

HOUSE BILL NO. 1225

Introduced by

Representative M. Nelson

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 education foundation aid funding formula maximums.

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

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

6 **15.1-27-04.1. Baseline funding - Establishment - Determination of state aid. (Effective**
7 **through June 30, 2025)**

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

11 a. All state aid received by the district in accordance with chapter 15.1-27 during the
12 2018-19 school year;

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

15 c. An amount equal to seventy-five percent of the revenue received by the school
16 district during the 2017-18 school year for the following revenue types:

17 (1) Revenue reported under code 2000 of the North Dakota school district
18 financial accounting and reporting manual, as developed by the

19 superintendent of public instruction in accordance with section 15.1-02-08;

20 (2) Mineral revenue received by the school district through direct allocation from
21 the state treasurer and not reported under code 2000 of the North Dakota

22 school district financial accounting and reporting manual, as developed by
23 the superintendent of public instruction in accordance with section

24 15.1-02-08;

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

- 1 weighted student units, not to exceed the district's 2017-18 baseline
2 weighted student units, plus any weighted student units in excess of the
3 2017-18 baseline weighted student units multiplied by ~~nine thousand eight-~~
4 ~~hundred thirty-nineten thousand thirty-six~~ dollars; or
- 5 (3) The district's baseline funding as established in subsection 1.
- 6 b. For the ~~2020-21~~2022-23 school year and each school year thereafter, the
7 superintendent shall calculate state aid as the greater of:
- 8 (1) The district's weighted student units multiplied by ten thousand thirty-six
9 dollars;
- 10 (2) One hundred two percent of the district's baseline funding per weighted
11 student unit, as established in subsection 2, multiplied by the district's
12 weighted student units, not to exceed the district's 2017-18 baseline
13 weighted student units, plus any weighted student units in excess of the
14 2017-18 baseline weighted student units multiplied by ten thousand
15 thirty-six dollars; or
- 16 (3) The district's baseline funding as established in subsection 1 less the
17 amount in paragraph 1, with the difference reduced by fifteen percent for the
18 2021-22 school year and fifteen percent each school year thereafter, and
19 then the difference added to the amount determined in paragraph 1.
- 20 e. ~~The superintendent also shall adjust state aid determined in this subsection:~~
- 21 (1) ~~For the 2019-20 school year, to ensure the amount does not exceed one-~~
22 ~~hundred five percent of the district's baseline funding per weighted student-~~
23 ~~unit, as established in subsection 2, multiplied by the district's weighted-~~
24 ~~student units from the previous school year.~~
- 25 (2) ~~For the 2020-21 school year and each school year thereafter, to ensure the-~~
26 ~~amount does not exceed one hundred ten percent of the district's baseline-~~
27 ~~funding per weighted student unit, as established in subsection 2, multiplied-~~
28 ~~by the district's weighted student units from the previous school year.~~
- 29 4. After determining the product in accordance with subsection 3, the superintendent of
30 public instruction shall:

- 1 a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the
2 school district, except the amount in dollars subtracted for purposes of this
3 subdivision may not exceed the previous year's amount in dollars subtracted for
4 purposes of this subdivision by more than twelve percent, adjusted pursuant to
5 section 15.1-27-04.3; and
- 6 b. Subtract an amount equal to seventy-five percent of all revenue types listed in
7 subdivisions c and d of subsection 1. Before determining the deduction for
8 seventy-five percent of all revenue types, the superintendent of public instruction
9 shall adjust revenues as follows:
- 10 (1) Tuition revenue shall be adjusted as follows:
- 11 (a) In addition to deducting tuition revenue received specifically for the
12 operation of an educational program provided at a residential
13 treatment facility and tuition revenue received for the provision of an
14 adult farm management program as directed in paragraph 3 of
15 subdivision c of subsection 1, the superintendent of public instruction
16 also shall reduce the total tuition reported by the school district by the
17 amount of tuition revenue received for the education of students not
18 residing in the state and for which the state has not entered a cross-
19 border education contract; and
- 20 (b) The superintendent of public instruction also shall reduce the total
21 tuition reported by admitting school districts meeting the requirements
22 of subdivision e of subsection 2 of section 15.1-29-12 by the amount
23 of tuition revenue received for the education of students residing in an
24 adjacent school district.
- 25 (2) After adjusting tuition revenue as provided in paragraph 1, the
26 superintendent shall reduce all remaining revenues from all revenue types
27 by the percentage of mills levied in 2018 by the school district for sinking
28 and interest relative to the total mills levied in 2018 by the school district for
29 all purposes.

- 1 5. The amount remaining after the computation required under subsection 4 is the
2 amount of state aid to which a school district is entitled, subject to any other statutory
3 requirements or limitations.
- 4 6. On or before June thirtieth of each year, the school board shall certify to the
5 superintendent of public instruction the final average daily membership for the current
6 school year.
- 7 7. For purposes of the calculation in subsection 4, each county auditor, in collaboration
8 with the school districts, shall report the following to the superintendent of public
9 instruction on an annual basis:
- 10 a. The amount of revenue received by each school district in the county during the
11 previous school year for each type of revenue identified in subdivisions c and d of
12 subsection 1;
- 13 b. The total number of mills levied in the previous calendar year by each school
14 district for all purposes; and
- 15 c. The number of mills levied in the previous calendar year by each school district
16 for sinking and interest fund purposes.

