

Sixty-seventh
Legislative Assembly
of North Dakota

SENATE BILL NO. 2267

Introduced by

Senator Heitkamp

Representatives Magrum, Toman

1 A BILL for an Act to amend and reenact sections 15.1-27-04.1 and 57-15-14.2 of the North
2 Dakota Century Code, relating to the removal of local contributions from the education
3 foundation aid funding formula and school district levies; to repeal section 15.1-27-04.3 of the
4 North Dakota Century Code, relating to local property tax efforts; and to provide an effective
5 date.

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

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

9 **15.1-27-04.1. Baseline funding - Establishment - Determination of state aid. (Effective**
10 **through June 30, 2025)**

- 11 1. To determine the amount of state aid payable to each district, the superintendent of
12 public instruction shall establish each district's baseline funding. A district's baseline
13 funding consists of:
- 14 a. All state aid received by the district in accordance with chapter 15.1-27 during the
15 2018-19 school year;
 - 16 b. An amount equal to the property tax deducted by the superintendent of public
17 instruction to determine the 2018-19 state aid payment;
 - 18 c. An amount equal to seventy-five percent of the revenue received by the school
19 district during the 2017-18 school year for the following revenue types:
 - 20 (1) Revenue reported under code 2000 of the North Dakota school district
21 financial accounting and reporting manual, as developed by the
22 superintendent of public instruction in accordance with section 15.1-02-08;
 - 23 (2) Mineral revenue received by the school district through direct allocation from
24 the state treasurer and not reported under code 2000 of the North Dakota

1 school district financial accounting and reporting manual, as developed by
2 the superintendent of public instruction in accordance with section
3 15.1-02-08;

4 (3) Tuition reported under code 1300 of the North Dakota school district
5 financial accounting and reporting manual, as developed by the
6 superintendent of public instruction in accordance with section 15.1-02-08,
7 with the exception of revenue received specifically for the operation of an
8 educational program provided at a residential treatment facility and tuition
9 received for the provision of an adult farm management program;

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

12 (5) Revenue from payments in lieu of taxes on electricity generated from
13 sources other than coal;

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

16 d. An amount equal to the total revenue received by the school district during the
17 2017-18 school year for the following revenue types:

18 (1) Mobile home tax revenue;

19 (2) Telecommunications tax revenue; and

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

22 e. Beginning with the 2020-21 school year, the superintendent shall reduce the
23 baseline funding for any school district that becomes an elementary district
24 pursuant to section 15.1-07-27 after the 2012-13 school year. The reduction must
25 be proportional to the number of weighted student units in the grades that are
26 offered through another school district relative to the total number of weighted
27 student units the school district offered in the year before the school district
28 became an elementary district. The reduced baseline funding applies to the
29 calculation of state aid for the first school year in which the school district
30 becomes an elementary district and for each year thereafter. For districts that
31 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.
- c. 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 weighted student unit provided in subsection 3. The superintendent shall reduce the district's baseline funding per weighted student unit by fifteen percent of the amount by which the district's baseline funding per weighted student unit exceeds the payment per weighted student unit for the 2021-22 school year. For each year thereafter, the reduction percentage is increased by an additional fifteen percent. However, the district's baseline funding per weighted student unit, after the reduction, may not be less than the payment per weighted student unit provided in subsection 3.

3. a. For the ~~2019-20~~2021-22 school year, the superintendent shall calculate state aid as the greater of:

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

- 1 (2) One hundred one 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 ~~nine thousand eight~~
6 ~~hundred thirty-nine~~ ten thousand thirty-six dollars; or
- 7 (3) The district's baseline funding as established in subsection 1.
- 8 b. For the ~~2020-21~~2022-23 school year and each school year thereafter, the
9 superintendent shall calculate state aid as the greater of:
- 10 (1) The district's weighted student units multiplied by ten thousand thirty-six
11 dollars;
- 12 (2) One hundred two percent of the district's baseline funding per weighted
13 student unit, as established in subsection 2, multiplied by the district's
14 weighted student units, not to exceed the district's 2017-18 baseline
15 weighted student units, plus any weighted student units in excess of the
16 2017-18 baseline weighted student units multiplied by ten thousand
17 thirty-six dollars; or
- 18 (3) The district's baseline funding as established in subsection 1 less the
19 amount in paragraph 1, with the difference reduced by fifteen percent for the
20 2021-22 school year and fifteen percent each school year thereafter, and
21 then the difference added to the amount determined in paragraph 1.
- 22 c. The superintendent also shall adjust state aid determined in this subsection:
- 23 (1) For the 2019-20 school year, to ensure the amount does not exceed one
24 hundred five percent of the district's baseline funding per weighted student
25 unit, as established in subsection 2, multiplied by the district's weighted
26 student units from the previous school year.
- 27 (2) For the 2020-21 school year and each school year thereafter, to ensure the
28 amount does not exceed one hundred ten percent of the district's baseline
29 funding per weighted student unit, as established in subsection 2, multiplied
30 by the district's weighted student units from the previous school year.

- 1 4. After determining the product in accordance with subsection 3, the superintendent of
2 public instruction shall:
- 3 a. ~~Subtract an amount equal to sixty mills multiplied by the taxable valuation of the~~
4 ~~school district, except the amount in dollars subtracted for purposes of this~~
5 ~~subdivision may not exceed the previous year's amount in dollars subtracted for~~
6 ~~purposes of this subdivision by more than twelve percent, adjusted pursuant to~~
7 ~~section 15.1-27-04.3; and~~
- 8 b. ~~Subtract an amount equal to seventy-five percent of all revenue types listed in~~
9 ~~subdivisions c and d of subsection 1. Before determining the deduction for~~
10 ~~seventy-five percent of all revenue types, the superintendent of public instruction~~
11 ~~shall adjust revenues as follows:~~
- 12 (1) ~~Tuition revenue shall be adjusted as follows:~~
- 13 (a) ~~In addition to deducting tuition revenue received specifically for the~~
14 ~~operation of an educational program provided at a residential~~
15 ~~treatment facility and tuition revenue received for the provision of an~~
16 ~~adult farm management program as directed in paragraph 3 of~~
17 ~~subdivision c of subsection 1, the superintendent of public instruction~~
18 ~~also shall reduce the total tuition reported by the school district by the~~
19 ~~amount of tuition revenue received for the education of students not~~
20 ~~residing in the state and for which the state has not entered a cross-~~
21 ~~border education contract; and~~
- 22 (b) ~~The superintendent of public instruction also shall reduce the total~~
23 ~~tuition reported by admitting school districts meeting the requirements~~
24 ~~of subdivision e of subsection 2 of section 15.1-29-12 by the amount~~
25 ~~of tuition revenue received for the education of students residing in an~~
26 ~~adjacent school district.~~
- 27 (2) ~~After adjusting tuition revenue as provided in paragraph 1, the~~
28 ~~superintendent shall reduce all remaining revenues from all revenue types~~
29 ~~by the percentage of mills levied in 2018 by the school district for sinking~~
30 ~~and interest relative to the total mills levied in 2018 by the school district for~~
31 ~~all purposes.~~

- 1 5. ~~The amount remaining after the computation required under subsection 4 is the~~
2 ~~amount of state aid to which a school district is entitled, subject to any other statutory~~
3 ~~requirements or limitations.~~
- 4 6. On or before June thirtieth of each year, the school board shall certify to the
5 superintendent of public instruction the final average daily membership for the current
6 school year.
- 7 7. ~~For purposes of the calculation in subsection 4, each county auditor, in collaboration~~
8 ~~with the school districts, shall report the following to the superintendent of public~~
9 ~~instruction on an annual basis:~~
- 10 a. ~~The amount of revenue received by each school district in the county during the~~
11 ~~previous school year for each type of revenue identified in subdivisions c and d of~~
12 ~~subsection 1;~~
- 13 b. ~~The total number of mills levied in the previous calendar year by each school~~
14 ~~district for all purposes; and~~
- 15 c. ~~The number of mills levied in the previous calendar year by each school district~~
16 ~~for sinking and interest fund purposes.~~

