

## Department 201 - Department of Public Instruction Senate Bill No. 2013

### Executive Budget Comparison to Prior Biennium Appropriations

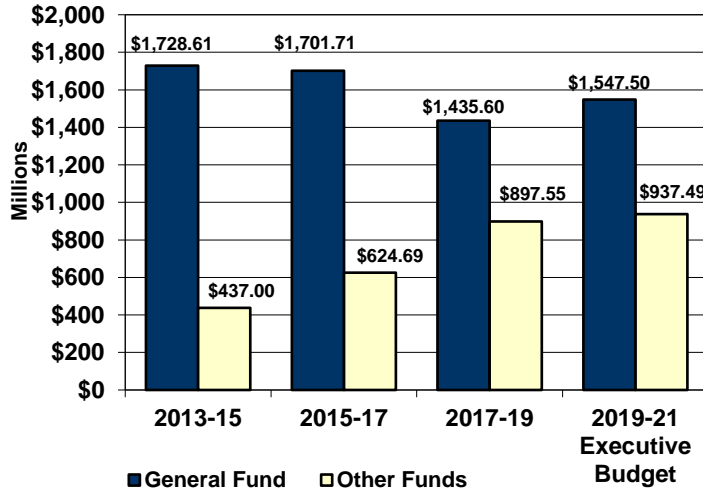
	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	88.75	\$1,547,496,484	\$937,489,392	\$2,484,985,876
2017-19 Legislative Appropriations <sup>1</sup>	91.75	1,435,601,984	897,547,065	2,333,149,049
Increase (Decrease)	(3.00)	\$111,894,500	\$39,942,327	\$151,836,827

<sup>1</sup>The 2017-19 biennium agency appropriation amounts have not been adjusted for carryover authority made available to increase the program grant pool (\$700,711) or for additional special funds authority (\$18,000,000) resulting from Emergency Commission action during the 2017-19 biennium.

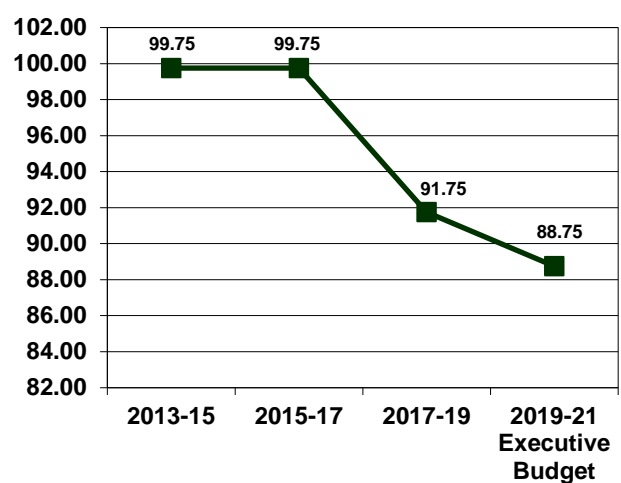
### Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2019-21 Executive Budget	\$1,544,171,484	\$3,325,000	\$1,547,496,484
2017-19 Legislative Appropriations	1,435,601,984	0	1,435,601,984
Increase (Decrease)	\$108,569,500	\$3,325,000	\$111,894,500

#### Agency Funding



#### FTE Positions



### Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$1,547,496,484	\$937,489,392	\$2,484,985,876
2019-21 Base Level	1,435,601,984	705,727,065	2,141,329,049
Increase (Decrease)	\$111,894,500	\$231,762,327	\$343,656,827

### First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

### Executive Budget Highlights (With First House Changes in Bold)

	General Fund	Other Funds	Total
<b>Salaries and wages</b>			
1. Adds funding for state employee salary and benefit increases, of which \$746,887 is for salary increases, \$351,436 is for health insurance increases, and \$91,436 is for retirement contribution increases. <b>The Senate added funding for salary adjustments of 2 percent for the 1<sup>st</sup> year and 3 percent in the 2<sup>nd</sup> year and increases in health insurance premiums from \$1,241 to \$1,427 per month. The Senate did not add funding for retirement contribution increases.</b>	\$402,089	\$787,670	\$1,189,759

2. Adjusts base payroll.	(\$1,118,179)	\$1,116,589	(\$1,590)
3. Removes 4 FTE positions, including 1 assistant superintendent position, 1 computer network specialist position, 1 education program administrator position, and 1 administrative assistant III position from base budget.	(\$583,930)	(\$103,046)	(\$686,976)
4. Adds 1 FTE division manager position.	\$272,692	\$0	\$272,692
<b>Operating expenses</b>			
5. Transfers the teacher shortage loan forgiveness program from the North Dakota University System.	\$2,103,393	\$0	\$2,103,393
6. Adds funding to transfer the state funded component of the federal Quality Rating and Improvement System from the Department of Human Services. <b>The Senate did not add funding to transfer the state funded component of the federal Quality Rating and Improvement System from the Department of Human Services.</b>	\$150,000	\$0	\$150,000
7. Adds funding for Microsoft Office 365 licensing expenses.	\$16,343	\$47,145	\$63,488
8. Reduces operating expenses.	(\$277,748)	(\$84,191)	(\$361,939)
9. Adds <b>one-time funding</b> for cybersecurity education for teachers. <b>The Senate did not add funding for cybersecurity education for teachers.</b>	\$3,000,000	\$0	\$3,000,000
10. Adds <b>one-time funding</b> to rewrite the state aid formula to provide on-time funding.	\$200,000	\$0	\$200,000
11. Adds <b>one-time funding</b> to review the state's foreign language standards. <b>The Senate did not add funding to review the state's foreign language standards.</b>	\$125,000	\$0	\$125,000
<b>Integrated Formula Grants</b>			
12. Increases funding for cost-to-continue state school aid. <b>The Senate added \$53,625,374 for the cost-to-continue state school aid due to a change in how the department calculates the average daily membership for special education prekindergarten students.</b>	\$52,295,837	\$0	\$52,295,837
13. Adds funding to provide a 2 percent increase in the per pupil payment each year of the biennium. <b>The Senate added \$82,848,454 to provide increases in the per pupil payment rate of 2 percent in the 1<sup>st</sup> year and 3 percent in the 2<sup>nd</sup> year of the biennium, increased the formula maximum payments 5 percent each year of the biennium, and reduced the local revenue deduction to 75 percent for all local revenue types.</b>	\$61,962,987	\$0	\$61,962,987
14. Reduces funding for savings related to transitioning school districts from minimum payments beginning in the 1 <sup>st</sup> year of the biennium. <b>The Senate provided for transitioning school districts from the minimum payments in the 2<sup>nd</sup> year of the biennium for a savings of \$2,031,496.</b>	(\$14,004,083)	\$0	(\$14,004,083)
15. Reduces funding for savings related to removing new property from the 12 percent limitation on property tax increases. <b>The Senate did not include this change to the state school aid formula.</b>	(\$8,892,316)	\$0	(\$8,892,316)
16. Adds funding for integrated formula payments to replace <b>one-time funding</b> provided from the foundation aid stabilization fund during the 2017-19 biennium.	\$185,000,000		\$185,000,000
17. Adjusts the funding source for integrated formula payments to increase funding from the foundation aid stabilization fund to provide a total of \$232.8 million. <b>The Senate did not include this increase in funding from the foundation aid stabilization fund.</b>	(\$122,781,065)	\$122,781,065	\$0
18. Adjusts the funding source for integrated formula payments to increase funding from the state tuition fund/common schools trust fund to provide a total of \$379.7 million.	(\$74,217,095)	\$74,217,095	\$0
19. Adds <b>one-time funding</b> to transition to blended on-time funding. <b>The Senate provided \$36,999,559 for full on-time funding in the 2<sup>nd</sup> year of the biennium.</b>	\$24,135,735	\$0	\$24,135,735

