

HB1246 Transfer of Federal Funds

Representative Marvin E. Nelson, District 9

Senate Education Committee, Senator Donald Schaible, Chairman

Federal Impact Aid is used to provide for the education of federally connected students. It is to supplement not supplant state and local funding of schools. It is to provide for the education of federally connected students, both daily operations and building schools, because there is often no property tax base connected to such students. Such is the case in North Dakota.

Both Air Bases are organized as school districts and both have fundamentally similar agreements with Minot and Grand Forks school districts respectively to teach their students.

It really isn't a tuition agreement as such the arrangement is much closer, the Air Base Schools are component units of Minot and Grand Forks Public Schools. The Public-school districts are financially responsible to teach the students. They get whatever money is available after the Air Base schools spend on things like management and transportation. It is called tuition in our funding formula because there isn't a way to call it something else, but it's not like regular tuition. It is as if the school district has a technical education component unit and the state would deduct money that transferred from that unit to the main school.

I would also note that there is no tax base on the Air Bases when Minot or Grand Forks build school buildings the Minot and Grand Forks school districts have built. The money they receive from the Impact Aid should also be used for things like building.

When I last looked at it, the state was taking about \$5 million from Minot as a deduction for tuition and about \$3 million from Grand Forks. According to the fiscal note, that is somewhat less today. Just over \$7 million a year total. The original bill just ended the deduction. This has been amended and phases it out gradually.

The net effect of how the state treats these federal Impact Aid funds that are supposed to supplement not supplant state and local funds is the state reduces it's support of Minot and Grand Forks Public Schools about \$1 for every \$2 in federal aid received. Clearly, the federal aid is being used to supplant state funding. The federal money that comes specifically to educate those students should be used to educate those students.

The phase out of the formula maximum which hits the other federal impact aid schools is in HB1388. I would offer an amendment to this bill to also phase out the minimum local contribution (15.1-27-04.2). While not directly affecting the Air Base Schools today, if they directly educated their students, we would deduct approximately \$450 a student from any state aid they received for the fact they have no property to tax. It directly affects just a handful of schools, those with the least amount of taxable base. Those with less than \$7481 of taxable valuation per student. At the same time, we send extra money over base funding to those school districts with more taxable base because we rolled property tax relief into the education funding formula.