2021 SENATE EDUCATION

SB 2165

2021 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

SB 2165
1/19/2021

A BILL relating to the elimination of school district ending fund balance carry forward limitations, deductions from state aid formula payments, and school construction loan amounts.

Senator	Attendance
Chairman Schaible	P
Senator Elkin	P
Senator Conley	P
Senator Lemm	P
Senator Oban	P
Senator Wobbema	P

Vice Chair Elkin opened the hearing at 9:00 am.

Discussion Topics:

- Common sense fix for ending fund balance
- Where new COVID money will go

Chair Schaible, Dist 31 introduced the bill.

Dr.Russ Ziegler, NDCEL testified in support. #1303, #1304.

Mike Heilman, NDSOS: testified in support. #1392.

Alexis Baxley, NDSBA- Testified in support. #1511

Rick Diegel - Supt. Kidder County Schools #1401

Additional written testimony: none

Adjourned at 9:25 a.m.

Lynn Wolf, Committee Clerk

SB 2165 – Ending Fund Balance

NDCEL Testimony in support with requested amendment 1/19/21

Senator Schaible and members of the Senate Education, for the record my name is Dr. Russ Ziegler and I serve as the assistant director for the North Dakota Council of Educational Leaders. I am here today in support of this bill and would humbly ask for an amendment/addition to the language.

During this past interim, the ND Legislative Funding Interim Committee worked on a number of things with regard to ND school funding, one of those issues being Ending Fund Balances and how amending language to this section of code can help our transition maximum schools who receive impact aid funds walk closer to being fiscally whole. Impact aid dollars are federally provided dollars that dramatically impact a number of schools in our state (especially BIE and air force base schools). While helpful, the funds are unreliable in timing and based on current climate, these districts have not been able to utilize them fully as they are imputed in the currently formula by 75%. The unreliability of the timing has come into play in our past where a large impact aid payment might come in June and that district has no prudent way to appropriately spend it, so not only is it imputed, but any resulting amount that causes an increase over the ending fund balance law is then deducted from the district in subsequent per pupil aid payments.

Paralleling this conversation are rules behind the amount of carryover that a local district can have. Currently that amount is 35% plus $50k. In a small or large district this often barely accounts for about 30% of their operating budget. In larger districts the carryover percentage typically far below that at around 8-13%

Allowing the transition maximum districts to carve out their federal impact aid dollars and not have that included in their ending fund balance will most certainly help them.

Now to the requested addition to the language – in the current climate with a number of things going on – round 2 of federal COVID support dollars to hit districts this spring, coupled with

transition minimum districts who are facing a budget cut to get them closer to the formula begets the request to have a brief 2-year moratorium on the ending fund balance language for all districts. This would allow all of our school district leaders and school boards to be prudent with the funds allocated to them and to ensure they are making the best use of the dollars for the long term for their districts. The language to engage that brief stay on this section of code is attached and would be possible by a simple shift in date of inaction. We ask that you consider adding this as a very positive and frugal amendment to this bill.

Thank you for your consideration in supporting this bill and the amendment and as amended give the bill a do-pass recommendation to your fellow senators.

21.0537.01000

Sixty-seventh
Legislative Assembly
of North Dakota

SENATE BILL NO. 2165

Introduced by

Senators Schaible, Rust

Representatives D. Johnson, Owens

NDCEL Suggested Amendment page 2 lines 3-4

A BILL for an Act to amend and reenact sections 15.1-07-29 and 15.1-27-35.3, subsection 6 of section 15.1-36-06, and subdivision a of subsection 5 of section 15.1-36-08 of the North Dakota Century Code, relating to the elimination of school district ending fund balance carryforward limitations, deductions from state aid formula payments, and school construction loan amounts.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 15.1-07-29 of the North Dakota Century Code is amended and reenacted as follows:

15.1-07-29. Ending fund balance ~~- Amount~~.

~~1.~~ The board of a school district may carry over moneys to the ensuing fiscal year to meet the cash requirements of all funds or purposes to which the credit of the school district may be legally extended.

