FISCAL NOTE
Requested by Legislative Council
01/18/2021

Bill/Resolution No.: HB 1388

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			$30,227,188			
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
Counties			
Cities			
School Districts		$30,227,188	
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1388 establishes the policy for implementing the K-12 funding formula.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 adjusts the small school weighting factors for districts with less than 245 students. Section 1 also establishes incremental increases to these weighting factors until the 2027-28 school year. School districts that do not operate a high school will have their average daily membership divided by .6 to impute an average daily membership to be on the same scale as high school district. Elementary districts will then have their weighting factor reduced to 92%.

Section 2 implements a 1% and 1% increase to the per pupil payment. The payment rates will be $10,136 per pupil for 2021-22, and 12,237 per pupil for 2022-23. The transition maximum districts receive a 5% and 5% increase as well as an adjustment of 15% of the difference of their transition calculation and the formula calculation for 2021-22 and 30% of the difference for 2022-23. This will increase 15% each year until the transition maximum adjustment is 0.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The cost to continue the funding formula into the next biennium would result in a decrease in appropriation of $16,868,441. This is as result of lower than anticipated enrollments due to the pandemic and enrollment effects from changes in the energy industry.

Increasing the per pupil payment rate 1% each year of the biennium would increase the appropriation by just over $34 million.
The 5% increases to the transition maximum districts costs approximately $5.7 million
The 15% adjustment each year would cost approximately $3.4 million.
The increases and changes to the small school weighting factors would increase the appropriation $3.6 million.
The total appropriation would be $2,128,430,000.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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Date Prepared: 01/22/2021

21.0866.01000

Sixty-seventh
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1388

Introduced by

Representative Owens

Senator Schaible

1 A BILL for an Act to amend and reenact sections 15.1-27-03.2 and 15.1-27-04.1 of the North

2 Dakota Century Code, relating to adjustments to school district size weighting factors and the

3 education foundation aid funding formula transition maximum and payment rates.

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

5 **SECTION 1. AMENDMENT.** Section 15.1-27-03.2 of the North Dakota Century Code is

6 amended and reenacted as follows:

7 **15.1-27-03.2. School district size weighting factor - Weighted student units.**

8   1.   For each ~~high~~ school district in the state, the superintendent of public instruction shall

9   assign a <u>baseline</u> school district size weighting factor of:

10   a.   1.36 if the students in average daily membership number fewer than 110;

11   b.   1.35 if the students in average daily membership number at least 110 but fewer

12   than 125;

13   c.   1.34 if the students in average daily membership number at least 125 but fewer

14   than 130;

15   d.   1.33 if the students in average daily membership number at least 130 but fewer

16   than 135;

17   e.   1.32 if the students in average daily membership number at least 135 but fewer

18   than 140;

19   f.   1.31 if the students in average daily membership number at least 140 but fewer

20   than 145;

21   g.   1.30 if the students in average daily membership number at least 145 but fewer

22   than 150;

23   h.   1.29 if the students in average daily membership number at least 150 but fewer

24   than 155;

1   i.   1.28 if the students in average daily membership number at least 155 but fewer
2   than 160;

3   j.   1.27 if the students in average daily membership number at least 160 but fewer
4   than 165;

5   k.   1.26 if the students in average daily membership number at least 165 but fewer
6   than 175;

7   l.   1.25 if the students in average daily membership number at least 175 but fewer
8   than 185;

9   m.   1.24 if the students in average daily membership number at least 185 but fewer
10   than 200;

11   n.   1.23 if the students in average daily membership number at least 200 but fewer
12   than 215;

13   o.   1.22 if the students in average daily membership number at least 215 but fewer
14   than 230;

15   p.   1.21 if the students in average daily membership number at least 230 but fewer
16   than 245;

17   q.   1.20 if the students in average daily membership number at least 245 but fewer
18   than 260;

19   r.   1.19 if the students in average daily membership number at least 260 but fewer
20   than 270;

21   s.   1.18 if the students in average daily membership number at least 270 but fewer
22   than 275;

23   t.   1.17 if the students in average daily membership number at least 275 but fewer
24   than 280;

25   u.   1.16 if the students in average daily membership number at least 280 but fewer
26   than 285;

27   v.   1.15 if the students in average daily membership number at least 285 but fewer
28   than 290;

29   w.   1.14 if the students in average daily membership number at least 290 but fewer
30   than 295;

1   x.   1.13 if the students in average daily membership number at least 295 but fewer

2   than 300;