**Special Education Grants**

20. Increases funding for special education contract grants to provide a total of \$25 million from the general fund. \$5,700,000 \$0 \$5,700,000

**Transportation Grants**

21. The base budget includes \$55.4 million from the general fund for transportation grants. The executive budget recommendation did not adjust the transportation grants line item. **The Senate increased funding for transportation grants by \$500,000 to provide a total of \$55,900,000 from the general fund.** \$0 \$0 \$0

**Program Grants**

22. Increases funding for adult education matching grants to provide a total of \$4.1 million from the general fund. **The Senate increased funding for adult education matching grants by \$1.3 million to provide a total of \$4.4 million from the general fund.** \$1,000,000 \$0 \$1,000,000

23. Transfers \$1.5 million of general fund authority for early childhood education provider grants from Department of Commerce to the Department of Public Instruction (DPI) and increases funding to provide a total of \$3 million from the general fund. **The Senate transferred \$1.5 million of general fund authority for early childhood education provider grants from the Department of Commerce to DPI, but did not provide a funding increase.** \$3,000,000 \$0 \$3,000,000

24. Increases funding for a program grant pool to provide a total of \$1,809,711 from the general fund. **The Senate reduced funding for the transportation efficiency line item by \$3,000 and transferred the remaining funding of \$27,000 from the transportation efficiency line item to the program grant pool. In addition, the Senate increased funding for the program grant pool by \$579,711, to provide a total of \$2,136,711 from the general fund for various programs.** \$279,711 \$0 \$279,711

**Passthrough Grants**

25. Decreases funding for general fund passthrough grants as follows: (\$359,871) \$0 (\$359,871)

	<b>General Fund Increase (Decrease)</b>	<b>Total General Fund</b>
Rural art outreach projects	(\$21,211)	\$328,789
North Central Council for Education Media Services	(14,424)	223,576
Mentoring program	(124,236)	1,925,764
Global Bridges (Atlantik-Brucke) exchange	(200,000)	0
North Dakota Young Entrepreneur education program	0	30,000
"We the People" program	0	10,000
National writing projects	0	20,000
<b>Total general fund</b>	<b>(\$359,871)</b>	<b>\$2,538,129</b>

**The Senate reduced funding for various general fund passthrough grants by \$48,660.**

**Other Grants**

26. Increases federal funds authority for grants. \$0 \$33,000,000 \$33,000,000

**PowerSchool**

27. Reduces funding for PowerSchool and transfers administration of the program to the Information Technology Department. **The Senate did not reduce funding for PowerSchool or transfer administration of the program to the Information Technology Department.** (\$5,500,000) \$0 (\$5,500,000)

**Transportation Efficiency**

28. Reduces funding for transportation efficiency to provide a total of \$27,000. <b>The Senate reduced funding for the transportation efficiency line item by \$3,000 and transferred the remaining funding of \$27,000 from the transportation efficiency line item to the program grant pool.</b>	(\$3,000)	\$0	(\$3,000)
--	-----------	-----	-----------

**National Board Certification**

29. Reduces funding for national board certification to provide a total of \$108,000.	(\$12,000)	\$0	(\$12,000)
---	------------	-----	------------

**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 \$379,764,000 appropriated in Section 1 of the bill is appropriated to DPI for distribution to school districts.

**Foundation aid stabilization fund** - Section 4 identifies \$110 million of estimated income provided for integrated formula payments in Section 1 of the bill is provided from the foundation aid stabilization fund.

**Special education grants - Funding transfer exemption** - Section 5 allows 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 during the 2017-19 biennium to provide funding for 2017-19 biennium special education contract expenditures in excess of the 2017-19 biennium special education contract appropriation.

**Payments for 2017-19 biennium special education contract services** - Section 6 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 under this section, claims must be properly supported and filed with the Superintendent of Public Instruction by June 30, 2020.

**Special education grants deficiency authorization** - Section 7 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 67<sup>th</sup> Legislative Assembly.

**Gifted and talented program funding and Medicaid matching grants** - Section 8 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 9 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:

- \$1.09 per mile for schoolbuses having a capacity of 10 or more passengers.
- \$0.51 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 2 miles from the public school the student attends.
- \$0.29 per student for each one-way trip.

**Continuing education grants** - Section 10 provides, of the \$9,616,711 appropriated in the grants - program grants line item, \$2,132,711 is made available for a program grant pool which includes funding for continuing education grants. The section provides for the distribution of up to \$125,000 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.

**Passthrough grants** - Section 11 requires the Superintendent of Public Instruction determine the manner in which funding is distributed for certain grants in the grants - passthrough grants line item. Grantees, as a condition of receiving the grant, are required to establish performance measures to be reviewed by the Superintendent and report to the Superintendent regarding performance based on the measures before October 1, 2020. The Superintendent must provide a report to the 67<sup>th</sup> Legislative Assembly regarding the performance measures established for each grantee and whether the grantee met performance expectations.

**Regional education association grants** - Section 12 provides for the distribution of up to \$500,000 from the integrated formula payments line item for the purpose of providing annual grants to regional education associations during the 2019-21 biennium.

**Indirect cost allocation** - Section 13 provides that, notwithstanding North Dakota Century Code 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.

**Teacher loan forgiveness program transfer** - Section 16 includes the statutory changes necessary to transfer the administration of the teacher loan forgiveness program from the State Board of Higher Education to the Superintendent of Public Instruction.

**Salary of the Superintendent of Public Instruction** - Section 17 provides the statutory changes to increase the Superintendent of Public Instruction's salary. The Superintendent's annual salary would increase from the current level of \$120,410 to \$122,818, effective July 1, 2019, and to \$126,503, effective July 1, 2020, to reflect salary adjustments of 2 percent for the 1<sup>st</sup> year and 3 percent in the 2<sup>nd</sup> year of the 2019-21 biennium.

**Early childhood education** - Sections 18, 19, and 20 provide the statutory changes necessary to transfer the early childhood service provider grant program from the Department of Commerce to the Superintendent of Public Instruction.

**Emergency** - Section 21 declares Section 5, relating to transfer authority between various line items during the 2017-19 biennium, an emergency measure.

### **Continuing Appropriations**

**Instructional materials revolving printing fund** - Section 15.1-03-03 - The fund is used for revenues and expenses associated with distributing instructional materials developed and printed by the department.

**Displaced homemaker program** - Chapter 14-06.1 - The fund is used to provide counseling, guidance, job readiness training, and services for displaced homemakers.

