



**EXECUTIVE BUDGET RECOMMENDATION
 2025-27 BIENNIUM**

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Executive budget recommendation	86.25	\$1,655,425,216	\$1,340,402,846	\$2,995,828,062
Base level	86.25	1,728,750,445	1,115,246,674	2,843,997,119
Increase (decrease)	0.00	(\$73,325,229)	\$225,156,172	\$151,830,943
Percentage increase (decrease)	0.0%	(4.2%)	20.2%	5.3%

NOTE:

More detailed information on the executive budget recommendation is attached as Appendix A.

A copy of the draft appropriations bill reflecting the executive budget recommendation is attached as Appendix B.

Selected Highlights

- Salary increases of up to 4 percent effective July 1, 2025, and 3 percent effective July 1, 2026.
- Health insurance increase of \$250 per month (15.23 percent), from \$1,643 to \$1,893, per employee.
- Adds funding to replace 2023-25 biennium vacant FTE pool amounts.
- Increases funding from the general fund by \$700,000 for operating expenses due to an increase in the cost of the accreditation contract.
- Adds \$1 million from the general fund for operating expenses related to ND FIRST interventions for chronically low-performing schools.
- Increases funding by \$2 million from special funds derived from food processing reimbursements for operating expenses related to increases in the food processing program.
- Adds \$28.4 million from federal funds for operating expenses and other grants related to a federal comprehensive literacy state development grant.
- Increases funding for integrated formula payments by \$60 million to provide a total of \$2.36 billion. Funding is provided to increase the per student payment rate by 2 percent each year of the 2025-27 biennium (\$91 million). The increase is offset by cost-to-continue savings related to slower enrollment growth (\$20 million) and by savings related to eliminating transition minimum adjustments (\$6.7 million) and weighted student unit provisions for multiplant school districts (\$4.3 million).
- Adjusts the funding source for integrated formula payments to decrease funding from the general fund by \$78,824,264 and from the strategic investment and improvements fund by \$13,993,086 and increase funding from special funds, including \$84,817,350 from the state tuition fund and \$68,000,000 from the foundation aid stabilization fund.
- Decreases funding from the general fund by \$1.5 million for free meal program grants to provide a total of \$4.5 million from the general fund.
- Adds funding from the general fund to increase total funding for passthrough grants for teacher mentoring to provide a total of \$4.5 million, of which \$2 million is from the general fund and \$2.5 million is from special funds made available from general fund carryover. The additional funds are proposed for ND RISE to expand the program to a 3-year mentorship.
- Adds one-time funding of \$1.25 million from the general fund for operating expenses related to North Dakota Native American Essential Understandings contracts and work group costs and the production of a book series regarding the history and culture of indigenous people and for program grants for Indians into STEM.
- Adds one-time funding of \$5 million from the foundation aid stabilization fund for program grants for school board training and a teacher retention program and for a passthrough grant for 2 Revolutions teacher training.

- Adds one-time funding of \$50 million from the strategic investment and improvements fund for passthrough grants for an educational savings account pilot program.

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Agency Fees

As reported to the Legislative Management pursuant to North Dakota Century Code Section 54-35-27, this agency has one fee. The agency did not recommend any changes to the fees.

Major Related Legislation

House Bill No. 1100 - Provides an exemption to allow the Department of Public Instruction to continue unused funds, provided for free school meals during the 2023-25 biennium, to the 2025-27 biennium to provide grants to reimburse school districts for delinquent meal debt. A fiscal note prepared by the Department of Public Instruction indicates approximately \$2 million may remain at the end of the 2023-25 biennium and would be available for grants to school districts for delinquent meal debt.

Senate Bill No. 2104 - Requires the Superintendent of Public Instruction to promote compliance with education-related state and federal law and to verify school district compliance. If the Superintendent of Public Instruction issues guidance to a school district more than once, the superintendent must deduct 2 percent of the total state aid payments to which a school district is entitled for that school year from the subsequent payment distribution.