3   y.   1.12 if the students in average daily membership number at least 300 but fewer

4   than 305;

5   z.   1.11 if the students in average daily membership number at least 305 but fewer

6   than 310;

7   aa.   1.10 if the students in average daily membership number at least 310 but fewer

8   than 320;

9   bb.   1.09 if the students in average daily membership number at least 320 but fewer

10   than 335;

11   cc.   1.08 if the students in average daily membership number at least 335 but fewer

12   than 350;

13   dd.   1.07 if the students in average daily membership number at least 350 but fewer

14   than 360;

15   ee.   1.06 if the students in average daily membership number at least 360 but fewer

16   than 370;

17   ff.   1.05 if the students in average daily membership number at least 370 but fewer

18   than 380;

19   gg.   1.04 if the students in average daily membership number at least 380 but fewer

20   than 390;

21   hh.   1.03 if the students in average daily membership number at least 390 but fewer

22   than 400;

23   ii.   1.02 if the students in average daily membership number at least 400 but fewer

24   than 600;

25   jj.   1.01 if the students in average daily membership number at least 600 but fewer

26   than 900; and

27   kk.   1.00 if the students in average daily membership number at least 900.

28   2.   ~~For each elementary district in the state~~Beginning with the 2021-22 school year and

29   each school year thereafter until the 2027-28 school year, the superintendent of public

30   instruction shall assign a school district size weighting factor determined by increasing

31   the baseline weighting factor under subsection 1 each year by fourteen and

1   twenty-nine hundredths percent of the difference between the weighting factor under

2   this subsection and the baseline weighting factor under subsection 1 for the same

3   school district size. For the 2027-28 school year and each school year thereafter, the

4   superintendent of public instruction shall assign a school district size weighting factor

5   of:

6   a.   1.25 1.72 if the students in average daily membership number fewer than 125 110;

7   b.   1.17 1.68 if the students in average daily membership number at least 125 110 but

8   fewer than 200 125; and

9   c.   1.00 1.64 if the students in average daily membership number at least 200 125 but

10   fewer than 130;

11   d.   1.60 if the students in average daily membership number at least 130 but fewer

12   than 135;

13   e.   1.56 if the students in average daily membership number at least 135 but fewer

14   than 140;

15   f.   1.52 if the students in average daily membership number at least 140 but fewer

16   than 145;

17   g.   1.49 if the students in average daily membership number at least 145 but fewer

18   than 150;

19   h.   1.45 if the students in average daily membership number at least 150 but fewer

20   than 155;

21   i.   1.42 if the students in average daily membership number at least 155 but fewer

22   than 160;

23   j.   1.39 if the students in average daily membership number at least 160 but fewer

24   than 165;

25   k.   1.36 if the students in average daily membership number at least 165 but fewer

26   than 175;

27   l.   1.33 if the students in average daily membership number at least 175 but fewer

28   than 185;

29   m.   1.30 if the students in average daily membership number at least 185 but fewer

30   than 200;

1	n.	1.27 if the students in average daily membership number at least 200 but fewer
2		than 215;
3	o.	1.25 if the students in average daily membership number at least 215 but fewer
4		than 230;
5	p.	1.22 if the students in average daily membership number at least 230 but fewer
6		than 245;
7	q.	1.20 if the students in average daily membership number at least 245 but fewer
8		than 260;
9	r.	1.19 if the students in average daily membership number at least 260 but fewer
10		than 270;
11	s.	1.18 if the students in average daily membership number at least 270 but fewer
12		than 275;
13	t.	1.17 if the students in average daily membership number at least 275 but fewer
14		than 280;
15	u.	1.16 if the students in average daily membership number at least 280 but fewer
16		than 285;
17	v.	1.15 if the students in average daily membership number at least 285 but fewer
18		than 290;
19	w.	1.14 if the students in average daily membership number at least 290 but fewer
20		than 295;
21	x.	1.13 if the students in average daily membership number at least 295 but fewer
22		than 300;
23	y.	1.12 if the students in average daily membership number at least 300 but fewer
24		than 305;
25	z.	1.11 if the students in average daily membership number at least 305 but fewer
26		than 310;
27	aa.	1.10 if the students in average daily membership number at least 310 but fewer
28		than 320;
29	bb.	1.09 if the students in average daily membership number at least 320 but fewer
30		than 335;

1   cc.   1.08 if the students in average daily membership number at least 335 but fewer

2   than 350;

3   dd.   1.07 if the students in average daily membership number at least 350 but fewer

4   than 360;

5   ee.   1.06 if the students in average daily membership number at least 360 but fewer

6   than 370;

7   ff.   1.05 if the students in average daily membership number at least 370 but fewer

8   than 380;

9   gg.   1.04 if the students in average daily membership number at least 380 but fewer

10   than 390;

11   hh.   1.03 if the students in average daily membership number at least 390 but fewer

12   than 400;

13   ii.   1.02 if the students in average daily membership number at least 400 but fewer

14   than 600;

15   jj.   1.01 if the students in average daily membership number at least 600 but fewer

16   than 900; and

17   kk.   1.00 if the students in average daily membership number at least 900.

