BUDGET BASICS

PREPARED BY THE NORTH DAKOTA LEGISLATIVE COUNCIL

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DEPARTMENT OF PUBLIC INSTRUCTION

The Superintendent of Public Instruction, through the Department of Public Instruction (DPI), provides technical and professional support to school districts and is responsible for school accreditation and for the enforcement of all state statutes and federal regulations relating to public elementary and secondary education in the state. The department administers state and federal programs and the distribution of state school aid, including integrated formula payments, transportation payments, and special education contract payments.

STATE SCHOOL AID

Integrated Formula Payments

In 2013, the Legislative Assembly approved the implementation of an integrated formula payment to provide school funding. The legislative appropriation for the State School Aid Program integrates property tax relief in the K-12 state school aid funding formula. The formula 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 2025-27 biennium, the integrated payment rates are increased 2.5 percent each year of the biennium to provide $11,349 during the 1st year of the biennium and $11,633 during the 2nd year of the biennium. This base level of support is 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. 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. Funding also is provided in the integrated formula payments line item for gifted and talented programs, state child placement costs, South Dakota cross-border tuition, and regional education association grants.

For the 2025-27 biennium, the Legislative Assembly provided an appropriation of $2,414 million for state school aid for integrated formula payments. Of this total, $1,574 million is from the General Fund, $585 million is from Common Schools Trust Fund distributions, $233 million is from the Foundation Aid Stabilization Fund, $11 million is from carryover funds, and $11 million is from the State Tuition Fund from fines for violation of state laws.

Transportation Payments

In addition to integrated formula payments, school districts are reimbursed for a portion of their transportation costs. The Legislative Assembly provided $60.1 million from the General Fund for transportation aid during the 2025-27 biennium, $2 million more than the 2023-25 biennium. The Legislative Assembly, in House Bill 1214 (2025), changed the way transportation aid grants to school districts are determined. Using factors, the new formula converts bus miles, number of bus runs, eligible family miles, and square miles and number of buildings in the district into transportation average daily membership equivalents. Total transportation average daily membership equivalents are multiplied by a 0.091 factor to determine the school district's weighted student unit equivalent. The weighted student unit equivalent is multiplied by the per pupil payment rate set in North Dakota Century Code Section 15.1-27-04.1 ($11,633 for the 2026-27 school year). Eligible miles and runs include transportation to and from school, special education, and career and technology centers and courses. A hold harmless clause provides that, for school districts whose eligible bus miles and eligible bus runs remain the same or

increase from the prior year, the transportation payment under the new formula may not be less than the transportation payment received by the school district for the preceding year. The hold harmless clause expires June 30, 2027. Under the new formula, transportation funding will increase as per pupil payment rates in Section 15.1-27-04.1 increase.

Special Education Contract Payments

The Department of Public Instruction maintains a special education contract system to reimburse school districts for high-cost special education students. The Legislative Assembly provided $22 million from the General Fund for special education contracts during the 2025-27 biennium. There are two types of student placement contracts: agency placed and school placed. When the placement is voluntary by a legal guardian; made by a state or county social service agency; ordered by state court, tribal court, or juvenile services; or in a state-operated institution, the district is responsible for the state average cost per student. Charges over the state average cost per student are reimbursed by the state. The resident district is responsible for four times the state average cost per student when the district places the student out of district for education purposes. If the high-cost student remains in their resident district, the district will be reimbursed for any cost exceeding four times the state average cost per student.

OTHER APPROPRIATIONS

In addition to state school aid, the legislative appropriation for the 2025-27 biennium includes a total of $31.8 million, of which $25.0 million is from the General Fund, $5.3 million is from the Strategic Investment and Improvements Fund, and $1.5 million is from a Department of Health and Human Services grant, for programs administered by DPI ($27.1 million), including adult education matching grants, school food services matching grants, a free meal program, leveraging the senior year, building tomorrow's leaders, family engagement, a paraprofessional-to-teacher program, science of reading and literacy instruction, dyslexia identification training, science of mathematics instruction, Indians into STEM, a centers of excellence program, a mathematics screening tool pilot project, a statewide Amira reading tool, a teacher retention program, school board training, foreign language grants for kindergarten through grade 3, and the Waterford Upstart Program, and passthrough grants ($4.7 million) for national writing projects, rural art outreach, Governor's School, ND RISE teacher mentoring, and the "We the People" Program.

The Legislative Assembly provided $65.5 million for DPI administration during the 2025-27 biennium, of which $22.0 million is from the General Fund.

In separate line items of the DPI budget, the Legislative Assembly provided $5,775,000 from the General Fund for student information systems and $176,290 from the General Fund for payments to teachers receiving national board certification.

The Legislative Assembly provided $225,000 from the displaced homemaker's account to provide services to displaced homemakers.

Federal grants included in the DPI budget total $412.2 million. Major federal programs include school nutrition, special education, Title I, and the Individuals with Disabilities Education Act.

DEPARTMENT OF PUBLIC INSTRUCTION - 2025-27 BIENNIUM BUDGET

As approved by the 2025 Legislative Assembly, the 2025-27 biennium DPI budget totals $3,012,028,124. Of this amount, $1,709,617,438 is from the General Fund and $1,302,410,686 is from other funds, including federal funds.

A summary of the budget for the 2025-27 biennium is shown below.

Integrated formula payments	$2,414,277,703
Transportation aid payments	60,100,000
Special education contract payments	22,000,000
Total state school aid	$2,496,377,703
Program grants	27,065,527
Passthrough grants	4,735,000
Student information systems	5,775,000
National board certification	176,290
Displaced Homemaker Program	225,000
Federal grants	412,219,602
Total state school aid and other programs	$2,946,574,122
DPI administration	65,454,002
Total 2025-27 biennium budget	$3,012,028,124
Sources of funding for the budget:	
General Fund	$1,709,617,438
Foundation Aid Stabilization Fund	233,000,000
Distributions from the Common Schools Trust Fund	584,677,350
Fines for violation of state laws	11,000,000
Special funds from General Fund carryover deposited in DPI's operating fund	11,000,000
Strategic Investment and Improvements Fund	6,250,000
Other special funds	5,959,474
Federal funds	450,523,862
Total 2025-27 biennium appropriation	$3,012,028,124

The next topic in the Budget Basics series will review the North Dakota University System.