NOTE:

Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.



Department of Public Instruction - Budget No. 201
Agency Worksheet - House Bill No. 1013

	Executive Budget			
	FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	86.25	\$1,728,750,445	\$1,115,246,674	\$2,843,997,119
2025-27 Ongoing Funding Changes				
Base payroll changes		\$21	\$25	\$46
Salary increase		366,573	586,183	952,756
Health insurance increase		192,649	353,831	546,480
Adds funding to replace the 2023-25 biennium vacant FTE pool		295,820	493,995	789,815
Base budget operating expense reductions, including federal funds (\$66) and special funds related to school food processing (\$452,060)			(452,126)	(452,126)
Base budget funding source change from federal to special funds for other grants				0
Increases funding for information technology rate increases		7,945		7,945
Increases funding for operating expenses due to an increase in the cost of the accreditation contract		700,000		700,000
Adds funding for operating expenses related to ND FIRST interventions for chronically low-performing schools		1,000,000		1,000,000
Increases funding from special funds derived from food processing reimbursements for operating expenses related to increases in the food processing program			2,000,000	2,000,000
Adds funding for operating expenses to administer a summer food program		150,000		150,000
Adds funding from federal funds for operating expenses and other grants related to a federal comprehensive literacy state development grant			28,350,000	28,350,000
Decreases funding for integrated formula payments for savings related to a reduction in the cost to continue		(20,000,000)		(20,000,000)
Adjusts the funding source for integrated formula payments in the base budget from the strategic investment and improvements fund to the general fund		13,993,086	(13,993,086)	0
Adjusts the funding source for integrated formula payments to provide for an increase in funds available from the state tuition fund to provide a total of \$595,677,350 from the fund		(84,817,350)	84,817,350	0
Adjusts the funding source for integrated formula payments from the general fund to the foundation aid stabilization fund to provide a total of \$225 million from the foundation aid stabilization fund		(68,000,000)	68,000,000	0
Increases funding for integrated formula payments to provide increases in the per student payment rate of 2 percent each year of the 2025-27 biennium		91,000,000		91,000,000
Decreases funding for integrated formula payments for savings related to removing transition minimum adjustments from the formula		(6,700,000)		(6,700,000)

Decreases funding for integrated formula payments for savings related to adjusting multiplant school district funding provisions		(4,300,000)		(4,300,000)
Decreases funding for free meal program grants		(1,500,000)		(1,500,000)
Adds funding for program grants for adult education integrated education and training grants		500,000		500,000
Removes funding from special funds, made available from general fund carryover, for the program grant pool and provides funding from carryover and the general fund for certain program grants		536,027		536,027
Increases funding for passthrough grants for teacher mentoring to provide a total of \$4.5 million, of which \$2 million is from the general fund and \$2.5 million is from special funds made available from general fund carryover		2,000,000		2,000,000
Total ongoing funding changes	0.00	(\$74,575,229)	\$170,156,172	\$95,580,943
One-Time Funding Items				
Adds one-time funding for operating expenses related to ND Native American Essential Understandings contracts and work group costs		\$300,000		\$300,000
Adds one-time funding for operating expenses related to the production of a book series regarding the history and culture of indigenous people		650,000		650,000
Adds one-time funding from the foundation aid stabilization fund for program grants for school board training			\$1,500,000	1,500,000
Adds one-time funding for program grants for Indians into STEM		300,000		300,000
Adds one-time funding from the foundation aid stabilization fund for program grants for a teacher retention program			2,000,000	2,000,000
Adds one-time funding from the foundation aid stabilization fund for a passthrough grant for 2 Revolutions teacher training			1,500,000	1,500,000
Adds one-time funding from the strategic investment and improvements fund for passthrough grants for an educational savings account pilot program			50,000,000	50,000,000
Total one-time funding changes	0.00	\$1,250,000	\$55,000,000	\$56,250,000
Total Changes to Base Level Funding	0.00	(\$73,325,229)	\$225,156,172	\$151,830,943
2025-27 Total Funding	86.25	\$1,655,425,216	\$1,340,402,846	\$2,995,828,062

Federal funds included in other funds

\$448,106,154

Total ongoing changes - Percentage of base level

0.0%

(4.3%)

15.3%

3.4%

Total changes - Percentage of base level

0.0%

(4.2%)

20.2%

5.3%

Other Sections in Department of Public Instruction - Budget No. 201

Section Description	Executive Budget
Full-time equivalent position adjustments	Section 3 would authorize the department to increase or decrease authorized FTE positions subject to the availability of funds.