18   3.   The superintendent of public instruction shall impute an average daily membership for

19   each school district that does not include a high school and use the imputed average

20   daily membership to determine the school district size weighting factor under this

21   section. To determine the imputed average daily membership, the superintendent of

22   public instruction shall divide the school district's average daily membership by 0.60.

23   The superintendent of public instruction shall adjust the school district size weighting

24   factor for each school district that does not include a high school by multiplying the

25   school district size weighting factor determined under subsection 2 by ninety-two

26   percent.

27   4.   The school district size weighting factor determined under this section and multiplied

28   by a school district's weighted average daily membership equals the district's weighted

29   student units.

30   4.5.   Notwithstanding the provisions of this section, the school district size weighting factor

31   assigned to a district may not be less than the factor arrived at when the highest

1   number of students possible in average daily membership is multiplied by the school

2   district size weighting factor for the subdivision immediately preceding the district's

3   actual subdivision and then divided by the district's average daily membership.

4   **SECTION 2. AMENDMENT.** Section 15.1-27-04.1 of the North Dakota Century Code is

5   amended and reenacted as follows:

6   **15.1-27-04.1. Baseline funding - Establishment - Determination of state aid. (Effective**

7   **through June 30, 2025)**

8   1.   To determine the amount of state aid payable to each district, the superintendent of

9   public instruction shall establish each district's baseline funding. A district's baseline

10   funding consists of:

11   a.   All state aid received by the district in accordance with chapter 15.1-27 during the

12   2018-19 school year;

13   b.   An amount equal to the property tax deducted by the superintendent of public

14   instruction to determine the 2018-19 state aid payment;

15   c.   An amount equal to seventy-five percent of the revenue received by the school

16   district during the 2017-18 school year for the following revenue types:

17   (1) Revenue reported under code 2000 of the North Dakota school district

18   financial accounting and reporting manual, as developed by the

19   superintendent of public instruction in accordance with section 15.1-02-08;

20   (2) Mineral revenue received by the school district through direct allocation from

21   the state treasurer and not reported under code 2000 of the North Dakota

22   school district financial accounting and reporting manual, as developed by

23   the superintendent of public instruction in accordance with section

24   15.1-02-08;

25   (3) Tuition reported under code 1300 of the North Dakota school district

26   financial accounting and reporting manual, as developed by the

27   superintendent of public instruction in accordance with section 15.1-02-08,

28   with the exception of revenue received specifically for the operation of an

29   educational program provided at a residential treatment facility and tuition

30   received for the provision of an adult farm management program;

1   (4)   Revenue from payments in lieu of taxes on the distribution and transmission

2   of electric power;

3   (5)   Revenue from payments in lieu of taxes on electricity generated from

4   sources other than coal;

5   (6)   Revenue from the leasing of land acquired by the United States for which

6   compensation is allocated to the state under 33 U.S.C. 701(c)(3); and

7   d.   An amount equal to the total revenue received by the school district during the

8   2017-18 school year for the following revenue types:

9   (1)   Mobile home tax revenue;

10   (2)   Telecommunications tax revenue; and

11   (3)   Revenue from payments in lieu of taxes and state reimbursement of the

12   homestead credit and disabled veterans credit; and

13   e.   Beginning with the 2020-21 school year, the superintendent shall reduce the

14   baseline funding for any school district that becomes an elementary district

15   pursuant to section 15.1-07-27 after the 2012-13 school year. The reduction must

16   be proportional to the number of weighted student units in the grades that are

17   offered through another school district relative to the total number of weighted

18   student units the school district offered in the year before the school district

19   became an elementary district. The reduced baseline funding applies to the

20   calculation of state aid for the first school year in which the school district

21   becomes an elementary district and for each year thereafter. For districts that

22   become an elementary district prior to the 2020-21 school year, the

23   superintendent shall use the reduced baseline funding to calculate state aid for

24   the 2020-21 school year and for each year thereafter.