~~2. For taxable years beginning after December 31, 2003, and ending on December 31, 2007, the amount carried over by a school district may not exceed fifty percent of the current annual budget for all purposes other than debt retirement and amounts financed from bond sources plus twenty thousand dollars.~~

~~3. For taxable years beginning after December 31, 2007, the amount carried over by a school district may not exceed forty-five percent of the current annual budget for all purposes other than debt retirement and amounts financed from bond sources plus twenty thousand dollars.~~

SECTION 2. AMENDMENT. Section 15.1-27-35.3 of the North Dakota Century Code is amended and reenacted as follows:

15.1-27-35.3. Payments to school districts - Unobligated general fund balance.

1. a. ~~The superintendent of public instruction shall determine the amount of payments due a school district and shall subtract from that the amount by which the~~

~~unobligated general fund balance of the district on the preceding June thirtieth is in excess of forty percent of its actual expenditures, plus twenty thousand dollars.~~

~~b.~~ Except as provided in subdivision ~~c, beginning July 1, 2017,~~ beginning July 1, 2023, the superintendent of public instruction shall determine the amount of payments due to a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June thirtieth is in excess of thirty-five percent of its actual expenditures, plus fifty thousand dollars.

~~c. Beginning July 1, 2017, the~~

b. The superintendent of public instruction shall determine the amount of payments due to a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June thirtieth is in excess of thirty-five percent of its actual expenditures, plus one hundred thousand dollars if the school district is in a cooperative agreement with another school district to share academic resources, and the school districts are considering reorganization under chapter 15.1-12. An eligible school district may receive payments under this provision for a maximum of two years.

2. For purposes of this section, a district's unobligated general fund balance includes all moneys in the district's miscellaneous fund, as established under section 57-15-14.2, but does not include federal impact aid funding.

SECTION 3. AMENDMENT. Subsection 6 of section 15.1-36-06 of the North Dakota Century Code is amended and reenacted as follows:

6. If a school district's unobligated general fund balance on the preceding June thirtieth exceeds the ~~limitation~~amount set forth under section 15.1-27-35.3, the loan amount to which that district is entitled under this section may not exceed eighty percent of the project's cost.

SECTION 4. AMENDMENT. Subdivision a of subsection 5 of section 15.1-36-08 of the North Dakota Century Code is amended and reenacted as follows:

a. The maximum loan amount for which a school district may qualify is ten million dollars. However, if a school district's unobligated general fund balance on the preceding June thirtieth exceeds the ~~limitation~~amount under section

15.1-27-35.3, the loan amount under this section may not exceed eighty percent of the project's cost up to a maximum loan amount of eight million dollars;

North Dakota Small Organized Schools

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SB 2165 – Related to School District Ending Fund Balance
Testimony in Support
Michael Heilman – Executive Director North Dakota Small Organized School
January 19, 2021

Chairman Schaible and members of the Senate Education Committee, my name is Michael Heilman. I am the Executive Director of the North Dakota Small Organized Schools (NDSOS). I represent 154-member school districts of the North Dakota Small Organized Schools. NDSOS stands in support of SB 2165 with the offered amendment.

Many of the NDSOS member schools have budgets that are under $5,000,000 and carry overs under $1,000,000. A single large expenditure in any one of these districts would strain their budgets and seriously jeopardize cash flow. SB 2165 will allow these districts to retain impact aide funds and afford them the opportunity to gather input from district stakeholders before making decisions on how to best use these dollars. Our school leaders and school boards would prefer to have time to allow for stakeholder input, collaboration, and research into the best use of funds to benefit their districts and the students they serve.

SB 2165 will also allow much needed time for the 94 transition minimum schools to prepare, plan and budget for potential losses in revenue as transition minimum funding is gradually phased out. NDSOS supports SB 2165 with offered amendment. Thank you for your support of our schools.