Other Sections in Department of Public Instruction - Budget No. 201

Section Description	Executive Budget
Salary of the Superintendent of Public Instruction	Section 4 would provide the statutory changes to increase the Superintendent of Public Instruction's salary. The Superintendent's annual salary would increase from the current level of \$143,668 to \$149,415, effective July 1, 2025, and to \$153,897, effective July 1, 2026, to reflect recommended salary increases of 4 percent in the 1st year of the biennium and 3 percent in the 2nd year of the biennium.
Tuition apportionment	Section 5 would provide that any money available in the state tuition fund in excess of the \$595,677,350 appropriated in Section 1 of the bill is appropriated to DPI for distribution to school districts.
Foundation aid stabilization fund	Section 6 would provide \$225,000,000, included in the estimated income line item of Section 1, is provided from the foundation aid stabilization fund for integrated formula payments.
Payments for 2023-25 biennium special education services	Section 7 would provide that DPI may use money appropriated for integrated formula payments and special education contracts for the 2025-27 biennium to pay claims due during the 2023-25 biennium, but not filed with the department until the 2025-27 biennium. Claims related to the 2023-25 biennium must be filed by June 30, 2026.
Gifted and talented program and Medicaid matching funding distributions	Section 8 would provide that DPI use \$800,000 of the 2025-27 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. The section also provides 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 DPI to the Department of Health and Human Services on behalf of the school district or unit.
Indirect cost allocation	Section 9 would provide that, notwithstanding Section 54-44.1-15, DPI 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.
Grants - Other grants	Section 11 would require no more than one-half of the passthrough grants included in the grants - other grants line item is to be expended during the fiscal year ending June 30, 2026. (However, it appears that passthrough grants are provided in a separate line item in Subdivision 1 of Section 1 of the bill.)
Transfer - Foundation aid stabilization fund to Department of Public Instruction - One-time funding	Section 12 would require OMB transfer a total of \$5 million from the foundation aid stabilization fund to DPI for school board training (\$1.5 million), teacher retention (\$2 million), and a 2 Revolutions teacher training program (\$1.5 million).

Other Sections in Department of Public Instruction - Budget No. 201

Section Description	Executive Budget
Use of new money - Nonadministrative personnel compensation increases	Section 13 would require school districts to use 70 percent of increased funding related to any increases in the integrated formula payment rate for compensation increases for nonadministrative personnel and the Superintendent of Public Instruction to provide guidance to school districts regarding the calculation of the amount of new money resulting from increases in the base integrated formula payment rate during the 2025-27 biennium.
Exemption - 2023-25 biennium funding exemption and transfer to the Department of Public Instruction operating fund	Section 14 would provide that if, after the Superintendent of Public Instruction complies with all statutory payment obligations imposed for the 2023-25 biennium, any money remains in the integrated formula payments line item, the lesser of \$11,149,000 or the remaining amount must be continued into the 2025-27 biennium and OMB must transfer this amount into the public instruction fund for the purpose of providing program and passthrough grants.
Exemption - Deposits into the department's operating account	Section 15 would provide that, notwithstanding Section 54-44.1-15, DPI may deposit indirect cost recoveries, any money collected by DPI for general educational development fees, and displaced homemakers deposits in its operating account. Section 54-44.1-15 otherwise provides that these funds be deposited in the general fund.
Exemption - Unexpended ESSER fund appropriations	Section 16 would provide funds appropriated to DPI from the ESSER fund during the 2021-23 biennium, and continued into the 2023-25 biennium, are not subject to Section 54-44.1-11 and any unexpended funds may be continued into the 2025-27 biennium.
State school aid formula changes	<p>Sections 17 and 18 would provide the statutory changes to the state school aid formula included in the executive budget recommendation. Statutory changes would:</p> <ul style="list-style-type: none"> •Remove school district size weighting factor provisions for school districts that operate multiple plants; •Increase the integrated per student payment rate from the current level of \$11,072 to \$11,293, effective for the 2025-26 school year, and to \$11,519, effective for the 2026-27 school year, to reflect integrated per student payment rate increases of 2 percent each year of the 2025-27 biennium; •Remove transition minimum adjustments for state school aid payments; and •Update the year, from 2022 to 2024, used to determine the percentage of mills levied for sinking and interest relative to the total mills levied by the school district for all purposes. The percent is used to reduce local revenues deducted in the state school aid formula.

