

**Department of Public Instruction
Budget No. 201
Senate Bill Nos. 2013 and 2265**

	FTE Positions	General Fund	Other Funds	Total
2019-21 legislative appropriations	89.25	\$1,721,361,137	\$817,553,743	\$2,538,914,880
2019-21 base budget	91.75	1,435,601,984	705,727,065	2,141,329,049
Legislative increase (decrease) to base budget	(2.50)	\$285,759,153	\$111,826,678	\$397,585,831

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2019-21 legislative appropriations	\$1,721,161,137	\$200,000	\$1,721,361,137
2017-19 legislative appropriations	1,435,601,984	0	1,435,601,984
2019-21 legislative increase (decrease) to 2017-19 appropriations	\$285,559,153	\$200,000	\$285,759,153
Percentage increase (decrease) to 2017-19 appropriations	19.9%	N/A	19.9%

**SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS
Changes to Base Budget**

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Adjusted funding for base payroll changes.		(\$1,118,179)	\$1,116,589	(\$1,590)
Added funding to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and 2.5 percent on July 1, 2020.		164,991	347,768	512,759
Added funding for employee health insurance premiums to reflect a revised premium estimate of \$1,426.74 per month.		129,656	285,318	414,974
Removed 4 FTE positions and related funding for salaries and wages, including 1 FTE assistant superintendent position, 1 FTE computer network specialist position, 1 FTE education program administrator position, and 1 FTE administrative assistant III position.	(4.00)	(583,930)	(103,046)	(686,976)
Added funding for 1 FTE division manager position and related salaries and wages.	1.00	272,692		272,692

Added a .50 FTE position and related funding for salaries and wages (\$76,000) and operating expenses (\$189,000) for the administration of the Education Coordination Council established in Senate Bill No. 2215.	0.50	265,000		265,000
Reduced funding for operating expenses.		(277,748)	(84,191)	(361,939)
Added funding for Microsoft Office 365 licensing expenses.		16,343	47,145	63,488
Added funding for operating expenses relating to the transfer of the teacher shortage loan forgiveness program from the North Dakota University System.		2,103,393		2,103,393
Added funding for operating expenses related to increases in the continuous improvement for schools contract with AdvancEd to provide a total of \$1,112,000.		312,000		312,000
Increased funding for operating expenses to correct an error in the department's budget request relating to its base budget adjustments.		1,000,000		1,000,000
Added funding for operating expenses related to a Pre K-12 Education Vision Steering Committee to support the facilitation of stakeholder groups to continue developing education initiatives as provided in Senate Bill No. 2025.		300,000		300,000
Added funding for integrated formula payments to replace one-time funding provided from the foundation aid stabilization fund during the 2017-19 biennium.		185,000,000		185,000,000
Increased funding for integrated formula payments for costs related to projected enrollment growth.		53,625,374		53,625,374
Adjusted the funding source for integrated formula payments to provide for an increase in funds available from the state tuition fund.		(72,217,095)	72,217,095	0
Adjusted funding for integrated formula payments for changes to the state school aid formula approved in Senate Bill No. 2265. (See the section related to Integrated Formula Payments below for details related to the fiscal impact of formula changes.)		109,372,892		109,372,892
Increased funding for special education contract grants to provide a total of \$24 million from the general fund.		4,700,000		4,700,000
Increased funding for transportation grants to provide a total of \$56.5 million from the general fund.		1,100,000		1,100,000
Increased authority for federal grants to provide a total of \$286,837,705 of federal funds authority.			33,000,000	33,000,000

Increased funding for program grants included in the grants - program grants line item as follows:

1,500,000

1,500,000

	General Fund Increase (Decrease)	Total General Fund
Adult education matching grants	\$1,300,000	\$4,400,000
School food services matching grants	0	1,380,000
Free breakfast program	0	200,000
Leadership professional development grants	200,000	200,000
Total	\$1,500,000	\$6,180,000

Removed funding for the transportation efficiency line item and included transportation efficiency in the flexible funding pool.

