school year, the superintendent shall reduce the baseline funding for any school district that becomes an elementary district pursuant to section 15.1-07-27 after the 2012-13 school year. The reduction must be proportional to the number of weighted student units in the grades that are offered through another school district relative to the total number of weighted student units the school district offered in the year before the school district became an elementary district. The reduced baseline funding applies to the calculation of state aid for the first school year in which the school district becomes an elementary district and for each year thereafter. For districts that become an elementary district prior to the 2020-21 school year, the superintendent shall use the reduced baseline funding to calculate state aid for the 2020-21 school year and for each year thereafter.~~

2. a. ~~The superintendent shall divide the district's baseline funding determined in subsection 1 by the district's 2017-18 weighted student units to determine the district's baseline funding per weighted student unit.~~

b. ~~For any school district that becomes an elementary district pursuant to section 15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the district's baseline funding per weighted student unit used to calculate state aid. The superintendent shall divide the district's baseline funding determined in subsection 1 by the district's weighted student units after the school district becomes an elementary district to determine the district's adjusted baseline funding per weighted student unit. The superintendent shall use the district's adjusted baseline funding per weighted student unit in the calculation of state aid for the first school year in which the school district becomes an elementary district and for each year thereafter.~~

e. ~~Beginning with the 2021-22 school year and for each school year thereafter, the superintendent shall reduce the district's baseline funding per weighted student unit. Each year the superintendent shall calculate the amount by which the district's baseline funding per weighted student unit exceeds the payment per~~

1           weighted student unit provided in subsection 3. For the 2023-24 school year the  
2           superintendent shall reduce the district's baseline funding per weighted student  
3           unit by forty percent of the amount by which the district's baseline funding per  
4           weighted student unit exceeds the payment per weighted student unit for the  
5           2023-24 school year. For each year thereafter, the reduction percentage is  
6           increased by an additional fifteen percent. However, the district's baseline funding  
7           per weighted student unit, after the reduction, may not be less than the payment  
8           per weighted student unit provided in subsection 3.

9       3.   a.   For the 2023-24 school year, the superintendent shall calculate state aid as the  
10       greater of:

- 11           (1)   The district's weighted student units multiplied by ten thousand six hundred  
12               forty-six dollars;
- 13           (2)   One hundred two percent of the district's baseline funding per weighted  
14               student unit, as established in subsection 2, multiplied by the district's  
15               weighted student units, not to exceed the district's 2017-18 baseline  
16               weighted student units, plus any weighted student units in excess of the  
17               2017-18 baseline weighted student units multiplied by ten thousand  
18               six hundred forty-six dollars; or
- 19           (3)   The district's baseline funding as established in subsection 1 less the  
20               amount in paragraph 1, with the difference reduced by forty percent and  
21               then the difference added to the amount determined in paragraph 1.

22       b.   For the 2024-25 school year and each school year thereafter, the superintendent  
23       shall calculate state aid as the greater of:

- 24           (1)   The district's weighted student units multiplied by eleven thousand  
25               seventy-two dollars;
- 26           (2)   One hundred two percent of the district's baseline funding per weighted  
27               student unit, as established in subsection 2, multiplied by the district's  
28               weighted student units, not to exceed the district's 2017-18 baseline  
29               weighted student units, plus any weighted student units in excess of the  
30               2017-18 baseline weighted student units multiplied by eleven thousand  
31               seventy-two dollars; or

1                   (3) The district's baseline funding as established in subsection 1 less the  
2                   amount in paragraph 1, with the difference reduced by fifty-five percent for  
3                   the 2024-25 school year and the reduction percentage increasing by fifteen  
4                   percent each school year thereafter until the difference is reduced to zero,  
5                   and then the difference added to the amount determined in paragraph 1.