**HOUSE BILL NO. 1013
(Governor's Recommendation)**

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an Act to provide an appropriation for defraying the expenses of the department of public instruction, center for distance education, the state library, the school for the deaf, and the North Dakota vision services - school for the blind; to amend and reenact section 15.1-02-02 of the North Dakota Century Code, relating to the salary of the superintendent of public instruction; to provide for a transfer; to provide an exemption; to amend and reenact sections 15.1-27-03.2 and 15.1-27-04.1 of the North Dakota Century Code.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of public instruction, the center for distance education, the school for the deaf, North Dakota vision services - school for the blind, and the state library for the purpose of defraying the expenses of those agencies, for the biennium beginning July 1, 2025 and ending June 30, 2027, as follows:

Subdivision 1.

DEPARTMENT OF PUBLIC INSTRUCTION

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$19,964,765	\$2,289,097	\$22,253,862
Operating Expenses	32,793,320	5,705,819	38,499,139
Integrated Formula Payments	2,299,674,851	60,000,000	2,359,674,851
Grants-Special Education	24,000,000	0	24,000,000
Grants-Transportation	58,100,000	0	58,100,000
Grants-Other Grants	382,738,893	27,000,000	409,738,893
Grants-Program Grants	17,205,000	3,336,027	20,541,027
Grants-Passthrough Grants	3,568,000	53,500,000	57,069,000
PowerSchool	5,775,000	0	5,775,000
National Board Certification	176,290	0	176,290
Total All Funds	<u>\$2,843,997,119</u>	<u>\$151,830,943</u>	<u>\$2,995,828,062</u>
Less Estimated Income	<u>1,115,246,674</u>	<u>225,156,172</u>	<u>1,340,402,846</u>
Total General Fund	<u>\$1,728,750,445</u>	<u>(\$73,325,229)</u>	<u>\$1,655,425,216</u>
Full-Time Equivalent Positions	86.25	0.00	86.25

Subdivision 2.

CENTER FOR DISTANCE EDUCATION

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Center for Distance Education	\$11,613,483	\$3,815,560	\$15,429,043
Total All Funds	\$11,613,483	\$3,815,560	\$15,429,043
Less Estimated Income	<u>4,550,000</u>	<u>2,298,138</u>	<u>6,848,138</u>
Total General Fund	<u>\$7,063,483</u>	<u>\$1,517,422</u>	<u>\$8,580,905</u>
Full-Time Equivalent Positions	30.80	2.20	33.00

Subdivision 3.

STATE LIBRARY

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$4,515,731	\$643,483	\$5,259,214
Operating Expenses	2,282,298	707,777	2,990,075
Grants	<u>2,283,528</u>	<u>0</u>	<u>2,283,528</u>
Total All Funds	\$9,181,557	\$1,351,260	\$10,532,817
Less Estimated Income	<u>2,499,073</u>	<u>317,565</u>	<u>2,816,638</u>
Total General Fund	\$6,682,484	\$1,033,695	\$7,716,179
Full-Time Equivalent Positions	26.75	0.00	26.75

Subdivision 4.

