

**FIRST ENGROSSMENT
with Conference Committee Amendments
ENGROSSED 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 from a school district on an air
11 force base with funding received through federal impact aid, and an
12 additional seventeen percent of tuition received under an agreement to
13 educate students from a school district on an air force base with funding
14 received through federal impact aid each school year thereafter, until the
15 2024-25 school year when sixty-eight percent of tuition received under an
16 agreement to educate students from a school district on an air force base
17 with funding received through federal impact aid must be excluded from the
18 tuition calculation under this paragraph;
- 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
26 2017-18 school year for the following revenue types:
- 27 (1) Mobile home tax revenue;
- 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; and

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

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

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

26 c. Beginning with the 2021-22 school year and for each school year thereafter, the
27 superintendent shall reduce the district's baseline funding per weighted student
28 unit. Each year the superintendent shall calculate the amount by which the
29 district's baseline funding per weighted student unit exceeds the payment per
30 weighted student unit provided in subsection 3. The superintendent shall reduce
31 the district's baseline funding per weighted student unit by fifteen percent of the

1 amount by which the district's baseline funding per weighted student unit exceeds
2 the payment per weighted student unit for the 2021-22 school year. For each
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
10 hundred thirty-nine dollars;

11 (2) One hundred one percent of the district's baseline funding per weighted
12 student unit, as established in subsection 2, multiplied by the district's
13 weighted student units, not to exceed the district's 2017-18 baseline
14 weighted student units, plus any weighted student units in excess of the
15 2017-18 baseline weighted student units multiplied by nine thousand eight
16 hundred thirty-nine dollars; or

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

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

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

22 (2) One hundred two percent of the district's baseline funding per weighted
23 student unit, as established in subsection 2, multiplied by the district's
24 weighted student units, not to exceed the district's 2017-18 baseline
25 weighted student units, plus any weighted student units in excess of the
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
29 amount in paragraph 1, with the difference reduced by fifteen percent for the
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, 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 ~~and~~, tuition revenue received for the provision of an
- 25 adult farm management program, and tuition received under an
- 26 agreement to educate students from a school district on an air force
- 27 base with funding received through federal impact aid as directed
- 28 each school year in paragraph 3 of subdivision c of subsection 1, the
- 29 superintendent of public instruction also shall reduce the total tuition
- 30 reported by the school district by the amount of tuition revenue
- 31 received for the education of students not residing in the state and for

1 which the state has not entered a cross-border education contract;
2 and

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

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

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

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

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

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

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

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

29 **Baseline funding - Establishment - Determination of state aid. (Effective after**
30 **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 ~~and~~, 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 air
26 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. The superintendent shall reduce
12 the district's baseline funding per weighted student unit by fifteen percent of the
13 amount by which the district's baseline funding per weighted student unit exceeds
14 the payment per weighted student unit for the 2021-22 school year. For each
15 year thereafter, the reduction percentage is increased by an additional fifteen
16 percent. However, the district's baseline funding per weighted student unit, after
17 the reduction, may not be less than the payment per weighted student unit
18 provided in subsection 3.

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

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

23 (2) One hundred one 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 nine thousand eight
28 hundred thirty-nine dollars; or

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

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

- 1 (1) The district's weighted student units multiplied by ten thousand thirty-six
2 dollars;
- 3 (2) One hundred two 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 ten thousand
8 thirty-six dollars; or
- 9 (3) The district's baseline funding as established in subsection 1 less the
10 amount in paragraph 1, with the difference reduced by fifteen percent for the
11 2021-22 school year and fifteen percent each school year thereafter, and
12 then the difference added to the amount determined in paragraph 1.
- 13 c. The superintendent also shall adjust state aid determined in this subsection:
- 14 (1) For the 2019-20 school year, to ensure the amount does not exceed one
15 hundred five percent of the district's baseline funding per weighted student
16 unit, as established in subsection 2, multiplied by the district's weighted
17 student units from the previous school year.
- 18 (2) For the 2020-21 school year and each school year thereafter, to ensure the
19 amount does not exceed one hundred ten percent of the district's baseline
20 funding per weighted student unit, as established in subsection 2, multiplied
21 by the district's weighted student units from the previous school year.
- 22 4. After determining the product in accordance with subsection 3, the superintendent of
23 public instruction shall:
- 24 a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the
25 school district; and
- 26 b. Subtract an amount equal to seventy-five percent of all revenue types listed in
27 subdivisions c and d of subsection 1. Before determining the deduction for
28 seventy-five percent of all revenue types, the superintendent of public instruction
29 shall adjust revenues as follows:
- 30 (1) Tuition revenue shall be adjusted as follows:

- 1 (a) In addition to deducting tuition revenue received specifically for the
2 operation of an educational program provided at a residential
3 treatment facility and, tuition revenue received for the provision of an
4 adult farm management program, and tuition received under an
5 agreement to educate students from a school district on an air force
6 base with funding received through federal impact aid as directed
7 each school year in paragraph 3 of subdivision c of subsection 1, the
8 superintendent of public instruction also shall reduce the total tuition
9 reported by the school district by the amount of tuition revenue
10 received for the education of students not residing in the state and for
11 which the state has not entered a cross-border education contract;
12 and
- 13 (b) The superintendent of public instruction also shall reduce the total
14 tuition reported by admitting school districts meeting the requirements
15 of subdivision e of subsection 2 of section 15.1-29-12 by the amount
16 of tuition revenue received for the education of students residing in an
17 adjacent school district.
- 18 (2) After adjusting tuition revenue as provided in paragraph 1, the
19 superintendent shall reduce all remaining revenues from all revenue types
20 by the percentage of mills levied in 2018 by the school district for sinking
21 and interest relative to the total mills levied in 2018 by the school district for
22 all purposes.
- 23 5. The amount remaining after the computation required under subsection 4 is the
24 amount of state aid to which a school district is entitled, subject to any other statutory
25 requirements or limitations.
- 26 6. On or before June thirtieth of each year, the school board shall certify to the
27 superintendent of public instruction the final average daily membership for the current
28 school year.
- 29 7. For purposes of the calculation in subsection 4, each county auditor, in collaboration
30 with the school districts, shall report the following to the superintendent of public
31 instruction on an annual basis:

Sixty-seventh
Legislative Assembly

- 1 a. The amount of revenue received by each school district in the county during the
- 2 previous school year for each type of revenue identified in subdivisions c and d of
- 3 subsection 1;
- 4 b. The total number of mills levied in the previous calendar year by each school
- 5 district for all purposes; and
- 6 c. The number of mills levied in the previous calendar year by each school district
- 7 for sinking and interest fund purposes.