(30,000)

(30,000)

Reduced funding for the Superintendent of Public Instruction's flexible funding pool to provide a total of \$1.5 million from the general fund for certain programs and initiatives administered by the Superintendent, including:

(30,000)

(30,000)

- Continuing education grants;
- Preschool continuing education grants;
- Curriculum alignment grants;
- Teacher and principal evaluation system grants;
- Leveraging the senior year;
- Leadership program;
- Family engagement initiatives; and
- Transportation efficiency.

(See the section related to **Program Grants and the Program Grant Pool** below.)

Adjusted funding for passthrough grants as follows:

(34,236)

(34,236)

	General Fund Increase (Decrease)	Total General Fund
Mentoring program	\$75,764	\$2,125,764
National writing projects	30,000	50,000
Rural art outreach project	10,000	360,000
North Central Council for Educational Media Services	0	238,000
Global Bridges (Atlantik-Brucke) exchange	(200,000)	0
Young entrepreneur education program	(30,000)	0
"We the People" program	40,000	50,000
Cultural heritage grants	40,000	40,000
Total	(\$34,236)	\$2,863,764

Reduced funding for national board certification to provide a total of \$108,000 from the general fund.	(12,000)		(12,000)
Added one-time funding for operating expenses to rewrite the state school aid formula.	200,000		200,000
Added one-time funding from the foundation aid stabilization fund to rewrite the state automated reporting system (STARS) application.		1,200,000	1,200,000
Added one-time funding from the foundation aid stabilization fund for rapid enrollment grants in the 1 st year of the biennium (Senate Bill No. 2265).		3,000,000	3,000,000
Added one-time funding from the foundation aid stabilization fund for music education grants based on the average daily membership of the school for kindergarten through grade five (Senate Bill No. 2265).		800,000	800,000
Total	<u>(2.50)</u>	<u>\$285,759,153</u>	<u>\$111,826,678</u>
		<u>\$397,585,831</u>	

FTE Changes

The Legislative Assembly approved 89.25 FTE positions for the Department of Public Instruction (DPI) for the 2019-21 biennium, a decrease of 2.50 FTE positions from the 2017-19 biennium. The Legislative Assembly removed 1 FTE assistant superintendent position, 1 FTE computer network specialist position, 1 FTE education program administrator position, and 1 FTE administrative assistant III position and added 1 FTE division manager position and a .50 FTE position for the administration of the Education Coordination Council.

One-Time Funding

In Section 2 of Senate Bill No. 2013, the Legislative Assembly identified \$1.4 million of one-time funding, of which \$200,000 is from the general fund and \$1.2 million is from special funds. One-time funding is provided from the general fund for a state school aid formula rewrite (\$200,000) and from the foundation aid stabilization fund for the state automated reporting system (STARS) rewrite (\$1.2 million). In addition, the Legislative Assembly, in Senate Bill No. 2265, provided one-time funding from the foundation aid stabilization fund for music education grants (\$800,000) and rapid enrollment grants in the 1st year of the biennium (\$3 million). These items are not to be considered part of the DPI's 2021-23 biennium base budget, and the department is to report to the Appropriations Committees during the 2021 legislative session on the use of this funding.

2017-19 Biennium Appropriations

In Section 5 of Senate Bill No. 2013, the Legislative Assembly allowed the Superintendent of Public Instruction to transfer up to \$4 million from the integrated formula payments line item to the grants - special education line item to provide funding for 2017-19 biennium special education contract expenditures in excess of the 2017-19 biennium special education contract appropriation. In Section 6 of Senate Bill No. 2013, the Legislative Assembly allowed the department to continue \$600,000 of funding, remaining in the integrated formula payments line item at the end of the 2017-19 biennium, to the 2019-21 biennium for the purpose of advanced placement examinations, advanced placement teacher training, and the college ready English and mathematics program. The Legislative Assembly, in House Bill No. 1461, allowed the Superintendent of Public Instruction to continue \$250,000 of funding, remaining in the integrated formula payments line item at the end of the 2017-19 biennium, to the 2019-21 biennium for the purpose of providing a dyslexia screening pilot program. After providing for these exemptions, DPI anticipates \$12.4 million of the department's 2017-19 general fund appropriation will be unspent at the end of the biennium.