25   2.   a.   The superintendent shall divide the district's baseline funding determined in

26   subsection 1 by the district's 2017-18 weighted student units to determine the

27   district's baseline funding per weighted student unit.

28   b.   For any school district that becomes an elementary district pursuant to section

29   15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the

30   district's baseline funding per weighted student unit used to calculate state aid.

31   The superintendent shall divide the district's baseline funding determined in

1   subsection 1 by the district's weighted student units after the school district

2   becomes an elementary district to determine the district's adjusted baseline

3   funding per weighted student unit. The superintendent shall use the district's

4   adjusted baseline funding per weighted student unit in the calculation of state aid

5   for the first school year in which the school district becomes an elementary

6   district and for each year thereafter.

7   c. Beginning with the 2021-22 school year and for each school year thereafter, the

8   superintendent shall reduce the district's baseline funding per weighted student

9   unit. Each year the superintendent shall calculate the amount by which the

10   district's baseline funding per weighted student unit exceeds the payment per

11   weighted student unit provided in subsection 3. The superintendent shall reduce

12   the district's baseline funding per weighted student unit by fifteen percent of the

13   amount by which the district's baseline funding per weighted student unit exceeds

14   the payment per weighted student unit for the 2021-22 school year. For each

15   year thereafter, the reduction percentage is increased by an additional fifteen

16   percent. However, the district's baseline funding per weighted student unit, after

17   the reduction, may not be less than the payment per weighted student unit

18   provided in subsection 3.

19   3. a. For the ~~2019-20~~2021-22 school year, the superintendent shall calculate state aid

20   as the greater of:

21   (1) The district's weighted student units multiplied by ~~nine thousand eight~~

22   ~~hundred thirty-nine~~ten thousand one hundred thirty-six dollars;

23   (2) One hundred ~~one~~two percent of the district's baseline funding per weighted

24   student unit, as established in subsection 2, multiplied by the district's

25   weighted student units, not to exceed the district's 2017-18 baseline

26   weighted student units, plus any weighted student units in excess of the

27   2017-18 baseline weighted student units multiplied by ~~nine thousand eight~~

28   ~~hundred thirty-nine~~ten thousand one hundred thirty-six dollars; or

29   (3) The district's baseline funding as established in subsection 1 less the

30   amount in paragraph 1, with the difference reduced by fifteen percent and

31   then the difference added to the amount determined in paragraph 1.

1   b. For the ~~2020-21~~2022-23 school year and each school year thereafter, the

2   superintendent shall calculate state aid as the greater of:

3   (1) The district's weighted student units multiplied by ten thousand ~~thirty-six~~two

4   hundred thirty-seven dollars;

5   (2) One hundred two percent of the district's baseline funding per weighted

6   student unit, as established in subsection 2, multiplied by the district's

7   weighted student units, not to exceed the district's 2017-18 baseline

8   weighted student units, plus any weighted student units in excess of the

9   2017-18 baseline weighted student units multiplied by ten thousand

10   ~~thirty-six~~two hundred thirty-seven dollars; or

11   (3) The district's baseline funding as established in subsection 1 less the

12   amount in paragraph 1, with the difference reduced by ~~fifteen~~thirty percent

13   for the ~~2021-22~~2022-23 school year and the reduction percentage

14   increasing by fifteen percent each school year thereafter until the difference

15   is reduced to zero, and then the difference added to the amount determined

16   in paragraph 1.

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

18   ensure the amount does not exceed the transition maximum as follows:

19   (1) For the ~~2019-20~~2021-22 school year, ~~to ensure the amount does not~~

20   ~~exceed~~the transition maximum rate is one hundred ~~five~~fifteen percent of the

21   district's baseline funding per weighted student unit, as established in

22   subsection 2, ~~multiplied~~plus fifteen percent of the difference between the

23   rate under paragraph 1 of subdivision a of this subsection and one hundred

24   fifteen percent of the district's baseline funding per weighted student unit.

25   The transition maximum is determined by multiplying the transition

26   maximum rate, which may not exceed the rate under paragraph 1 of

27   subdivision a of this subsection, by the district's weighted student units from

28   the previous school year.

