

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.