



North Dakota Legislative Council

Prepared for Representative Headland

LC# 25.9523.01000

April 2025

PROPOSED INTEGRATED FORMULA GAP FUNDING PROGRAM - HOUSE BILL NO. 1176 CONFERENCE COMMITTEE

This memo provides a brief description of a proposed gap funding program intended to address a potential shortfall in the state school aid funding formula if a school district is required to reduce its levy for the school district's local contribution to the cost of education below 60 mills to comply with the property tax levy limitation. The gap funding program is intended to work with the levy limitation provision included in House Bill No. 1176 and the current structure of the state school aid funding formula. As such, it is not necessary to include a separate limitation, or "cap," specific to the 60-mill levy for the school district's local contribution to the cost of education or an adjustment to the state school aid funding formula to allow the gap funding program to function as intended.

A school district would be eligible for gap funding if, after the school district proportionally reduced its 10-mill general fund levy, 12-mill miscellaneous levy, and 60 mill-levy for the school district's local contribution to the cost of education to comply with the property tax levy limitation, the school district levied less than 60 mills for the school district's local contribution to the cost of education. A school district that elects to levy less than the full 60-mill levy for the school district's local contribution to the cost of education for a reason other than the levy limitation would not be eligible for the gap funding.

A qualifying school district would request gap funding by submitting an application to the Superintendent of Public Instruction. After confirming the school district meets the eligibility criteria for gap funding, the Superintendent of Public Instruction would issue gap funding to the school district equal to the amount by which the value of the 60-mill deduction in the state school aid funding formula exceeds the amount the school district levied for the school district's local contribution to the costs of education for the taxable year ending during the school year.

The gap funding would be derived from the Department of Public Instruction's integrated formula payments line item, and the department would be directed to request a deficiency appropriation if necessary.