6           4. After determining the product in accordance with subsection 3, the superintendent of  
7           public instruction shall:

8           a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the  
9           school district, except the amount in dollars subtracted for purposes of this  
10           subdivision may not exceed the previous year's amount in dollars subtracted for  
11           purposes of this subdivision by more than twelve percent, adjusted pursuant to  
12           section 15.1-27-04.3; and

13           b. Subtract an amount equal to seventy-five percent of all revenue types listed in  
14           subdivisions c and d of subsection 1. Before determining the deduction for  
15           seventy-five percent of all revenue types, the superintendent of public instruction  
16           shall adjust revenues as follows:

17           (1) Tuition revenue shall be adjusted as follows:

18                   (a) In addition to deducting tuition revenue received specifically for the  
19                   operation of an educational program provided at a residential  
20                   treatment facility, tuition revenue received for the provision of an adult  
21                   farm management program, tuition received for the education of  
22                   high-cost and special education students, and tuition received under  
23                   an agreement to educate students from a school district on an  
24                   air force base with funding received through federal impact aid as  
25                   directed each school year in paragraph 3 of subdivision c of  
26                   subsection 1, the superintendent of public instruction also shall reduce  
27                   the total tuition reported by the school district by the amount of tuition  
28                   revenue received for the education of students not residing in the  
29                   state and for which the state has not entered a cross-border education  
30                   contract; and

1                               (b) ~~The superintendent of public instruction also shall reduce the total~~  
2                               ~~tuition reported by admitting school districts meeting the requirements~~  
3                               ~~of subdivision e of subsection 2 of section 15.1-29-12 by the amount~~  
4                               ~~of tuition revenue received for the education of students residing in an~~  
5                               ~~adjacent school district.~~

6                               (2) ~~After adjusting tuition revenue as provided in paragraph 1, the~~  
7                               ~~superintendent shall reduce all remaining revenues from all revenue types~~  
8                               ~~by the percentage of mills levied in 2022 by the school district for sinking~~  
9                               ~~and interest relative to the total mills levied in 2022 by the school district for~~  
10                              ~~all purposes.~~

11       5. ~~The amount remaining after the computation required under subsection 4 is the~~  
12       ~~amount of state aid to which a school district is entitled, subject to any other statutory~~  
13       ~~requirements or limitations.~~

14       6. ~~On or before June thirtieth of each year, the school board shall certify to the~~  
15       ~~superintendent of public instruction the final average daily membership for the current~~  
16       ~~school year.~~

17       7. ~~For purposes of the calculation in subsection 4, each county auditor, in collaboration~~  
18       ~~with the school districts, shall report the following to the superintendent of public~~  
19       ~~instruction on an annual basis:~~

20               a. ~~The amount of revenue received by each school district in the county during the~~  
21               ~~previous school year for each type of revenue identified in subdivisions c and d of~~  
22               ~~subsection 1;~~

23               b. ~~The total number of mills levied in the previous calendar year by each school~~  
24               ~~district for all purposes; and~~

25               c. ~~The number of mills levied in the previous calendar year by each school district~~  
26               ~~for sinking and interest fund purposes.~~

27       **Baseline funding - Establishment - Determination of state aid. ~~(Effective after~~**  
28       **~~June 30, 2025)~~**

29       1. To determine the amount of state aid payable to each district, the superintendent of  
30       public instruction shall establish each district's baseline funding. A district's baseline  
31       funding consists of:

- 1           a. All state aid received by the district in accordance with chapter 15.1-27 during the
- 2           2018-19 school year;
- 3           b. An amount equal to the property tax deducted by the superintendent of public
- 4           instruction to determine the 2018-19 state aid payment;
- 5           c. An amount equal to seventy-five percent of the revenue received by the school
- 6           district during the 2017-18 school year for the following revenue types:
- 7           (1) Revenue reported under code 2000 of the North Dakota school district
- 8           financial accounting and reporting manual, as developed by the
- 9           superintendent of public instruction in accordance with section 15.1-02-08;
- 10          (2) Mineral revenue received by the school district through direct allocation from
- 11          the state treasurer and not reported under code 2000 of the North Dakota
- 12          school district financial accounting and reporting manual, as developed by
- 13          the superintendent of public instruction in accordance with section
- 14          15.1-02-08;
- 15          (3) Tuition reported under code 1300 of the North Dakota school district
- 16          financial accounting and reporting manual, as developed by the
- 17          superintendent of public instruction in accordance with section 15.1-02-08,
- 18          with the exception of revenue received specifically for the operation of an
- 19          educational program provided at a residential treatment facility, tuition
- 20          received for the provision of an adult farm management program, and
- 21          beginning in the 2025-26 school year, eighty-five percent of tuition received
- 22          under an agreement to educate students from a school district on an
- 23          air force base with funding received through federal impact aid, until the
- 24          2026-27 school year, and each school year thereafter, when all tuition
- 25          received under an agreement to educate students from a school district on
- 26          an air force base with funding received through federal impact aid must be
- 27          excluded from the tuition calculation under this paragraph;
- 28          (4) Revenue from payments in lieu of taxes on the distribution and transmission
- 29          of electric power;
- 30          (5) Revenue from payments in lieu of taxes on electricity generated from
- 31          sources other than coal; and