SCHOOL FOR THE DEAF

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$9,283,599	\$1,445,115	\$10,728,714
Operating Expenses	1,705,586	250,839	1,956,425
Capital Assets	<u>158,678</u>	<u>283,800</u>	<u>442,478</u>
Total All Funds	\$11,147,863	\$1,979,754	\$13,127,617
Less Estimated Income	<u>2,811,557</u>	<u>386,754</u>	<u>3,198,311</u>
Total General Fund	\$8,336,306	\$1,593,000	\$9,929,306
Full-Time Equivalent Positions	45.36	1.50	46.86

Subdivision 5.

NORTH DAKOTA VISION SERVICES – SCHOOL FOR THE BLIND

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$5,538,818	\$543,658	\$6,082,476
Operating Expenses	869,686	406,571	1,276,257
Capital Assets	<u>39,192</u>	<u>230,808</u>	<u>270,000</u>
Total All Funds	\$6,447,696	\$1,181,037	\$7,628,733
Less Estimated Income	<u>1,206,705</u>	<u>536,981</u>	<u>1,743,686</u>
Total General Fund	\$5,240,991	\$644,056	\$5,885,047
Full-Time Equivalent Positions	27.75	0.00	27.75

Subdivision 6.

BILL TOTAL

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Grand Total General Fund	\$1,756,073,709	(\$68,537,056)	\$1,687,536,653
Grant Total Special Funds	<u>1,125,314,009</u>	<u>228,695,610</u>	<u>1,355,009,619</u>
Grand Total All Funds	\$2,882,387,718	\$160,158,554	\$3,042,546,272

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SEVENTIETH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-eighth legislative assembly for the 2023-25 biennium and the 2025-27 one-time funding items included in the appropriation in section 1 of this Act:

DEPARTMENT OF PUBLIC INSTRUCTION

<u>One-Time Funding Description</u>	<u>2023-25</u>	<u>2025-27</u>
Science center	\$5,500,000	\$0
Regional Education Association Grants	70,000	0
Be Legendary School Board Training	1,500,000	1,500,000
Statewide reading tool	1,600,000	0
Teacher retention program	2,300,000	2,000,000
Indians into STEM	0	300,000
ND Native American essential understandings	0	300,000
ND history and tribal textbook printing	0	650,000
2 revolutions	0	1,500,000
Educational savings account	<u>0</u>	<u>50,000,000</u>

Total Department of Public Instruction - All Fund	\$10,970,000	\$56,250,000
Total Department of Public Instruction - Special Funds	<u>10,900,000</u>	<u>55,000,000</u>
Total Department of Public Instruction - General Fund	\$70,000	\$1,250,000

CENTER FOR DISTANCE EDUCATION

<u>One-Time Funding Description</u>	<u>2023-25</u>	<u>2025-27</u>
Professional fees and IT equipment	\$0	\$100,250
Total Center for Distance Education - Special Funds	\$0	\$100,250

STATE LIBRARY

<u>One-Time Funding Description</u>	<u>2023-25</u>	<u>2025-27</u>
Funding for maintenance of effort	\$100,000	\$0
Retirement leave payout	40,000	0
IT equipment	43,000	0
Office renovation	<u>150,000</u>	<u>0</u>
Total State Library – General Fund	\$333,000	\$461,635

SCHOOL FOR THE DEAF

<u>One-Time Funding Description</u>	<u>2023-25</u>	<u>2025-27</u>
Extraordinary repairs	\$800,000	\$0
Inflationary expenses	120,171	0
Campus security system	0	238,800
Equipment	<u>43,500</u>	<u>45,000</u>
Total School for The Deaf – All Funds	\$963,671	\$283,800
Total School for The Deaf - Special Funds	<u>873,586</u>	<u>\$283,800</u>
Total School for The Deaf – General Fund	\$90,085	\$0