Mr. Michael Heilman – Executive Director
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Board of Directors

Region 1
Mr. Tim Holte, Supt. Stanley
Mr. John Gruenberg, Supt. Powers Lake

Region 2
Mr. Jeff Hagler, Supt. North Star
Mr. Steven Heim, Anamoose & Drake

Region 3
Dr. Frank Schill, Supt. Edmore
Mr. Dean Ralston, Supt. Drayton

Region 4
Mr. Kelly Koppinger, Supt. New England
Mr. Justin Fryer, Supt. Solen

Region 5
Mr. Joel Lemer, Bd. Member Carrington
Mr. Brandt Dick, Supt. Underwood

Region 6
Mr. Mitch Carlson, Supt. LaMoure
Dr. Steven Johnson, Supt. Lisbon

The mission of NDSOS is to provide leadership for the small/rural schools in North Dakota and to support legislation favorable to their philosophy while opposing legislation that is harmful.

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SB 2165
Senate Education Committee
January 19, 2021
Testimony of Alexis Baxley

Good morning Chairman Schaible and members of the Senate Education Committee. My name is Alexis Baxley, and I serve as the executive director of the North Dakota School Boards Association. NDSBA represents the elected school boards of all 175 public school districts and several special education units in North Dakota.

I appear today in support of SB 2165. The North Dakota School Boards Association understands why the carry over limitations were put in place. However, over the years, a handful of issues have arisen.

Since 1950, Congress has provided financial assistance to some local school districts through the Impact Aid Program. Impact Aid was designed to assist local school districts that have lost property tax revenue due to the presence of tax-exempt Federal property, or that have experienced increased expenditures due to the enrollment of federally connected children. Impact Aid provides assistance to local school districts with concentrations of children residing on Indian lands, military bases, low-rent housing properties, or other Federal properties and, to a lesser extent, concentrations of children who have parents in the uniformed services or employed on eligible Federal properties who do not live on Federal property.

School districts use Impact Aid for a wide variety of expenses, including the salaries of teachers and teacher aides; purchasing textbooks, computers, and other equipment; after-school programs and remedial tutoring; advanced placement classes; and special enrichment programs.

It is my understanding that the carryover limitations were put in place by this body to ensure a local district did not continue to levy tax on its citizens or accept state funds while sitting on larger than necessary reserves. Because Impact Aid is provided by the Federal government to districts whose ability to levy local taxes has been harmed by the federal government or who face increased costs due to federally connected children, NDSBA believes it is inappropriate to count these dollars towards the carryover limitation. Removing these funds from that calculation will help these districts to be better able to plan for the future, maintain a reasonable reserve, and be better stewards of all taxpayer dollars.

In addition to our support for the removal of impact aid from consideration, we also support the amendments proposed earlier today that would put a moratorium on the carryover limitations for the biennium. The COVID-19 pandemic has created a multitude of challenges for local districts. These challenges have included increased costs in some areas, but less-than anticipated costs elsewhere. In addition, federal relief funds were distributed in the spring and came with rules on how the money may or may not be spent. The combination of these factors created a unique situation of needed, yet excess funds right before the end of the fiscal year. Even some of the most prudent districts found themselves in a tough spot. While you will soon consider legislation that would alleviate this issue for some of these districts, we anticipate continued impacts in this area. Putting a moratorium on the carryover limitations for the next biennium would allow school districts to continue to be good stewards of taxpayer dollars, better plan for the future, and be more able to deal with any new challenges that may arise from this pandemic.

For these reasons, NDSBA supports SB 2165 and the proposed amendments. I will stand for any questions.

High School Principal
Michael Wachter
Elementary Principal
Ryan Larson
Business Manager
Sonya Larson
Secretary
Darci Mittleider

RICHARD DIEGEL, Superintendent

Administrative Office
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Board of Education:
Jason Schmidt, President
Ty DeWitz, Vice President
Jeff Schmidt, Director
Joni Magstadt, Director
Tom Binder, Director
Jamie Pfaff, Director
Shawn Nix, Director

Tuesday, January 19, 2021
Testimony to the Senate Education Committee Regarding SB 2165
Chair - Senator Don Schaible

Good Afternoon Chairman Schaible, Vice-Chair Elkins & Members of the Committee,

I am Rick Diegel, the Superintendent at Kidder County School in Steele. This is my 33rd year in education, and I have served as a Superintendent for the past 22 years, 16 years in Edgeley and this is my 6th year at Kidder County. I am here today to speak in favor of an amendment to SB 2165 that will provide a 2 year moratorium of the penalty for exceeding the 35% + $50,000 ending fund balance.

