

Sixty-seventh
Legislative Assembly
of North Dakota

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

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, and tuition received under an agreement to educate students with funding received through federal impact aid;

(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; and

(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; and

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

1 become an elementary district prior to the 2020-21 school year, the
2 superintendent shall use the reduced baseline funding to calculate state aid for
3 the 2020-21 school year and for each year thereafter.

- 4 2. a. The superintendent shall divide the district's baseline funding determined in
5 subsection 1 by the district's 2017-18 weighted student units to determine the
6 district's baseline funding per weighted student unit.
- 7 b. For any school district that becomes an elementary district pursuant to section
8 15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the
9 district's baseline funding per weighted student unit used to calculate state aid.
10 The superintendent shall divide the district's baseline funding determined in
11 subsection 1 by the district's weighted student units after the school district
12 becomes an elementary district to determine the district's adjusted baseline
13 funding per weighted student unit. The superintendent shall use the district's
14 adjusted baseline funding per weighted student unit in the calculation of state aid
15 for the first school year in which the school district becomes an elementary
16 district and for each year thereafter.
- 17 c. Beginning with the 2021-22 school year and for each school year thereafter, the
18 superintendent shall reduce the district's baseline funding per weighted student
19 unit. Each year the superintendent shall calculate the amount by which the
20 district's baseline funding per weighted student unit exceeds the payment per
21 weighted student unit provided in subsection 3. The superintendent shall reduce
22 the district's baseline funding per weighted student unit by fifteen percent of the
23 amount by which the district's baseline funding per weighted student unit exceeds
24 the payment per weighted student unit for the 2021-22 school year. For each
25 year thereafter, the reduction percentage is increased by an additional fifteen
26 percent. However, the district's baseline funding per weighted student unit, after
27 the reduction, may not be less than the payment per weighted student unit
28 provided in subsection 3.

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

- 1 (1) The district's weighted student units multiplied by nine thousand eight
2 hundred thirty-nine dollars;
- 3 (2) One hundred one 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 nine thousand eight
8 hundred thirty-nine dollars; or
- 9 (3) The district's baseline funding as established in subsection 1.
- 10 b. For the 2020-21 school year and each school year thereafter, the superintendent
11 shall calculate state aid as the greater of:
 - 12 (1) The district's weighted student units multiplied by ten thousand thirty-six
13 dollars;
 - 14 (2) One hundred two percent of the district's baseline funding per weighted
15 student unit, as established in subsection 2, multiplied by the district's
16 weighted student units, not to exceed the district's 2017-18 baseline
17 weighted student units, plus any weighted student units in excess of the
18 2017-18 baseline weighted student units multiplied by ten thousand
19 thirty-six dollars; or
 - 20 (3) The district's baseline funding as established in subsection 1 less the
21 amount in paragraph 1, with the difference reduced by fifteen percent for the
22 2021-22 school year and fifteen percent each school year thereafter, and
23 then the difference added to the amount determined in paragraph 1.
- 24 c. The superintendent also shall adjust state aid determined in this subsection:
 - 25 (1) For the 2019-20 school year, to ensure the amount does not exceed one
26 hundred five percent of the district's baseline funding per weighted student
27 unit, as established in subsection 2, multiplied by the district's weighted
28 student units from the previous school year.
 - 29 (2) For the 2020-21 school year and each school year thereafter, to ensure the
30 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, except the amount in dollars subtracted for purposes of this
7 subdivision may not exceed the previous year's amount in dollars subtracted for
8 purposes of this subdivision by more than twelve percent, adjusted pursuant to
9 section 15.1-27-04.3; and
10 b. Subtract an amount equal to seventy-five percent of all revenue types listed in
11 subdivisions c and d of subsection 1. Before determining the deduction for
12 seventy-five percent of all revenue types, the superintendent of public instruction
13 shall adjust revenues as follows:

14 (1) Tuition revenue shall be adjusted as follows:

- 15 (a) In addition to deducting tuition revenue received specifically for the
16 operation of an educational program provided at a residential
17 treatment facility and, tuition revenue received for the provision of an
18 adult farm management program, and tuition received under an
19 agreement to educate students with funding received through federal
20 impact aid as directed in paragraph 3 of subdivision c of subsection 1,
21 the superintendent of public instruction also shall reduce the total
22 tuition reported by the school district by the amount of tuition revenue
23 received for the education of students not residing in the state and for
24 which the state has not entered a cross-border education contract;
25 and
26 (b) The superintendent of public instruction also shall reduce the total
27 tuition reported by admitting school districts meeting the requirements
28 of subdivision e of subsection 2 of section 15.1-29-12 by the amount
29 of tuition revenue received for the education of students residing in an
30 adjacent school district.

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

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

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

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

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

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

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

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

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

27 a. All state aid received by the district in accordance with chapter 15.1-27 during the
28 2018-19 school year;

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

- 1 c. An amount equal to seventy-five percent of the revenue received by the school
2 district during the 2017-18 school year for the following revenue types:
- 3 (1) Revenue reported under code 2000 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 (2) Mineral revenue received by the school district through direct allocation from
7 the state treasurer and not reported under code 2000 of the North Dakota
8 school district financial accounting and reporting manual, as developed by
9 the superintendent of public instruction in accordance with section
10 15.1-02-08;
- 11 (3) Tuition reported under code 1300 of the North Dakota school district
12 financial accounting and reporting manual, as developed by the
13 superintendent of public instruction in accordance with section 15.1-02-08,
14 with the exception of revenue received specifically for the operation of an
15 educational program provided at a residential treatment facility ~~and~~, tuition
16 received for the provision of an adult farm management program, and tuition
17 received under an agreement to educate students with funding received
18 through federal impact aid;
- 19 (4) Revenue from payments in lieu of taxes on the distribution and transmission
20 of electric power;
- 21 (5) Revenue from payments in lieu of taxes on electricity generated from
22 sources other than coal; and
- 23 (6) Revenue from the leasing of land acquired by the United States for which
24 compensation is allocated to the state under 33 U.S.C. 701(c)(3); and
- 25 d. An amount equal to the total revenue received by the school district during the
26 2017-18 school year for the following revenue types:
- 27 (1) Mobile home tax revenue;
- 28 (2) Telecommunications tax revenue; and
- 29 (3) Revenue from payments in lieu of taxes and state reimbursement of the
30 homestead credit and disabled veterans credit.

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

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 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 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 dollars; or
- (3) The district's baseline funding as established in subsection 1.

- b. For the 2020-21 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 funding per weighted student unit, as established in subsection 2, multiplied by the district's weighted student units from the previous school year.

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

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

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

(1) Tuition revenue shall be adjusted as follows:

(a) In addition to deducting tuition revenue received specifically for the operation of an educational program provided at a residential treatment facility and, tuition revenue received for the provision of an adult farm management program, and tuition received under an agreement to educate students with funding received through federal impact aid as directed in paragraph 3 of subdivision c of subsection 1, the superintendent of public instruction also shall reduce the total tuition reported by the school district by the amount of tuition revenue received for the education of students not residing in the state and for which the state has not entered a cross-border education contract; and

(b) The superintendent of public instruction also shall reduce the total tuition reported by admitting school districts meeting the requirements

of subdivision e of subsection 2 of section 15.1-29-12 by the amount of tuition revenue received for the education of students residing in an adjacent school district.

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

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