

FISCAL NOTE
Requested by Legislative Council
01/16/2013

Revised
 Bill/Resolution No.: HB 1319

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$944,500,162	\$854,499,838		
Appropriations			\$932,900,162	\$854,499,838		

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts		\$1,073,266,162	
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

House Bill 1319 is the integrated K-12 formula plan implementing the Executive Budget recommendation to deliver both expanded property tax relief and adequacy-based education funding.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill implements a fundamental change in the K-12 school funding formula. It is based on the premise that the state will determine the base level of support necessary to educate its students to state standards and provide that level of support to school districts through a combination of state and local tax sources. It repeals the current mill levy reduction grant program. The state taxes will fund a larger share of the cost of education accomplished through increased state funding for the new integrated formula. The local funding requirement will be set at 50 mills and 75% of other in-lieu of property tax dollars, reducing local support for schools from 35% to 21% statewide. In exchange for increased state funding through the adequacy formula, school district levy authority is rewritten to reduce the general fund mill levy cap to 60 mills and to consolidate the numerous special purpose levies into a miscellaneous 12 mill authority under the control of the local school board. Levies for capital purposes and reserve funds are maintained. Major impact on school district budgets is minimized through transition adjustments. A baseline rate per weighted student unit is calculated for each school district. The baseline rate is determined by dividing the sum of 2012-13 state school aid, 2012-13 mill levy reduction grants and an amount determined by multiplying the combined education mills levied over 50 mills (limited to 60 mills) times taxable valuation for the 2011 tax year by 2012-13 weighted student units. The formula payment is adjusted to minimum and maximum baseline funding on a weighted student unit basis. The K-12 funding proposal provides an increase of \$527.2 million accounted for as follows: State Cost to Continue \$27.7 million Cost of Projected Student Growth \$53.5 million Increase in Per Student Payment \$73.6 million Increase in Property Tax Relief \$372.4 million Changes in HB 1319 with fiscal impact that are not reflected in the Executive Budget recommendation: Section 8 Weighted average daily membership: • The special education factor is increased from .079 to .082. This change adds 612 weighted student units. The estimated additional cost is \$5.5 million. Section 10 State aid determination: • Mineral revenue in excess of two million dollars received by the school district and reported under code 2000 of the North Dakota school district accounting and reporting manual, is excluded from the formula. The estimated additional cost of the exclusion is \$9 million. • Include revenue received by the school district from payments in-lieu of taxes and state reimbursement of the homestead credit and disabled veterans' credit in the local contribution requirement in the formula. The estimated savings in the formula is \$2.9 million. Section 15 Annual Salary – Minimum amount: This section raises the minimum salary

amount for a full-time teacher, under contract for a period of nine months, to \$27,500 from \$22,500. The impact will be on local school districts. Salary data identified 25 teachers teaching 100% of the time with salaries between \$22,500 and \$27,500 in 2011-12. Increasing those salaries to the new minimum would cost local school districts \$42,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The funding for this bill is in HB 1013. Appropriation: Integrated Formula Payments 1,787,400,000 Grants – Mill Levy Reduction 0 Grants – State School Aid 0 Funding: General fund 932,900,162 General fund (transferred from property tax fund) 0 Tuition fund 140,326,000 Property tax relief sustainability fund 714,173,838

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