The rationale for eliminating the penalty for 2 years is very simple, and that is the amount of COVID relief money in the form of ESSER I Grant, Education Corps Grant, Resiliency Grant and the new ESSER 2 Grants, it is pushing schools ending fund balances to and past the 35% + $50,000 maximum. In Kidder County, these grants funds have so far totaled over $333,000, and we expect to receive an additional $350,000 with the ESSER 2 funds, so overall, Kidder County will receive approximately $680,000 in revenue. However, as you know, we have specific items that we are allowed to spend these funds on, so they do not take the place of funds that are needed for the day to day operation of our schools.

Since for the ESSER 1 and 2 grants we have until at least September, 2022 to spend these funds, this could pose a problem with pushing our ending fund balances past the allowable 35% + $50,000 threshold.

I believe where you will see the greatest impact of affecting the ending fund balances are in small schools across North Dakota. The rule of thumb, and what I tell my school board in Kidder County, is that the smaller your school, the larger percentage is your ending fund balance. While a Bismarck probably has a goal of a 10% ending fund balance, a school the size of Kulm probably has a goal of 32-34%. In Kidder County, our goal is a 25% ending fund balance, and we set our budget each year with that number in mind. Last year we had a 26% ending fund balance, but if we added an additional $680,000 to our funds because we didn't spend the new ESSER funds immediately, that would have increased our ending fund balance to 39%, exceeding the maximum. It is my belief that since this money must be used on specific items, and we have a timeframe of nearly 2 years to spend it, we don't want to simply spend it to get our ending fund balance down and not be

penalized, we want to have an opportunity to spend it wisely on items that will benefit our school long after COVID is off our radar.

In conclusion, I would ask that you consider removing the penalty for exceeding the 35% + $50,000 ending fund balance for 2 years, since there is a considerable amount of unexpected COVID relief money coming to schools, and we want to take our time and make wise spending decisions on this money.

Thank you and I stand for any questions.

2021 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

SB 2165
1/19/2021

A BILL relating to the elimination of school district ending fund balance carry forward limitations, deductions from state aid formula payments, and school construction loan amounts.

Chair Schaible started the meeting at 2:22 p.m.

Senator	Attendance
Chairman Schaible	P
Senator Elkin	P
Senator Conley	P
Senator Lemm	P
Senator Oban	P
Senator Wobbema	P

Discussion Topics: Amend to add Emergency Clause

Additional written testimony: none

Adjourned at 2:23 p.m.

Lynn Wolf, Committee Clerk

2021 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

SB 2165
1/20/2021

A BILL relating to the elimination of school district ending fund balance carry forward limitations, deductions from state aid formula payments, and school construction loan amounts.

Senator	Attendance
Chairman Schaible	P
Senator Elkin	P
Senator Conley	P
Senator Lemm	P
Senator Oban	P
Senator Wobbema	P

9:21 AM

Discussion Topics:

- Emergency clause

Sen Oban moved adoption of 21.0537.01002
Sen Elkin seconded
Roll Call 6-0-0 Motion passes

Amendment 01002	Vote
Chairman Schaible	**Y**
Senator Elkin	**Y**
Senator Conley	**Y**
Senator Lemm	**Y**
Senator Oban	**Y**
Senator Wobbema	**Y**

Sen Elkin moved Do Pass as Amended
Sen Wobbema seconded
Roll Call 6-0-0 Motion Passes
Sen Schaible will carry on the floor

9:27 AM

SB 2165	Vote
Chairman Schaible	**Y**
Senator Elkin	**Y**
Senator Conley	**Y**
Senator Lemm	**Y**
Senator Oban	**Y**
Senator Wobbema	**Y**

Please note: There is no Standing Committee Report as it was created on 1/25/2021 and attached to that packet.

