

**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  
9 beginning in the 2021-22 school year, seventeen percent of tuition received  
10 under an agreement to educate students with funding received through  
11 federal impact aid, and an additional seventeen percent of tuition received  
12 under an agreement to educate students with funding received through  
13 federal impact aid each school year thereafter, until the 2024-25 school year  
14 when sixty-eight percent of tuition received under an agreement to educate  
15 students with funding received through federal impact aid must be excluded  
16 from the tuition calculation under this paragraph;

17 (4) Revenue from payments in lieu of taxes on the distribution and transmission  
18 of electric power;

19 (5) Revenue from payments in lieu of taxes on electricity generated from  
20 sources other than coal; and

21 (6) Revenue from the leasing of land acquired by the United States for which  
22 compensation is allocated to the state under 33 U.S.C. 701(c)(3); and

23 d. An amount equal to the total revenue received by the school district during the  
24 2017-18 school year for the following revenue types:

25 (1) Mobile home tax revenue;

26 (2) Telecommunications tax revenue; and

27 (3) Revenue from payments in lieu of taxes and state reimbursement of the  
28 homestead credit and disabled veterans credit; and

29 e. Beginning with the 2020-21 school year, the superintendent shall reduce the  
30 baseline funding for any school district that becomes an elementary district  
31 pursuant to section 15.1-07-27 after the 2012-13 school year. The reduction must

1 be proportional to the number of weighted student units in the grades that are  
2 offered through another school district relative to the total number of weighted  
3 student units the school district offered in the year before the school district  
4 became an elementary district. The reduced baseline funding applies to the  
5 calculation of state aid for the first school year in which the school district  
6 becomes an elementary district and for each year thereafter. For districts that  
7 become an elementary district prior to the 2020-21 school year, the  
8 superintendent shall use the reduced baseline funding to calculate state aid for  
9 the 2020-21 school year and for each year thereafter.

- 10 2. a. The superintendent shall divide the district's baseline funding determined in  
11 subsection 1 by the district's 2017-18 weighted student units to determine the  
12 district's baseline funding per weighted student unit.
- 13 b. For any school district that becomes an elementary district pursuant to section  
14 15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the  
15 district's baseline funding per weighted student unit used to calculate state aid.  
16 The superintendent shall divide the district's baseline funding determined in  
17 subsection 1 by the district's weighted student units after the school district  
18 becomes an elementary district to determine the district's adjusted baseline  
19 funding per weighted student unit. The superintendent shall use the district's  
20 adjusted baseline funding per weighted student unit in the calculation of state aid  
21 for the first school year in which the school district becomes an elementary  
22 district and for each year thereafter.
- 23 c. Beginning with the 2021-22 school year and for each school year thereafter, the  
24 superintendent shall reduce the district's baseline funding per weighted student  
25 unit. Each year the superintendent shall calculate the amount by which the  
26 district's baseline funding per weighted student unit exceeds the payment per  
27 weighted student unit provided in subsection 3. The superintendent shall reduce  
28 the district's baseline funding per weighted student unit by fifteen percent of the  
29 amount by which the district's baseline funding per weighted student unit exceeds  
30 the payment per weighted student unit for the 2021-22 school year. For each  
31 year thereafter, the reduction percentage is increased by an additional fifteen

1                   percent. However, the district's baseline funding per weighted student unit, after  
2                   the reduction, may not be less than the payment per weighted student unit  
3                   provided in subsection 3.

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

6                   (1)   The district's weighted student units multiplied by nine thousand eight  
7                   hundred thirty-nine dollars;

8                   (2)   One hundred one 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 nine thousand eight  
13                  hundred thirty-nine dollars; or

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

15           b.   For the 2020-21 school year and each school year thereafter, the superintendent  
16                  shall calculate state aid as the greater of:

17                  (1)   The district's weighted student units multiplied by ten thousand thirty-six  
18                  dollars;

19                  (2)   One hundred two percent of the district's baseline funding per weighted  
20                  student unit, as established in subsection 2, multiplied by the district's  
21                  weighted student units, not to exceed the district's 2017-18 baseline  
22                  weighted student units, plus any weighted student units in excess of the  
23                  2017-18 baseline weighted student units multiplied by ten thousand  
24                  thirty-six dollars; or

25                  (3)   The district's baseline funding as established in subsection 1 less the  
26                  amount in paragraph 1, with the difference reduced by fifteen percent for the  
27                  2021-22 school year and fifteen percent each school year thereafter, and  
28                  then the difference added to the amount determined in paragraph 1.

