

**FIRST ENGROSSMENT
with Senate Amendments**

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 e. ~~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;~~

1 (2) ~~Mineral revenue received by the school district through direct allocation from~~
2 ~~the state treasurer and not reported under code 2000 of the North Dakota~~
3 ~~school district financial accounting and reporting manual, as developed by~~
4 ~~the superintendent of public instruction in accordance with section~~
5 ~~15.1-02-08;~~

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

22 (4) ~~Revenue from payments in lieu of taxes on the distribution and transmission~~
23 ~~of electric power;~~

24 (5) ~~Revenue from payments in lieu of taxes on electricity generated from~~
25 ~~sources other than coal; and~~

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

28 d. ~~An amount equal to the total revenue received by the school district during the~~
29 ~~2017-18 school year for the following revenue types:~~

30 (1) ~~Mobile home tax revenue;~~

31 (2) ~~Telecommunications tax revenue; and~~

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

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

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

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

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

- 1 (2) One hundred two percent of the district's baseline funding per weighted
2 student unit, as established in subsection 2, multiplied by the district's
3 weighted student units, not to exceed the district's 2017-18 baseline
4 weighted student units, plus any weighted student units in excess of the
5 2017-18 baseline weighted student units multiplied by eleven thousand
6 seventy-two dollars; or
- 7 (3) The district's baseline funding as established in subsection 1 less the
8 amount in paragraph 1, with the difference reduced by fifty-five percent for
9 the 2024-25 school year and the reduction percentage increasing by fifteen
10 percent each school year thereafter until the difference is reduced to zero,
11 and then the difference added to the amount determined in paragraph 1.
- 12 4. After determining the product in accordance with subsection 3, the superintendent of
13 public instruction shall:
- 14 a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the
15 school district; and
- 16 b. Subtract an amount equal to seventy-five percent of all revenue types listed in
17 subdivisions c and d of subsection 1. Before determining the deduction for
18 seventy-five percent of all revenue types, the superintendent of public instruction
19 shall adjust revenues as follows:
- 20 (1) Tuition revenue shall be adjusted as follows:
- 21 (a) In addition to deducting tuition revenue received specifically for the
22 operation of an educational program provided at a residential
23 treatment facility, tuition revenue received for the provision of an adult
24 farm management program, tuition received for the education of
25 high-cost and special education students, and tuition received under
26 an agreement to educate students from a school district on an
27 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 ~~2022~~2024 by the school district for
11 sinking and interest and building fund relative to the total mills levied in
12 ~~2022~~2024 by the school district for all purposes. The amount of the
13 reduction must be allocated to the school district's sinking and interest fund
14 and applied specifically to bonded indebtedness and capital debt repayment
15 obligations.

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

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

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

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

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

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