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

The Legislative Assembly appropriated \$2,181,702,429, of which \$1,690,938,429 is from the general fund, \$113,000,000 is from the foundation aid stabilization fund, and \$377,764,000 is from the state tuition fund, for state school aid, including integrated formula payments, transportation aid, special education, and grants

for rapid enrollment growth. Of the \$113,000,000 provided from the foundation aid stabilization fund, \$3,000,000 is considered one-time funding. This level of funding represents an increase of \$165,798,266, including increases in funding of \$281,581,171 from the general fund and \$72,217,095 from the state tuition fund offset by a decrease in funding from the foundation aid stabilization fund of \$188,000,000, from the 2017-19 legislative appropriation of \$2,015,904,163. (See the schedules following this section for a comparison of state school aid and other grants for the 2017-19 and 2019-21 bienniums.)

Integrated Formula Payments

In 2013 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 integrates property tax relief in the K-12 state school aid funding formula. The formula change 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 2019-21 biennium, the integrated payment rates are increased 2 percent each year of the biennium to provide \$9,839 during the 1st year of the biennium and \$10,036 during the 2nd 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.

For the 2019-21 biennium, the Legislative Assembly provided an appropriation of \$2,098,202,429, of which \$1,610,438,429 is from the general fund, \$110,000,000 is from the foundation aid stabilization fund, and \$377,764,000 is from the state tuition fund, for state school aid for integrated formula payments. This level of funding represents an increase of \$162,998,266, including increases in funding of \$275,781,171 from the general fund and \$72,217,095 from the state tuition fund offset by a decrease in funding from the foundation aid stabilization fund of \$185,000,000, from the 2017-19 biennium appropriation for integrated formula payments of \$1,935,204,163.

The Legislative Assembly approved increases in integrated formula payments totaling \$348 million from the base budget, including \$54 million for costs associated with projected student growth, \$185 million to replace one-time funding from the foundation aid stabilization fund, and \$109 million for state school aid formula changes. Increases approved by the Legislative Assembly and other adjustments to the state school aid formula are summarized as follows:

	State School Aid Formula Adjustments Increase (Decrease)	Integrated Formula Payments
2017-19 biennium base budget integrated formula payments		\$1,750,204,163
One-time funding provided from the foundation aid stabilization fund during the 2017-19 biennium		185,000,000
Total 2017-19 biennium appropriation for integrated formula payments		\$1,935,204,163
Increased funding for projected 2019-21 biennium student growth		53,625,374
Total cost to continue integrated formula payments during the 2019-21 biennium		\$1,988,829,537
Increased funding for a state school aid formula baseline reset	\$15,106,628	
Increased funding to provide a 2 percent increase in the per pupil payment rate in each year of the biennium	62,145,048	
Added funding to increase formula maximum payments by 5 percent each year of the biennium	4,331,460	
Reduced funding for savings related to transitioning school districts from minimum payments	(2,031,496)	
Reduced funding for changes to funding for new students in school districts receiving the transition minimum per pupil payment	(7,683,575)	
Added funding to transition the formula to on-time funding	17,709,901	
Reduced funding due to the phase-in of a 60 mill contribution for all school districts	(2,032,062)	
Added funding to reduce the deduction of in lieu of revenue relative to sinking and interest mill levies	12,335,458	
Increased funding due to the reduction of the local revenue deduction to 75 percent for all local revenue types	5,756,023	
Increased funding for other changes to the formula, including tuition deductions and adjustments to formula minimums	3,735,507	
Total adjustments to integrated formula payments related to state school aid formula changes approved in Senate Bill No. 2265		109,372,892
Total 2019-21 biennium integrated formula payments		\$2,098,202,429

Transportation Aid Grants

The Legislative Assembly provided \$56.5 million from the general fund for transportation aid during the 2019-21 biennium. This level of funding is \$1.1 million more than 2017-19 biennium funding of \$55.4 million from the general fund. This level of funding will allow reimbursement rates to remain the same as the 2017-19 biennium. Section 10 of Senate Bill No. 2013 requires DPI to distribute transportation aid for the 2019-21 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:

- \$1.11 per mile for schoolbuses having a capacity of 10 or more passengers.
- \$0.52 per mile for vehicles having a capacity of nine or fewer passengers.
- \$0.50 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.
- \$0.50 per mile one way for family transportation if the student lives more than two miles from the public school the student attends.
- \$0.30 per student for each one-way trip.