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

- 19 1. To determine the amount of state aid payable to each district, the superintendent of
20 public instruction shall establish each district's baseline funding. A district's baseline
21 funding consists of:
- 22 a. All state aid received by the district in accordance with chapter 15.1-27 during the
23 2018-19 school year;
- 24 b. An amount equal to the property tax deducted by the superintendent of public
25 instruction to determine the 2018-19 state aid payment;
- 26 c. An amount equal to seventy-five percent of the revenue received by the school
27 district during the 2017-18 school year for the following revenue types:
- 28 (1) Revenue reported under code 2000 of the North Dakota school district
29 financial accounting and reporting manual, as developed by the
30 superintendent of public instruction in accordance with section 15.1-02-08;

- 1 (2) Mineral revenue received by the school district through direct allocation from
- 2 the state treasurer and not reported under code 2000 of the North Dakota
- 3 school district financial accounting and reporting manual, as developed by
- 4 the superintendent of public instruction in accordance with section
- 5 15.1-02-08;
- 6 (3) Tuition reported under code 1300 of the North Dakota school district
- 7 financial accounting and reporting manual, as developed by the
- 8 superintendent of public instruction in accordance with section 15.1-02-08,
- 9 with the exception of revenue received specifically for the operation of an
- 10 educational program provided at a residential treatment facility and tuition
- 11 received for the provision of an adult farm management program;
- 12 (4) Revenue from payments in lieu of taxes on the distribution and transmission
- 13 of electric power;
- 14 (5) Revenue from payments in lieu of taxes on electricity generated from
- 15 sources other than coal;
- 16 (6) Revenue from the leasing of land acquired by the United States for which
- 17 compensation is allocated to the state under 33 U.S.C. 701(c)(3); and
- 18 d. An amount equal to the total revenue received by the school district during the
- 19 2017-18 school year for the following revenue types:
- 20 (1) Mobile home tax revenue;
- 21 (2) Telecommunications tax revenue; and
- 22 (3) Revenue from payments in lieu of taxes and state reimbursement of the
- 23 homestead credit and disabled veterans credit.
- 24 e. Beginning with the 2020-21 school year, the superintendent shall reduce the
- 25 baseline funding for any school district that becomes an elementary district
- 26 pursuant to section 15.1-07-27 after the 2012-13 school year. The reduction must
- 27 be proportional to the number of weighted student units in the grades that are
- 28 offered through another school district relative to the total number of weighted
- 29 student units the school district offered in the year before the school district
- 30 became an elementary district. The reduced baseline funding applies to the
- 31 calculation of state aid for the first school year in which the school district

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

- 5 2. a. The superintendent shall divide the district's baseline funding determined in
6 subsection 1 by the district's 2017-18 weighted student units to determine the
7 district's baseline funding per weighted student unit.
- 8 b. For any school district that becomes an elementary district pursuant to section
9 15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the
10 district's baseline funding per weighted student unit used to calculate state aid.
11 The superintendent shall divide the district's baseline funding determined in
12 subsection 1 by the district's weighted student units after the school district
13 becomes an elementary district to determine the district's adjusted baseline
14 funding per weighted student unit. The superintendent shall use the district's
15 adjusted baseline funding per weighted student unit in the calculation of state aid
16 for the first school year in which the school district becomes an elementary
17 district and for each year thereafter.
- 18 c. Beginning with the 2021-22 school year and for each school year thereafter, the
19 superintendent shall reduce the district's baseline funding per weighted student
20 unit. Each year the superintendent shall calculate the amount by which the
21 district's baseline funding per weighted student unit exceeds the payment per
22 weighted student unit provided in subsection 3. The superintendent shall reduce
23 the district's baseline funding per weighted student unit by fifteen percent of the
24 amount by which the district's baseline funding per weighted student unit exceeds
25 the payment per weighted student unit for the 2021-22 school year. For each
26 year thereafter, the reduction percentage is increased by an additional fifteen
27 percent. However, the district's baseline funding per weighted student unit, after
28 the reduction, may not be less than the payment per weighted student unit
29 provided in subsection 3.
- 30 3. a. For the ~~2019-20~~2021-22 school year, the superintendent shall calculate state aid
31 as the greater of:

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- 1 (1) The district's weighted student units multiplied by ~~nine thousand eight-~~
2 ~~hundred thirty-nineteen thousand thirty-six~~ 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-nineteen thousand thirty-six~~ dollars; or
- 9 (3) The district's baseline funding as established in subsection 1.
- 10 b. For the ~~2020-21~~2022-23 school year and each school year thereafter, the
11 superintendent 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 e. ~~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; and

7 b. Subtract an amount equal to seventy-five percent of all revenue types listed in
8 subdivisions c and d of subsection 1. Before determining the deduction for
9 seventy-five percent of all revenue types, the superintendent of public instruction
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17 also shall reduce the total tuition reported by the school district by the
18 amount of tuition revenue received for the education of students not
19 residing in the state and for which the state has not entered a cross-
20 border education contract; and

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

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

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2 amount of state aid to which a school district is entitled, subject to any other statutory
3 requirements or limitations.
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5 superintendent of public instruction the final average daily membership for the current
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- 7 7. For purposes of the calculation in subsection 4, each county auditor, in collaboration
8 with the school districts, shall report the following to the superintendent of public
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 - 10 a. The amount of revenue received by each school district in the county during the
11 previous school year for each type of revenue identified in subdivisions c and d of
12 subsection 1;
 - 13 b. The total number of mills levied in the previous calendar year by each school
14 district for all purposes; and
 - 15 c. The number of mills levied in the previous calendar year by each school district
16 for sinking and interest fund purposes.