Lynn Wolf, Committee Clerk

SK 1/20

21.0537.01002
Title.02000

Prepared by the Legislative Council staff for
Senate Education Committee
January 19, 2021

PROPOSED AMENDMENTS TO SENATE BILL NO. 2165

Page 1, line 4, after "amounts" insert "; and to declare an emergency"

Page 3, after line 2, insert:

"**SECTION 5. EMERGENCY.** This Act is declared to be an emergency measure."

Renumber accordingly

2021 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

SB 2165
1/25/2021

COMMITTEE WORK: A BILL relating to the elimination of school district ending fund balance carry forward limitations, deductions from state aid formula payments, and school construction loan amounts.

Senator	Attendance
Chairman Schaible	P
Senator Elkin	P
Senator Conley	P
Senator Lemm	P
Senator Oban	P
Senator Wobbema	P

Chair Schaible opened committee work at 2:28 p.m.

Discussion Topics:

- Amendment 21.0537.01002

Sen Elkin: Moved amendment 21.0537.01002
Sen Conley: I second.
Roll Call vote: 6-Yea; 0-Nay; 0-Ab **Motion Passed**

Amendment .01002	
Senator	**Vote**
Chairman Schaible	Y
Senator Elkin	Y
Senator Conley	Y
Senator Lemm	Y
Senator Oban	Y
Senator Wobbema	Y

Sen Elkin moved Do Pass as Amended.
Sen Conley: Seconded
Roll Call Vote: 6-Yea; 0-Nay; 0-Ab

Motion Passed

Sen Schaible will carry the bill.

Chairman Schaible adjourned the meeting at 2:37 PM

SB 2165	
Senator	**Vote**
Chairman Schaible	Y
Senator Elkin	Y
Senator Conley	Y
Senator Lemm	Y
Senator Oban	Y
Senator Wobbema	Y

Please note: The committee voted twice on the adoption of the amendment and SB 2165.

Lynn Wolf, Committee Clerk

SK 1/20

21.0537.01002
Title.02000

Prepared by the Legislative Council staff for
Senate Education Committee
January 19, 2021

PROPOSED AMENDMENTS TO SENATE BILL NO. 2165

Page 1, line 4, after "amounts" insert "; and to declare an emergency"

Page 3, after line 2, insert:

"**SECTION 5. EMERGENCY.** This Act is declared to be an emergency measure."

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2165: Education Committee (Sen. Schaible, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2165 was placed on the Sixth order on the calendar.

Page 1, line 4, after "amounts" insert "; and to declare an emergency"

Page 3, after line 2, insert:

"**SECTION 5. EMERGENCY.** This Act is declared to be an emergency measure."

Renumber accordingly

2021 HOUSE EDUCATION

SB 2165

2021 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau AB Room, State Capitol

SB 2165
3/9/2021

Relating to elimination of school district ending fund balance carryforward limitations, deductions from state aid formula payments, and school construction loan amounts; and to declare an emergency

Chairman Owens called the hearing to order at 3:50 PM. Roll call: Reps. Owens, Schreiber-Beck, Heinert, Hoverson, D. Johnson, M. Johnson, Longmuir, Marschall, Pyle, Richter, Zubke, Guggisberg and Hager present.

Discussion Topics:

- Deadline for fund payment
- Carryover provision
- Effect of impact aid monies

Sen. Schaible introduced the bill, #8147

Michael Heilman, Ex. Director, ND Small Organized Schools, #8320

Alexis Baxley, ND School Boards Association, #8325

Aimee Copas, ND CEL, answer questions

Additional written testimony: None

Chairman Owens closed the hearing at 4:00 PM

Bev Monroe, Committee Clerk

NORTH DAKOTA SENATE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360

Senator Donald Schaible
District 31
9115 Highway 21
Mott, ND 58646-9200

Residence: 701-824-3168
dgschaible@nd.gov

COMMITTEES:
Education
Energy and Natural Resources, Chairman

Good afternoon Chairman Owens and House Education Committee. For the record My name is Senator Don Schaible, District 31.