NORTH DAKOTA VISION SERVICES - SCHOOL FOR THE BLIND

<u>One-Time Funding Description</u>	<u>2023-25</u>	<u>2025-27</u>
Miscellaneous Repairs	\$439,000	\$65,000
Equipment	0	28,000
New parking lot	0	150,000
Cabinets and furniture for student rooms	<u>26,000</u>	<u>55,000</u>
Total School for the Blind - Special Funds	\$465,000	\$298,000

Grand Total - All Funds	\$12,731,671	\$56,932,050
Grand Total - Estimated Income	\$12,238,586	\$55,682,050
Grand Total - General Fund	\$493,085	\$1,250,000

The 2025-27 one-time funding amounts are not a part of the entity's base budget for the 2027-29 biennium. The department of public instruction, center for distance education, state library, school for the deaf, and North Dakota vision services - school for the blind shall report to the appropriations committees of the seventieth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2025 and ending June 30, 2027.

SECTION 3. EXEMPTION – FULL-TIME EQUIVALENT POSITION ADJUSTMENTS. Notwithstanding any other provisions of law, the department of public instruction, center for distance education, state library, school for the deaf, and north dakota vision services may increase or decrease authorized full-time equivalent positions as needed, subject to the availability of funds, during the biennium beginning July 1, 2025, and ending June 30, 2027. The department of public instruction, center for distance education, state library, school for the deaf, and north dakota vision services shall report to the office of management and budget and legislative council any adjustments made pursuant to this section.

SECTION 4. AMENDMENT. Section 15.1-02-02 of the North Dakota Century Code is amended and reenacted as follows:

15.1-02-02. Salary.

The annual salary of the superintendent of public instruction is ~~one hundred thirty-eight thousand one hundred forty-two dollars through June 30, 2024~~ one hundred forty-nine thousand four hundred fifteen dollars through June 30, 2026 and ~~one hundred forty-three thousand six hundred sixty-eight dollars~~ one hundred fifty-three thousand eight hundred ninety-seven dollars thereafter.

SECTION 5. APPROPRIATION - TUITION APPORTIONMENT. The sum of \$595,677,350, included in the integrated formula payments line item in subdivision 1 of section 1 of this Act, is from the state tuition fund in the state treasury. Any additional amount in the state tuition fund that becomes available for distribution to public schools is appropriated to the department of public instruction for that purpose for the biennium beginning July 1, 2025 and ending June 30, 2027.

SECTION 6. ESTIMATED INCOME – FOUNDATION STABILIZATION FUND. The estimated income line in subdivision 1 of section 1 of this Act includes the sum of \$225,000,000 from the foundation aid stabilization fund for integrated formula payments.

SECTION 7. INTEGRATED FORMULA PAYMENTS AND SPECIAL EDUCATION CONTRACTS EXPENDITURE AUTHORITY. The superintendent of public instruction may expend funds included in the integrated formula payments and grants – special education contracts line items in subdivision 1 of section 1 of this Act for paying grants for educational services that were due in the 2023-25 biennium but which were not filed, claimed, or properly supported by the education provider until after June 30, 2025. To be reimbursed under this section, claims must be properly supported and filed with the superintendent of public instruction by June 30, 2026.

SECTION 8. GIFTED AND TALENTED PROGRAM - MEDICAID MATCHING FUNDING - DISTRIBUTION.

1. The sum of \$800,000, included in the integrated formula payments line item in subdivision 1 of section 1 of this Act, must be distributed to reimburse school districts or special education units for gifted and talented programs upon the submission of an application that is approved in accordance with guidelines adopted by the superintendent of public instruction. The superintendent of public instruction shall encourage cooperative efforts for gifted and talented programs among school districts and special education units.
2. 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 superintendent of public instruction to the department of human services on behalf of the school district or unit.

SECTION 9. INDIRECT COST ALLOCATION. Notwithstanding section 54-44.1-15, the department of public instruction may deposit indirect cost recoveries in its operating account.