### **Deficiency Appropriation**

There is currently no deficiency appropriation for this agency. However, DPI anticipates special education claims will exceed funding appropriated in the grants - special education line item for the 2017-19 biennium by as much as \$5 million. The executive budget recommendation, in Section 14, would provide if any funding appropriated to the Superintendent of Public Instruction for integrated formula payments to school districts remains after payment of all statutory payment obligations imposed for the 2017-19 biennium, the Superintendent must first use the remaining funds to pay any state obligations in excess of the amount appropriated for special education contracts for the 2017-19 biennium. The Superintendent has estimated excess funding appropriated from the general fund for the 2017-19 biennium may total \$18 million for the 2017-19 biennium. **The Senate, in Section 5 of Senate Bill No. 2013, allows the Superintendent to transfer up to \$4 million from the integrated formula payments line item to the grants - special education line item during the 2017-19 biennium to provide funding for 2017-19 biennium special education contract expenditures in excess of the 2017-19 biennium special education contract appropriation.**

### **Significant Audit Findings**

The operational audit of DPI for the biennium ended June 30, 2017, identified one audit finding related overspending federal funds in the other grants line item. The department has increased its budget request related to federal funds.

The single audit of DPI recommended DPI:

- Comply with Federal requirements by keeping proper support documentation for the Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals With Disabilities Education Act;
- Inform private schools of the ability to apply for Twenty-First Century Community Learning Centers funds and keep the documentation associated with that correspondence;
- Complete subrecipient risk assessments as required;
- Monitor subrecipients to ensure that private and public schools receive funds on an equitable basis;
- Ensure that subrecipients are made aware of all required grant award information; and
- Ensure that documentation kept for subrecipient monitoring is completed and that notations or approval be included on the subrecipient quarterly reports to demonstrate that they have been reviewed.

### **Major Related Legislation**

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

**House Bill No. 1365** - Reduces the percentage of local revenue deducted in the state school aid formula from 75 and 100 percent of various local revenue types to 75 percent of all revenue types deducted. In addition, prior to deducting 75 percent of the revenue from total state school aid, the bill excludes the amount of revenue proportionate to the number of mills levied in the previous calendar year by the school district for sinking and interest relative to the total mills levied in the previous calendar year by the school district. In addition, the bill changes the amount deducted for property taxes in the state school aid formula.

**House Bill No. 1429** - Transfers the teacher loan forgiveness program from the University System to DPI and allows any funding remaining for the program at the end of the 2017-19 biennium to be continued into the 2019-21 biennium.

**Senate Bill No. 2025** - Requires the Superintendent of Public Instruction to facilitate an annual meeting to review and update the statewide prekindergarten through grade twelve education strategic vision.

**Senate Bill No. 2214** - Authorizes the Public Finance Authority to issue up to \$250 million of bonds to support the school construction assistance revolving loan fund, increasing the amount available in the fund for low-interest rate loans to school districts for school construction projects and authorizes the Bank of North Dakota to use up to \$5 million from the school construction assistance revolving loan fund to continue interest rate buydowns on school construction loans held by the Bank.

**Senate Bill No. 2250** - Transfers the early childhood service provider grant program from the Department of Commerce to the Superintendent of Public Instruction.

**Senate Bill No. 2265** - Provides for K-12 funding formula policy changes including: on-time funding; increases in the per pupil rate of 2 percent in the 1<sup>st</sup> year of the biennium and 3 percent in the 2<sup>nd</sup> year of the biennium; reductions in the formula transition minimum; increases in the transition maximum; and changes to the deduction of all in lieu of revenue in the formula to 75 percent. The bill also provides appropriations of \$3 million from the foundation aid stabilization fund to DPI for rapid enrollment grants in the 1<sup>st</sup> year of the biennium and of \$200,000 from the general fund to the Department of Commerce for research-based literacy intervention.

**Senate Bill No. 2300** - Provides an appropriation of \$1.3 million from the general fund to the Department of Human Services for grants to school districts to address student behavioral health needs.

**Department of Public Instruction - Budget No. 201**  
**Senate Bill No. 2013**  
**Base Level Funding Changes**

	Executive Budget Recommendation				Senate Version			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total
<b>2019-21 Biennium Base Level</b>	91.75	\$1,435,601,984	\$705,727,065	\$2,141,329,049	91.75	\$1,435,601,984	\$705,727,065	\$2,141,329,049
<b>2019-21 Ongoing Funding Changes</b>								
Base payroll changes		(\$1,118,179)	\$1,116,589	(\$1,590)		(\$1,118,179)	\$1,116,589	(\$1,590)
Salary increase		252,417	494,470	746,887		166,771	336,409	503,180
Health insurance increase		118,771	232,665	351,436		129,656	285,318	414,974
Retirement contribution increase		30,901	60,535	91,436				0
Removes 4 FTE positions	(4.00)	(583,930)	(103,046)	(686,976)	(4.00)	(583,930)	(103,046)	(686,976)
Adds 1 FTE division manager position	1.00	272,692		272,692	1.00	272,692		272,692
Transfers the teacher shortage loan forgiveness program from the North Dakota University System		2,103,393		2,103,393		2,103,393		2,103,393
Adds funding to transfer the state funded component of the federal Quality Rating and Improvement System from the Department of Human Services		150,000		150,000				0
Adds funding for Microsoft Office 365 licensing expenses		16,343	47,145	63,488		16,343	47,145	63,488
Reduces operating expenses		(277,748)	(84,191)	(361,939)		(277,748)	(84,191)	(361,939)
Increases funding for cost-to-continue state school aid		52,295,837		52,295,837		53,625,374		53,625,374
Adds funding to provide a 2 percent increase in the per pupil payment each year of the biennium		57,638,829		57,638,829		61,962,987		61,962,987
Adds funding to provide an additional 1 percent increase in the integrated formula payment in the second year of the biennium				0		10,797,984		10,797,984
Adds funding to Increase formula maximum payments 5 percent each year of the biennium		4,324,158		4,324,158		4,331,460		4,331,460
Reduces funding for savings related to transitioning school districts from minimum payments		(14,004,083)		(14,004,083)		(2,031,496)		(2,031,496)

Reduces funding for savings related to removing new property from the 12 percent limitation on property tax increases	(8,892,316)		(8,892,316)				0	
Adds funding to transition to on-time funding	24,135,735		24,135,735		36,999,559		36,999,559	
Increases funding for adjustments to the state aid formula that reduce the local revenue deduction to 75 percent for all local revenue types			0		5,756,023		5,756,023	
Adds 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		185,000,000		185,000,000	
Adjusts the funding source for integrated formula payments to increase funding from the foundation aid stabilization fund	(122,781,065)	122,781,065	0				0	
Adjusts the funding source for integrated formula payments to increase funding from the state tuition fund/common schools trust fund	(74,217,095)	74,217,095	0		(74,217,095)	74,217,095	0	
Increases funding for special education contract grants to provide a total of \$25 million from the general fund	5,700,000		5,700,000		5,700,000		5,700,000	
Increases funding for transportation grants			0		500,000		500,000	
Increases funding for adult education matching grants	1,000,000		1,000,000		1,300,000		1,300,000	
Transfers prekindergarten grants from Department of Commerce	3,000,000		3,000,000		1,500,000		1,500,000	
Increases funding for a program grant pool	279,711		279,711		579,711		579,711	
Decreases funding for general fund passthrough grants	(359,871)		(359,871)		(48,660)		(48,660)	
Increases federal funds authority for grants		33,000,000	33,000,000			33,000,000	33,000,000	
Reduces and transfers PowerSchool to the Information Technology Department	(5,500,000)		(5,500,000)				0	
Reduces funding for transportation efficiency and transfers the remaining funding of \$27,000 from the transportation efficiency line item to the program grant pool	(3,000)		(3,000)		(3,000)		(3,000)	
Reduces funding for national board certification to provide a total of \$108,000	(12,000)		(12,000)		(12,000)		(12,000)	
Total ongoing funding changes	(3,000)	\$108,569,500	\$231,762,327	\$340,331,827	(3,000)	\$292,449,845	\$108,815,319	\$401,265,164



