

Sixty-ninth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1130

Introduced by

Representatives Richter, Jonas, Novak, Sanford, Swiontek, Murphy

Senators Bekkedahl, Patten, Schaible

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 option for a school district to reduce its local contribution deduction in the
3 school state aid formula by the percentage of the local contribution which comes from in lieu of
4 revenue.

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

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

8 ~~15.1-27-04.1. Baseline funding – Establishment – Determination of state aid. (Effective~~
9 ~~through June 30, 2025) (Retroactive application – [See note](#))~~

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 e. ~~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~~

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, tuition
received for the provision of an adult farm management program, and
beginning in the 2021-22 school year, seventeen percent of tuition received
under an agreement to educate students from a school district on an
air force base with funding received through federal impact aid, and an
additional seventeen percent of tuition received under an agreement to
educate students from a school district on an air force base with funding
received through federal impact aid each school year thereafter, until the
2024-25 school year when sixty-eight percent of tuition received under an
agreement to educate students from a school district on an air force base
with funding received through federal impact aid must be excluded from the
tuition calculation under this paragraph;~~

(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);~~

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~~

- 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. For the 2023-24 school year the
31 superintendent shall reduce the district's baseline funding per weighted student

unit by forty percent of the amount by which the district's baseline funding per weighted student unit exceeds the payment per weighted student unit for the 2023-24 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 2023-24 school year, the superintendent shall calculate state aid as the greater of:

(1) The district's weighted student units multiplied by ten thousand six hundred forty-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 six hundred forty-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 forty percent and then the difference added to the amount determined in paragraph 1.

b. For the 2024-25 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 eleven thousand seventy-two 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 eleven thousand seventy-two dollars; or

(3) The district's baseline funding as established in subsection 1 less the amount in paragraph 1, with the difference reduced by fifty-five percent for

the 2024-25 school year and the reduction percentage increasing by fifteen percent each school year thereafter until the difference is reduced to zero, and then the difference added to the amount determined in paragraph 1.

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, except the amount in dollars subtracted for purposes of this subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than twelve percent, adjusted pursuant to section 15.1-27-04.3; 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, tuition revenue received for the provision of an adult farm management program, tuition received for the education of high-cost and special education students, and tuition received under an agreement to educate students from a school district on an air force base with funding received through federal impact aid as directed each school year 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 2022 by the school district for sinking and interest relative to the total mills levied in 2022 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.

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

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

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

- 1 b. An amount equal to the property tax deducted by the superintendent of public
- 2 instruction to determine the 2018-19 state aid payment;
- 3 c. An amount equal to seventy-five percent of the revenue received by the school
- 4 district during the 2017-18 school year for the following revenue types:
- 5 (1) Revenue reported under code 2000 of the North Dakota school district
- 6 financial accounting and reporting manual, as developed by the
- 7 superintendent of public instruction in accordance with section 15.1-02-08;
- 8 (2) Mineral revenue received by the school district through direct allocation from
- 9 the state treasurer and not reported under code 2000 of the North Dakota
- 10 school district financial accounting and reporting manual, as developed by
- 11 the superintendent of public instruction in accordance with section
- 12 15.1-02-08;
- 13 (3) Tuition reported under code 1300 of the North Dakota school district
- 14 financial accounting and reporting manual, as developed by the
- 15 superintendent of public instruction in accordance with section 15.1-02-08,
- 16 with the exception of revenue received specifically for the operation of an
- 17 educational program provided at a residential treatment facility, tuition
- 18 received for the provision of an adult farm management program, and
- 19 beginning in the 2025-26 school year, eighty-five percent of tuition received
- 20 under an agreement to educate students from a school district on an
- 21 air force base with funding received through federal impact aid, until the
- 22 2026-27 school year, and each school year thereafter, when all tuition
- 23 received under an agreement to educate students from a school district on
- 24 an air force base with funding received through federal impact aid must be
- 25 excluded from the tuition calculation under this paragraph;
- 26 (4) Revenue from payments in lieu of taxes on the distribution and transmission
- 27 of electric power;
- 28 (5) Revenue from payments in lieu of taxes on electricity generated from
- 29 sources other than coal; and
- 30 (6) Revenue from the leasing of land acquired by the United States for which
- 31 compensation is allocated to the state under 33 U.S.C. 701(c)(3); and