29   (2) For the ~~2020-21~~2022-23 school year ~~and each school year thereafter, to~~

30   ~~ensure the amount does not exceed~~the transition maximum rate is one

31   hundred ~~ten~~twenty percent of the district's baseline funding per weighted

1 student unit, as established in subsection 2, ~~multiplied~~plus thirty percent of

2 the difference between the rate under paragraph 1 of subdivision b of this

3 subsection and one hundred twenty percent of the district's baseline funding

4 per weighted student unit. The transition maximum is determined by

5 multiplying the transition maximum rate, which may not exceed the rate

6 under paragraph 1 of subdivision b of this subsection, by the district's

7 weighted student units from the previous school year.

8 (3) For the 2023-24 school year, the transition maximum rate is one hundred

9 twenty percent of the district's baseline funding per weighted student unit,

10 as established in subsection 2, plus forty-five percent of the difference

11 between the rate under paragraph 1 of subdivision b of this subsection and

12 one hundred twenty percent of the district's baseline funding per weighted

13 student unit. The transition maximum is determined by multiplying the

14 transition maximum rate, which may not exceed the rate under paragraph 1

15 of subdivision b of this subsection, by the district's weighted student units

16 from the previous school year.

17 (4) For the 2024-25 school year, the transition maximum rate is one hundred

18 twenty percent of the district's baseline funding per weighted student unit,

19 as established in subsection 2, plus sixty percent of the difference between

20 the rate under paragraph 1 of subdivision b of this subsection and one

21 hundred twenty percent of the district's baseline funding per weighted

22 student unit. The transition maximum is determined by multiplying the

23 transition maximum rate, which may not exceed the rate under paragraph 1

24 of subdivision b of this subsection, by the district's weighted student units

25 from the previous school year.

26 (5) For the 2025-26 school year, the transition maximum rate is one hundred

27 twenty percent of the district's baseline funding per weighted student unit,

28 as established in subsection 2, plus seventy-five percent of the difference

29 between the rate under paragraph 1 of subdivision b of this subsection and

30 one hundred twenty percent of the district's baseline funding per weighted

31 student unit. The transition maximum is determined by multiplying the

1   transition maximum rate, which may not exceed the rate under paragraph 1

2   of subdivision b of this subsection, by the district's weighted student units

3   from the previous school year.

4   (6)   For the 2026-27 school year, the transition maximum rate is one hundred

5   twenty percent of the district's baseline funding per weighted student unit,

6   as established in subsection 2, plus ninety percent of the difference

7   between the rate under paragraph 1 of subdivision b of this subsection and

8   one hundred twenty percent of the district's baseline funding per weighted

9   student unit. The transition maximum is determined by multiplying the

10   transition maximum rate, which may not exceed the rate under paragraph 1

11   of subdivision b of this subsection, by the district's weighted student units

12   from the previous school year.

13   (7)   For the 2027-28 school year, the transition maximum rate is one hundred

14   twenty percent of the district's baseline funding per weighted student unit,

15   as established in subsection 2, plus the difference between the rate under

16   paragraph 1 of subdivision b of this subsection and one hundred twenty

17   percent of the district's baseline funding per weighted student unit. The

18   transition maximum is determined by multiplying the transition maximum

19   rate, which may not exceed the rate under paragraph 1 of subdivision b of

20   this subsection, by the district's weighted student units from the previous

21   school year.

22   4.   After determining the product in accordance with subsection 3, the superintendent of

23   public instruction shall:

24   a.   Subtract an amount equal to sixty mills multiplied by the taxable valuation of the

25   school district, except the amount in dollars subtracted for purposes of this

26   subdivision may not exceed the previous year's amount in dollars subtracted for

27   purposes of this subdivision by more than twelve percent, adjusted pursuant to

28   section 15.1-27-04.3; and

29   b.   Subtract an amount equal to seventy-five percent of all revenue types listed in

30   subdivisions c and d of subsection 1. Before determining the deduction for

1   seventy-five percent of all revenue types, the superintendent of public instruction

2   shall adjust revenues as follows:

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

4   (a)   In addition to deducting tuition revenue received specifically for the

5   operation of an educational program provided at a residential

6   treatment facility and tuition revenue received for the provision of an

7   adult farm management program as directed in paragraph 3 of

8   subdivision c of subsection 1, the superintendent of public instruction

9   also shall reduce the total tuition reported by the school district by the

10   amount of tuition revenue received for the education of students not

11   residing in the state and for which the state has not entered a cross-

12   border education contract; and

13   (b)   The superintendent of public instruction also shall reduce the total

14   tuition reported by admitting school districts meeting the requirements

15   of subdivision e of subsection 2 of section 15.1-29-12 by the amount

16   of tuition revenue received for the education of students residing in an

17   adjacent school district.

