

**HOUSE BILL NO. 1246**

Introduced by

Representatives M. Nelson, Adams, Sanford

Senator Bakke

1 A BILL for an Act to amend and reenact section 15.1-27-04.1 of the North Dakota Century  
2 Code, relating to the education foundation aid funding formula and the treatment of federal  
3 impact aid funding.

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

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

7 **15.1-27-04.1. Baseline funding - Establishment - Determination of state aid. (Effective**  
8 **through June 30, 2025)**

- 9 1. To determine the amount of state aid payable to each district, the superintendent of  
10 public instruction shall establish each district's baseline funding. A district's baseline  
11 funding consists of:
- 12 a. All state aid received by the district in accordance with chapter 15.1-27 during the  
13 2018-19 school year;
  - 14 b. An amount equal to the property tax deducted by the superintendent of public  
15 instruction to determine the 2018-19 state aid payment;
  - 16 c. An amount equal to seventy-five percent of the revenue received by the school  
17 district during the 2017-18 school year for the following revenue types:
    - 18 (1) Revenue reported under code 2000 of the North Dakota school district  
19 financial accounting and reporting manual, as developed by the  
20 superintendent of public instruction in accordance with section 15.1-02-08;
    - 21 (2) Mineral revenue received by the school district through direct allocation from  
22 the state treasurer and not reported under code 2000 of the North Dakota  
23 school district financial accounting and reporting manual, as developed by

- 1 the superintendent of public instruction in accordance with section  
2 15.1-02-08;
- 3 (3) Tuition reported under code 1300 of the North Dakota school district  
4 financial accounting and reporting manual, as developed by the  
5 superintendent of public instruction in accordance with section 15.1-02-08,  
6 with the exception of revenue received specifically for the operation of an  
7 educational program provided at a residential treatment facility ~~and~~, tuition  
8 received for the provision of an adult farm management program, and tuition  
9 received under an agreement to educate students with funding received  
10 through federal impact aid;
- 11 (4) Revenue from payments in lieu of taxes on the distribution and transmission  
12 of electric power;
- 13 (5) Revenue from payments in lieu of taxes on electricity generated from  
14 sources other than coal; and
- 15 (6) Revenue from the leasing of land acquired by the United States for which  
16 compensation is allocated to the state under 33 U.S.C. 701(c)(3); and
- 17 d. An amount equal to the total revenue received by the school district during the  
18 2017-18 school year for the following revenue types:
- 19 (1) Mobile home tax revenue;
- 20 (2) Telecommunications tax revenue; and
- 21 (3) Revenue from payments in lieu of taxes and state reimbursement of the  
22 homestead credit and disabled veterans credit; and
- 23 e. Beginning with the 2020-21 school year, the superintendent shall reduce the  
24 baseline funding for any school district that becomes an elementary district  
25 pursuant to section 15.1-07-27 after the 2012-13 school year. The reduction must  
26 be proportional to the number of weighted student units in the grades that are  
27 offered through another school district relative to the total number of weighted  
28 student units the school district offered in the year before the school district  
29 became an elementary district. The reduced baseline funding applies to the  
30 calculation of state aid for the first school year in which the school district  
31 becomes an elementary district and for each year thereafter. For districts that

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

4           2.    a.    The superintendent shall divide the district's baseline funding determined in  
5           subsubsection 1 by the district's 2017-18 weighted student units to determine the  
6           district's baseline funding per weighted student unit.

7           b.    For any school district that becomes an elementary district pursuant to section  
8           15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the  
9           district's baseline funding per weighted student unit used to calculate state aid.

10          The superintendent shall divide the district's baseline funding determined in  
11          subsubsection 1 by the district's weighted student units after the school district  
12          becomes an elementary district to determine the district's adjusted baseline  
13          funding per weighted student unit. The superintendent shall use the district's  
14          adjusted baseline funding per weighted student unit in the calculation of state aid  
15          for the first school year in which the school district becomes an elementary  
16          district and for each year thereafter.

17          c.    Beginning with the 2021-22 school year and for each school year thereafter, the  
18          superintendent shall reduce the district's baseline funding per weighted student  
19          unit. Each year the superintendent shall calculate the amount by which the  
20          district's baseline funding per weighted student unit exceeds the payment per  
21          weighted student unit provided in subsection 3. The superintendent shall reduce  
22          the district's baseline funding per weighted student unit by fifteen percent of the  
23          amount by which the district's baseline funding per weighted student unit exceeds  
24          the payment per weighted student unit for the 2021-22 school year. For each  
25          year thereafter, the reduction percentage is increased by an additional fifteen  
26          percent. However, the district's baseline funding per weighted student unit, after  
27          the reduction, may not be less than the payment per weighted student unit  
28          provided in subsection 3.

