



NORTH DAKOTA

Description of the Formula

In North Dakota's basic support program, there is a "deduct" of the revenue generated by a mill levy set by the legislature. The revenue generated by the "deduct" is used to increase the base per student foundation aid rate and is redistributed through the funding formula. An additional deduction is applied if the district's general fund balance exceeds the allowable limit. The deduct is set at 41 mills for 2006-2007.

Calculation of state aid under the foundation program begins with the calculation of total weighted pupil units, which is then multiplied by the legislatively determined per-pupil payment. The per-pupil payment is \$2,867 in 2006-2007.

Once the per-pupil payment and weighted pupil units have been determined, transportation, special education ADM, teacher compensation and tuition apportionment payments are added. The "deduct" (described above) is subtracted from the resulting sum (equivalent to what would be generated by a 41 mill levy). As there is no recapture provision, a zero replaces any negative figure resulting from the formula.

The basic unit in North Dakota's school foundation program is the Weighted Pupil Unit (WPU). The WPU is calculated by multiplying the greater of the average daily membership from the prior year's enrollment, or the September 10th count from the current year by a weighting factor. Weighting factors are calculated for eight categories based on grade levels and district size using cost data from the most recent five-year period.

District-Based Components

Density/Sparsity of Small Schools

Adjustments may be made to weighted pupil units in certain situations, such as isolated schools, cross border attendance, or alternative education programs. For example, elementary schools that serve less than 50 students, at least 15% of whom would need to travel more than 15 miles to attend another school have their weighting factor increased by 25%. High Schools that serve less than 35 students, at least 15% of whom would need to travel more than 20 miles to attend another school, have their weighting factor increased by 25%.

Grade Level Differences and Pupil Weights for District/School Size

The weighting factors in North Dakota's foundation program are applied only for grade level and district size. Factors are subject to annual review based on comparisons with standard statutory weights and five-year average costs of education for the different grade levels and districts sizes. The weighting factors for the 2006-07 school year are as follows:

Special education preschool	1.1258
Kindergarten	0.6710
Grades 1-6 (<100)	1.3854
Grades 1-6 (100 or more)	1.0064
Grades 7-8	1.0043
Grades 9-12 (<120)	1.2864
Grades 9-12 (120-299)	1.0303
Grades 9-12 (300 or more)	1.0000

Declining Enrollment or Growth

Pupil Payments are based on the current fall enrollment, or the ADM for the previous year whichever is greater. Thus, the formula is sensitive to both declining and increasing enrollment.

Capital Outlay and/or Debt Service

Capital projects for North Dakota school districts are ultimately funded solely by local property taxes. For major projects, the local school board may request authority from the voters to issue bonds. A supermajority (60%) of the qualified voters voting on the proposed project is necessary for approval. Total outstanding bonds cannot exceed 10% of the total assessed valuation in the district. The voters confer authority to incur indebtedness at a specified amount, to then sell bonds to raise funding for the proposed project, and finally to establish a sinking and interest fund and associated levy to raise revenue to pay interest and amortize the outstanding principal (N.D. CENT. CODE § 21-03). School boards may also secure authority from the voters to establish and maintain a building fund (N.D. CENT. CODE § 57-15-16). This authority may be approved to a maximum of 20 mills per year. Since 1985, school boards have had the authority on their own initiative to sell bonds and then pay interest and amortize the principal from proceeds of the building fund levy. A number of restrictions and requirements apply to such action (N.D. CENT. CODE § 21-03).

Transportation

Funding for transportation in 2005-06 is provided to a maximum of 90% of actual expenditures under a rate schedule that includes the number of miles transported, the number of pupil days, the type of vehicle used, and eligibility based upon distance between students' residences and schools. There are three categories for calculating transportation aid. For transportation outside city limits, school districts are eligible for funding of 40 cents per mile for vehicles with capacities of less than 10 students. For larger vehicles, districts receive 67 cents per mile plus 40 cents per day per student. For

any means of transportation of eligible students within city limits, school districts received 20 cents per student per one-way trip. If such transportation was provided by vehicles other than commercial buses, the district was eligible for an additional 50 cents per mile for in-city transportation. If students were transported by parents, in cases where district transportation was not provided, the district could reimburse parents and then claim 40 cents per mile per day if the students lived more than two miles from the school. The funding for 2006-07 will be block granted based on the amount received in 2005-06.