I am here to day to introduce SB 2165 that deals with Ending Fund Balances of School Districts.

Currently in law there is two separate sections that deals with ending fund balances.

While both sections limit a school district's ending fund balance, they are computed differently. In addition to different percentages, Section 15.1-07-29 is computed based on the current annual budget and there is no fiscal penalty for exceeding the limit, while Section 15.1-27-35.3 is computed based on actual expenditures and results in a reduction of state school aid provided by the state if the limit is exceeded. These are the two sections.

Section 15.1-07-29 provides the board of a school district may carry over moneys to the ensuing fiscal year to meet the cash requirements of all funds or purposes to which the credit of the school district may be legally extended, however the amount carried over by a school district may not exceed **45 percent** of the **current annual budget** for all purposes other than debt retirement and amounts financed from bond sources **plus $20,000**.

Section 15.1-27-35.3 provides the Superintendent of Public Instruction shall determine the amount of payments due to a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June 30th is in excess of **35 percent** of its **actual expenditures**, plus **$50,000**, **$100,000 if the school district is in a cooperative agreement** with another school district to share academic resources.

This bill is trying to incorporate both sections into what was lastly intended by legislative intent and to clean up both sections in law. It was a couple of sessions ago that Sec 15.1-27-53.3 was introduced into law to protect property owners and would limit how much saving accounts school were allowed to build up. So the changes suggested in this bill aligns both sections to allow for the 35% of its actual expenditures, plus **$50,000**, **$100,000 if the school district is in a cooperative agreement** with another school district to share academic resources.

The other suggested changes is on page 2, line 22 that would exempt Impact Aid from the calculation of the Ending Fund Balance Calculation. Impact aid is Federal funding that is designated to mostly our Native American School and Military Schools. One of the concerns with impact aid is that schools may know how much money they are to receive form Impact Aid, but they are not always sure when that funding will come. If they get that money late in the year say April through June, this might create a large ending fund balance and would force schools to spend this money quickly and maybe not most prudent way to avoid the penalty deduction. The other reason for this exemption is to allow school that have little on no property tax a way to save money to build facilities. Most schools with property tax base have a way to pass a bond issue on property tax to fund buildings. For schools with little to no property base, this would provide a way to save to fund for repairs or building projects. With the intent of Ending Fund Balances to protect property taxpayers and since Impact Aid Is not raised from property tax this exemption seems like a reasonable request.

Mr. Chairman and committee we did amend the original bill to add an emergency clause so schools would be able to use this exemption this current year.

North Dakota Small Organized Schools

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SB 2165 Testimony In Favor
House Education Committee
Representative Owens – Chairman
March 9, 2021

Chairman Owens and members of the House Education Committee, my name is Michael Heilman. I am the Executive Director of the North Dakota Small Organized Schools (NDSOS). I represent 154-member school districts of the North Dakota Small Organized Schools. NDSOS stands in support of SB 2165.

All NDSOS member school budgets were impacted by the federal impact aid dollars associated with the COVID pandemic. For some of our schools, this sudden influx of funds caused their carryover balance to exceed current allowable limits forcing schools to act quickly to use these funds. For our smallest schools the current carryover provision of 35% plus $50,000 is often the budgetary goal. A single large expenditure in any one of these districts would strain their budgets and could seriously jeopardize cash flow.

SB 2165 provides the opportunity for districts to retain impact aid funds and more importantly, affords them the opportunity to gather input from district stakeholders before making decisions on how to best use these dollars. Our school leaders and school boards would prefer to have time for stakeholder input into the best use of funds to benefit their districts taxpayers and the students they serve.

SB 2165 will also allow much needed time for the 94 transition minimum schools to prepare for and budget for potential losses in revenue as transition minimum funding is gradually phased out. NDSOS supports SB 2165.