18   (2)   After adjusting tuition revenue as provided in paragraph 1, the

19   superintendent shall reduce all remaining revenues from all revenue types

20   by the percentage of mills levied in 2018 by the school district for sinking

21   and interest relative to the total mills levied in 2018 by the school district for

22   all purposes.

23   5.   The amount remaining after the computation required under subsection 4 is the

24   amount of state aid to which a school district is entitled, subject to any other statutory

25   requirements or limitations.

26   6.   On or before June thirtieth of each year, the school board shall certify to the

27   superintendent of public instruction the final average daily membership for the current

28   school year.

29   7.   For purposes of the calculation in subsection 4, each county auditor, in collaboration

30   with the school districts, shall report the following to the superintendent of public

31   instruction on an annual basis:

1   a.   The amount of revenue received by each school district in the county during the

2   previous school year for each type of revenue identified in subdivisions c and d of

3   subsection 1;

4   b.   The total number of mills levied in the previous calendar year by each school

5   district for all purposes; and

6   c.   The number of mills levied in the previous calendar year by each school district

7   for sinking and interest fund purposes.

8   **Baseline funding - Establishment - Determination of state aid. (Effective after**

9   **June 30, 2025)**

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   c.   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;

22   (2)   Mineral revenue received by the school district through direct allocation from

23   the state treasurer and not reported under code 2000 of the North Dakota

24   school district financial accounting and reporting manual, as developed by

25   the superintendent of public instruction in accordance with section

26   15.1-02-08;

27   (3)   Tuition reported under code 1300 of the North Dakota school district

28   financial accounting and reporting manual, as developed by the

29   superintendent of public instruction in accordance with section 15.1-02-08,

30   with the exception of revenue received specifically for the operation of an

1   educational program provided at a residential treatment facility and tuition

2   received for the provision of an adult farm management program;

3   (4) Revenue from payments in lieu of taxes on the distribution and transmission

4   of electric power;

5   (5) Revenue from payments in lieu of taxes on electricity generated from

6   sources other than coal;

7   (6) Revenue from the leasing of land acquired by the United States for which

8   compensation is allocated to the state under 33 U.S.C. 701(c)(3); and

9 d. An amount equal to the total revenue received by the school district during the

10   2017-18 school year for the following revenue types:

11   (1) Mobile home tax revenue;

12   (2) Telecommunications tax revenue; and

13   (3) Revenue from payments in lieu of taxes and state reimbursement of the

14   homestead credit and disabled veterans credit.

15 e. Beginning with the 2020-21 school year, the superintendent shall reduce the

16   baseline funding for any school district that becomes an elementary district

17   pursuant to section 15.1-07-27 after the 2012-13 school year. The reduction must

18   be proportional to the number of weighted student units in the grades that are

19   offered through another school district relative to the total number of weighted

20   student units the school district offered in the year before the school district

21   became an elementary district. The reduced baseline funding applies to the

22   calculation of state aid for the first school year in which the school district

23   becomes an elementary district and for each year thereafter. For districts that

24   become an elementary district prior to the 2020-21 school year, the

25   superintendent shall use the reduced baseline funding to calculate state aid for

26   the 2020-21 school year and for each year thereafter.

27 2. a. The superintendent shall divide the district's baseline funding determined in

28   subsection 1 by the district's 2017-18 weighted student units to determine the

29   district's baseline funding per weighted student unit.

30   b. For any school district that becomes an elementary district pursuant to section

31   15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the

1   district's baseline funding per weighted student unit used to calculate state aid.

2   The superintendent shall divide the district's baseline funding determined in

3   subsection 1 by the district's weighted student units after the school district

4   becomes an elementary district to determine the district's adjusted baseline

5   funding per weighted student unit. The superintendent shall use the district's

6   adjusted baseline funding per weighted student unit in the calculation of state aid

7   for the first school year in which the school district becomes an elementary

8   district and for each year thereafter.

9   c.   Beginning with the 2021-22 school year and for each school year thereafter, the

10   superintendent shall reduce the district's baseline funding per weighted student

11   unit. Each year the superintendent shall calculate the amount by which the

12   district's baseline funding per weighted student unit exceeds the payment per

13   weighted student unit provided in subsection 3. The superintendent shall reduce

14   the district's baseline funding per weighted student unit by fifteen percent of the

15   amount by which the district's baseline funding per weighted student unit exceeds

16   the payment per weighted student unit for the 2021-22 school year. For each

17   year thereafter, the reduction percentage is increased by an additional fifteen

18   percent. However, the district's baseline funding per weighted student unit, after

19   the reduction, may not be less than the payment per weighted student unit

20   provided in subsection 3.