Student-Based Components

Special Education

State funds are provided in three different categories. Special education ADM payments of \$190 per pupil are provided and these payments constituted approximately 70% of all special education funding provided by the state. A second mechanism provides payments to school districts that incurred excess costs of special education services. Districts were responsible for special education expenditures per student to two and one-half times the state average per-pupil expenditures. Beyond that amount, the state reimbursed districts for 80% of the “excess costs.” The third provision for special education funding supported excess costs for students placed by state agencies or court order. In those instances, the district of residence was responsible only for education and/or special education costs to the state average of per-pupil expenditures and the state paid all costs beyond that amount.

Compensatory Education

Does not apply.

English Language Learner/Bilingual Education

\$650,000 was appropriated for the 2005-2007 biennium to assist districts with students having difficulty speaking, reading, writing and understanding English as evidenced by a language proficiency test.

Gifted and Talented Education

\$400,000 was appropriated for the 2005-2007 biennium for gifted and talented programs.

Other

Vocational education – Approved vocational education programs are funded in part through the State Board for Career and Technical Education, an agency that is involved also in funding programs at designated post-secondary institutions. Local school districts are expected to provide a major portion of funding and vocational programs are augmented by federal aid. The state provides approximately one third of vocational funding.

Revenue supplement – School districts, which had taxable valuation of property below the state average and per-pupil (ADM) expenditures less than the state average in the preceding year receive supplemental funding. The Legislative Assembly appropriated \$5 million for the 2005-2007 biennium that is distributed on a specialized equity formula.

Teacher compensation reimbursement – This program reimburses school districts for increasing the compensation of its teachers. The amount was \$3,000 for each full time teacher in 2006-2007.

Tuition apportionment – Interest and earning from the common schools trust fund are distributed schools based on resident age 6-17. The amount per student was \$351 per student in 2006-2007.

Revenue and Expenditure Information

State Mandates Restricting Revenue or Expenditure Increases

Does not apply.

Property Assessment Ratios Used/Legal Standards for Property Assessment

Property tax in North Dakota is applied only to real property, except both real and personal property of public utilities is taxable. Property is given an assessed value of 50% of the true and full value. Once the assessed value had been determined, an assessment ratio is applied. The current assessment ratio is 9% for residential property, and 10% for other types of property, or 4.5% and 5%, respectively, of true and full value. Recent legislation set the assessment ratio for centrally assessed wind generation units at either 3% or 1.5%, depending on the construction timeframe. In most cases true and full agricultural land value being based on the land's productivity.

Measure of Local Ability to Support Schools

Property valuation per pupil.

School District Budget and Tax Rate Procedures/Sources of Local Revenue

All 198 school districts are fiscally independent.

Taxing limits in North Dakota include caps on: individual levies, general fund levies, total indebtedness, and allowable general fund balances.

The maximum levy for the general fund may be calculated using one of the following methods:

1. Eighteen percent increase in dollars over last year's levy as authorized by NDCC 57-15-14, up to a maximum of 185 mills.
2. The maximum number of mills authorized by the electors of the district, NDCC-57-15-14.
3. The amount levied in dollars in the base year (the highest amount levied in dollars in property taxes of the three taxable years immediately preceding the budget year, NDCC 57-15-01.1). The levy imitation does not apply for levies for board and lodging for high school students, tuition for students in grades seven through twelve, final judgments obtained against a school district, the removal of asbestos, remodeling to meet

specifications set by the Americans with Disabilities Act accessibility guidelines or the state fire marshal and for providing an alternative education program. In addition voters may approve a dedicated levy of up to 5 mills for technology that is accounted for within the general fund.

There is no maximum allowable fund balance for the general fund, although a provision in the school finance formula could result in a reduction in state aid if a district's general fund balance exceeds an amount equal to 50% of its general fund expenditure plus \$20,000. Beginning July 1, 2008 the percentage will be reduced to 45%.

State Support for Nonpublic Schools

No response provided.

NOTE: Beginning with the 2007-2008 school year North Dakota redesigned its funding formula to improve the adequacy and equitable distribution of funding for schools. The new formula combined virtually all state aid previously appropriated and distributed separately into a single student driven formula. Weighting factors are used to reflect additional costs of educating students based on factors such as school size, special education and limited English proficiency. The formula also includes adjustments guaranteeing low property wealth districts a local revenue yield of at least 90% of the state average. The legislature created a commission made up of legislators and education stakeholders to continue work on improving the current system for delivering and financing public elementary and secondary education.

This commission is currently focusing on adequacy issues.