

Sixty-ninth  
Legislative Assembly  
of North Dakota

**PROPOSED AMENDMENTS TO  
FIRST ENGROSSMENT**

**ENGROSSED HOUSE BILL NO. 1130**

Introduced by

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

Senators Bekkedahl, Patten, Schaible

*In place of the amendments (25.0319.02001) adopted by the Senate, Engrossed House Bill No. 1130 is amended by amendment (25.0319.02002) as follows:*

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 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:~~

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- 1           (1) Revenue reported under code 2000 of the North Dakota school district  
2           financial accounting and reporting manual, as developed by the  
3           superintendent of public instruction in accordance with section 15.1-02-08;
- 4           (2) Mineral revenue received by the school district through direct allocation from  
5           the state treasurer and not reported under code 2000 of the North Dakota  
6           school district financial accounting and reporting manual, as developed by  
7           the superintendent of public instruction in accordance with section  
8           15.1-02-08;
- 9           (3) Tuition reported under code 1300 of the North Dakota school district  
10          financial accounting and reporting manual, as developed by the  
11          superintendent of public instruction in accordance with section 15.1-02-08,  
12          with the exception of revenue received specifically for the operation of an  
13          educational program provided at a residential treatment facility, tuition  
14          received for the provision of an adult farm management program, and  
15          beginning in the 2021-22 school year, seventeen percent of tuition received  
16          under an agreement to educate students from a school district on an  
17          air force base with funding received through federal impact aid, and an  
18          additional seventeen percent of tuition received under an agreement to  
19          educate students from a school district on an air force base with funding  
20          received through federal impact aid each school year thereafter, until the  
21          2024-25 school year when sixty-eight percent of tuition received under an  
22          agreement to educate students from a school district on an air force base  
23          with funding received through federal impact aid must be excluded from the  
24          tuition calculation under this paragraph;
- 25          (4) Revenue from payments in lieu of taxes on the distribution and transmission  
26          of electric power;
- 27          (5) Revenue from payments in lieu of taxes on electricity generated from  
28          sources other than coal; and
- 29          (6) Revenue from the leasing of land acquired by the United States for which  
30          compensation is allocated to the state under 33 U.S.C. 701(c)(3);

- 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; and
- 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 e. ~~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~~

1                    weighted student units, not to exceed the district's 2017-18 baseline-  
2                    weighted student units, plus any weighted student units in excess of the  
3                    2017-18 baseline weighted student units multiplied by eleven thousand  
4                    seventy-two dollars; or

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

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

12                  a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the  
13                  school district, except the amount in dollars subtracted for purposes of this  
14                  subdivision may not exceed the previous year's amount in dollars subtracted for  
15                  purposes of this subdivision by more than twelve percent, adjusted pursuant to  
16                  section 15.1-27-04.3; and

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

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

22                    (a) In addition to deducting tuition revenue received specifically for the  
23                    operation of an educational program provided at a residential-  
24                    treatment facility, tuition revenue received for the provision of an adult-  
25                    farm management program, tuition received for the education of  
26                    high-cost and special education students, and tuition received under  
27                    an agreement to educate students from a school district on an  
28                    air force base with funding received through federal impact aid as  
29                    directed each school year in paragraph 3 of subdivision c of  
30                    subsection 1, the superintendent of public instruction also shall reduce  
31                    the total tuition reported by the school district by the amount of tuition

1 revenue received for the education of students not residing in the  
2 state and for which the state has not entered a cross-border education  
3 contract; and

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

9 (2) After adjusting tuition revenue as provided in paragraph 1, the  
10 superintendent shall reduce all remaining revenues from all revenue types  
11 by the percentage of mills levied in 2022 by the school district for sinking  
12 and interest relative to the total mills levied in 2022 by the school district for  
13 all purposes.

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

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

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

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

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

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

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

- 1           1. To determine the amount of state aid payable to each district, the superintendent of  
2           public instruction shall establish each district's baseline funding. A district's baseline  
3           funding consists of:
- 4           a. All state aid received by the district in accordance with chapter 15.1-27 during the  
5           2018-19 school year;
- 6           b. An amount equal to the property tax deducted by the superintendent of public  
7           instruction to determine the 2018-19 state aid payment;
- 8           c. An amount equal to seventy-five percent of the revenue received by the school  
9           district during the 2017-18 school year for the following revenue types:
- 10          (1) Revenue reported under code 2000 of the North Dakota school district  
11          financial accounting and reporting manual, as developed by the  
12          superintendent of public instruction in accordance with section 15.1-02-08;
- 13          (2) Mineral revenue received by the school district through direct allocation from  
14          the state treasurer and not reported under code 2000 of the North Dakota  
15          school district financial accounting and reporting manual, as developed by  
16          the superintendent of public instruction in accordance with section  
17          15.1-02-08;
- 18          (3) Tuition reported under code 1300 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          with the exception of revenue received specifically for the operation of an  
22          educational program provided at a residential treatment facility, tuition  
23          received for the provision of an adult farm management program, and  
24          beginning in the 2025-26 school year, eighty-five percent of tuition received  
25          under an agreement to educate students from a school district on an  
26          air force base with funding received through federal impact aid, until the  
27          2026-27 school year, and each school year thereafter, when all tuition  
28          received under an agreement to educate students from a school district on  
29          an air force base with funding received through federal impact aid must be  
30          excluded from the tuition calculation under this paragraph;