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

- 1 (1) The district's weighted student units multiplied by nine thousand eight  
2 hundred thirty-nine dollars;
  - 3 (2) One hundred one percent of the district's baseline funding per weighted  
4 student unit, as established in subsection 2, multiplied by the district's  
5 weighted student units, not to exceed the district's 2017-18 baseline  
6 weighted student units, plus any weighted student units in excess of the  
7 2017-18 baseline weighted student units multiplied by nine thousand eight  
8 hundred thirty-nine dollars; or
  - 9 (3) The district's baseline funding as established in subsection 1.
- 10 b. For the 2020-21 school year and each school year thereafter, the superintendent  
11 shall calculate state aid as the greater of:
- 12 (1) The district's weighted student units multiplied by ten thousand thirty-six  
13 dollars;
  - 14 (2) One hundred two percent of the district's baseline funding per weighted  
15 student unit, as established in subsection 2, multiplied by the district's  
16 weighted student units, not to exceed the district's 2017-18 baseline  
17 weighted student units, plus any weighted student units in excess of the  
18 2017-18 baseline weighted student units multiplied by ten thousand  
19 thirty-six dollars; or
  - 20 (3) The district's baseline funding as established in subsection 1 less the  
21 amount in paragraph 1, with the difference reduced by fifteen percent for the  
22 2021-22 school year and fifteen percent each school year thereafter, and  
23 then the difference added to the amount determined in paragraph 1.
- 24 c. The superintendent also shall adjust state aid determined in this subsection:
- 25 (1) For the 2019-20 school year, to ensure the amount does not exceed one  
26 hundred five percent of the district's baseline funding per weighted student  
27 unit, as established in subsection 2, multiplied by the district's weighted  
28 student units from the previous school year.
  - 29 (2) For the 2020-21 school year and each school year thereafter, to ensure the  
30 amount does not exceed one hundred ten percent of the district's baseline

1 funding per weighted student unit, as established in subsection 2, multiplied  
2 by the district's weighted student units from the previous school year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 e. Beginning with the 2020-21 school year, the superintendent shall reduce the  
2 baseline funding for any school district that becomes an elementary district  
3 pursuant to section 15.1-07-27 after the 2012-13 school year. The reduction must  
4 be proportional to the number of weighted student units in the grades that are  
5 offered through another school district relative to the total number of weighted  
6 student units the school district offered in the year before the school district  
7 became an elementary district. The reduced baseline funding applies to the  
8 calculation of state aid for the first school year in which the school district  
9 becomes an elementary district and for each year thereafter. For districts that  
10 become an elementary district prior to the 2020-21 school year, the  
11 superintendent shall use the reduced baseline funding to calculate state aid for  
12 the 2020-21 school year and for each year thereafter.

13 2. a. The superintendent shall divide the district's baseline funding determined in  
14 subsection 1 by the district's 2017-18 weighted student units to determine the  
15 district's baseline funding per weighted student unit.

16 b. For any school district that becomes an elementary district pursuant to section  
17 15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the  
18 district's baseline funding per weighted student unit used to calculate state aid.  
19 The superintendent shall divide the district's baseline funding determined in  
20 subsection 1 by the district's weighted student units after the school district  
21 becomes an elementary district to determine the district's adjusted baseline  
22 funding per weighted student unit. The superintendent shall use the district's  
23 adjusted baseline funding per weighted student unit in the calculation of state aid  
24 for the first school year in which the school district becomes an elementary  
25 district and for each year thereafter.

26 c. Beginning with the 2021-22 school year and for each school year thereafter, the  
27 superintendent shall reduce the district's baseline funding per weighted student  
28 unit. Each year the superintendent shall calculate the amount by which the  
29 district's baseline funding per weighted student unit exceeds the payment per  
30 weighted student unit provided in subsection 3. The superintendent shall reduce  
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3 year thereafter, the reduction percentage is increased by an additional fifteen  
4 percent. However, the district's baseline funding per weighted student unit, after  
5 the reduction, may not be less than the payment per weighted student unit  
6 provided in subsection 3.

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

9 (1) The district's weighted student units multiplied by nine thousand eight  
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11 (2) One hundred one percent of the district's baseline funding per weighted  
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26 2017-18 baseline weighted student units multiplied by ten thousand  
27 thirty-six dollars; or

28 (3) The district's baseline funding as established in subsection 1 less the  
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30 2021-22 school year and fifteen percent each school year thereafter, and  
31 then the difference added to the amount determined in paragraph 1.

- 1           c. The superintendent also shall adjust state aid determined in this subsection:
- 2           (1) For the 2019-20 school year, to ensure the amount does not exceed one
- 3           hundred five percent of the district's baseline funding per weighted student
- 4           unit, as established in subsection 2, multiplied by the district's weighted
- 5           student units from the previous school year.
- 6           (2) For the 2020-21 school year and each school year thereafter, to ensure the
- 7           amount does not exceed one hundred ten percent of the district's baseline
- 8           funding per weighted student unit, as established in subsection 2, multiplied
- 9           by the district's weighted student units from the previous school year.
- 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; and
- 14          b. Subtract an amount equal to seventy-five percent of all revenue types listed in
- 15          subdivisions c and d of subsection 1. Before determining the deduction for
- 16          seventy-five percent of all revenue types, the superintendent of public instruction
- 17          shall adjust revenues as follows:
- 18          (1) Tuition revenue shall be adjusted as follows:
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- 22               adult farm management program, and tuition received under an
- 23               agreement to educate students with funding received through federal
- 24               impact aid as directed in paragraph 3 of subdivision c of subsection 1,
- 25               the superintendent of public instruction also shall reduce the total
- 26               tuition reported by the school district by the amount of tuition revenue
- 27               received for the education of students not residing in the state and for
- 28               which the state has not entered a cross-border education contract;
- 29               and
- 30               (b) The superintendent of public instruction also shall reduce the total
- 31               tuition reported by admitting school districts meeting the requirements

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

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

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

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

15 7. For purposes of the calculation in subsection 4, each county auditor, in collaboration  
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19 previous school year for each type of revenue identified in subdivisions c and d of  
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21 b. The total number of mills levied in the previous calendar year by each school  
22 district for all purposes; and

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