

Financial Aspect of Negotiations

NDSBA Negotiations Seminar

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Superintendent

February 3, 2023 1:45 pm

Revenue – State

Foundation Aid Overview

- The majority of school funding comes through state foundation aid. With the recent levy and **cap limits** to local levy authority school districts have become **exceedingly reliant** on state foundation aid.
- The foundation aid formula has moved from being **property-centric to student-centric**.

State Aid Payment Determination

- State Payments are determined through a number of different calculations based on the following categories:
 - Student Membership
 - Other Program Membership
 - Formula Adjustments
 - Contribution from Other Local Revenue
 - Contribution from Property Tax
 - Baseline Funding



Weighting for School Size

- Smaller districts are seeing an increase in weighting size factors. This would need to be considered when balancing that with deductions for transitions minimum school districts.

Equity Adjustments

Formula Adjustments


29 Transition Maximum Adjustment (from line 68)	\$,120,595.50		0.00
30 Transition Minimum Adjustment (from line 75) 30% Reduction	\$,293,643.10	0.00	0.00
31 Total Adjusted Formula Amount (total lines 28, 29 and 30)			24,236,097.50
32 Contribution from Property Tax (from line 48)			4,684,602.12
33 Contribution from Other Local Revenue (from line 41)			324,346.13
34 State Aid Payment (line 31 minus lines 32 and 33)			19,227,149.25

To limit the differences between districts, there are a series of equity adjustments (Contribution from Property Tax and Contribution from Other Local Revenue) that attempt to even the playing field between “wealthy” districts and “poor” districts to ensure that students have similar opportunities.

After these adjustments, you will see in Line 34 the total State Aid Payment. This is the funding you actually receive for foundation aid.

Three Year Consideration


Any new money put towards salaries will need to be maintained for year 2, likewise, increases offered for year 2 will likely be maintained in year 3.



Example – If a district determines to have \$100,000 in new revenue for 2 years to give to teachers, the most it could give in year 1 is \$50,000.

Bonuses – Are they TFFR reportable?

HB 1187



On the Formula vs Off the Formula (Line 29 and Line 30)

- ▶ 82 school districts in North Dakota are currently “off the formula” as transition minimum school districts. Districts that are transition minimum school districts are those that receive more than the formula generates for those districts.
- ▶ In an attempt to get more districts “on the formula”, the baseline was reset to the 2018/2019 school year for the 2019/2020 school year and beyond.
- ▶ For those 82 school districts, the amount in line 30 will be reduced by another 15% for the 2022-23 school year, and will see an additional 15% cut each ensuing year, until all school districts are on the formula by 2027-28.

Formula Adjustments

Formula Adjustments

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30	Transition Minimum Adjustment (from line 75) 30% Reduction	3,293,643.10	0.00	0.00
31	Total Adjusted Formula Amount (total lines 28, 29 and 30)			24,236,097.50
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B. CONTRIBUTION FROM OTHER LOCAL REVENUE

	Total Revenue	Apportioned Revenue	Percent	
35	1300 Tuition	117,799.28	75%	88,349.46
36	2999 County	12,187.39	75%	9,140.54
37	US Flood	-	75%	-
38	Electric Generation, Distribution and Transmission Tax	20,267.43	75%	15,200.57
39	Mobile Home and Other In-Lieu Taxes	190,002.87	75%	142,502.15
40	Telecommunications	92,204.54	75%	69,153.41
41	Contribution from Other Local Revenue			324,346.13
	S & I Levy	Total Levy	Non S & I Percentage	
	-	100.00	100.00	

C. CONTRIBUTION FROM PROPERTY TAX

42	District Taxable Valuation		78,076,702.00
43	Contribution Mill Rate		60.00
44	Contribution from Property Tax (line 40 times line 41 divided by 1000)		4,684,602.12
45	Minimum Local Effort Adjustment (NDCC 15.1-27-04.2)	-	-
46	Maximum Contribution Increase Adjustment(NDCC15.1-27-04.1.4.a.)	5,106,081.05	-
47	Local Effort Adjustment (NDCC 15.1-27-04.3)		-
48	Adjusted Contribution from Property Tax (total lines 44, 45 and 46)		4,684,602.12



Calculation of a Mill

Calculation of a mill: a mill (one-tenth of a penny) generates revenue equivalent to .001 of the taxable valuation. As an example, if taxable valuation of a school district is \$50,000,000, each mill generates \$50,000.

Quick Check

Assume a district with a taxable valuation of \$15,000,000 wishes to increase 5 mills in the miscellaneous levy. How much in new revenue does this generate?

$$\$15,000,000 \times .001 = \$15,000 \text{ (value of each mill)}$$

$$\$15,000 \times 5 \text{ mills} = \$75,000$$

Mill Levies

- **Fund Group 1 – General Fund**
 - General Fund Property Tax Levy = 60*-70* mills (limited to 12% increase in dollars each year)
 - High School Tuition Levy = amount needed for Tuition
 - Miscellaneous Levy = up to 12 mills not subject to 12%
 - School Safety Plan Levy = voter approved, up to 5 mills (reauthorized every five years)
- **Fund Group 2 – Special Reserve**
 - Special Reserve = up to 3 mills (total in fund must not exceed the equivalent of 15 mills)
- **Fund Group 3 – Capital Projects**
 - **Building Fund Levy** = voter approved (cap is 20 mills, or other approved amount)
 - Special Assessment Levy – amount needed to make payment
- **Fund Group 4 – Debt Service**
 - **Sinking & Interest Levy*** – voter approved, amount needed to make payment plus 10%
 - Judgment Bonding Levy – amount needed to make payment

ESSER Funding

- Important to understand how ESSER Funding has been used and will continue to be used until that revenue has been expended.



Proposed Changes to Funding Formula in the 2023 Legislative Session

- ▶ SB2284 Increase per pupil payments \$10,544 in 2023/2024 and \$10,860 in 2024/2025 (3%, 3%) – provides increase of \$140 million to K-12 Schools for Foundation Aid, and \$75 million for school construction assistance revolving loan.
- ▶ Fully On-Time funding
- ▶ Adjustments to get all school districts to 60 mill deduction remains in place.
- ▶ SB2066 would shift \$327 million from local property taxes to state aid payment by decreasing deduction from 60 mills to 30 mills. It would eliminate the 12% cap on general fund mills.
- ▶ Adjusts Transition Maximum School Districts and increases their payments to get them “on the formula”.
- ▶ SB2328 would provide additional revenue to school districts in excess of 400 square miles with less than 200 students and provide separate weighting factors if schools buildings are 14 miles or more apart in a consolidated school district.

Question and Answers

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