Special Education Contracts

The Legislative Assembly provided \$24 million from the general fund for special education contracts during the 2019-21 biennium. This level of funding is \$4.7 million more than 2017-19 biennium funding of \$19.3 million from the general fund. The Legislative Assembly, in Section 7 of Senate Bill No. 2013 (2019), provided the Superintendent of Public Instruction may expend funds provided for integrated formula payments and grants - special education contracts during the 2019-21 biennium for paying grants for educational services that were due in the 2017-19 biennium but which were not filed, claimed, or properly supported by the education provider until after June 30, 2019. To be reimbursed under this section, claims must be properly supported and filed with the Superintendent of Public Instruction by June 30, 2020. In addition, the Legislative Assembly provided, in Section 8 of Senate Bill No. 2013 (2019), if funds provided for special education contracts during the 2019-21 biennium are not sufficient to meet special education contract obligations, the Superintendent of Public Instruction must request supplemental funding from the 67th Legislative Assembly. In addition to special education contracts, the state school aid formula provides approximately \$215.2 million through the integrated formula payments line item for special education weighting factors and pre-kindergarten average daily membership and weighting factors.

Rapid Enrollment Grants

The Legislative Assembly, in Section 20 of Senate Bill No. 2265 (2019), provided one-time funding of \$3 million from the foundation aid stabilization fund to the Superintendent of Public Instruction for rapid enrollment grants during the 1st year of the 2019-21 biennium only. Changes to the state school aid formula provide for partial on-time funding for students in the 2nd year of the biennium. This level of funding is \$3 million less than the one-time 2017-19 legislative appropriation of \$6 million from the foundation aid stabilization fund. Grants are distributed to districts experiencing an increase of at least 4 percent, or 150 students, and no less 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 \$4,000. If funding is not sufficient to provide all of the eligible grants, the Superintendent must prorate the payment based on the percentage of the total amount to which the school district is entitled. A district is precluded from receiving a rapid enrollment grant if the district is not eligible to receive state aid because its general fund ending balance exceeds the unobligated general fund balance limits provided in North Dakota Century Code Section 15.1-27-35.3.

Regional Education Association Incentives

The Legislative Assembly provided funding for annual state aid grants to be distributed equally to all regional education associations. Section 13 of Senate Bill No. 2013 (2019) identifies \$500,000 from the general fund included in the integrated formula payments line item for the purpose of providing annual grants to regional education associations during the 2019-21 biennium. An annual grant of \$35,714 is provided to each regional education association that exists as of July 1, 2019, and regional education associations that merge during the 2019-21 biennium are entitled to the annual grants that would have been paid to each of the member associations. In addition to regional education association grants, the state school aid formula provides approximately \$4.6 million through the integrated formula payments line item for regional education associations based on the average daily membership of member school districts.

Program Grants and the Program Grant Pool

The Legislative Assembly provided a total of \$7.68 million from the general fund for programs administered by DPI, including a program grant pool, during the 2019-21 biennium. The program grant pool provides a flexible funding pool of \$1.5 million for initiatives and various program grants. This level of funding for the program grant pool is \$30,000 less than the 2017-19 biennium legislative general fund appropriation of \$1.53 million for the program grant pool. Of the \$1.5 million provided for a program grant pool, the Superintendent of Public Instruction may use up to \$125,000 for continuing education grants. Section 11 of Senate Bill No. 2013 (2019) provides for the distribution of the continuing education grants. Funding is provided in the program grant pool for continuing education grants, preschool continuing education grants, curriculum alignment grants, teacher and principal evaluation system grants, leveraging the senior year, a leadership program, family engagement initiatives, and transportation efficiency.

