

Introduced by

Senator Heitkamp

Representatives Magrum, Toman

1 A BILL for an Act to amend and reenact sections 15.1-27-04.1 and 57-15-14.2 of the North  
2 Dakota Century Code, relating to the removal of local contributions from the education  
3 foundation aid funding formula and school district levies; to repeal section 15.1-27-04.3 of the  
4 North Dakota Century Code, relating to local property tax efforts; and to provide an effective  
5 date.

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

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

9 **15.1-27-04.1. Baseline funding - Establishment - Determination of state aid. (Effective**  
10 **through June 30, 2025)**

- 11 1. To determine the amount of state aid payable to each district, the superintendent of  
12 public instruction shall establish each district's baseline funding. A district's baseline  
13 funding consists of:
- 14 a. All state aid received by the district in accordance with chapter 15.1-27 during the  
15 2018-19 school year;
  - 16 b. An amount equal to the property tax deducted by the superintendent of public  
17 instruction to determine the 2018-19 state aid payment;
  - 18 c. An amount equal to seventy-five percent of the revenue received by the school  
19 district during the 2017-18 school year for the following revenue types:
    - 20 (1) Revenue reported under code 2000 of the North Dakota school district  
21 financial accounting and reporting manual, as developed by the  
22 superintendent of public instruction in accordance with section 15.1-02-08;
    - 23 (2) Mineral revenue received by the school district through direct allocation from  
24 the state treasurer and not reported under code 2000 of the North Dakota

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

1 superintendent shall use the reduced baseline funding to calculate state aid for  
2 the 2020-21 school year and for each year thereafter.

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

6 b. For any school district that becomes an elementary district pursuant to section  
7 15.1-07-27 after the 2017-18 school year, the superintendent shall adjust the  
8 district's baseline funding per weighted student unit used to calculate state aid.

9 The superintendent shall divide the district's baseline funding determined in  
10 subsection 1 by the district's weighted student units after the school district  
11 becomes an elementary district to determine the district's adjusted baseline  
12 funding per weighted student unit. The superintendent shall use the district's  
13 adjusted baseline funding per weighted student unit in the calculation of state aid  
14 for the first school year in which the school district becomes an elementary  
15 district and for each year thereafter.

16 c. Beginning with the 2021-22 school year and for each school year thereafter, the  
17 superintendent shall reduce the district's baseline funding per weighted student  
18 unit. Each year the superintendent shall calculate the amount by which the  
19 district's baseline funding per weighted student unit exceeds the payment per  
20 weighted student unit provided in subsection 3. The superintendent shall reduce  
21 the district's baseline funding per weighted student unit by fifteen percent of the  
22 amount by which the district's baseline funding per weighted student unit exceeds  
23 the payment per weighted student unit for the 2021-22 school year. For each  
24 year thereafter, the reduction percentage is increased by an additional fifteen  
25 percent. However, the district's baseline funding per weighted student unit, after  
26 the reduction, may not be less than the payment per weighted student unit  
27 provided in subsection 3.

28 3. a. For the ~~2019-20~~2021-22 school year, the superintendent shall calculate state aid  
29 as the greater of:

30 (1) The district's weighted student units multiplied by ~~nine thousand eight-~~  
31 ~~hundred thirty-nine~~ thousand thirty-six dollars;

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

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

11 (1) ~~Tuition revenue shall be adjusted as follows:~~

12 (a) ~~In addition to deducting tuition revenue received specifically for the~~  
13 ~~operation of an educational program provided at a residential~~  
14 ~~treatment facility and tuition revenue received for the provision of an~~  
15 ~~adult farm management program as directed in paragraph 3 of~~  
16 ~~subdivision c of subsection 1, the superintendent of public instruction~~  
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.~~

- 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       **SECTION 2. AMENDMENT.** Section 57-15-14.2 of the North Dakota Century Code is  
18   amended and reenacted as follows:

19       **57-15-14.2. School district levies. (~~Effective for taxable years through December 31,~~**  
20   **~~2024~~)**

- 21      1. The board of a school district may levy a tax not exceeding the amount in dollars that  
22      the school district levied for the prior year, plus twelve percent ~~and the dollar amount~~  
23      ~~of the adjustment required in section 15.1-27-04.3~~, up to a levy of seventy mills on the  
24      taxable valuation of the district, for any purpose related to the provision of educational  
25      services. The proceeds of this levy must be deposited into the school district's general  
26      fund and used in accordance with this subsection. The proceeds may not be  
27      transferred into any other fund.
- 28      2. The board of a school district may levy no more than twelve mills on the taxable  
29      valuation of the district, for miscellaneous purposes and expenses. The proceeds of  
30      this levy must be deposited into a special fund known as the miscellaneous fund and

1           used in accordance with this subsection. The proceeds may not be transferred into  
2           any other fund.

