

**Department of Public Instruction
Budget No. 201
House Bill Nos. 1013 and 1261, Senate Bill Nos. 2238 and 2267**

	FTE Positions	General Fund	Other Funds	Total
2013-15 executive budget (bills as introduced)	99.75	\$1,043,309,862	\$1,151,411,433	\$2,194,721,295
2013-15 legislative appropriations	99.75	1,723,613,325	436,996,759	2,160,610,084
Legislative increase (decrease) to executive budget	0.00	\$680,303,463	(\$714,414,674)	(\$34,111,211)
Legislative increase (decrease) to 2011-13 appropriations	0.00	\$479,587,674 ¹	(\$44,206,664) ¹	\$435,381,010

¹This amount reflects the following 2011-13 supplemental appropriations:

- \$25 million of additional federal funds to the Department of Public Instruction for providing grants to school districts (Section 3 of House Bill No. 1013).
- \$45,000 from the general fund for continuing education grants for the 2011-13 biennium (House Bill No. 1023).

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2011-13 legislative appropriations	\$1,243,641,651	\$384,000	\$1,244,025,651
2013-15 legislative appropriations	1,717,543,325	6,070,000	1,723,613,325
2013-15 legislative increase (decrease) to 2011-13 appropriations	\$473,901,674	\$5,686,000	\$479,587,674
Percentage increase (decrease) to 2011-13 appropriations	38.1%	1,480.7%	38.6%
2013-15 legislative increase (decrease) to executive budget	\$674,233,463	\$6,070,000	\$680,303,463
Percentage increase (decrease) to executive budget	64.6%	N/A	65.2%

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The legislative action affecting the recommended appropriation for the Department of Public Instruction is in accordance with legislative salary and fringe benefits guidelines as contained in House Bill No. 1015. Consistent with the guidelines, a portion of salaries and wages funding from the general fund (\$104,350) and from other funds (\$217,718) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying accrued annual leave and sick leave for eligible employees.

	Major Items		
	FTE Positions	General Fund	Other Funds
			Total
The legislative action:			
Adjusted funding for state employee salaries and benefits consistent with the legislative compensation package guidelines included in House Bill No. 1015.		(\$107,481)	(\$240,836)
Added one-time funding for a flexible funding pool for initiatives of \$2.75 million for the following items that were not included in the executive recommendation:		2,750,000	2,750,000
<ul style="list-style-type: none"> • Management information systems - Website updates. • Safe and drug-free schools salary funding. • Statewide accreditation system. • Business manager training program. 			
Funding is also included in the pool for the following items included in the executive recommendation:			
<ul style="list-style-type: none"> • Management information systems - STARS maintenance and development (\$719,000). • Common core state standards (\$500,000). • Teacher and principal evaluation systems (\$400,000). 			
The funding provided for the Superintendent of Public Instruction's initiatives funding pool is offset by funding reductions in line items related to the initiatives included in the executive recommendation (see below).			
Removed funding added in the executive budget for:		(1,619,000)	(1,619,000)
<ul style="list-style-type: none"> • Management information systems - STARS maintenance and development (\$719,000). • Common core state standards (\$500,000). • Teacher and principal evaluation systems (\$400,000). 			
Funding for these initiatives was included in the funding pool for initiatives (see below).			
Decreased funding included in the executive budget for the Gearing Up for Kindergarten program to provide a total of \$675,000 from the general fund.		(140,000)	(140,000)
Increased funding included in the executive budget for the Global Bridges (Atlantik-Brucke) exchange program to provide a total of \$150,000 from the general fund.		45,000	45,000