<b>One-time funding items</b>								
Adds one-time funding for cybersecurity education for teachers		\$3,000,000	\$3,000,000				0	
Adds one-time funding to rewrite the state aid formula		200,000	200,000		\$200,000		\$200,000	
Adds one-time funding to review the state's foreign language standards		125,000	125,000				0	
Total one-time funding changes	0.00	\$3,325,000	\$0	\$3,325,000	0.00	\$200,000	\$0	\$200,000
<b>Total Changes to Base Level Funding</b>	(3.00)	\$111,894,500	\$231,762,327	\$343,656,827	(3.00)	\$292,649,845	\$108,815,319	\$401,465,164
<b>2019-21 Total Funding</b>	88.75	\$1,547,496,484	\$937,489,392	\$2,484,985,876	88.75	\$1,728,251,829	\$814,542,384	\$2,542,794,213

**Other Sections for Department of Public Instruction - Budget No. 201**

	<b>Executive Budget Recommendation</b>	<b>Senate Version</b>
Salary of the Superintendent of Public Instruction	Section 3 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 \$120,410 to \$125,226, effective July 1, 2019, and to \$127,731, effective July 1, 2020, to reflect the 4 and 2 percent recommended salary increase.	Section 17 provides the statutory changes to increase the Superintendent of Public Instruction's salary. The Superintendent's annual salary would increase from the current level of \$120,410 to \$122,818, effective July 1, 2019, and to \$126,503, effective July 1, 2020, to reflect the 2 and 3 percent salary increase.
Tuition apportionment	Section 4 would provide that any money available in the state tuition fund in excess of the \$379,764,000 appropriated in Section 1 of the bill is appropriated to DPI for distribution to school districts.	Section 3 provides that any money available in the state tuition fund in excess of the \$379,764,000 appropriated in Section 1 of the bill is appropriated to DPI for distribution to school districts.
Foundation aid stabilization fund transfer		Section 4 identifies \$110,000,000 included in the estimated income line of Section 1 is provided from the foundation aid stabilization fund.
Exemption - Funding transfer 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.
Payments for 2017-19 biennium educational services	Section 5 would provide 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.	Section 6 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. Claims related to the 2017-19 biennium must be filed by June 30, 2020.

**Other Sections for Department of Public Instruction - Budget No. 201**

	<u>Executive Budget Recommendation</u>	<u>Senate Version</u>
Gifted and talented program funding and Medicaid matching grants	Section 6 would provide 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.	Section 8 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 - Distribution		Section 9 provides guidelines for the distribution of transportation grants.
Regional education association grants	Section 7 would provide for the distribution of up to \$500,000 from the integrated formula payments line item for the purpose of providing annual grants to regional education associations during the 2019-21 biennium.	Section 12 provides for the distribution of up to \$500,000 from the integrated formula payments line item for the purpose of providing annual grants to regional education associations during the 2019-21 biennium.
Continuing education grants	Section 8 would provide for the distribution of up to \$125,000 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.	Section 10 provides for the distribution of up to \$125,000 from the grants - program 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 9 would provide that, notwithstanding North Dakota Century Code 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.	Section 13 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.
State school aid program	Section 12 would provide for changes included in the executive recommendation for integrated formula payments, including a 2 percent increase in the per-student payment each year of the 2019-21 biennium. The current per-student payment rate of \$9,646 would increase to \$9,839 for the 2019-20 academic year and to \$10,036 for the 2020-21 academic year. Changes to the per student payment rate require a statutory change and this section may be eliminated when the recommendation for integrated formula payments is developed by the Legislative Assembly.	This section was not added by the Senate. Senate amendments to the state school aid formula are provided in Senate Bill No. 2265.

**Other Sections for Department of Public Instruction - Budget No. 201**

	<b>Executive Budget Recommendation</b>	<b>Senate Version</b>
Grants - Passthrough grants distribution	Section 13 would require no more than one-half of the passthrough grants provided to the department may be distributed during the 1st year of the biennium.	Section 11 allows the Superintendent to determine the manner in which certain passthrough grants are distributed and to provide for a report.
Contingent appropriation - Special education contracts and Teacher Incentives for Leadership in Education (TILE) Program	Section 14 would provide if any funding appropriated to the Superintendent of Public Instruction for integrated formula payments to school districts remains after the Superintendent complies with all statutory payment obligations imposed for the biennium beginning July 1, 2017, and ending June 30, 2019, the Superintendent shall first use the remaining funds to pay any state obligations in excess of the amount appropriated for special education contracts for the 2017-19 biennium and second use up to \$10,000,000 of any remaining funds for the creation of a TILE program. Funding provided for the TILE program must be invested in professional development, project-based incentives for current teachers, or career track opportunities for teacher leaders.	This section was not added by the Senate. However, Section 5 allows the Superintendent, after complying with all statutory payment obligations, to use up to \$4 million remaining from the 2017-19 biennium appropriation for integrated formula payments for special education grants.
Foundation aid stabilization fund transfer	Section 15 would provide for the transfer, on a quarterly basis, a total of \$232,781,065 from the foundation aid stabilization fund to the operating fund of DPI for the purpose of providing integrated formula payments during the 2019-21 biennium.	This section was not included by the Senate, but the funding from the foundation aid stabilization fund is identified in another section.
Teacher loan forgiveness program transfer	Section 16 would include the statutory changes necessary to transfer the administration of the teacher loan forgiveness program from the State Board of Higher Education to the Superintendent of Public Instruction.	Section 16 provides the statutory changes necessary to transfer the administration of the teacher loan forgiveness program from the State Board of Higher Education to the Superintendent of Public Instruction.
State school aid formula changes	Section 17 would provide the statutory changes to the state school aid formula included in the executive budget recommendation. Statutory changes include: <ul style="list-style-type: none"><li>• Recalculating the baseline funding of school districts in an approved cooperative agreement;</li><li>• Increasing the integrated formula per student payment rate 2 percent each year of the biennium;</li><li>• Reducing minimum payments in the formula to 90 percent of the baseline calculation in both years of the biennium; and</li><li>• Increasing maximum payments in the formula by 5 percent each year of the biennium.</li></ul>	This section was not added by the Senate. Senate amendments to the state school aid formula are provided in Senate Bill No. 2265.
Early childhood education	Sections 18, 19, and 20 would provide the statutory changes necessary to transfer the early childhood service provider grant program from the Department of Commerce to the Superintendent of Public Instruction.	Sections 18, 19, and 20 provide the statutory changes necessary to transfer the early childhood service provider grant program from the Department of Commerce to the Superintendent of Public Instruction.

**Other Sections for Department of Public Instruction - Budget No. 201**

**Executive Budget Recommendation**

Special education grants - Deficiency authorization

Section 21 would provide 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.

Emergency

**Senate Version**

Section 7 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.