In addition to the \$1.5 million provided in the program grant pool, the Legislative Assembly provided, in Section 6 of Senate Bill No. 2013 (2019), up to \$600,000 of the unexpended amount remaining from the appropriation for integrated formula payments, as authorized in subdivision 1 of Section 1 of chapter 12 of the 2017 Session Laws, is not subject to the provisions of Section 54-44.1-11 at the end of the 2017-19 biennium, and may be continued into the 2019-21 biennium for the purpose of providing advanced placement examinations, advanced placement teacher training, and the college ready English and mathematics programs.

The following is a summary of program grants, including the program grant pool:

	Total General Fund
Adult education matching grants	\$4,400,000
Program grant pool	1,500,000
School food services matching grants	1,380,000
Leadership professional development	200,000
Free breakfast program	200,000
Total 2017-19 program grants	\$7,680,000

Other Sections in Senate Bill No. 2013

Tuition apportionment - Section 3 provides that any money available in the state tuition fund in excess of the \$377,764,000 appropriated in Section 1 of the bill is appropriated to DPI for distribution to school districts.

Foundation aid stabilization fund - Section 4 identifies \$111.2 million from the foundation aid stabilization fund for integrated formula payments (\$110 million) and the state automated reporting system rewrite (\$1.2 million).

2017-19 biennium funding transfer exemption and authorization - Section 5 allows the Superintendent to transfer \$4 million from the integrated formula payments line item to the grants - special education line item to provide funding for 2017-19 biennium special education contract expenditures in excess of the 2017-19 biennium special education contract appropriation.

2017-19 biennium funding exemption and authorization - Section 6 allows the Superintendent to continue \$600,000 from the funding remaining in the integrated formula payments line item of the 2017-19 biennium appropriation to the 2019-21 biennium for advanced placement examinations, advanced placement teacher training, and the college ready English and mathematics programs.

Payments for 2017-19 biennium educational services - Section 7 provides that DPI may use money appropriated for integrated formula payments and special education contracts for the 2019-21 biennium to pay claims due during the 2017-19 biennium, but not filed with the department until the 2019-21 biennium. To be reimbursed, claims must be properly supported and filed with the Superintendent of Public Instruction by June 30, 2020.

Special education grants deficiency authorization - Section 8 provides if funds appropriated to the Superintendent of Public Instruction in the grants - special education line item for special education contract grants in the 2019-21 biennium are not sufficient to meet special education contract obligations, the Superintendent must request supplemental funding from the 67th Legislative Assembly.

Gifted and talented program funding and Medicaid matching grants - Section 9 provides that DPI use \$800,000 of the 2019-21 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 Human Services on behalf of the school district or unit.

Transportation grants - Section 10 requires DPI to distribute transportation aid for the 2019-21 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:

- \$1.11 per mile for schoolbuses having a capacity of 10 or more passengers.
- \$0.52 per mile for vehicles having a capacity of nine or fewer passengers.
- \$0.50 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.
- \$0.50 per mile one way for family transportation if the student lives more than two miles from the public school the student attends.
- \$0.30 per student for each one-way trip.

Continuing education grants - Section 11 identifies \$1.5 million included in the grants - program grants line item is for a program grant pool and provides for the distribution of up to \$125,000 in the program grant pool 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.

Passthrough grants - Section 12 requires the Superintendent of Public Instruction to determine the manner in which \$2,863,764 provided in the grants - passthrough grants line item in Section 1 of the bill is distributed, but no more than one-half of the funding may be provided each year of the biennium. Annually grantees, as a condition of receiving the grant, must establish performance measures to be reviewed by the Superintendent of Public Instruction. Grantees must report annually to the Superintendent of Public Instruction regarding performance based on the measures. The Superintendent may not distribute the grant payment for the 2nd year of the biennium until the grantee submits the annual report for the 1st year of the biennium. The Superintendent of Public Instruction shall report to the Appropriations Committees of the 67th Legislative Assembly regarding funds granted, performance measures established for each grantee, and whether grantees met performance expectations.