SECTION 10. STATE AID TO PUBLIC LIBRARIES. The line item entitled grants in subdivision 2 of section 1 of this Act includes \$1,737,582 for aid to public libraries, of which no more than one-half is to be expended during the fiscal year ending June 30, 2026.

SECTION 11. GRANTS – OTHER GRANTS. The line item entitled grants-other grants in subdivision 1 of section 1 of this Act contains pass-through grants, of which no more than one-half of the funding is to be expended during the fiscal year ending June 30, 2026.

SECTION 12. TRANSFER – FOUNDATION AID STABILIZATION FUND – ONE-TIME FUNDING. The office of management and budget shall transfer \$5,000,000 from the foundation aid stabilization fund to the department of public instruction, of which, \$1,500,000 is for school board training, \$2,000,000 is for teacher retention and \$1,500,000 is for the 2 revolutions program, for the biennium beginning July 1, 2025, and ending June 30, 2027.

SECTION 13. USE OF NEW MONEY – NONADMINISTRATIVE PERSONNEL COMPENSATION INCREASES.

1. During the 2025-27 biennium, the board of each school district shall use an amount equal to at least seventy percent of all new money received by the district, resulting from increases in the base integrated formula payment rate, to increase the compensation paid to nonadministrative personnel.

2. For purposes of this section, the superintendent of public instruction shall provide guidance to school districts regarding the calculation of the amount of new money resulting from increases in the base integrated formula payment rate during the 2025-27 biennium.

SECTION 14. EXEMPTION – TRANSFER – PUBLIC INSTRUCTION FUND. Notwithstanding section 54-44.1-11, if, after the superintendent of public instruction complies with all statutory payment obligations imposed for the 2023-25 biennium, any moneys remain in the integrated formula payments line item in subdivision 1 of section 1 of chapter 45 of the 2023 Session Laws, the lesser of \$11,149,000 or the remaining amount must be continued into the 2025-27 biennium and the office of management and budget shall transfer this amount into the public instruction fund for the purpose of providing program and passthrough grants as appropriated in subdivision 1 of section 1 of this Act.

SECTION 15. EXEMPTION – GENERAL EDUCATIONAL DEVELOPMENT FEES AND DISPLACED HOMEMAKER DEPOSITS. Notwithstanding section 54-44.1-15, the department of public instruction may deposit indirect cost recoveries in its operating account. In addition, any moneys collected by the department of public instruction for general educational development fees and displaced homemakers deposits must be deposited in the public instruction fund in the state treasury. Any funds deposited in the public instruction fund may only be spent subject to appropriation by the legislative assembly.

SECTION 16. EXEMPTION – ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUNDS. The amount appropriated to the department of public instruction from federal funds in section 2 subdivision 2 of chapter 28 of the 2021 Session Laws, is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available to the department of public instruction during the biennium beginning July 1, 2025 and ending June 30, 2027.

SECTION 17. AMENDMENT. Subsection 4 of Section 15.1-27-03.2 of the North Dakota Century Code is amended and reenacted as follows:

School district size weighting factor - Weighted student units. (Effective through June 30, 2028)

~~4. The school district size weighting factor determined under this section and multiplied by a school district's weighted average daily membership equals the district's weighted student units. For school districts that operate multiple kindergarten through grade twelve buildings at least fourteen miles [22.53 kilometers] apart, or multiple buildings at least fourteen miles [22.53 kilometers] apart with no replicated grades, the superintendent of public instruction shall determine the school size weighting factor for each building separately, with no adjustment for elementary schools. The superintendent of public instruction shall multiply the school size weighting factor for each building by the school district's weighted average daily membership to determine each building's weighted student units. The superintendent of public instruction shall combine the weighted student units of all buildings in the school district to determine the school district's weighted student units.~~

School district size weighting factor - Weighted student units. (Effective after June 30, 2028)