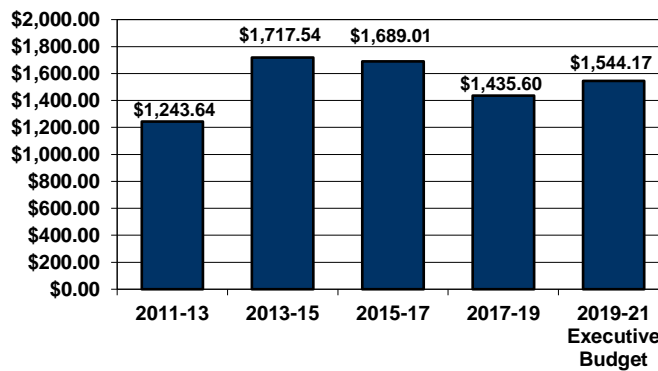
Section 21 declares the authorization to transfer funding from the integrated formula payments line item to the grant - special education line item for the 2017-19 biennium is an emergency measure.

Department 201 - Department of Public Instruction

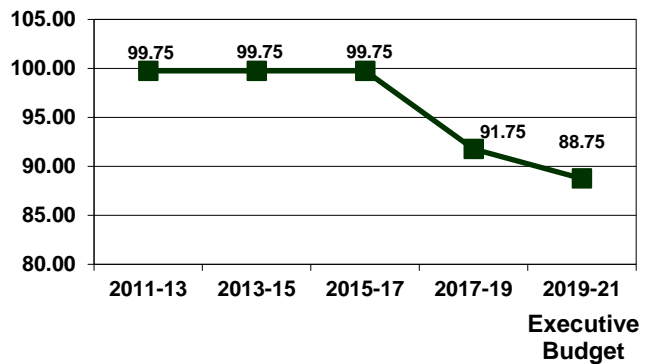
# Historical Appropriations Information

## Ongoing General Fund Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing General Fund Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing general fund appropriations	\$1,243,641,651	\$1,717,543,325	\$1,689,008,539	1,435,601,984	\$1,544,171,484
Increase (decrease) from previous biennium	\$130,225,797	\$473,901,674	(\$28,534,786)	(\$253,406,555)	\$108,569,500
Percentage increase (decrease) from previous biennium	N/A	38.1%	(1.7%)	(15.0%)	7.6%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	38.1%	35.8%	15.4%	24.2%

### Major Increases (Decreases) in Ongoing General Fund Appropriations

#### 2013-15 Biennium

1. Increased funding for ACT and WorkKeys testing to provide a total of \$867,300 from the general fund. \$188,900
2. Removed funding for mill levy reduction grants. (\$341,790,000)
3. Increased funding for state school aid to provide for a new per-student integrated formula payment that provides an adequate base level of support necessary to educate students and includes property tax relief. \$794,952,522
4. Increased funding for transportation grants from \$48.5 million to \$53.5 million. \$5,000,000
5. Increased funding for special education from \$16 million to \$16.5 million. \$500,000
6. Increased funding for other passthrough grants. \$944,106

#### 2015-17 Biennium (Original Amounts)

1. Added funding for market equity related to attrition in the director of school finance position. \$100,000
2. Increased funding for salaries and wages to support content positions in mathematics and science. The department planned to convert FTE positions. \$277,351
3. Increased funding for the administration of the Safe and Healthy Schools Unit, including salaries and wages (\$500,034) and operating expenses (\$97,640). \$597,674
4. Increased funding for information technology maintenance to update the state automated reporting system (\$112,000) and updates to the department's website (\$48,000). \$160,000
5. Added funding for operating expenses to support the statewide accreditation system. \$799,750
6. Added funding for operating expenses to support a college and career readiness program, including the cost of advanced placement teacher professional development and related expenses. \$250,000
7. Added funding to support statewide training and implementation activities to advance the deployment of principal and teacher evaluation programs, including \$60,000 for operating costs and \$240,000 for grants. \$300,000

8. Increased funding for integrated formula payments. (Due to budget allotments declared by the Governor, the funding source for integrated formula payments was adjusted to provide additional funds from the foundation aid stabilization fund.)	\$85,732,000
9. Increased funding for transportation grants to provide a total of \$57 million from the general fund.	\$3,500,000
10. Increased funding for special education contract grants to provide a total of \$17.3 million from the general fund.	\$800,000
11. Increased funding for the mentorship grant program to provide \$2.7 million from the general fund for an expanded teacher, principal, and instructional coach mentoring program.	\$400,000
12. Increased funding for adult education grants to provide a total of \$4,110,411 from the general fund.	\$1,000,000
13. Increased funding for other passthrough grants.	\$121,394
14. Added funding for grants to provide free breakfast to students eligible for reduced meals to provide a total of \$205,000 from the general fund.	\$205,000
15. Added funding for English language learner grants to provide a total of \$1 million from the general fund.	\$1,000,000
16. Added funding for Medicaid matching requirements of school districts related to increased medical assistance payment rates for physical, occupational, and speech therapy services to provide a total of \$323,611 from the general fund. (This funding was reduced as part of the general fund budget reductions approved in August 2016.)	\$323,611
17. Added funding for PowerSchool to provide a total of \$6 million from the general fund in a separate line of the department's appropriation and removed the PowerSchool factor from the state school aid formula.	\$6,000,000

**2017-19 Biennium**

1. Removed 8 FTE positions from base budget. Funding for 3 FTE information technology programmer and research positions of \$449,187, of which \$157,215 is from the general fund and \$291,972 is from federal funds, was transferred from the salaries and wages line item to the operating expenses line item to contract for services.	(\$652,038)
2. Reduced funding for operating expenses.	(\$1,301,254)
3. Increased funding for cost-to-continue state school aid.	\$18,864,163
4. Adjusted the funding sources of integrated formula payments to provide for increased funding available from the state tuition fund.	(\$86,412,905)
5. Adjusted the funding sources of integrated formula payments to provide for a decrease in ongoing funding provided from the foundation aid stabilization fund to \$110 million.	\$6,053,293
6. Adjusted the funding sources of integrated formula payments to provide for one-time funding from the foundation aid stabilization fund.	(\$185,000,000)
7. Increased funding for special education contract grants to provide a total of \$19.3 million from the general fund.	\$2,000,000
8. Reduced funding for transportation grants to provide a total of \$55.4 million from the general fund.	(\$1,600,000)
9. Added funding for a flexible funding pool for certain programs administered by the Superintendent of Public Instruction.	\$1,530,000
10. Reduced funding for program grants.	(\$1,179,022)
11. Reduced funding for various passthrough grants.	(\$2,887,500)
12. Reduced funding for PowerSchool.	(\$500,000)

**2019-21 Biennium (Executive Budget Recommendation)**

1. Removes 4 FTE positions from base budget.	(\$583,930)
2. Restores 1 FTE division manager position.	\$272,692
3. Transfers the teacher shortage loan forgiveness program from the North Dakota University System.	\$2,103,393
4. Increases funding for cost-to-continue state school aid. <b>The Senate added \$53,625,374 for the cost-to-continue state school aid due to a change in how the department calculates the average daily membership for special education prekindergarten students.</b>	\$52,295,837
5. Adds funding to provide a 2 percent increase in the per pupil payment each year of the biennium. <b>The Senate added \$82,848,454 to provide increases in the per pupil payment rate of 2 percent in the 1<sup>st</sup> year and 3 percent in the 2<sup>nd</sup> year of the biennium, increase the formula maximum payments 5 percent each year of the biennium, and reduce the local revenue deduction to 75 percent for all local revenue types.</b>	\$61,962,987