29           c.   The superintendent also shall adjust state aid determined in this subsection:

30                  (1)   For the 2019-20 school year, to ensure the amount does not exceed one  
31                  hundred five percent of the district's baseline funding per weighted student

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

3 (2) For the 2020-21 school year and each school year thereafter, to ensure the  
4 amount does not exceed one hundred ten percent of the district's baseline  
5 funding per weighted student unit, as established in subsection 2, multiplied  
6 by the district's weighted student units from the previous school year.

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

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

19 (a) In addition to deducting tuition revenue received specifically for the  
20 operation of an educational program provided at a residential  
21 treatment facility ~~and~~, tuition revenue received for the provision of an  
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 each school year in paragraph 3 of  
25 subdivision c of subsection 1, the superintendent of public instruction  
26 also shall reduce the total tuition reported by the school district by the  
27 amount of tuition revenue received for the education of students not  
28 residing in the state and for which the state has not entered a cross-  
29 border education contract; 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  
16 with the school districts, shall report the following to the superintendent of public  
17 instruction on an annual basis:

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

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.

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

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

30 a. All state aid received by the district in accordance with chapter 15.1-27 during the  
31 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 ~~and~~, 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 with funding received through  
21          federal impact aid, until the 2026-27 school year, and each school year  
22          thereafter, when all tuition received under an agreement to educate  
23          students with funding received through federal impact aid must be excluded  
24          from the 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); 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. The superintendent shall reduce  
6           the district's baseline funding per weighted student unit by fifteen percent of the  
7           amount by which the district's baseline funding per weighted student unit exceeds  
8           the payment per weighted student unit for the 2021-22 school year. For each  
9           year thereafter, the reduction percentage is increased by an additional fifteen  
10          percent. However, the district's baseline funding per weighted student unit, after  
11          the reduction, may not be less than the payment per weighted student unit  
12          provided in subsection 3.
- 13          3. a. For the 2019-20 school year, the superintendent shall calculate state aid as the  
14          greater of:
- 15               (1) The district's weighted student units multiplied by nine thousand eight  
16               hundred thirty-nine dollars;
- 17               (2) One hundred one 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 nine thousand eight  
22               hundred thirty-nine dollars; or
- 23               (3) The district's baseline funding as established in subsection 1.
- 24          b. For the 2020-21 school year and each school year thereafter, the superintendent  
25          shall calculate state aid as the greater of:
- 26               (1) The district's weighted student units multiplied by ten thousand thirty-six  
27               dollars;
- 28               (2) One hundred two percent of the district's baseline funding per weighted  
29               student unit, as established in subsection 2, multiplied by the district's  
30               weighted student units, not to exceed the district's 2017-18 baseline  
31               weighted student units, plus any weighted student units in excess of the

- 1                                   2017-18 baseline weighted student units multiplied by ten thousand  
2                                   thirty-six dollars; or
- 3                                   (3) The district's baseline funding as established in subsection 1 less the  
4                                   amount in paragraph 1, with the difference reduced by fifteen percent for the  
5                                   2021-22 school year and fifteen percent each school year thereafter, and  
6                                   then the difference added to the amount determined in paragraph 1.
- 7                                   c. The superintendent also shall adjust state aid determined in this subsection:
- 8                                   (1) For the 2019-20 school year, to ensure the amount does not exceed one  
9                                   hundred five percent of the district's baseline funding per weighted student  
10                                   unit, as established in subsection 2, multiplied by the district's weighted  
11                                   student units from the previous school year.
- 12                                   (2) For the 2020-21 school year and each school year thereafter, to ensure the  
13                                   amount does not exceed one hundred ten percent of the district's baseline  
14                                   funding per weighted student unit, as established in subsection 2, multiplied  
15                                   by the district's weighted student units from the previous school year.
- 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 and, tuition revenue received for the provision of an  
28                                   adult farm management program, and tuition received under an  
29                                   agreement to educate students with funding received through federal  
30                                   impact aid as directed each school year in paragraph 3 of  
31                                   subdivision c of subsection 1, the superintendent of public instruction

1                                   also shall reduce the total tuition reported by the school district by the  
2                                   amount of tuition revenue received for the education of students not  
3                                   residing in the state and for which the state has not entered a cross-  
4                                   border education contract; and

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

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

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

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

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

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

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

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