Chairman Owens and member of the House Education committee thank you for your support of our schools.

Mr. Michael Heilman – Executive Director
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Board of Directors

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Dr. Steven Johnson, Supt. Lisbon

The mission of NDSOS is to provide leadership for the small/rural schools in North Dakota and to support legislation favorable to their philosophy while opposing legislation that is harmful.

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SB 2165
House Education Committee
March 9, 2021
Testimony of Alexis Baxley

Good afternoon Chairman Owens and members of the House Education Committee. My name is Alexis Baxley, and I serve as the executive director of the North Dakota School Boards Association. NDSBA represents the elected school boards of all 175 public school districts and several special education units in North Dakota.

I appear today in support of SB 2165. The North Dakota School Boards Association understands why the carry over limitations were put in place. However, over the years, a handful of issues have arisen.

Since 1950, Congress has provided financial assistance to some local school districts through the Impact Aid Program. Impact Aid was designed to assist local school districts that have lost property tax revenue due to the presence of tax-exempt Federal property, or that have experienced increased expenditures due to the enrollment of federally connected children. Impact Aid provides assistance to local school districts with concentrations of children residing on Indian lands, military bases, low-rent housing properties, or other Federal properties and, to a lesser extent, concentrations of children who have parents in the uniformed services or employed on eligible Federal properties who do not live on Federal property.

School districts use Impact Aid for a wide variety of expenses, including the salaries of teachers and teacher aides; purchasing textbooks, computers, and other equipment; after-school programs and remedial tutoring; advanced placement classes; and special enrichment programs.

It is my understanding that the carryover limitations were put in place by this body to ensure a local district did not continue to levy tax on its citizens or accept state funds while sitting on larger than necessary reserves. Because Impact Aid is provided by the Federal government to districts whose ability to levy local taxes has been harmed by the federal government or who face increased costs due to federally connected children, NDSBA believes it is inappropriate to count these dollars towards the carryover limitation. Removing these funds from that calculation will help these districts to be better able to plan for the future, maintain a reasonable reserve, and be better stewards of all taxpayer dollars.

For these reasons, NDSBA supports SB 2165 and the proposed amendments. I will stand for any questions.

2021 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau AB Room, State Capitol

SB 2165
3/16/2021

Relating to elimination of school district ending fund balance carryforward limitations, deductions from state aid formula payments, and school construction loan amounts; and to declare an emergency.

Chairman Owens opened the hearing at 10:23 AM. Roll call: Reps. Owens, Schreiber-Beck, Heinert, Hoverson, D. Johnson, M. Johnson, Longmuir, Marschall, Pyle, Richter, Zubke, Guggisberg, Hager and Hauck present.

Discussion Topics:

- Amendment 21.0537.02001

Rep. Richter brought forth amendment .02001, #9510, #9511
Rep. Richter motioned to move amendment .02001, seconded by **Rep. Longmuir**.
Voice Vote Motion carried
Rep. Heinert motioned for a **Do Pass as Amended**, seconded by **Rep. Richter**
Roll Call Vote:

Representatives	Vote
Representative Mark S. Owens	Y
Representative Cynthia Schreiber-Beck	Y
Representative Ron Guggisberg	Y
Representative LaurieBeth Hager	Y
Representative Dori Hauck	Y
Representative Pat D. Heinert	Y
Representative Jeff A. Hoverson	Y
Representative Dennis Johnson	Y
Representative Mary Johnson	Y
Representative Donald Longmuir	Y
Representative Andrew Marschall	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Denton Zubke	Y

Motion carried. 14-0-0 Rep. Richter is carrier

Additional written testimony: None

Chairman Owens closed the hearing at 10:27 AM.

Bev Monroe, Committee Clerk

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1 of 1

21.0537.02001
Title.03000

Prepared by the Legislative Council staff for
Representative Richter
March 10, 2021

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2165

Page 1, line 3, replace "carryforward" with "carried forward"

Page 2, line 6, after "~~c~~" insert "b"

Page 2, line 6, remove the overstrike over "~~, beginning July 1,~~"

Page 2, line 6, after "~~2017~~" insert "2023"

Page 2, line 6, remove "b"

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2165, as engrossed: Education Committee (Rep. Owens, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2165 was placed on the Sixth order on the calendar.

