Description of the Formula

North Dakota redesigned its funding formula in 2007-2008. 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. Districts with local property wealth exceeding 150% of the state average receive a reduced state aid amount.

District-Based Components

Density/Sparsity of Small Schools
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 15 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 are applied based on school district size. Districts with average daily membership (ADM) less than 185 receive a factor of 1.25. Districts with ADM between 185 and 900 receive a factor ranging from 1.25 down to 1.0. The factor for districts over 900 ADM are not adjusted, e.g., there factor is 1.0.

There are no adjustments for grade level differences.

Declining Enrollment or Growth
The revised state school aid formula does not recognize declining enrollment or growth. All data used in the formula are from the previous school year.

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 is provided to a maximum of 90% of actual expenditures under a rate schedule that includes the number of miles transported, rides provided and the type of vehicle used. Where district transportation is not available, school districts may reimburse parents and then claim 40 cents per mile per day if the students live more than two miles from the school. Transportation payments are based on prior year statistics.

Student-Based Components

Special Education
Special education funding is provided through a factor in the main funding formula based on the total number of students in average daily membership. There are also factors for pre-school students on IEPs and extended year special education programs. These factors generate approximately 70% of the special education funding provided by the state. The remainder of the funding is set aside at the state level to reimburse school districts with extremely high cost special education students. Where students are placed by external agencies for purposes other than education, districts are reimbursed for allowable costs exceeding the state average cost per pupil. Educational placements are reimbursed for allowable costs exceeding 4 times the state average cost per pupil. Transportation and equipment are not included in allowable costs.

Compensatory Education
Does not apply.

English Language Learner/Bilingual Education
Funding for students with limited English skills is provided through factors in the main funding formula. Factors are based on assessment level.

Gifted and Talented Education
$800,000 is appropriated for the 2009-2011 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.
Regional education associations – State funding for regional education associations (REAs) is provided through a factor in the main funding formula. The funding generated for member districts is forwarded directly to the REA. The state also provides each REA a $25,000 base grant annually.

**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. Roughly two percent of district tax revenue is generated through alternative assessment methods.

**Measure of Local Ability To Support Schools**
The measure for local ability to support schools is property valuation per pupil.

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

In 2009-10 the legislature implemented a mill levy reduction program where school districts are given state grants based the general fund mills levied over 100 mills in taxable year 2008. These grants are capped at 75 mills. In exchange, districts agree to levy no more than 110 mills for their general fund unless their voters approve a higher levy rate.

There is no maximum allowable fund balance for the general fund, although a provision in the school finance formula reduces state aid by the amount a district’s general fund balance exceeds 45% of its general fund expenditure plus $20,000.

**State Support for Nonpublic Schools**
Does not apply.