- 1                   (6) Revenue from the leasing of land acquired by the United States for which  
2                   compensation is allocated to the state under 33 U.S.C. 701(c)(3); and  
3           d. An amount equal to the total revenue received by the school district during the  
4           2017-18 school year for the following revenue types:  
5           (1) Mobile home tax revenue;  
6           (2) Telecommunications tax revenue; and  
7           (3) Revenue from payments in lieu of taxes and state reimbursement of the  
8           homestead credit and disabled veterans credit.  
9           e. Beginning with the 2020-21 school year, the superintendent shall reduce the  
10           baseline funding for any school district that becomes an elementary district  
11           pursuant to section 15.1-07-27 after the 2012-13 school year. The reduction must  
12           be proportional to the number of weighted student units in the grades that are  
13           offered through another school district relative to the total number of weighted  
14           student units the school district offered in the year before the school district  
15           became an elementary district. The reduced baseline funding applies to the  
16           calculation of state aid for the first school year in which the school district  
17           becomes an elementary district and for each year thereafter. For districts that  
18           become an elementary district prior to the 2020-21 school year, the  
19           superintendent shall use the reduced baseline funding to calculate state aid for  
20           the 2020-21 school year and for each year thereafter.  
21       2. a. The superintendent shall divide the district's baseline funding determined in  
22           subsection 1 by the district's 2017-18 weighted student units to determine the  
23           district's baseline funding per weighted student unit.  
24           b. For any school district that becomes an elementary district pursuant to section  
25           15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the  
26           district's baseline funding per weighted student unit used to calculate state aid.  
27           The superintendent shall divide the district's baseline funding determined in  
28           subsection 1 by the district's weighted student units after the school district  
29           becomes an elementary district to determine the district's adjusted baseline  
30           funding per weighted student unit. The superintendent shall use the district's  
31           adjusted baseline funding per weighted student unit in the calculation of state aid



1 for the first school year in which the school district becomes an elementary  
2 district and for each year thereafter.

3 c. Beginning with the 2021-22 school year and for each school year thereafter, the  
4 superintendent shall reduce the district's baseline funding per weighted student  
5 unit. Each year the superintendent shall calculate the amount by which the  
6 district's baseline funding per weighted student unit exceeds the payment per  
7 weighted student unit provided in subsection 3. For the 2023-24 school year the  
8 superintendent shall reduce the district's baseline funding per weighted student  
9 unit by forty percent of the amount by which the district's baseline funding per  
10 weighted student unit exceeds the payment per weighted student unit for the  
11 2023-24 school year. For each year thereafter, the reduction percentage is  
12 increased by an additional fifteen percent. However, the district's baseline funding  
13 per weighted student unit, after the reduction, may not be less than the payment  
14 per weighted student unit provided in subsection 3.

