

**FIRST ENGROSSMENT  
with Senate Amendments  
ENGROSSED HOUSE BILL NO. 1246**

Introduced by

Representatives M. Nelson, Adams, Sanford

Senator Bakke

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 education foundation aid funding formula and the treatment of federal  
3 impact aid funding.

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

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

7 **15.1-27-04.1. Baseline funding - Establishment - Determination of state aid. (Effective**  
8 **through June 30, 2025)**

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

12 a. All state aid received by the district in accordance with chapter 15.1-27 during the  
13 2018-19 school year;

14 b. An amount equal to the property tax deducted by the superintendent of public  
15 instruction to determine the 2018-19 state aid payment;

16 c. An amount equal to seventy-five percent of the revenue received by the school  
17 district during the 2017-18 school year for the following revenue types:

18 (1) Revenue reported under code 2000 of the North Dakota school district  
19 financial accounting and reporting manual, as developed by the  
20 superintendent of public instruction in accordance with section 15.1-02-08;

21 (2) Mineral revenue received by the school district through direct allocation from  
22 the state treasurer and not reported under code 2000 of the North Dakota  
23 school district financial accounting and reporting manual, as developed by

1 the superintendent of public instruction in accordance with section  
2 15.1-02-08;

3 (3) Tuition reported under code 1300 of the North Dakota school district  
4 financial accounting and reporting manual, as developed by the  
5 superintendent of public instruction in accordance with section 15.1-02-08,  
6 with the exception of revenue received specifically for the operation of an  
7 educational program provided at a residential treatment facility ~~and~~, tuition  
8 received for the provision of an adult farm management program, and  
9 beginning in the 2021-22 school year, seventeen percent of tuition received  
10 under an agreement to educate students from a nonoperating school district  
11 on an air force base with funding received through federal impact aid, and  
12 an additional seventeen percent of tuition received under an agreement to  
13 educate students from a nonoperating school district on an air force base  
14 with funding received through federal impact aid each school year  
15 thereafter, until the 2024-25 school year when sixty-eight percent of tuition  
16 received under an agreement to educate students from a nonoperating  
17 school district on an air force base with funding received through federal  
18 impact aid must be excluded from the tuition calculation under this  
19 paragraph;

20 (4) Revenue from payments in lieu of taxes on the distribution and transmission  
21 of electric power;

22 (5) Revenue from payments in lieu of taxes on electricity generated from  
23 sources other than coal; and

24 (6) Revenue from the leasing of land acquired by the United States for which  
25 compensation is allocated to the state under 33 U.S.C. 701(c)(3); and

26 d. An amount equal to the total revenue received by the school district during the  
27 2017-18 school year for the following revenue types:

28 (1) Mobile home tax revenue;

29 (2) Telecommunications tax revenue; and

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

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

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

16 b. For any school district that becomes an elementary district pursuant to section  
17 15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the  
18 district's baseline funding per weighted student unit used to calculate state aid.  
19 The superintendent shall divide the district's baseline funding determined in  
20 subsection 1 by the district's weighted student units after the school district  
21 becomes an elementary district to determine the district's adjusted baseline  
22 funding per weighted student unit. The superintendent shall use the district's  
23 adjusted baseline funding per weighted student unit in the calculation of state aid  
24 for the first school year in which the school district becomes an elementary  
25 district and for each year thereafter.

26 c. Beginning with the 2021-22 school year and for each school year thereafter, the  
27 superintendent shall reduce the district's baseline funding per weighted student  
28 unit. Each year the superintendent shall calculate the amount by which the  
29 district's baseline funding per weighted student unit exceeds the payment per  
30 weighted student unit provided in subsection 3. The superintendent shall reduce  
31 the district's baseline funding per weighted student unit by fifteen percent of the

1 amount by which the district's baseline funding per weighted student unit exceeds  
2 the payment per weighted student unit for the 2021-22 school year. For each  
3 year thereafter, the reduction percentage is increased by an additional fifteen  
4 percent. However, the district's baseline funding per weighted student unit, after  
5 the reduction, may not be less than the payment per weighted student unit  
6 provided in subsection 3.