Added funding for a passthrough grant to the Pathfinders Parent Project.	131,106		131,106
Added one-time funding for a passthrough grant to the State Historical Society for the republication of the <i>Governing North Dakota</i> textbook.	20,000		20,000
Added one-time funding for the Superintendent of Public Instruction to conduct the early childhood care and education study required in Senate Bill No. 2229.	200,000		200,000
Added one-time funding for the Superintendent of Public Instruction to contract with the Information Technology Department and a private consultant to conduct an information technology staffing analysis.	100,000		100,000
Adjusted the funding source for the property tax relief component of the integrated formula payments from the property tax relief fund to the general fund.	714,173,838	(714,173,838)	
Increased integrated formula payments due to an increase in the special education factor from .079 to .082.	5,500,000		5,500,000
Decreased integrated formula payments due to a decrease in the regional education association factor from .004 to .002.	(3,700,000)		(3,700,000)
Decreased integrated formula payments due to savings related to a reduction in the home education supervision factor from .50 to .20.	(515,000)		(515,000)
Increased integrated formula payments due to increased school district size weighting factors for school districts with enrollments between 125 and 185 students. The extension results in an increase in the weighted student units for school districts with enrollment below 185 students.	7,315,000		7,315,000
Decreased integrated formula payments due to including payments in lieu of taxes and state reimbursement of the homestead property tax credit and disabled veterans property tax credit in the local contribution requirement of the integrated formula payment.	(2,900,000)		(2,900,000)
Decreased integrated formula payments due to savings related to changes in the percentage of other in lieu revenue included in the formula.	(2,700,000)		(2,700,000)
Increased integrated formula payments due to a change in the method of calculating baseline adjustments.	4,800,000		4,800,000
Increased integrated formula payments due to revisions in the department's budget estimates.	4,000,000		4,000,000

Increased integrated formula payments due to changes in the minimum local effort calculation.	10,600,000	10,600,000
Decreased integrated formula payments due to an increase in the local contribution from 50 mills to 60 mills.	(57,700,000)	(57,700,000)
Reduced funding provided in the executive recommendation of \$17 million to \$13.6 million for rapid enrollment grants and provided the funding in House Bill No. 1261.	(3,400,000)	(3,400,000)
Added funding for cardiopulmonary resuscitation (CPR) training grants (Senate Bill No. 2238).	450,000	450,000
Added one-time funding for school district safety grants (Senate Bill No. 2267).	3,000,000	3,000,000
Total	<u>0.00</u>	<u>\$680,303,463</u>
		<u>(\$714,414,674)</u>
		<u>(\$34,111,211)</u>

FTE Changes

The Legislative Assembly did not change the executive recommendation which included funding for 99.75 FTE positions, the same as the 2011-13 biennium.

One-Time Funding

In Section 2 of House Bill No. 1013, the Legislative Assembly identified \$3,070,000 of one-time funding from the general fund for the 2013-15 biennium for various initiatives. In addition, the Legislative Assembly also provided one-time funding from the general fund of \$3 million for school district safety grants in Senate Bill No. 2267. These items, summarized below, are not to be considered part of the agency's base budget for preparing the 2015-17 executive budget, and the Department of Public Instruction is to report to the Appropriations Committees during the 2015 legislative session on the use of this funding.

	General Fund	Special Funds	Total
Funding pool for initiatives (HB 1013)	\$2,750,000		\$2,750,000
Information technology staffing analysis (HB 1013)	100,000		100,000
Early childhood care and education study (HB 1013)	200,000		200,000
<i>Governing North Dakota</i> textbook (HB 1013)	20,000		20,000
School district safety grants (SB 2267)	3,000,000		3,000,000
Total	\$6,070,000	\$0	\$6,070,000

State School Aid - Integrated Formula Payments, Transportation Aid, Special Education Contracts, and Rapid Enrollment Grants

The Legislative Assembly appropriated \$1,835,700,000, of which \$1,695,374,000 is from the general fund and \$140,326,000 is from the state tuition fund, for state school aid, including integrated formula payments, transportation aid, special education, and grants for rapid enrollment growth. This level of funding represents an increase of \$484.7 million, including increases in funding of \$472.3 million from the general fund and \$38.7 million from the state tuition fund and decreases in funding of \$5 million from the oil and gas impact grant fund and \$21.3 million from federal funds, from the 2011-13 legislative appropriation of \$1,350,992,316. (See the schedules following this section for a comparison of state school aid and other grants for the 2011-13 and 2013-15 bienniums.)