15 3. a. For the 2023-24 school year, the superintendent shall calculate state aid as the  
16 greater of:

17 (1) The district's weighted student units multiplied by ten thousand six hundred  
18 forty-six dollars;

19 (2) One hundred two percent of the district's baseline funding per weighted  
20 student unit, as established in subsection 2, multiplied by the district's  
21 weighted student units, not to exceed the district's 2017-18 baseline  
22 weighted student units, plus any weighted student units in excess of the  
23 2017-18 baseline weighted student units multiplied by ten thousand  
24 six hundred forty-six dollars; or

25 (3) The district's baseline funding as established in subsection 1 less the  
26 amount in paragraph 1, with the difference reduced by forty percent and  
27 then the difference added to the amount determined in paragraph 1.

28 b. For the 2024-25 school year and each school year thereafter, the superintendent  
29 shall calculate state aid as the greater of:

30 (1) The district's weighted student units multiplied by eleven thousand  
31 seventy-two dollars;

(2) One hundred two percent of the district's baseline funding per weighted student unit, as established in subsection 2, multiplied by the district's weighted student units, not to exceed the district's 2017-18 baseline weighted student units, plus any weighted student units in excess of the 2017-18 baseline weighted student units multiplied by eleven thousand seventy-two dollars; or

(3) The district's baseline funding as established in subsection 1 less the amount in paragraph 1, with the difference reduced by fifty-five percent for the 2024-25 school year and the reduction percentage increasing by fifteen percent each school year thereafter until the difference is reduced to zero, and then the difference added to the amount determined in paragraph 1.

4. After determining the product in accordance with subsection 3, the superintendent of public instruction shall:

- a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the school district; and
- b. Subtract an amount equal to seventy-five percent of all revenue types listed in subdivisions c and d of subsection 1. Before determining the deduction for seventy-five percent of all revenue types, the superintendent of public instruction shall adjust revenues as follows:

(1) Tuition revenue shall be adjusted as follows:

- (a) In addition to deducting tuition revenue received specifically for the operation of an educational program provided at a residential treatment facility, tuition revenue received for the provision of an adult farm management program, tuition received for the education of high-cost and special education students, and tuition received under an agreement to educate students from a school district on an air force base with funding received through federal impact aid as directed each school year in paragraph 3 of subdivision c of subsection 1, the superintendent of public instruction also shall reduce the total tuition reported by the school district by the amount of tuition revenue received for the education of students not residing in the

1 state and for which the state has not entered a cross-border education  
2 contract; and

3 (b) The superintendent of public instruction also shall reduce the total  
4 tuition reported by admitting school districts meeting the requirements  
5 of subdivision e of subsection 2 of section 15.1-29-12 by the amount  
6 of tuition revenue received for the education of students residing in an  
7 adjacent school district.

8 (2) After adjusting tuition revenue as provided in paragraph 1, the  
9 superintendent shall reduce all remaining revenues from all revenue types  
10 by ~~the~~subparagraph a or b, if the district elects to use the amount of the  
11 reduction for capital projects or capital debt repayment and levied sinking  
12 and interest mills in 2024:

13 (a) The percentage of mills levied in 20222024 by the school district for  
14 sinking and interest relative to the total mills levied in 20222024 by the  
15 school district for all purposes; or

16 (b) The percentage of in lieu of revenue in the state school aid formula  
17 relative to the sum of in lieu of revenue in the state school aid formula  
18 plus the amount deducted under subdivision a.

19 5. The amount remaining after the computation required under subsection 4 is the  
20 amount of state aid to which a school district is entitled, subject to any other statutory  
21 requirements or limitations.

22 6. On or before June thirtieth of each year, the school board shall certify to the  
23 superintendent of public instruction the final average daily membership for the current  
24 school year.

25 7. For purposes of the calculation in subsection 4, each county auditor, in collaboration  
26 with the school districts, shall report the following to the superintendent of public  
27 instruction on an annual basis:

28 a. The amount of revenue received by each school district in the county during the  
29 previous school year for each type of revenue identified in subdivisions c and d of  
30 subsection 1;

- 1           b.   The total number of mills levied in the previous calendar year by each school
- 2                district for all purposes; ~~and~~
- 3           c.   The number of mills levied in the previous calendar year by each school district
- 4                for sinking and interest fund purposes; and
- 5           d.   Which deduction the school district elects under paragraph 2 of subdivision b of
- 6                subsection 4.