7 3. a. For the 2019-20 school year, the superintendent shall calculate state aid as the  
8 greater of:

9 (1) The district's weighted student units multiplied by nine thousand eight  
10 hundred thirty-nine dollars;

11 (2) One hundred one percent of the district's baseline funding per weighted  
12 student unit, as established in subsection 2, multiplied by the district's  
13 weighted student units, not to exceed the district's 2017-18 baseline  
14 weighted student units, plus any weighted student units in excess of the  
15 2017-18 baseline weighted student units multiplied by nine thousand eight  
16 hundred thirty-nine dollars; or

17 (3) The district's baseline funding as established in subsection 1.

18 b. For the 2020-21 school year and each school year thereafter, the superintendent  
19 shall calculate state aid as the greater of:

20 (1) The district's weighted student units multiplied by ten thousand thirty-six  
21 dollars;

22 (2) One hundred two percent of the district's baseline funding per weighted  
23 student unit, as established in subsection 2, multiplied by the district's  
24 weighted student units, not to exceed the district's 2017-18 baseline  
25 weighted student units, plus any weighted student units in excess of the  
26 2017-18 baseline weighted student units multiplied by ten thousand  
27 thirty-six dollars; or

28 (3) The district's baseline funding as established in subsection 1 less the  
29 amount in paragraph 1, with the difference reduced by fifteen percent for the  
30 2021-22 school year and fifteen percent each school year thereafter, and  
31 then the difference added to the amount determined in paragraph 1.

- 1           c. The superintendent also shall adjust state aid determined in this subsection:
- 2           (1) For the 2019-20 school year, to ensure the amount does not exceed one
- 3           hundred five percent of the district's baseline funding per weighted student
- 4           unit, as established in subsection 2, multiplied by the district's weighted
- 5           student units from the previous school year.
- 6           (2) For the 2020-21 school year and each school year thereafter, to ensure the
- 7           amount does not exceed one hundred ten percent of the district's baseline
- 8           funding per weighted student unit, as established in subsection 2, multiplied
- 9           by the district's weighted student units from the previous school year.
- 10          4. After determining the product in accordance with subsection 3, the superintendent of
- 11          public instruction shall:
- 12          a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the
- 13          school district, except the amount in dollars subtracted for purposes of this
- 14          subdivision may not exceed the previous year's amount in dollars subtracted for
- 15          purposes of this subdivision by more than twelve percent, adjusted pursuant to
- 16          section 15.1-27-04.3; and
- 17          b. Subtract an amount equal to seventy-five percent of all revenue types listed in
- 18          subdivisions c and d of subsection 1. Before determining the deduction for
- 19          seventy-five percent of all revenue types, the superintendent of public instruction
- 20          shall adjust revenues as follows:
- 21          (1) Tuition revenue shall be adjusted as follows:
- 22               (a) In addition to deducting tuition revenue received specifically for the
- 23               operation of an educational program provided at a residential
- 24               treatment facility ~~and~~, tuition revenue received for the provision of an
- 25               adult farm management program, and tuition received under an
- 26               agreement to educate students from a nonoperating school district on
- 27               an air force base with funding received through federal impact aid as
- 28               directed each school year in paragraph 3 of subdivision c of
- 29               subsection 1, the superintendent of public instruction also shall reduce
- 30               the total tuition reported by the school district by the amount of tuition
- 31               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 percentage of mills levied in 2018 by the school district for sinking  
11 and interest relative to the total mills levied in 2018 by the school district for  
12 all purposes.

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

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

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

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

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

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

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

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

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



1 subsection 1 by the district's weighted student units after the school district  
2 becomes an elementary district to determine the district's adjusted baseline  
3 funding per weighted student unit. The superintendent shall use the district's  
4 adjusted baseline funding per weighted student unit in the calculation of state aid  
5 for the first school year in which the school district becomes an elementary  
6 district and for each year thereafter.

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

19 3. a. For the 2019-20 school year, the superintendent shall calculate state aid as the  
20 greater of:

21 (1) The district's weighted student units multiplied by nine thousand eight  
22 hundred thirty-nine dollars;

23 (2) One hundred one percent of the district's baseline funding per weighted  
24 student unit, as established in subsection 2, multiplied by the district's  
25 weighted student units, not to exceed the district's 2017-18 baseline  
26 weighted student units, plus any weighted student units in excess of the  
27 2017-18 baseline weighted student units multiplied by nine thousand eight  
28 hundred thirty-nine dollars; or

29 (3) The district's baseline funding as established in subsection 1.