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

- 19 1. To determine the amount of state aid payable to each district, the superintendent of
20 public instruction shall establish each district's baseline funding. A district's baseline
21 funding consists of:
- 22 a. All state aid received by the district in accordance with chapter 15.1-27 during the
23 2018-19 school year;
- 24 b. An amount equal to the property tax deducted by the superintendent of public
25 instruction to determine the 2018-19 state aid payment;
- 26 c. An amount equal to seventy-five percent of the revenue received by the school
27 district during the 2017-18 school year for the following revenue types:
- 28 (1) Revenue reported under code 2000 of the North Dakota school district
29 financial accounting and reporting manual, as developed by the
30 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 and tuition received for the provision of an adult farm management program;
 - (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;
 - (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); and
- 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.
- 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.
- c. 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 weighted student unit provided in subsection 3. The superintendent shall reduce the district's baseline funding per weighted student unit by fifteen percent of the amount by which the district's baseline funding per weighted student unit exceeds the payment per weighted student unit for the 2021-22 school year. For each year thereafter, the reduction percentage is increased by an additional fifteen percent. However, the district's baseline funding per weighted student unit, after the reduction, may not be less than the payment per weighted student unit provided in subsection 3.
3. a. For the ~~2019-20~~2021-22 school year, the superintendent shall calculate state aid as the greater of:

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

(2) One hundred one 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 ~~nine thousand eight-~~
~~hundred thirty-nine~~ ten thousand thirty-six dollars; or

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

b. For the ~~2020-21~~2022-23 school year and each school year thereafter, the
superintendent shall calculate state aid as the greater of:

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

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

c. The superintendent also shall adjust state aid determined in this subsection:

(1) For the 2019-20 school year, to ensure the amount does not exceed one
hundred five percent of the district's baseline funding per weighted student
unit, as established in subsection 2, multiplied by the district's weighted
student units from the previous school year.

(2) For the 2020-21 school year and each school year thereafter, to ensure the
amount does not exceed one hundred ten percent of the district's baseline

1 funding per weighted student unit, as established in subsection 2, multiplied
2 by the district's weighted student units from the previous school year.

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

5 a. ~~Subtract an amount equal to sixty mills multiplied by the taxable valuation of the~~
6 ~~school district; and~~

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

11 (1) ~~Tuition revenue shall be adjusted as follows:~~

12 (a) ~~In addition to deducting tuition revenue received specifically for the~~
13 ~~operation of an educational program provided at a residential~~
14 ~~treatment facility and tuition revenue received for the provision of an~~
15 ~~adult farm management program as directed in paragraph 3 of~~
16 ~~subdivision c of subsection 1, the superintendent of public instruction~~
17 ~~also shall reduce the total tuition reported by the school district by the~~
18 ~~amount of tuition revenue received for the education of students not~~
19 ~~residing in the state and for which the state has not entered a cross-~~
20 ~~border education contract; and~~

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

26 (2) ~~After adjusting tuition revenue as provided in paragraph 1, the~~
27 ~~superintendent shall reduce all remaining revenues from all revenue types~~
28 ~~by the percentage of mills levied in 2018 by the school district for sinking~~
29 ~~and interest relative to the total mills levied in 2018 by the school district for~~
30 ~~all purposes.~~

- 1 5. ~~The amount remaining after the computation required under subsection 4 is the~~
2 ~~amount of state aid to which a school district is entitled, subject to any other statutory~~
3 ~~requirements or limitations.~~
- 4 6. On or before June thirtieth of each year, the school board shall certify to the
5 superintendent of public instruction the final average daily membership for the current
6 school year.
- 7 7. ~~For purposes of the calculation in subsection 4, each county auditor, in collaboration~~
8 ~~with the school districts, shall report the following to the superintendent of public~~
9 ~~instruction on an annual basis:~~
- 10 a. ~~The amount of revenue received by each school district in the county during the~~
11 ~~previous school year for each type of revenue identified in subdivisions c and d of~~
12 ~~subsection 1;~~
- 13 b. ~~The total number of mills levied in the previous calendar year by each school~~
14 ~~district for all purposes; and~~
- 15 c. ~~The number of mills levied in the previous calendar year by each school district~~
16 ~~for sinking and interest fund purposes.~~

17 **SECTION 2. AMENDMENT.** Section 57-15-14.2 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **57-15-14.2. School district levies. (~~Effective for taxable years through December 31,~~**
20 **2024)**