- 1 d. An amount equal to the total revenue received by the school district during the
2 2017-18 school year for the following revenue types:
3 (1) Mobile home tax revenue;
4 (2) Telecommunications tax revenue; and
5 (3) Revenue from payments in lieu of taxes and state reimbursement of the
6 homestead credit and disabled veterans credit.
- 7 e. Beginning with the 2020-21 school year, the superintendent shall reduce the
8 baseline funding for any school district that becomes an elementary district
9 pursuant to section 15.1-07-27 after the 2012-13 school year. The reduction must
10 be proportional to the number of weighted student units in the grades that are
11 offered through another school district relative to the total number of weighted
12 student units the school district offered in the year before the school district
13 became an elementary district. The reduced baseline funding applies to the
14 calculation of state aid for the first school year in which the school district
15 becomes an elementary district and for each year thereafter. For districts that
16 become an elementary district prior to the 2020-21 school year, the
17 superintendent shall use the reduced baseline funding to calculate state aid for
18 the 2020-21 school year and for each year thereafter.
- 19 2. a. The superintendent shall divide the district's baseline funding determined in
20 subsection 1 by the district's 2017-18 weighted student units to determine the
21 district's baseline funding per weighted student unit.
- 22 b. For any school district that becomes an elementary district pursuant to section
23 15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the
24 district's baseline funding per weighted student unit used to calculate state aid.
25 The superintendent shall divide the district's baseline funding determined in
26 subsection 1 by the district's weighted student units after the school district
27 becomes an elementary district to determine the district's adjusted baseline
28 funding per weighted student unit. The superintendent shall use the district's
29 adjusted baseline funding per weighted student unit in the calculation of state aid
30 for the first school year in which the school district becomes an elementary
31 district and for each year thereafter.

1 c. Beginning with the 2021-22 school year and for each school year thereafter, the
2 superintendent shall reduce the district's baseline funding per weighted student
3 unit. Each year the superintendent shall calculate the amount by which the
4 district's baseline funding per weighted student unit exceeds the payment per
5 weighted student unit provided in subsection 3. For the 2023-24 school year the
6 superintendent shall reduce the district's baseline funding per weighted student
7 unit by forty percent of the amount by which the district's baseline funding per
8 weighted student unit exceeds the payment per weighted student unit for the
9 2023-24 school year. For each year thereafter, the reduction percentage is
10 increased by an additional fifteen percent. However, the district's baseline funding
11 per weighted student unit, after the reduction, may not be less than the payment
12 per weighted student unit provided in subsection 3.

13 3. a. For the 2023-24 school year, the superintendent shall calculate state aid as the
14 greater of:

15 (1) The district's weighted student units multiplied by ten thousand six hundred
16 forty-six dollars;

17 (2) One hundred two percent of the district's baseline funding per weighted
18 student unit, as established in subsection 2, multiplied by the district's
19 weighted student units, not to exceed the district's 2017-18 baseline
20 weighted student units, plus any weighted student units in excess of the
21 2017-18 baseline weighted student units multiplied by ten thousand
22 six hundred forty-six dollars; or

23 (3) The district's baseline funding as established in subsection 1 less the
24 amount in paragraph 1, with the difference reduced by forty percent and
25 then the difference added to the amount determined in paragraph 1.

26 b. For the 2024-25 school year and each school year thereafter, the superintendent
27 shall calculate state aid as the greater of:

28 (1) The district's weighted student units multiplied by eleven thousand
29 seventy-two dollars;

30 (2) One hundred two percent of the district's baseline funding per weighted
31 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 eleven thousand seventy-two dollars; or

- (3) The district's baseline funding as established in subsection 1 less the amount in paragraph 1, with the difference reduced by fifty-five percent for the 2024-25 school year and the reduction percentage increasing by fifteen percent each school year thereafter until the difference is reduced to zero, and then the difference added to the amount determined in paragraph 1.

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, tuition revenue received for the provision of an adult farm management program, tuition received for the education of high-cost and special education students, and tuition received under an agreement to educate students from a school district on an air force base with funding received through federal impact aid as directed each school year 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

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

6 (2) After adjusting tuition revenue as provided in paragraph 1, the
7 superintendent shall reduce all remaining revenues from all revenue types
8 by ~~the~~ subparagraph a or b, if the district elects to use the amount of the
9 reduction for capital projects or capital debt repayment:

10 (a) The percentage of mills levied in 20222024 by the school district for
11 sinking and interest relative to the total mills levied in 20222024 by the
12 school district for all purposes; or

13 (b) The percentage of in lieu of revenue deducted in the state school aid
14 formula relative to the sum of in lieu of revenue deducted in the state
15 school aid formula plus the amount deducted under subdivision a.

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

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

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

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

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

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

- 1 d. Which deduction the school district elects under paragraph 2 of subdivision b of
- 2 subsection 4.