Regional education association grants - Section 13 identifies \$500,000 from the general fund included in the integrated formula payments line item for providing annual grants to regional education associations during the 2019-21 biennium. An annual grant of \$35,714 is provided to each regional education association that exists as of July 1, 2019, and regional education associations that merge during the 2019-21 biennium are entitled to the annual grants that would have been paid to each of the member associations.

Indirect cost allocation - Section 14 provides 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.

Salary of the Superintendent of Public Instruction - Section 17 provides the statutory changes to increase the Superintendent of Public Instruction's salary consistent with state employee salary increases. The Superintendent's annual salary will increase from the current level of \$120,410 to \$122,810 (\$200 per month increase), effective July 1, 2019, and to \$125,880 (2.5 percent increase), effective July 1, 2020.

Specialty area teacher qualification - Section 18 amends Section 15.1-18-10, as amended in Section 5 of Senate Bill No. 2265, related to teacher qualifications to allow an individual with a permit and a high school diploma to teach certain subject areas if the individual has a minimum amount of relevant work experience or possess a certificate, permit, or degree in the subject area to be taught. This section was later amended in Senate Bill No. 2015.

North Dakota scholarship full-time enrollment status waiver - Section 19 amends Section 15.1-21-02.6 to allow a student enrolled less than full-time to retain North Dakota scholarship eligibility if the student is in the final semester or quarter before graduation.

Legislative Management study of school district transportation - Section 20 provides for a Legislative Management study of school district transportation, including district routes, expenditures, reimbursement, and possible efficiencies.

Legislative Management study of dual-credit, advanced placement, and distance education courses - Section 21 provides for a Legislative Management study relating to dual-credit, advanced placement, and distance education courses. The study must include a review of early enrollment placement testing and the qualifications for dual-credit and advanced placement courses. The study also must include a review of the costs and amounts of funding necessary to provide all students access to dual-credit, advanced placement, and distance education courses, as well as the types of courses available and the delivery methods necessary to provide all students with access.

Emergency - Section 22 declares the authorization to transfer \$4 million from the integrated formula payments line item to the grant - special education line item for the 2017-19 biennium in Section 5 of the bill is an emergency measure.

Related Legislation

House Bill No. 1088 - Repeals the requirement of DPI to purchase and distribute **automated external defibrillators**.

House Bill No. 1429 - Transfers the **teacher loan forgiveness program** from the University System to DPI and closes the program to new enrollees. Only eligible individuals receiving teacher loan forgiveness benefits for the 2018-19 school year will continue to receive benefits until they have received the maximum benefit under the program or become ineligible. The bill also provides any funding remaining for the program at the end of the 2017-19 biennium must be transferred from the University System to DPI and continued into the 2019-21 biennium. The Legislative Assembly, in Senate Bill No. 2013 (2019), provided \$2.1 million for the teacher loan forgiveness program and the fiscal note for House Bill No. 1429 indicates approximately \$748,000 will be continued from the 2017-19 biennium, resulting in total funding of \$2.85 million for benefits during the 2019-21 biennium.

House Bill No. 1461 - Establishes a dyslexia screening project and allows the Superintendent of Public Instruction to continue \$250,000 of funding, remaining in the integrated formula payments line item at the end of the 2017-19 biennium, to the 2019-21 biennium for the purpose of providing the dyslexia screening pilot program.

Senate Bill No. 2025 - Requires the Superintendent of Public Instruction to facilitate a process to review and update annually the statewide prekindergarten through grade twelve education strategic vision. The steering committee must prepare a collaborative report of the strategic plans of each committee member entity receiving state education funds. The Superintendent must provide the collaborative report and any updates to the strategic vision to the Legislative Management during each interim and to a joint meeting of the standing Education Committees during each regular legislative session. The Legislative Assembly, in Senate Bill No. 2013 (2019), provided \$300,000 from the general fund for operating expenses related to a **Pre K-12 Education Vision Steering Committee**.