Integrated Formula Payments

The Legislative Assembly approved the implementation of a new integrated formula payment to provide school funding. The legislative appropriation for the state school aid program follows substantially the executive budget recommendation to integrate property tax relief in the kindergarten through grade 12 state school aid funding formula. The formula change discontinues the mill levy reduction grant program and provides the state will determine an adequate base level of support necessary to educate students by applying an integrated payment rate to the weighted student units. For the 2013-15 biennium, the integrated payment rates are \$8,810 during the first year of the biennium and \$9,092 for the second year of the biennium. This base level of support will be provided

through a combination of local tax sources, local revenue, and state integrated formula payments. The local funding requirement is set at 60 mills and a percentage of identified local in lieu of property tax sources and local revenues. Base level support not provided by local sources is provided by the state through the integrated formula payment. In addition, school districts are allowed an additional 10-mill levy for general fund purposes, an additional 12-mill levy for miscellaneous purposes, and a 3-mill levy for a special reserve fund.

The Legislative Assembly provided an appropriation of \$1,752,100,000, of which \$1,611,774,000 is from the general fund and \$140,326,000 is from the state tuition fund, for state school aid for integrated formula payments. This level of funding represents an increase of \$491.9 million, of which \$453.2 million is from the general fund and \$38.7 million is from the state tuition fund, from the 2011-13 biennium appropriation for state school aid and mill levy grants of \$1.26 billion.

Integrated formula payments related to state school aid total \$1.096 billion, an increase of \$177.2 million from state school aid provided during the 2011-13 biennium, and \$656.5 million for a mill levy buydown of 125 mills for the 2013-15 biennium (50 mills more than the 75 mills provided during the 2011-13 biennium), an increase of \$314.7 million from the \$341.8 million provided for mill levy reduction grants from the general fund during the 2011-13 biennium. The executive recommendation included, and the Legislative Assembly approved, increases in the state school aid component of the integrated formula payments totaling \$154.8 million related to cost to continue the formula (\$27.7 million), cost of projected student growth (\$53.5 million), and cost associated with increased per student payments (\$73.6 million). Additional changes to the formula approved by the Legislative Assembly resulted in a net increase of \$22.4 million for a total increase in the state school aid component of the integrated formula payments from the 2011-13 biennium of \$177.2 million. Changes made to the formula by the Legislative Assembly include:

\$5.5 million increase due to an increase in the **special education factor** from .079 to .082;

(\$3.7 million) reduction related to a decrease in the **regional education association factor** from .004 to .002;

\$7,315,000,000 increase due to an extension of increasing **school district size weighting factors** to school districts with 125 students. The extension results in an increase in the weighted student units for school districts with enrollment below 185 students;

(\$2.9 million) reduction as a result of including payments in lieu of taxes and state reimbursement of the homestead property tax credit and disabled veterans property tax credit in the **local contribution requirement** of the integrated formula payment;

\$4.8 million increase due to a change in the method of calculating **baseline adjustments**;

\$4 million increase due to revisions in the department's **budget estimates**;

(\$515,000) reduction related to a decrease in the **home education supervision factor** from .50 to .20;

(\$2.7 million) reduction related to changes in the **percentage of other in lieu revenue** included in the formula; and

\$10.6 million increase related to changes in the **minimum local effort calculation**.

The executive recommendation for integrated formula payments included a mill levy buydown component of 135 mills for the 2013-15 biennium. The Legislative Assembly provided a mill levy buydown of 125 mills reducing the integrated formula payment component related to property tax relief by \$57.7 million. The Legislative Assembly did not change the executive recommendation to reduce the PowerSchool factor from .006 to .003.

Transportation Aid

The executive budget recommendation for the 2013-15 biennium included funding of \$53.5 million from the general fund for transportation aid. This level of funding is \$5 million more than the 2011-13 biennium. The Legislative Assembly did not change the executive budget recommendation for transportation aid.

Section 9 of House Bill No. 1013 requires the Department of Public Instruction to distribute transportation aid for the 2013-15 biennium based on the state transportation formula as it existed on June 30, 2001, except that the department is to provide reimbursement at the rate of:

- One dollar and 13 cents per mile for schoolbuses having a capacity of 10 or more passengers.
- Fifty-two cents per mile for vehicles having a capacity of nine or fewer passengers.
- Fifty cents per mile round trip for family transportation of a student with a disability whose individualized education program plan requires that the student attend a school outside the student's school district of residence.
- Fifty cents per mile one way for family transportation if the student lives more than two miles from the public school the student attends.
- Thirty cents per student for each one-way trip.

