

**TESTIMONY ON HB 1013**  
**HOUSE APPROPRIATIONS COMMITTEE**  
**January 13, 2021**  
**By: Jamie Mertz, Director Fiscal Management**  
**701-328-2176**  
**Department of Public Instruction**

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Mr. Chairman and Members of the Committee:

Good morning, my name is Jamie Mertz, Director of Fiscal Management for the Department of Public Instruction. I am here to provide you information regarding the Department's 2021-23 appropriation request. I refer you to the budget book that was distributed this morning.

The Department's budget is comprehensive and includes three outlying agencies. These agencies will be providing information and testimony to you tomorrow. For your convenience, we have separated the budget documents by pre-printed tabs for easy reference.

I will start with pages 5 and 6 in the NDDPI 2021-23 Budget Request section. As I mentioned in last week's hearing, this spreadsheet includes various budgets that can be used to compare our requested appropriation. For our hearing today, I will be focusing on column 3 which is our requested budget for the 2021-23 biennium. Our request to the Legislature for the 2021-23 biennium is an overall increase of \$133.9 million compared to our base budget which is a decrease to General Fund spending of \$120 million. Our request includes \$163 million in one-

time Federal Funding with the Elementary and Secondary School Emergency Relief Fund, also known as ESSER, as well as increased funding from the Common School Fund. We did not submit any changes to our FTE count of 89.25.

In our proposed budget, we included the salary increases that were proposed in the Governor's Executive Budget for a total of \$548,614 of which \$174,879 is general funded. Our request includes an increase to our operating line of \$16.7 million. Just over \$16 million of this amount is one-time funding from the ESSER program. The majority of this funding is discretionary and can be used for COVID related education projects deemed a priority for learning recovery by the State Superintendent. During the 66<sup>th</sup> Legislative Session, DPI was given \$1.2 million to rewrite and update our STARS system. We are requesting \$200,000 for the ongoing maintenance of this system. We are also requesting \$288,000 for a Key Customer Management fee that NDIT will begin charging us in July 2021. We have been informed that OMB is changing their rent model and charging us for more than federal programs as was done in the past, so we are requesting \$137,450 in general funds for this billing change. The final item in our operating line request is \$2,495 for the increase to our Microsoft 365 expenses.

In the Integrated Formula line, our request is \$36.67 million less than our appropriation for the current biennium. Adam Tescher will be going into more detail during his part of the presentation. We are also requesting a \$3 million

increase to the Grants-Special Education line. The costs of these services continue to increase as well as the number of children in this program. The last item I would like to point out in this schedule is a \$3 million increase to the Teacher Support grants that goes to the North Dakota Education Standards and Practices Board for their mentorship program. I believe ESPB will be providing testimony regarding this program. We know the legislature will be seeing many requests for funding and will have to make difficult decisions on which requests to fund. We thank you for taking the time to consider each request.

Page 7 summarizes the additional funding requests that I just spoke about broken out by funding source. As you can see, 96% of the requested increase is funded by the federal government. The next page shows the one-time funding in our requested budget as well our current biennium. The rapid enrollment grants and the music education grants have been fully expended. We have expended \$415,420 of the \$1.2 million appropriated for the STARS rewrite. Although there were delays in the start of this project, we anticipate the full amount will be spent. The only one-time funding in our request for the 2021-23 biennium is the federal ESSER funding.

Page 8 identifies the reductions made in our budget that we submitted to OMB. Because of the unique nature of our budget, the percent we were asked to cut was 12.67% which calculated to over \$3.8 million. To identify cuts in our

operating line we looked at our largest items. The two largest expenses in our operating line are the State assessment and technology cost to NDIT. These items could not be cut and as mentioned previously, NDIT service costs will increase. The next two largest expenditure items were costs the state has historically agreed to assume for local school districts. School approval as required by NDCC 15.1-06-06 and the cost for 11<sup>th</sup> grade students to take the ACT exam the first time. The State is not in a position to continue to be responsible for these school expenses and continue to provide the per pupil foundation aid payment at its current rate. Our plan for this expense would be that our agency would negotiate a statewide contract with Cognia and the districts would pay for their share to Cognia. Although this expense would now be paid by the districts, they would realize a significant reduction in cost by having a state-wide contract versus each district having its own contract. All high school juniors must take the ACT exam. Economically disadvantaged students may qualify for the ACT Fee Waiver program which could cover up to four ACT tests. This program has been severely underutilized in North Dakota because the state has covered the cost of the first exam.

In our Grants-Program Grants line we cut \$600,000 in grants that are not a part of our current initiatives. The remainder of our cuts were made proportionately to the Grants-Passthrough Grants and PowerSchool lines. We did

notify NDI of the amount of reduction to PowerSchool and they asked that we request an optional package to reduce the reduction to \$250,000. In the Governor's Executive Budget this line was only reduced by \$250,000.

Pages 10 and 11 show the various federal funding the department receives for administration and grants to various entities. We continuously evaluate the federal programs we participate in to make sure they support the education goals set out by the State.

Page 12 summarizes the COVID-19 related federal funding the agency has been awarded as well as spent. We anticipate that most of the Education Corps and K-12 COVID resiliency grants will be fully spent by the end of January. The performance period for these funds was originally to end on December 30<sup>th</sup>, 2020. This was extended with recent federal legislation and we will be working with OMB regarding any unused funds. We also know that ESSER expenditures will increase as districts used the other two grant programs first because they had an earlier end date.

The last item I would like to point out is the Pass-Thru State Grants tab. We've included a summary of each pass-through grant as well as the required performance reports. I believe some of these grantees will be submitting testimony regarding the programs these grants fund.

Mr. Chairman, this concludes my remarks and I thank you for the opportunity to discuss the budget of the Department of Public Instruction. Our School Finance Officer Mr. Adam Tescher will present information on the next section pertaining to school funding but I would be happy to take any additional questions from the committee before he presents. Please feel free to contact me or other Department personnel to answer any questions or provide further information. Thank you.