Senate Bill No. 2214 - Provides for a transfer of \$75 million from the foundation aid stabilization fund to the **school construction assistance revolving loan fund** during the 2019-21 biennium. Of the \$75 million transferred from the foundation aid stabilization fund, \$35 million is from funding available in the fund on June 30, 2019, and \$40 million is from earnings anticipated to be deposited into the fund during the 2019-21 biennium. The bill provides, pursuant to continuing appropriation authority under Section 15.1-36-08, \$5 million is available from the school construction assistance revolving loan fund to the Bank of North Dakota to provide interest rate buydowns associated with loans issued under Section 15.1-36-06. Provided sufficient funding is available for loans to local school districts, the Bank of North Dakota may utilize funding from the school construction assistance revolving loan fund to repay a portion of the outstanding principal balance of loans issued under Section 15.1-36-06 for the purpose of transferring a portion of the loans issued under that section from the Bank of North Dakota to the school construction assistance revolving loan fund. The remaining amount transferred to the school construction assistance revolving loan fund is available for new school construction loans. In addition, the bill provides legislative intent that the 67th Legislative Assembly appropriate \$110 million from the foundation aid stabilization fund to DPI for providing ongoing funding for state school aid and transfer \$75 million from the foundation aid stabilization fund to the school construction assistance revolving loan fund during the 2021-23 biennium.

Senate Bill No. 2215 - Creates the **Kindergarten Through Grade Twelve Education Coordination Council** and requires the council meet at least four times per calendar year. The council must prepare and present an annual report of council activities to the State Board of Public School Education and to the Legislative Management. The bill also allows the council to hire an executive director to assist the council. In Senate Bill No. 2013, the Legislative Assembly authorized a .50 FTE position and related funding for salaries and wages (\$76,000) and operating expenses (\$189,000) for DPI's administration of the Kindergarten through Grade Twelve Education Coordination Council established in Senate Bill No. 2215.

Senate Bill No. 2217 - Provides for a Legislative Management study of the feasibility and desirability of creating a **teacher incentive for leadership program**.

Senate Bill No. 2265 - Provides one-time appropriations to DPI of \$3 million from the foundation aid stabilization fund for **rapid enrollment grants** in the 1st year of the biennium and of \$800,000 from the foundation aid stabilization fund for **music education grants**. In addition, the bill provides an appropriation of \$200,000 from the general fund to the Department of Commerce for providing **research-based literacy intervention services** to students. The bill also creates a one-time **Education Funding Formula Review Committee** to study the kindergarten through grade twelve funding formula and report to the 67th Legislative Assembly; directs DPI, the Indian Affairs Commission, and the Kindergarten Through Grade Twelve Education Coordination Council to study the **effect of impact aide on the funding formula to reservation schools**; and requires the Education Standards and Practices Board to provide status reports to the Legislative Management during the 2019-20 interim and the 2021-22 interim regarding the number of teacher permits issued under an **alternative teacher certification program** and to provide a recommendation regarding the continuation of the program.

In addition to education policy changes, the bill also provides for the following **state school aid funding formula changes**:

- **School calendar** - Section 2 amends Section 15.1-06-04 related to the school calendar length to provide minimum education hours and Section 14 amends Section 15.1-27-35 to change the calculation for average daily membership based on hours rather than days.
- **On-time funding** - Section 7 prohibits the Superintendent of Public Instruction from providing state aid payments to a school district beyond the September payment unless the school district has filed the September 10th fall enrollment report with DPI. Section 8 amends, effective July 1, 2020, Section 15.1-27-03.1 related to weighted student units to add a factor of 0.50 for the number of students by which the district's fall enrollment exceeds the prior year's average daily membership. Section 9 amends, effective July 1, 2021, Section 15.1-27-03.1 related to weighted student units to increase the factor for the number of students by which the district's fall enrollment exceeds the prior year's average daily membership to 0.60 and provide for annual increases in the factor, up to 1.00. Section 9 also adds a 0.50 factor adjustment beginning with the 2021-22 school year for any over/under payment of the 2020-21 state school aid. The amendment also provides for the adjustment factor to increase annually up to 1.00.
- **Base funding reset and phase out** - Section 10 amends Section 15.1-27-04.1 related to state aid to reorganize the base funding calculation by grouping in lieu of revenues and reset school district baseline funding to the 2018-19 school year. These changes provide, beginning with the 2020-21 school year, the baseline funding level for a school district that becomes an elementary district is reduced proportionately. The baseline funding level for districts that became elementary districts after the 2012-13 school year will be reduced for the 2020-21 school year. The section also provides for the adjustment of baseline funding per weighted student unit when a district becomes an elementary district. The section also provides for the phase out of baseline funding per weighted student unit. The changes provide, beginning with the 2021-22 school year, for a 15 percent reduction of the amount by which the district's baseline funding per weighted student unit exceeds the payment provided per weighted student unit. For each year thereafter, the reduction percentage is increased by an additional 15 percent until it is equal to the payment provided per weighted student unit.
- **Integrated formula payment rate** - Section 10 amends Section 15.1-27-04.1 related to state aid to increase the per pupil payment by 2 percent each year of the biennium, to provide \$9,839 per weighted student unit in the 2019-20 school year and \$10,036 per weighted student unit in the 2020-21 school year.
- **Transition minimum payments** - Section 10 amends Section 15.1-27-04.1 related to state aid to adjust the calculation of transition minimum payments to provide a 1 percent increase over the new baseline in the 1st year of the biennium and a 2 percent increase over the new baseline in the 2nd year of the biennium. In addition, the amendment provides weighted student units over the baseline weighted student units are reimbursed at the formula payment rate, instead of the baseline funding per weighted student unit rate. Provisions are added to begin phasing out the dollar amount transition minimum during the 2021-22 school year.
- **Transition maximum payments** - Section 10 amends Section 15.1-27-04.1 related to state aid to increase transition maximum payments by 5 percent in 2019-20 and 5 percent in 2020-21.
- **Local property tax deduction** - Section 10 amends Section 15.1-27-04.1 related to state aid to provide for an adjustment to increase the local property tax deduction calculation each year beginning in 2020-21 to transition all districts to a deduction of 60 mills in the 2025-26 school year. Section 11 amends Section 15.1-27-04.1, effective July 1, 2025, to require the deduction of 60 mills from the state school aid formula beginning in the 2025-26 school year. Section 12, effective July 1, 2019 through June 30, 2025, creates Section 15.1-27-04.3 to increase the deduction for local property tax in the state school aid formula, each year over a 5-year period, beginning with the 2020-21 school year. The deduction is increased by a percentage of the difference between the amount calculated under current law and the amount based on 60 mills. Section 17, effective for taxable years beginning after December 31, 2018,

amends Section 57-15-14.2 to allow school districts to levy additional tax to recover the increase in the deduction in the state school aid formula pursuant to Section 15.1-27-04.3 and the phasing in of the 60 mill deduction from state school aid. Section 18, effective for taxable years beginning after December 31, 2024, amends Section 57-15-14.2 to remove the additional levy authority when Section 15.1-27-04.3 expires and all districts are levying and deducting 60 mills in the state school aid formula.

- **Deduction for in lieu of revenue** - Section 10 amends Section 15.1-27-04.1 related to state aid to reduce the deduction for in lieu of revenue to 75 percent for all revenue types listed; exempt tuition from nonresident students residing in a state with which the state has not entered a cross-border education contract; exempt tuition received from an adjacent school district by certain accepting school districts; and reduce all in lieu of revenue types by the percentage of mills levied in 2018 by the school district for sinking and interest relative to the total mills levied in 2018.
- **South Dakota cross border attendance** - Section 15 amends Section 15.1-29-02.1 related to a cross-border attendance contract with South Dakota to provide the Superintendent of Public Instruction use funding provided for state aid to pay South Dakota if more North Dakota students attend South Dakota schools. If South Dakota students exceed North Dakota students, the payment received by the Superintendent must be deposited in the general fund. Language requiring the Superintendent to withhold school districts' state aid for students attending South Dakota schools is removed.
- **Tuition** - Section 16 amends Section 15.1-29-12 related to tuition payments to require admitting school districts meeting certain criteria to charge 200 percent of the tuition payment calculated in the section or \$4,000, whichever is greater.