Section 9 of House Bill No. 1013 also provides if any funds appropriated for transportation aid for the 2013-15 biennium remain unspent after all statutory obligations are met, the Department of Public Instruction is to prorate and distribute the remaining amounts according to the percentage of the total transportation formula amount to which each school district is entitled.

Special Education Contracts

The Legislative Assembly did not change the executive budget recommendation to provide a general fund appropriation of \$16.5 million for special education contracts. The 2013-15 biennium appropriation is \$500,000 more than the 2011-13 biennium appropriation of \$16 million.

Rapid Enrollment Grants

The Legislative Assembly in House Bill No. 1261 provided \$13.6 million from the general fund to the Superintendent of Public Instruction for rapid enrollment grants. This level of funding is \$8.6 million more than the 2011-13 biennium. To qualify for a rapid enrollment grant, the school district's enrollment must increase by at least 4 percent annually, and more than 20 students. The district's grant is determined by reducing the actual percentage increase in the number of students by 2 percent and multiplying the number of students represented by the reduced percentage by \$3,900. The Superintendent may not award more than \$6.8 million in grants during the first year of the 2013-15 biennium. If the appropriated amount is insufficient, the Superintendent is authorized to prorate the grants. A district is precluded from receiving a rapid enrollment grant if the district is not eligible to receive state aid because of its general fund ending balance. The executive budget recommendation for the 2013-15 biennium included funding of \$17 million from the general fund for rapid enrollment grants.

Regional Education Association Incentives

The executive budget recommendation included funding for payments to regional education associations totaling \$800,000 in the integrated formula payments line item for the 2013-15 biennium, the same as the 2011-13 biennium. Funding is provided to each regional education association for 70 percent of the total compensation payable to a coordinator, not to exceed \$50,000 annually. The Legislative Assembly did not change the executive budget recommendation relating to the funding of regional education associations.

Funding Pool for Initiatives

The Legislative Assembly provided a flexible funding pool of \$2,750,000 for items that were not included in the executive budget recommendation, including management information systems--website updates, safe and drug-free schools salary funding, statewide accreditation system, and a business manager training program. In addition, the flexible funding pool is intended to provide funding for items totaling \$1,619,000 included in the executive budget recommendation, including management information systems--STARS maintenance and development (\$719,000), teacher and principal evaluation systems (\$400,000), and common core state standards (\$500,000). The increase in funding for the Superintendent's initiatives funding pool is offset by funding reductions in line items related to the initiatives included in the executive budget recommendation, for a net increase in funding of \$1,131,000 from the general fund.

In addition, the Legislative Assembly provided for an exemption to North Dakota Century Code Section 54-16-04 relating to line item transfers to require the Department of Public Instruction transfer funding, to the extent necessary, from the funding pool for initiatives line item to the appropriate line item for expending the funds for each initiative. The Superintendent of Public Instruction must report to the Office of Management and Budget (OMB) regarding all transfers from the funding pool for initiatives.

Other Sections in House Bill No. 1013

2011-13 deficiency appropriation - Section 3 appropriates \$25 million of additional federal funds to the Department of Public Instruction for providing grants to school districts during the 2011-13 biennium. Section 68 provides this section is an emergency measure.

Tuition apportionment - Section 4 provides any money available in the state tuition fund in excess of the \$140,326,000 appropriated in Section 1 is appropriated to the Department of Public Instruction for distribution to school districts.

Transfer - Property tax relief fund to the general fund - Section 5 provides for a transfer of \$341,790,000 from the property tax fund to the general fund for the 2013-15 biennium.

Payments for 2011-13 biennium educational services - Section 6 provides the Department of Public Instruction may use money appropriated for integrated formula payments and special education contracts for the 2013-15 biennium to pay claims due during the 2011-13 biennium but not filed with the department until the 2013-15 biennium.