30 b. For the 2020-21 school year and each school year thereafter, the superintendent  
31 shall calculate state aid as the greater of:

- 1           (1) The district's weighted student units multiplied by ten thousand thirty-six  
2           dollars;
- 3           (2) One hundred two percent of the district's baseline funding per weighted  
4           student unit, as established in subsection 2, multiplied by the district's  
5           weighted student units, not to exceed the district's 2017-18 baseline  
6           weighted student units, plus any weighted student units in excess of the  
7           2017-18 baseline weighted student units multiplied by ten thousand  
8           thirty-six dollars; or
- 9           (3) The district's baseline funding as established in subsection 1 less the  
10          amount in paragraph 1, with the difference reduced by fifteen percent for the  
11          2021-22 school year and fifteen percent each school year thereafter, and  
12          then the difference added to the amount determined in paragraph 1.
- 13         c. The superintendent also shall adjust state aid determined in this subsection:
  - 14           (1) For the 2019-20 school year, to ensure the amount does not exceed one  
15           hundred five percent of the district's baseline funding per weighted student  
16           unit, as established in subsection 2, multiplied by the district's weighted  
17           student units from the previous school year.
  - 18           (2) For the 2020-21 school year and each school year thereafter, to ensure the  
19           amount does not exceed one hundred ten percent of the district's baseline  
20           funding per weighted student unit, as established in subsection 2, multiplied  
21           by the district's weighted student units from the previous school year.
- 22         4. After determining the product in accordance with subsection 3, the superintendent of  
23         public instruction shall:
  - 24           a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the  
25           school district; and
  - 26           b. Subtract an amount equal to seventy-five percent of all revenue types listed in  
27           subdivisions c and d of subsection 1. Before determining the deduction for  
28           seventy-five percent of all revenue types, the superintendent of public instruction  
29           shall adjust revenues as follows:
    - 30           (1) Tuition revenue shall be adjusted as follows:

- 1 (a) In addition to deducting tuition revenue received specifically for the  
2 operation of an educational program provided at a residential  
3 treatment facility and, tuition revenue received for the provision of an  
4 adult farm management program, and tuition received under an  
5 agreement to educate students from a nonoperating school district on  
6 an air force base with funding received through federal impact aid as  
7 directed each school year in paragraph 3 of subdivision c of  
8 subsection 1, the superintendent of public instruction also shall reduce  
9 the total tuition reported by the school district by the amount of tuition  
10 revenue received for the education of students not residing in the  
11 state and for which the state has not entered a cross-border education  
12 contract; and
- 13 (b) The superintendent of public instruction also shall reduce the total  
14 tuition reported by admitting school districts meeting the requirements  
15 of subdivision e of subsection 2 of section 15.1-29-12 by the amount  
16 of tuition revenue received for the education of students residing in an  
17 adjacent school district.
- 18 (2) After adjusting tuition revenue as provided in paragraph 1, the  
19 superintendent shall reduce all remaining revenues from all revenue types  
20 by the percentage of mills levied in 2018 by the school district for sinking  
21 and interest relative to the total mills levied in 2018 by the school district for  
22 all purposes.
- 23 5. The amount remaining after the computation required under subsection 4 is the  
24 amount of state aid to which a school district is entitled, subject to any other statutory  
25 requirements or limitations.
- 26 6. On or before June thirtieth of each year, the school board shall certify to the  
27 superintendent of public instruction the final average daily membership for the current  
28 school year.
- 29 7. For purposes of the calculation in subsection 4, each county auditor, in collaboration  
30 with the school districts, shall report the following to the superintendent of public  
31 instruction on an annual basis:

Sixty-seventh  
Legislative Assembly

- 1           a.    The amount of revenue received by each school district in the county during the
- 2                    previous school year for each type of revenue identified in subdivisions c and d of
- 3                    subsection 1;
- 4           b.    The total number of mills levied in the previous calendar year by each school
- 5                    district for all purposes; and
- 6           c.    The number of mills levied in the previous calendar year by each school district
- 7                    for sinking and interest fund purposes.