6. Reduces funding for savings related to transitioning school districts from minimum payments beginning in the 1 <sup>st</sup> year of the biennium. <b>The Senate provided for transitioning school districts from the minimum payments in the 2<sup>nd</sup> year of the biennium for a savings of \$2,031,496.</b>	(\$14,004,083)
7. Reduces funding for savings related to removing new property from the 12 percent limitation on property tax increases. <b>The Senate did not include this change to the state school aid formula.</b>	(\$8,892,316)
8. Adds 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
9. Adjusts the funding source for integrated formula payments to increase funding from the foundation aid stabilization fund. <b>The Senate did not include this increase in funding from the foundation aid stabilization fund.</b>	(\$122,781,065)
10. Adjusts the funding source for integrated formula payments to increase funding from the state tuition fund/common schools trust fund.	(\$74,217,095)
11. Increases funding for special education grants.	\$5,700,000
12. Increases funding for adult education matching grants. <b>The Senate increased funding for adult education matching grants by \$1.3 million to provide a total of \$4.4 million from the general fund.</b>	\$1,000,000
13. Transfers prekindergarten grants from Department of Commerce. <b>The Senate transferred \$1.5 million of general fund authority for early childhood education provider grants from Department of Commerce to DPI, but did not provide a funding increase.</b>	\$3,000,000
14. Transfers PowerSchool to the Information Technology Department. <b>The Senate did not reduce funding for PowerSchool or transfer administration of the program to the Information Technology Department.</b>	(\$5,500,000)

**GOVERNOR'S RECOMMENDATION FOR THE  
DEPARTMENT OF PUBLIC INSTRUCTION AS SUBMITTED  
BY THE OFFICE OF MANAGEMENT AND BUDGET**

**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 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, 2019, and ending June 30, 2021, as follows:

Subdivision 1.

DEPARTMENT OF PUBLIC INSTRUCTION

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$17,439,176	\$773,885	\$18,213,061
Operating Expenses	30,165,005	5,279,942	35,444,947
Integrated Formula Payments	1,750,204,163	300,498,160	2,050,702,323
Grants-Special Education	19,300,000	5,700,000	25,000,000
Grants-Transportation	55,400,000	-	55,400,000
Grants-Other Grants	254,062,705	33,000,000	287,062,705
Grants-Program Grants	6,210,000	4,279,711	10,489,711
Grants-Passthrough Grants	2,898,000	(359,871)	2,538,129
PowerSchool	5,500,000	(5,500,000)	-
Transportation Efficiency	30,000	(3,000)	27,000
National Board Certification	120,000	(12,000)	108,000
Total all funds	<u>\$2,141,329,049</u>	<u>\$343,656,827</u>	<u>\$2,484,985,876</u>
Less estimated income	891,047,065	46,442,327	937,489,392
Total general fund	<u>\$1,250,281,984</u>	<u>\$297,214,500</u>	<u>\$1,547,496,484</u>
Full-time equivalent positions	91.75	(3.00)	88.75

Subdivision 2.

STATE LIBRARY



	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$4,152,758	\$170,992	\$4,323,750
Operating Expenses	1,604,075	17,842	1,621,917
Grants	<u>2,109,028</u>	<u>124,500</u>	<u>2,233,528</u>
Total all funds	\$7,865,861	\$313,334	\$8,179,195
Less estimated income	<u>2,247,560</u>	<u>123,909</u>	<u>2,371,469</u>
Total general fund	\$5,618,301	\$189,425	\$5,807,726
Full-time equivalent positions	28.75	-1.00	27.75

Subdiviion 3.

SCHOOL FOR THE DEAF

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,588,749	\$305,053	\$7,893,802
Operating Expenses	2,026,543	(320,957)	1,705,586
Capital Assets	158,678	270,000	428,678
Grants	<u>180,000</u>	<u>(140,000)</u>	<u>40,000</u>
Total all funds	\$9,953,970	\$114,096	\$10,068,066
Less estimated income	<u>3,198,444</u>	<u>(497,636)</u>	<u>2,700,808</u>
Total general fund	\$6,755,526	\$611,732	\$7,367,258
Full-time equivalent positions	45.61	-2.00	43.61

Subdivision 4.

NORTH DAKOTA VISION SERVICES – SCHOOL FOR THE BLIND

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$4,660,995	\$299,975	\$4,960,970
Operating Expenses	773,206	42,615	815,821
Capital Assets	<u>39,192</u>	<u>260,500</u>	<u>299,692</u>
Total all funds	\$5,473,393	\$603,090	\$6,076,483
Less estimated income	<u>1,214,747</u>	<u>116,877</u>	<u>1,331,624</u>
Total general fund	\$4,258,646	\$486,213	\$4,744,859
Full-time equivalent positions	28.50	(0.60)	27.90

Subdivision 5.

BILL TOTAL

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Grand total general Fund	\$1,266,914,457	\$298,501,873	\$1,565,416,330
Grant total special funds	<u>897,707,816</u>	<u>46,543,110</u>	<u>943,893,290</u>
Grand total all funds	\$2,164,622,273	\$345,044,983	\$2,509,309,620

**SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-SIXTH**

**LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly for the 2017-19 biennium and the 2019-21 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
<b>DEPARTMENT OF PUBLIC INSTRUCTION</b>		
Regional education association merger grants	\$100,000	\$0
ND governor's school science, technology, engineering and mathematics programs	220,000	0
Integrated formula payments	185,000,000	0
Cyber security science	-	3,000,000
Foreign language standards	-	125,000
On-time funding	-	24,135,735
Formula re-write	-	200,000
Total department of public instruction - all fund	<u>\$185,320,000</u>	<u>\$27,460,735</u>
Total department of public instruction - special funds	<u>185,320,000</u>	<u>24,135,735</u>
Total department of public instruction - general fund	-	3,325,000

**RESOURCE CENTER FOR THE DEAF AND HARD OF HEARING**

Extraordinary repairs	\$675,000	250,000
Equipment	28,000	-
Video equipment and software	30,000	-
Kitchen dishwashing unit	0	\$20,000
Total school for the deaf - special funds	<u>\$733,000</u>	<u>\$270,000</u>

**NORTH DAKOTA VISION SERVICES - SCHOOL FOR THE BLIND**

Special Assessments payoff	\$10,000	0
Heating and cooling upgrade	35,500	0
Water line replacement	60,000	0
Carpet and reception upgrade	30,000	0
Repair west wing roof	0	39,000
Miscellaneous repairs	0	18,500
Garage door replacement	0	16,000
Remodel daily living skills area	0	25,000
Adaptive technology equipment	0	20,000

Replace gymnasium floor	0	42,000
Remodel south wing restrooms	0	120,000
Total school for the blind special funds	\$135,500	\$280,500
Grand total - all funds	\$186,188,500	\$28,011,235
Grand total - estimated income	\$186,188,500	24,686,235
Grand total - general fund	\$0	\$3,325,000

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The Department of Public Instruction, Resource Center for the Deaf and Hard of Hearing, and North Dakota vision services - school for the blind shall report to the appropriations committees of the sixty-sixth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

**SECTION 3. 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 sixteen thousand nine hundred three dollars through June 30, 2016~~ one hundred twenty-five thousand two hundred twenty-six dollars through June 30, 2019 and ~~one hundred twenty thousand four hundred ten dollars~~ one hundred twenty-seven thousand seven hundred thirty-one dollars thereafter.