Gifted and talented program and Medicaid matching distribution - Section 7 provides the Department of Public Instruction use \$800,000 of the 2013-15 legislative appropriation for integrated formula payments for reimbursing school districts or special education units for gifted and talented programs. The department is to encourage cooperative efforts for gifted and talented programs among school districts and special education units. State school aid payments for special education must be reduced by the amount of matching funds required to be paid by school districts or special education units for students participating in the Medicaid program. Special education funds equal to the amount of the matching funds required to be paid by the school district or special education unit must be paid by the Department of Public Instruction to the Department of Human Services on behalf of the school district or unit.

Regional education association grants - Section 8 provides for the distribution of up to \$800,000 from the integrated formula payments line item for regional education association grants to assist with the cost of compensating coordinators during the 2013-15 biennium. The maximum annual grant to a regional education association is the lesser of \$50,000 or 70 percent of the total compensation of the coordinator.

Transportation grants - Section 9 provides for the distribution of transportation grants to school districts.

Continuing education grants - Section 10 provides for the distribution of up to \$150,000 from the grants - other grants line item for continuing education grants. Grant awards are in amounts up to \$1,200 per eligible recipient and any funding remaining after grants have been awarded to all eligible recipients must be distributed to school districts as additional per student payments based on latest average daily membership.

Indirect cost allocation - Section 13 provides that, notwithstanding Section 54-44.1-15, the Department of Public Instruction may deposit indirect cost recoveries in its operating account. Section 54-44.1-15 otherwise provides that indirect cost recoveries be deposited in the general fund.

Funding pool for initiatives - Section 14 provides the Superintendent of Public Instruction must transfer funding from the funding pool for initiatives line item to the extent necessary, to the appropriate line item, for expending the funds for each initiative. The Superintendent must also report to OMB regarding all transfers from the funding pool for initiatives line item.

Information technology staffing analysis - Section 15 identifies \$100,000 from the general fund included in the Department of Public Instruction's appropriation to contract with the Information Technology Department and a private consultant to conduct an information technology staffing analysis for the 2013-15 biennium. The analysis must include a review of the Department of Public Instruction information technology staffing duties, responsibilities, and staffing levels and must consider the feasibility and desirability of transferring additional information technology positions to the Information Technology Department and must provide recommendations regarding the appropriate level of information technology staff for the Department of Public Instruction.

Other grant reporting - Section 16 requires the Department of Public Instruction develop a format for reporting the cost per participant and the outcomes of other grants provided by the department.

Reimbursement of title funding due to federal sequestration - Section 17 provides legislative intent that if, as a result of the federal sequestration order for fiscal year 2013, school districts experience a reduction in funds provided under Title I, the Superintendent of Public Instruction introduce legislation to the 64th Legislative Assembly seeking state funding for school districts to offset the federal funding reductions.

Superintendent's annual salary - Section 22 provides statutory changes relating to the Superintendent of Public Instruction's annual salary. The Superintendent's salary is increased from \$105,954 to \$110,192 on July 1, 2013, and \$113,498 on July 1, 2014.

National board certification program - Section 30 amends Section 15.1-18.1-02 relating to the national board certification program. Payments to qualified individuals maintaining national board certification are increased from \$1,000 to \$1,500 annually. Section 65 of the bill makes these changes effective July 1, 2015.

School construction project loans - Section 44 amends Section 15.1-36-02, as an emergency measure, to authorize the Board of University and School Lands to use \$150 million from the strategic investment and improvements fund for school construction projects. This funding is in addition to \$50 million available from the coal development trust fund.

One-time supplemental assistance payment - Section 57 provides, as an emergency measure, if any money remains in the grants - state school aid line item after the Superintendent of Public Instruction complies with all statutory payment obligations imposed for the 2011-13 biennium, the Superintendent must reserve the first \$158,150 to provide a supplemental assistance payment to a qualifying school district which participated with another school district in a cooperative agreement that at the conclusion of the 2012-13 school year became part of a reorganized district.

Legislative Management study - Education funding and accountability study appropriation and committee - Section 58 provides the Legislative Management appoint a committee to examine and clarify state-level and local-level responsibility for the equitable and adequate funding of elementary and secondary education in the state. Section 59 provides \$100,000 from the general fund to the Legislative Council to contract with consultants and other personnel necessary to complete the study of education funding and accountability.