3           3. The board of a school district may levy no more than three mills on the taxable  
4           valuation of the district for deposit into a special reserve fund, in accordance with  
5           chapter 57-19.

6           4. The board of a school district may levy no more than the number of mills necessary,  
7           on the taxable valuation of the district, for the payment of tuition, in accordance with  
8           section 15.1-29-15. The proceeds of this levy must be deposited into a special fund  
9           known as the tuition fund and used in accordance with this subsection. The proceeds  
10          may not be transferred into any other fund.

11          5. The board of a school district may levy no more than five mills on the taxable valuation  
12          of the district, pursuant to section 57-15-15.1, for purposes of developing a school  
13          safety plan in accordance with section 15.1-09-60. The proceeds of this levy must be  
14          deposited into a special fund known as the school safety plan fund and used in  
15          accordance with this subsection.

16          6. Nothing in this section limits the board of a school district from levying:  
17           a. Mills for a building fund, as permitted in sections 15.1-09-49 and 57-15-16; and  
18           b. Mills necessary to pay principal and interest on the bonded debt of the district,  
19           including the mills necessary to pay principal and interest on any bonded debt  
20           incurred under section 57-15-17.1 before July 1, 2013.

21          **School district levies. (Effective for taxable years beginning after December 31, 2024)**

22          ~~1. The board of a school district may levy a tax not exceeding the amount in dollars that~~  
23          ~~the school district levied for the prior year, plus twelve percent, up to a levy of seventy~~  
24          ~~mills on the taxable valuation of the district, for any purpose related to the provision of~~  
25          ~~educational services. The proceeds of this levy must be deposited into the school~~  
26          ~~district's general fund and used in accordance with this subsection. The proceeds may~~  
27          ~~not be transferred into any other fund.~~

28          ~~2. The board of a school district may levy no more than twelve mills on the taxable~~  
29          ~~valuation of the district, for miscellaneous purposes and expenses. The proceeds of~~  
30          ~~this levy must be deposited into a special fund known as the miscellaneous fund and~~

1           ~~used in accordance with this subsection. The proceeds may not be transferred into~~  
2           ~~any other fund.~~

3           ~~3. The board of a school district may levy no more than three mills on the taxable~~  
4           ~~valuation of the district for deposit into a special reserve fund, in accordance with~~  
5           ~~chapter 57-19.~~

6           ~~4. The board of a school district may levy no more than the number of mills necessary,~~  
7           ~~on the taxable valuation of the district, for the payment of tuition, in accordance with~~  
8           ~~section 15.1-29-15. The proceeds of this levy must be deposited into a special fund~~  
9           ~~known as the tuition fund and used in accordance with this subsection. The proceeds~~  
10          ~~may not be transferred into any other fund.~~

11          ~~5. The board of a school district may levy no more than five mills on the taxable valuation~~  
12          ~~of the district, pursuant to section 57-15-15.1, for purposes of developing a school~~  
13          ~~safety plan in accordance with section 15.1-09-60. The proceeds of this levy must be~~  
14          ~~deposited into a special fund known as the school safety plan fund and used in~~  
15          ~~accordance with this subsection.~~

16          ~~6. Nothing in this section limits the board of a school district from levying:~~  
17           ~~a. Mills for a building fund, as permitted in sections 15.1-09-49 and 57-15-16; and~~  
18           ~~b. Mills necessary to pay principal and interest on the bonded debt of the district,~~  
19           ~~including the mills necessary to pay principal and interest on any bonded debt~~  
20           ~~incurred under section 57-15-17.1 before July 1, 2013.~~

21          **SECTION 3. REPEAL.** Section 15.1-27-04.3 of the North Dakota Century Code is repealed.

22          **SECTION 4. EFFECTIVE DATE.** Section 2 of this Act is effective for taxable years  
23          beginning after December 31, 2020.