**SECTION 4. APPROPRIATION - TUITION APPORTIONMENT.** The sum of \$379,764,000, 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, 2019, and ending June 30, 2021.

**SECTION 5. 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 in payment of 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.

**SECTION 6. 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 7. REGIONAL EDUCATION ASSOCIATIONS - GRANTS.** During the 2019-21 biennium, the superintendent of public instruction shall expend up to \$500,000 from the integrated formula payments line item in subdivision 1 of section 1 of this Act for the purpose of providing annual grants to regional education associations.

**SECTION 8. CONTINUING EDUCATION GRANTS - FUNDING - DISTRIBUTION.** The sum of \$125,000, or so much of the sum as may be necessary, included in the grants - other grants line item in subdivision 1 of section 1 of this Act is provided for continuing education grants, for the biennium beginning July 1, 2019, and ending June 30, 2021.

1. The superintendent of public instruction shall award grants in amounts up to \$1,200 to eligible recipients in chronological order, based on the date of an individual's application. An eligible recipient must:
  - a. (1) Be licensed to teach by the education standards and practices board;
  - (2) Have taught in this state during each of the last three school years; and
  - (3) Be enrolled at an institution of higher education in this state in either a master of education program in educational leadership or a program leading to a specialist diploma in educational leadership;
  - b. Be pursuing the requirements for a certificate in career development facilitation; or
  - c. Be pursuing a school counselor credential.
2. If any of the amount appropriated for this purpose remains after the superintendent of public instruction has awarded grants to all eligible recipients, the superintendent shall distribute that amount as an additional per student payment on a prorated basis, according to the latest available average daily membership of each school district.

**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, 2020.

**SECTION 11. SCHOOL FOR THE DEAF - HIGHER EDUCATION INTERPRETER GRANT**

**PROGRAM.** The grants line item contained in subdivision 3 of section 1 of this Act is for the purpose of providing grants to assist institutions under the control of the state board of higher education with the cost of interpreters and real-time captioning for students who are deaf or hard of hearing, for the biennium beginning July 1, 2019, and ending June 30, 2021. Moneys appropriated for this program are not subject to section 54-44.1-11. Funds shall be distributed pursuant to the provisions of this section:

1. The school for the deaf shall develop a formula to determine the grant amount for which an institution is eligible. The formula must be based on a uniform hourly reimbursement.
2. To obtain a grant under this section, an institution shall submit to the school for the deaf, at the time and in the manner directed by the school, invoices showing the amount expended for interpreters and real-time captioning for students who are deaf or hard of hearing.
3. The school for the deaf may not distribute more than fifty percent of the amount appropriated during the first year of the biennium.
4. If any grant moneys remain undistributed at the end of the biennium, the school for the deaf shall provide additional prorated grants to institutions that incurred, during the biennium, hourly expenses in excess of the formula reimbursement level.
5. At the request of an institution under the control of the state board of higher education, the school for the deaf shall consult with the institution and provide advice regarding the provision of services most appropriate to meet a student's needs.

**SECTION 12. STATE SCHOOL AID PROGRAM.** The sum of \$2,050,702,323 included in the integrated formula payments line item in subdivision 1 of section 1 of this Act was calculated with the following assumption: Per student payment rates are \$9,839 for the 2019-20 academic year and increase to \$10,036 for the 2020-21 academic year.

**SECTION 13. 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, 2018.

**SECTION 14. CONTINGENT APPROPRIATION – DEPARTMENT OF PUBLIC INSTRUCTION – STUDENT CONTRACTS AND TEACHER INCENTIVES FOR LEADERSHIP IN EDUCATION.** If any funding appropriated to the superintendent of public instruction for integrated formula payments to school districts remains after the superintendent complies with all statutory payment obligations imposed for the biennium beginning July 1, 2017, and ending June 30, 2019, the superintendent shall:

1. Use the funds to pay any state obligations in excess of the amount appropriated for grants-special education contracts for the biennium beginning July 1, 2017 and ending June 30, 2019.
2. Up to \$10,000,000 of any remaining funds is to be used for the creation of the Teacher Incentives for Leadership in Education (TILE) program. TILE dollars must be invested in professional development or used to provide project-based incentives for current teachers, providing career track opportunities for teacher leaders.

**SECTION 15. TRANSFER.** The office of management and budget shall transfer, on a quarterly basis, a total of \$232,781,065 from the foundation aid stabilization fund to the operating fund of the department of public instruction for the purpose of covering expenses in the integrated formula payment line in subdivision 1 of section 1 of this Act, for the period beginning with the effective date of this Act and ending June 30, 2021.

**SECTION 16. AMENDMENT.** Section 15-10-38 of the North Dakota Century Code is amended and reenacted as follows:

**15-10-38. Loans - Teacher shortages - Loan forgiveness.**

1. The ~~state board of higher education~~ superintendent of public instruction shall administer a student loan forgiveness program for individuals teaching at grade levels, in content areas, and in geographical locations identified as having a teacher shortage or critical need. The ~~board~~ superintendent of public instruction may approve loan forgiveness for no more than two teachers per year in a school district. The ~~board~~ superintendent of public instruction shall adopt rules to implement the program.
2. The superintendent of public instruction annually shall identify grade levels, content areas, and geographical locations in which a teacher shortage or critical need exists.
3. To be eligible for loan forgiveness under this section, an individual: a. Must have graduated from an accredited teacher preparation program and signed a contract to teach at a grade level or in a content area and in a geographical location identified by the superintendent of public instruction as having an existing teacher shortage or critical need; and b. Must have an existing student loan.
4. For purposes of this section, the definitions of rural school district and remote town school district have the same meaning as the definitions under the national center for education statistics locale codes.
5. If an individual is receiving loan forgiveness under any other provision, the individual may not receive loan forgiveness under this section during the same application year.
6. An eligible individual may receive loan forgiveness under the program as follows: a. If the individual accepts one of up to five positions of critical need in a nonrural school district or nonremote town school district, the individual may receive up to three thousand dollars per year for a maximum of four years. b. If the individual accepts a position in a rural school district or remote town school district with an enrollment of fewer than one thousand students, the individual may receive up to four thousand five hundred dollars per year for a maximum of four years. c. If the individual accepts one of up to five positions of critical need in a rural school district or remote town school district with an enrollment of fewer than one thousand students, the individual may receive up to six thousand five hundred dollars per year for a maximum of four years.
7. The superintendent of public instruction shall consider all applications under this section based on the number of unfilled school vacancies, prioritized by critical need and geographic location.
8. Upon notification the individual has completed a full year of teaching in a school district, state-supported school, or nonpublic school in this state at a grade level or in a content area and in a geographical location identified by the superintendent of public instruction as one in which a teacher shortage or critical need exists, the ~~board~~ superintendent of public instruction shall distribute funds directly to the lending institution of the individual to repay outstanding loan principal balances on behalf of eligible applicants. The ~~board~~ superintendent of public instruction shall terminate loan forgiveness payments to eligible individuals when the loan principal balance of the eligible individual is paid in full.