~~4. The school district size weighting factor determined under this section and multiplied by a school district's weighted average daily membership equals the district's weighted student units. For for school districts that operate multiple kindergarten through grade twelve buildings at least fourteen miles [22.53 kilometers] apart, or multiple buildings at least fourteen miles [22.53 kilometers] apart with no replicated grades, the superintendent of public instruction shall determine the school size weighting factor for each building separately. The superintendent of public instruction shall multiply the school size weighting factor for each building by the school district's weighted average daily membership to determine each building's weighted student units. The superintendent of public instruction shall combine the weighted student units of all buildings in the school district to determine the school district's weighted student units.~~

SECTION 18. AMENDMENT. Subsection 3 of Section 15.1-27-04.1 of the North Dakota Century Code is amended and reenacted as follows:

3. a. For the ~~2023-24~~2025-26 school year, the superintendent shall calculate state aid ~~as the greater of: by multiplying (4)~~ the district's weighted student units multiplied by ten eleven thousand ~~six~~

~~hundred forty-six dollars two hundred ninety-three dollars;~~

- ~~(2) One hundred two percent of the district's baseline funding per weighted student unit, as established in subsection 2, multiplied by the district's weighted student units, not to exceed the district's 2017-18 baseline weighted student units, plus any weighted student units in excess of the 2017-18 baseline weighted student units multiplied by ten thousand six hundred forty-six dollars; or~~
- ~~(3) The district's baseline funding as established in subsection 1 less the amount in paragraph 1, with the difference reduced by forty percent and then the difference added to the amount determined in paragraph 1.~~

b. For the ~~2024-25~~ 2026-27 school year and each school year thereafter, the superintendent shall calculate state aid as ~~the greater of:~~ by multiplying (1) ~~The district's weighted student units multiplied by eleven thousand seven hundred and fifty dollars;~~

- ~~(2) One hundred two percent of the district's baseline funding per weighted student unit, as established in subsection 2, multiplied by the district's weighted student units, not to exceed the district's 2017-18 baseline weighted student units, plus any weighted student units in excess of the 2017-18 baseline weighted student units multiplied by eleven thousand seven hundred and fifty dollars; or~~
- ~~(3) The district's baseline funding as established in subsection 1 less the amount in paragraph 1, with the difference reduced by fifty-five percent for the 2024-25 school year and the reduction percentage increasing by fifteen percent each school year thereafter until the difference is reduced to zero, and then the difference added to the amount determined in paragraph 1.~~

4. After determining the product in accordance with subsection 3, the superintendent of public instruction shall:

a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the school district, except the amount in dollars subtracted for purposes of this subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than twelve percent, adjusted pursuant to section 15.1-27-04.3; and

b. Subtract an amount equal to seventy-five percent of all revenue types listed in subdivisions c and d of subsection 1. Before determining the deduction for seventy-five percent of all revenue types, the superintendent of public instruction shall adjust revenues as follows:

(1) Tuition revenue shall be adjusted as follows:

(a) In addition to deducting tuition revenue received specifically for the operation of an educational program provided at a residential treatment facility, tuition revenue received for the provision of an adult farm management program, tuition received for the education of high-cost and special education students, and tuition received under an agreement to educate students from a school district on an air force base with funding received through federal impact aid as directed each school year in paragraph 3 of subdivision c of subsection 1, the superintendent of public instruction also shall reduce the total tuition reported by the school district by the amount of tuition revenue received for the education of students not residing in the state Page No. 11 and for which the state has not entered a cross-border education contract; and

(b) The superintendent of public instruction also shall reduce the total tuition reported by admitting school districts meeting the requirements of subdivision e of subsection 2 of section 15.1-29-12 by the amount of tuition revenue received for the education of students residing in an adjacent school district.

(2) After adjusting tuition revenue as provided in paragraph 1, the superintendent shall reduce all remaining revenues from all revenue types by the percentage of mills levied in ~~20224~~ 20224 by the school district for sinking and interest relative to the total mills levied in ~~20224~~ 20224 by the school district for all purposes.