School construction loans - Section 60 provides that if, as of December 31, 2014, any portion of the \$150 million made available for school construction project loans in Section 15.1-36-02(1)(b) remains uncommitted for the purpose of providing school construction loans, the Board of University and School Lands may authorize up to \$50 million of the uncommitted amount for the purpose of providing medical facility infrastructure loans in accordance with Senate Bill No. 2187.

Autism spectrum disorder technology grant - Section 61 provides, as an emergency measure, if any money remains in the grants - state school aid line item after the Superintendent of Public Instruction complies with all statutory payment obligations imposed for the 2011-13 biennium, the Superintendent may transfer \$250,000 to the Department of Career and Technical Education to provide a grant to an institution implementing a certificate program that prepares individuals with autism spectrum disorder for employment in the technology sector.

The remaining sections of House Bill No. 1013 provide statutory changes related to:

- Student performance strategists;
- Weighting factors;
- School district size factors;
- Teachers' minimum salary;
- Snack break beverages;
- The implementation of the integrated formula payment structure of state school aid and the property tax changes related to the new kindergarten through grade 12 funding formula.

In addition, sections are included to provide the new school funding formula expires on June 30, 2015.

Related Legislation

Rapid enrollment grants - House Bill No. 1261 appropriates \$13.6 million from the general fund to the Department of Public Instruction for a grant to any school district that can demonstrate rapid enrollment growth.

Excess cost and boarding care reimbursements - House Bill No. 1301 continues excess cost and boarding care reimbursements for school districts relating to students voluntarily placed in licensed child care facilities located within their district. House Bill No. 1074 (2011) required school districts to receive state reimbursement for 80 percent of the room and board costs paid by the district for a student with disabilities who is placed in a facility regardless of whether that facility is located within or outside the student's school district of residence. The provision would have expired on June 30, 2013. A fiscal note prepared by the Department of Public Instruction indicates a fiscal impact of \$550,000 from the general fund. The department indicates the cost is expected to be provided by funding included in the grants - special education contracts line item.

State school aid and property tax relief - House Bill No. 1319 provided the kindergarten through grade 12 integrated formula plan included in the executive budget recommendation for state school aid and property tax relief. This bill was defeated by the House and the provisions of the bill were included in the conference committee report for House Bill No. 1013.

Early childhood education program - House Bill No. 1429 allows school districts to establish an early childhood education program and provide funding for the program from local tax revenue.

State academic achievement tests - Senate Bill No. 2102 amends Section 15.1-21-08 relating to the annual administration of state academic achievement tests.

Transition payments for isolated school districts - Senate Bill No. 2214 extends transition payments for school districts that were recognized as being isolated before July 1, 2011, but which no longer meet the statutory criteria. A fiscal note prepared by the Department of Public Instruction indicates a fiscal impact of \$518,413 from the general fund. The Legislative Assembly provided \$324,008 from the general fund for transition payments to isolated school districts, the same as the executive budget recommendation.

Early childhood care and early childhood education study - Senate Bill No. 2229 amends Section 15.1-09-58 relating to early childhood education and provides the Superintendent of Public Instruction study the development, delivery, and administration of comprehensive early childhood care and early childhood education in this state. The study must include an examination of the availability, quality, and cost of services offered by existing public and private sector providers, the projected need for services during the coming 10 years to 20 years, and the ability of public and private sector providers to address the expansion of facilities or the creation of additional facilities. The Superintendent must provide a report, together with recommendations, before June 1, 2014, to the Legislative Management. House Bill No. 1013 includes \$200,000 of one-time funding from the general fund for early childhood care and education study.

Cardiopulmonary resuscitation training grants - Senate Bill No. 2238 appropriates \$450,000 from the general fund to the Department of Public Instruction to reimburse public and nonpublic schools offering qualified CPR training.

School district safety grants - Senate Bill No. 2267 appropriates \$3 million from the general fund to provide school district safety grants to eligible districts.

Youth suicide prevention training - Senate Bill No. 2306 requires the Department of Public Instruction to collaborate with the State Department of Health to obtain and disseminate information and training materials to school districts and to nonpublic schools. A fiscal note prepared by the Department of Public Instruction indicates the bill should have no fiscal impact.