21   3. a.   For the ~~2019-20~~2021-22 school year, the superintendent shall calculate state aid

22   as the greater of:

23   (1)   The district's weighted student units multiplied by ~~nine thousand eight~~

24   ~~hundred thirty-nine~~ten thousand one hundred thirty-six dollars;

25   (2)   One hundred ~~one~~two percent of the district's baseline funding per weighted

26   student unit, as established in subsection 2, multiplied by the district's

27   weighted student units, not to exceed the district's 2017-18 baseline

28   weighted student units, plus any weighted student units in excess of the

29   2017-18 baseline weighted student units multiplied by ~~nine thousand eight~~

30   ~~hundred thirty-nine~~ten thousand one hundred thirty-six dollars; or

1   (3)   The district's baseline funding as established in subsection 1 <u>less the</u>

2   <u>amount in paragraph 1, with the difference reduced by fifteen percent and</u>

3   <u>then the difference added to the amount determined in paragraph 1.</u>

4   b.   For the ~~2020-21~~<u>2022-23</u> school year and each school year thereafter, the

5   superintendent shall calculate state aid as the greater of:

6   (1)   The district's weighted student units multiplied by ten thousand ~~thirty-six~~<u>two</u>

7   <u>hundred thirty-seven</u> dollars;

8   (2)   One hundred two percent of the district's baseline funding per weighted

9   student unit, as established in subsection 2, multiplied by the district's

10   weighted student units, not to exceed the district's 2017-18 baseline

11   weighted student units, plus any weighted student units in excess of the

12   2017-18 baseline weighted student units multiplied by ten thousand

13   ~~thirty-six~~<u>two hundred thirty-seven</u> dollars; or

14   (3)   The district's baseline funding as established in subsection 1 less the

15   amount in paragraph 1, with the difference reduced by ~~fifteen~~<u>thirty</u> percent

16   for the ~~2021-22~~<u>2022-23</u> school year and <u>the reduction percentage</u>

17   <u>increasing by</u> fifteen percent each school year thereafter <u>until the difference</u>

18   <u>is reduced to zero</u>, and then the difference added to the amount determined

19   in paragraph 1.

20   c.   The superintendent also shall adjust state aid determined in this subsection <u>to</u>

21   <u>ensure the amount does not exceed the transition maximum as follows</u>:

22   (1)   For the ~~2019-20~~<u>2021-22</u> school year, ~~to ensure the amount does not~~

23   ~~exceed~~<u>the transition maximum rate is</u> one hundred ~~five~~<u>fifteen</u> percent of the

24   district's baseline funding per weighted student unit, as established in

25   subsection 2, ~~multiplied~~<u>plus fifteen percent of the difference between the</u>

26   <u>rate under paragraph 1 of subdivision a of this subsection and one hundred</u>

27   <u>fifteen percent of the district's baseline funding per weighted student unit.</u>

28   <u>The transition maximum is determined by multiplying the transition</u>

29   <u>maximum rate, which may not exceed the rate under paragraph 1 of</u>

30   <u>subdivision a of this subsection,</u> by the district's weighted student units from

31   the previous school year.

1   (2)   For the ~~2020-21~~2022-23 school year ~~and each school year thereafter, to~~

2   ~~ensure the amount does not exceed~~the transition maximum rate is one

3   hundred ~~ten~~twenty percent of the district's baseline funding per weighted

4   student unit, as established in subsection 2, ~~multiplied~~plus thirty percent of

5   the difference between the rate under paragraph 1 of subdivision b of this

6   subsection and one hundred twenty percent of the district's baseline funding

7   per weighted student unit. The transition maximum is determined by

8   multiplying the transition maximum rate, which may not exceed the rate

9   under paragraph 1 of subdivision b of this subsection, by the district's

10   weighted student units from the previous school year.

11   (3)   For the 2023-24 school year, the transition maximum rate is one hundred

12   twenty percent of the district's baseline funding per weighted student unit,

13   as established in subsection 2, plus forty-five percent of the difference

14   between the rate under paragraph 1 of subdivision b of this subsection and

15   one hundred twenty percent of the district's baseline funding per weighted

16   student unit. The transition maximum is determined by multiplying the

17   transition maximum rate, which may not exceed the rate under paragraph 1

18   of subdivision b of this subsection, by the district's weighted student units

19   from the previous school year.