- 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; and
- 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.
- 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. For the 2023-24 school year the  
12 superintendent shall reduce the district's baseline funding per weighted student  
13 unit by forty percent of the amount by which the district's baseline funding per  
14 weighted student unit exceeds the payment per weighted student unit for the  
15 2023-24 school year. For each year thereafter, the reduction percentage is  
16 increased by an additional fifteen percent. However, the district's baseline funding  
17 per weighted student unit, after the reduction, may not be less than the payment  
18 per weighted student unit provided in subsection 3.

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

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

23 (2) One hundred 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 ten thousand  
28 six hundred forty-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 forty percent and  
31 then the difference added to the amount determined in paragraph 1.

- 1           b. For the 2024-25 school year and each school year thereafter, the superintendent  
2           shall calculate state aid as the greater of:
- 3           (1) The district's weighted student units multiplied by eleven thousand  
4           seventy-two 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 eleven thousand  
10          seventy-two 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 fifty-five percent for  
13          the 2024-25 school year and the reduction percentage increasing by fifteen  
14          percent each school year thereafter until the difference is reduced to zero,  
15          and then the difference added to the amount determined in paragraph 1.
- 16          4. After determining the product in accordance with subsection 3, the superintendent of  
17          public instruction shall:
- 18          a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the  
19          school district; and
- 20          b. Subtract an amount equal to seventy-five percent of all revenue types listed in  
21          subdivisions c and d of subsection 1. Before determining the deduction for  
22          seventy-five percent of all revenue types, the superintendent of public instruction  
23          shall adjust revenues as follows:
- 24          (1) Tuition revenue shall be adjusted as follows:
- 25                  (a) In addition to deducting tuition revenue received specifically for the  
26                  operation of an educational program provided at a residential  
27                  treatment facility, tuition revenue received for the provision of an adult  
28                  farm management program, tuition received for the education of  
29                  high-cost and special education students, and tuition received under  
30                  an agreement to educate students from a school district on an  
31                  air force base with funding received through federal impact aid as

1 directed each school year in paragraph 3 of subdivision c of  
2 subsection 1, the superintendent of public instruction also shall reduce  
3 the total tuition reported by the school district by the amount of tuition  
4 revenue received for the education of students not residing in the  
5 state and for which the state has not entered a cross-border education  
6 contract; and

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

12 (2) After adjusting tuition revenue as provided in paragraph 1, the  
13 superintendent shall reduce all remaining revenues from all revenue types  
14 by ~~the subparagraph a or b, if the district elects to use the amount of the~~  
15 ~~reduction for capital projects or capital debt repayment and levied sinking~~  
16 ~~and interest mills in 2024:~~

17 ~~(a) The percentage of mills levied in 20222024 by the school district for~~  
18 ~~sinking and interest and building fund relative to the total mills levied~~  
19 ~~in 20222024 by the school district for all purposes; or~~

20 ~~(b) The percentage of in lieu of revenue in the state school aid formula~~  
21 ~~relative to the sum of in lieu of revenue in the state school aid formula~~  
22 ~~plus the amount deducted under subdivision a. The amount of the~~  
23 ~~reduction must be allocated to the school district's sinking and interest~~  
24 ~~fund and applied specifically to bonded indebtedness and capital debt~~  
25 ~~repayment obligations.~~

- 26 5. The amount remaining after the computation required under subsection 4 is the  
27 amount of state aid to which a school district is entitled, subject to any other statutory  
28 requirements or limitations.
- 29 6. On or before June thirtieth of each year, the school board shall certify to the  
30 superintendent of public instruction the final average daily membership for the current  
31 school year.

- 1           7. For purposes of the calculation in subsection 4, each county auditor, in collaboration  
2           with the school districts, shall report the following to the superintendent of public  
3           instruction on an annual basis:
- 4           a. The amount of revenue received by each school district in the county during the  
5           previous school year for each type of revenue identified in subdivisions c and d of  
6           subsection 1;
- 7           b. The total number of mills levied in the previous calendar year by each school  
8           district for all purposes; **and**
- 9           c. The number of mills levied in the previous calendar year by each school district  
10          for sinking and interest fund purposes; **and**
- 11          ~~d. Which deduction the school district elects under paragraph 2 of subdivision b of~~  
12          ~~subsection 4.~~