- 21 1. The board of a school district may levy a tax not exceeding the amount in dollars that
22 the school district levied for the prior year, plus twelve percent ~~and the dollar amount~~
23 ~~of the adjustment required in section 15.1-27-04.3~~, up to a levy of seventy mills on the
24 taxable valuation of the district, for any purpose related to the provision of educational
25 services. The proceeds of this levy must be deposited into the school district's general
26 fund and used in accordance with this subsection. The proceeds may not be
27 transferred into any other fund.
- 28 2. The board of a school district may levy no more than twelve mills on the taxable
29 valuation of the district, for miscellaneous purposes and expenses. The proceeds of
30 this levy must be deposited into a special fund known as the miscellaneous fund and

used in accordance with this subsection. The proceeds may not be transferred into any other fund.

3. The board of a school district may levy no more than three mills on the taxable valuation of the district for deposit into a special reserve fund, in accordance with chapter 57-19.

4. The board of a school district may levy no more than the number of mills necessary, on the taxable valuation of the district, for the payment of tuition, in accordance with section 15.1-29-15. The proceeds of this levy must be deposited into a special fund known as the tuition fund and used in accordance with this subsection. The proceeds may not be transferred into any other fund.

5. The board of a school district may levy no more than five mills on the taxable valuation of the district, pursuant to section 57-15-15.1, for purposes of developing a school safety plan in accordance with section 15.1-09-60. The proceeds of this levy must be deposited into a special fund known as the school safety plan fund and used in accordance with this subsection.

6. Nothing in this section limits the board of a school district from levying:

- a. Mills for a building fund, as permitted in sections 15.1-09-49 and 57-15-16; and
- b. Mills necessary to pay principal and interest on the bonded debt of the district, including the mills necessary to pay principal and interest on any bonded debt incurred under section 57-15-17.1 before July 1, 2013.

School district levies. (Effective for taxable years beginning after December 31, 2024)

~~1. The board of a school district may levy a tax not exceeding the amount in dollars that the school district levied for the prior year, plus twelve percent, up to a levy of seventy mills on the taxable valuation of the district, for any purpose related to the provision of educational services. The proceeds of this levy must be deposited into the school district's general fund and used in accordance with this subsection. The proceeds may not be transferred into any other fund.~~

~~2. The board of a school district may levy no more than twelve mills on the taxable valuation of the district, for miscellaneous purposes and expenses. The proceeds of this levy must be deposited into a special fund known as the miscellaneous fund and~~

1 used in accordance with this subsection. The proceeds may not be transferred into
2 any other fund.

3 3. ~~The board of a school district may levy no more than three mills on the taxable~~
4 ~~valuation of the district for deposit into a special reserve fund, in accordance with~~
5 ~~chapter 57-19.~~

6 4. ~~The board of a school district may levy no more than the number of mills necessary,~~
7 ~~on the taxable valuation of the district, for the payment of tuition, in accordance with~~
8 ~~section 15.1-29-15. The proceeds of this levy must be deposited into a special fund~~
9 ~~known as the tuition fund and used in accordance with this subsection. The proceeds~~
10 ~~may not be transferred into any other fund.~~

11 5. ~~The board of a school district may levy no more than five mills on the taxable valuation~~
12 ~~of the district, pursuant to section 57-15-15.1, for purposes of developing a school~~
13 ~~safety plan in accordance with section 15.1-09-60. The proceeds of this levy must be~~
14 ~~deposited into a special fund known as the school safety plan fund and used in~~
15 ~~accordance with this subsection.~~

16 6. ~~Nothing in this section limits the board of a school district from levying:~~
17 a. ~~Mills for a building fund, as permitted in sections 15.1-09-49 and 57-15-16; and~~
18 b. ~~Mills necessary to pay principal and interest on the bonded debt of the district,~~
19 ~~including the mills necessary to pay principal and interest on any bonded debt~~
20 ~~incurred under section 57-15-17.1 before July 1, 2013.~~

21 **SECTION 3. REPEAL.** Section 15.1-27-04.3 of the North Dakota Century Code is repealed.

22 **SECTION 4. EFFECTIVE DATE.** Section 2 of this Act is effective for taxable years
23 beginning after December 31, 2020.