



NORTH DAKOTA SENATE

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COMMITTEES:

Education
Energy and Natural Resources, Chairman

Good afternoon Chairman Owens and House Education Committee. For the record My name is Senator Don Schaible, District 31.

I am here to day to introduce SB 2165 that deals with Ending Fund Balances of School Districts.

Currently in law there is two separate sections that deals with ending fund balances.

While both sections limit a school district's ending fund balance, they are computed differently. In addition to different percentages, Section 15.1-07-29 is computed based on the current annual budget and there is no fiscal penalty for exceeding the limit, while Section 15.1-27-35.3 is computed based on actual expenditures and results in a reduction of state school aid provided by the state if the limit is exceeded. These are the two sections.

Section 15.1-07-29 provides the board of a school district may carry over moneys to the ensuing fiscal year to meet the cash requirements of all funds or purposes to which the credit of the school district may be legally extended, however the amount carried over by a school district may not exceed **45 percent** of the **current annual budget** for all purposes other than debt retirement and amounts financed from bond sources **plus \$20,000**.

Section 15.1-27-35.3 provides the Superintendent of Public Instruction shall determine the amount of payments due to a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June 30th is in excess of **35 percent** of its **actual expenditures**, plus **\$50,000, \$100,000 if the school district is in a cooperative agreement** with another school district to share academic resources.

This bill is trying to incorporate both sections into what was lastly intended by legislative intent and to clean up both sections in law. It was a couple of sessions ago that Sec 15.1-27-53.3 was introduced into law to protect property owners and would limit how much saving accounts school were allowed to build up. So the changes suggested in this bill aligns both sections to allow for the 35% of its actual expenditures, plus **\$50,000, \$100,000 if the school district is in a cooperative agreement** with another school district to share academic resources.

The other suggested changes is on page 2, line 22 that would exempt Impact Aid from the calculation of the Ending Fund Balance Calculation. Impact aid is Federal funding that is designated to mostly our Native American School and Military Schools. One of the concerns with impact aid is that schools may know how much money they are to receive form Impact Aid, but they are not always sure when that funding will come. If they get that money late in the year say April through June, this might create a large ending fund balance and would force schools to spend this money quickly and maybe not most prudent way to avoid the penalty deduction. The other reason for this exemption is to allow school that have little on no property tax a way to save money to build facilities. Most schools with property tax base have a way to pass a bond issue on property tax to fund buildings. For schools with little to no property base, this would provide a way to save to fund for repairs or building projects. With the intent of Ending Fund Balances to protect property taxpayers and since Impact Aid Is not raised from property tax this exemption seems like a reasonable request.

Mr. Chairman and committee we did amend the original bill to add an emergency clause so schools would be able to use this exemption this current year.