20   (4)   For the 2024-25 school year, the transition maximum rate is one hundred

21   twenty percent of the district's baseline funding per weighted student unit,

22   as established in subsection 2, plus sixty percent of the difference between

23   the rate under paragraph 1 of subdivision b of this subsection and one

24   hundred twenty percent of the district's baseline funding per weighted

25   student unit. The transition maximum is determined by multiplying the

26   transition maximum rate, which may not exceed the rate under paragraph 1

27   of subdivision b of this subsection, by the district's weighted student units

28   from the previous school year.

29   (5)   For the 2025-26 school year, the transition maximum rate is one hundred

30   twenty percent of the district's baseline funding per weighted student unit,

31   as established in subsection 2, plus seventy-five percent of the difference

1   between the rate under paragraph 1 of subdivision b of this subsection and

2   one hundred twenty percent of the district's baseline funding per weighted

3   student unit. The transition maximum is determined by multiplying the

4   transition maximum rate, which may not exceed the rate under paragraph 1

5   of subdivision b of this subsection, by the district's weighted student units

6   from the previous school year.

7   (6)   For the 2026-27 school year, the transition maximum rate is one hundred

8   twenty percent of the district's baseline funding per weighted student unit,

9   as established in subsection 2, plus ninety percent of the difference

10   between the rate under paragraph 1 of subdivision b of this subsection and

11   one hundred twenty percent of the district's baseline funding per weighted

12   student unit. The transition maximum is determined by multiplying the

13   transition maximum rate, which may not exceed the rate under paragraph 1

14   of subdivision b of this subsection, by the district's weighted student units

15   from the previous school year.

16   (7)   For the 2027-28 school year, the transition maximum rate is one hundred

17   twenty percent of the district's baseline funding per weighted student unit,

18   as established in subsection 2, plus the difference between the rate under

19   paragraph 1 of subdivision b of this subsection and one hundred twenty

20   percent of the district's baseline funding per weighted student unit. The

21   transition maximum is determined by multiplying the transition maximum

22   rate, which may not exceed the rate under paragraph 1 of subdivision b of

23   this subsection, by the district's weighted student units from the previous

24   school year.

25   4.   After determining the product in accordance with subsection 3, the superintendent of

26   public instruction shall:

27   a.   Subtract an amount equal to sixty mills multiplied by the taxable valuation of the

28   school district; and

29   b.   Subtract an amount equal to seventy-five percent of all revenue types listed in

30   subdivisions c and d of subsection 1. Before determining the deduction for

1   seventy-five percent of all revenue types, the superintendent of public instruction

2   shall adjust revenues as follows:

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

4   (a)   In addition to deducting tuition revenue received specifically for the

5   operation of an educational program provided at a residential

6   treatment facility and tuition revenue received for the provision of an

7   adult farm management program as directed in paragraph 3 of

8   subdivision c of subsection 1, the superintendent of public instruction

9   also shall reduce the total tuition reported by the school district by the

10   amount of tuition revenue received for the education of students not

11   residing in the state and for which the state has not entered a cross-

12   border education contract; and

13   (b)   The superintendent of public instruction also shall reduce the total

14   tuition reported by admitting school districts meeting the requirements

15   of subdivision e of subsection 2 of section 15.1-29-12 by the amount

16   of tuition revenue received for the education of students residing in an

17   adjacent school district.

18   (2)   After adjusting tuition revenue as provided in paragraph 1, the

19   superintendent shall reduce all remaining revenues from all revenue types

20   by the percentage of mills levied in 2018 by the school district for sinking

21   and interest relative to the total mills levied in 2018 by the school district for

22   all purposes.

23   5. The amount remaining after the computation required under subsection 4 is the

24   amount of state aid to which a school district is entitled, subject to any other statutory

25   requirements or limitations.

26   6. On or before June thirtieth of each year, the school board shall certify to the

27   superintendent of public instruction the final average daily membership for the current

28   school year.

29   7. For purposes of the calculation in subsection 4, each county auditor, in collaboration

30   with the school districts, shall report the following to the superintendent of public

31   instruction on an annual basis:

1   a.   The amount of revenue received by each school district in the county during the

2   previous school year for each type of revenue identified in subdivisions c and d of

3   subsection 1;

4   b.   The total number of mills levied in the previous calendar year by each school

5   district for all purposes; and

6   c.   The number of mills levied in the previous calendar year by each school district

7   for sinking and interest fund purposes.