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Renumber accordingly

21.0537.02001

Sixty-seventh
Legislative Assembly
of North Dakota

FIRST ENGROSSMENT

ENGROSSED SENATE BILL NO. 2165

Introduced by

Senators Schaible, Rust

Representatives D. Johnson, Owens

A BILL for an Act to amend and reenact sections 15.1-07-29 and 15.1-27-35.3, subsection 6 of section 15.1-36-06, and subdivision a of subsection 5 of section 15.1-36-08 of the North Dakota Century Code, relating to the elimination of school district ending fund balance ~~carryforward~~carried forward limitations, deductions from state aid formula payments, and school construction loan amounts; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 15.1-07-29 of the North Dakota Century Code is amended and reenacted as follows:

15.1-07-29. Ending fund balance ~~- Amount~~.

~~1.~~ The board of a school district may carry over moneys to the ensuing fiscal year to meet the cash requirements of all funds or purposes to which the credit of the school district may be legally extended.

~~2. For taxable years beginning after December 31, 2003, and ending on December 31, 2007, the amount carried over by a school district may not exceed fifty percent of the current annual budget for all purposes other than debt retirement and amounts financed from bond sources plus twenty thousand dollars.~~

~~3. For taxable years beginning after December 31, 2007, the amount carried over by a school district may not exceed forty-five percent of the current annual budget for all purposes other than debt retirement and amounts financed from bond sources plus twenty thousand dollars.~~

SECTION 2. AMENDMENT. Section 15.1-27-35.3 of the North Dakota Century Code is amended and reenacted as follows:

15.1-27-35.3. Payments to school districts - Unobligated general fund balance.

1. a. ~~The superintendent of public instruction shall determine the amount of payments due a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June thirtieth is in excess of forty percent of its actual expenditures, plus twenty thousand dollars.~~

   ~~b.~~ Except as provided in subdivision ~~c~~b, beginning July 1, ~~2017~~2023, ~~b~~ the superintendent of public instruction shall determine the amount of payments due to a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June thirtieth is in excess of thirty-five percent of its actual expenditures, plus fifty thousand dollars.

   ~~c.~~ ~~Beginning July 1, 2017, the~~

   b. The superintendent of public instruction shall determine the amount of payments due to a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June thirtieth is in excess of thirty-five percent of its actual expenditures, plus one hundred thousand dollars if the school district is in a cooperative agreement with another school district to share academic resources, and the school districts are considering reorganization under chapter 15.1-12. An eligible school district may receive payments under this provision for a maximum of two years.

2. For purposes of this section, a district's unobligated general fund balance includes all moneys in the district's miscellaneous fund, as established under section 57-15-14.2, but does not include federal impact aid funding.

SECTION 3. AMENDMENT. Subsection 6 of section 15.1-36-06 of the North Dakota Century Code is amended and reenacted as follows:

6. If a school district's unobligated general fund balance on the preceding June thirtieth exceeds the ~~limitation~~amount set forth under section 15.1-27-35.3, the loan amount to which that district is entitled under this section may not exceed eighty percent of the project's cost.

SECTION 4. AMENDMENT. Subdivision a of subsection 5 of section 15.1-36-08 of the North Dakota Century Code is amended and reenacted as follows:

a. The maximum loan amount for which a school district may qualify is ten million dollars. However, if a school district's unobligated general fund balance on the preceding June thirtieth exceeds the ~~limitation~~amount under section 15.1-27-35.3, the loan amount under this section may not exceed eighty percent of the project's cost up to a maximum loan amount of eight million dollars;

SECTION 5. EMERGENCY. This Act is declared to be an emergency measure.

21.0537.02001
Title.

Prepared by the Legislative Council staff for
Representative Richter
March 10, 2021

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