**SECTION 17. AMENDMENT.** Section 15.1-27-04.1 of the North Dakota Century Code is amended and reenacted as follows:

**15.1-27-04.1. Baseline funding – Establishment – Determination of state aid.**

1. To determine the amount of state aid payable to each district, the superintendent of public instruction shall establish each district's baseline funding. A district's baseline funding consists of:
  - a. All state aid received by the district in accordance with chapter 15.1-27 during the 2012-13 school year;
  - b. The district's 2012-13 mill levy reduction grant, as determined in accordance with chapter 57-64, as it existed on June 30, 2013;

- c. An amount equal to that raised by the district's 2012 general fund levy or that raised by one hundred ten mills of the district's 2012 general fund levy, whichever is less;
- d. An amount equal to that raised by the district's 2012 long-distance learning and educational technology levy;
- e. An amount equal to that raised by the district's 2012 alternative education program levy; and
- f. An amount equal to:
  - (1) Seventy-five percent of all revenue received by the school district and reported under code 2000 of the North Dakota school district financial accounting and reporting manual, as developed by the superintendent of public instruction in accordance with section 15.1-02-08;
  - (2) Seventy-five percent of all mineral revenue received by the school district through direct allocation from the state treasurer and not reported under code 2000 of the North Dakota school district financial accounting and Page No. 4 reporting manual, as developed by the superintendent of public instruction in accordance with section 15.1-02-08;
  - (3) Seventy-five percent of all tuition received by the school district and reported under code 1300 of the North Dakota school district financial accounting and reporting manual, as developed by the superintendent of public instruction in accordance with section 15.1-02-08, with the exception of revenue received specifically for the operation of an educational program provided at a residential treatment facility and tuition received for the provision of an adult farm management program;
  - (4) Seventy-five percent of all revenue received by the school district from payments in lieu of taxes on the distribution and transmission of electric power;
  - (5) Seventy-five percent of all revenue received by the school district from payments in lieu of taxes on electricity generated from sources other than coal;
  - (6) All revenue received by the school district from mobile home taxes;
  - (7) Seventy-five percent of all revenue received by the school district from the leasing of land acquired by the United States for which compensation is allocated to the state under 33 U.S.C. 701(c)(3);
  - (8) All telecommunications tax revenue received by the school district; and
  - (9) All revenue received by the school district from payments in lieu of taxes and state reimbursement of the homestead credit and disabled veterans credit.

2. The superintendent shall divide the district's total baseline funding by the district's 2012-13 weighted student units to determine the district's baseline funding per weighted student unit.

3. If a school district is in an approved cooperative agreement under chapter 15.1-27-16, their baseline funding shall be recalculated using their baseline funding per weighted student unit established in 15.1-27-04.1(2) multiplied by the weighted student units in 2012-13 school year for the grade levels the school district currently offers beginning in the 2020-21 school year.

~~34. a. In 2017-18~~2019-20, the superintendent shall multiply the district's weighted student units by ~~nine thousand six hundred forty six~~nine thousand eight hundred thirty-nine dollars.

(1) The superintendent shall adjust the product to ensure the product is at least equal to the greater of:

(a) One hundred eight percent of the district's baseline funding per weighted student unit, as established in subsection 2, multiplied by the district's weighted student units from the previous school year multiplied by ninety percent; or

(b) ~~One hundred~~Ninety percent of the district's baseline funding as established in subsection 1.

(2) The superintendent also shall adjust the product to ensure the product does not exceed one hundred ~~forty-five~~ percent of the district's baseline funding per weighted student unit multiplied by the district's weighted student units from the previous school year, as established in subsection 2.



b. In ~~2018-19~~2020-21, the superintendent shall multiply the district's weighted student units by ~~nine thousand six hundred forty-six~~ ten thousand thirty-six dollars.

(1) The superintendent shall adjust the product to ensure the product is at least equal to the greater of:

(a) One hundred eight percent of the district's baseline funding per weighted student unit, as established in subsection 2, multiplied by the district's weighted student units from the previous school year multiplied by ninety percent; or

(b) ~~One hundred~~Ninety percent of the district's baseline funding as established in subsection 1.

(2) The superintendent also shall adjust the product to ensure the product does not exceed one hundred ~~forty~~fifty percent of the district's baseline funding per weighted student unit, as established in subsection 2, multiplied by the district's weighted student units from the previous school year.

—45. 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 Page No. 5 subdivision may not exceed the previous year's amount in dollars subtracted for purposes of this subdivision by more than twelve percent; and

b. Subtract an amount equal to seventy-five percent of all revenues listed in paragraphs 1 through 5, and 7 of subdivision f of subsection 1 and one hundred percent of all revenues listed in paragraphs 6, 8, and 9 of subdivision f of subsection 1.

56. The amount remaining after the computation required under subsection 4 is the amount of state aid to which a school district is entitled, subject to any other statutory requirements or limitations.

**SECTION 18. AMENDMENT.** Section 15.1-37-05 of the North Dakota Century Code is amended and reenacted as follows:

**15.1-37-05. Early childhood education providers - Coalition - Eligibility.**

1. The superintendent of a school district shall invite all public and private providers of early childhood education services within the district to meet, in order to:

a. Initiate the identification of all available options for cost-effectively maximizing the provision of early childhood education services within the district;

b. Address the coordinated utilization of facilities, personnel, and transportation, for the provision of early childhood education services within the district; and

c. (1) Form a coalition of early childhood education service providers; and

(2) Provide for the selection of a coalition governing board.

2. The board of the school district in which the coalition of service providers is located shall provide advice and guidance to the coalition in all matters pertaining to this section through section 15.1-37-08.

3. Any early childhood service provider who agrees to participate in the coalition or on its governing board may submit an application to the ~~department of commerce~~superintendent of public instruction for a grant under this section, provided the governing board certifies to the ~~department~~superintendent that the provider:

- a. Is a participating member in the coalition or on the governing board.
- b. Operates an early childhood education program that:
  - (1) Is approved in accordance with section 15.1-37-01; and
  - (2) Incorporates within its curriculum at least ten hours of research-based parental involvement.
- c. Has documented the provider's willingness to admit children of all learning abilities into the early childhood education program.

**SECTION 19. AMENDMENT.** Section 15.1-37-06 of the North Dakota Century Code is amended and reenacted as follows:

**15.1-37-06. Receipt and distribution of grants – Notification.**

1. a. The ~~department of commerce~~superintendent of public instruction shall receive applications for and distribute grants under this section to eligible members, including governing board members, of a consortium formed in accordance with section 15.1-37-05, in the amount of two thousand dollars for each child enrolled in a program of early childhood education, if the child is eligible for free lunches under the Richard B. Russell National School Lunch Act [42 U.S.C. 1751, et seq.], and one thousand dollars for each child enrolled in a program of early childhood education, if the child is eligible for reduced lunches under the Richard B. Russell National School Lunch Act [42 U.S.C. 1751, et seq.], provided: (1) The child is a resident of this state; (2) The child has reached four years of age before August first in the year of enrollment; and (3) The program has a duration of at least four hundred hours over a period of at least thirty-two consecutive weeks. b. A child enrolled in a federally funded head start program may not be counted for the purpose of determining grant eligibility under this section. 2. a. Once each calendar quarter, at the time and in the manner required by the ~~department of commerce~~superintendent of public instruction, any provider receiving a grant under this section shall forward to the parent of each child receiving services a notice indicating the total amount of the grant that was awarded to the provider for the quarter, the pro rata amount attributable to the parent's child, and the source of the grant. The ~~department of commerce~~superintendent of public instruction shall standardize the notification required by this subdivision. b. If a provider fails to meet the notification requirements of this subsection, the ~~department of commerce~~superintendent of public instruction shall reduce the amount of the provider's next grant payment by fifty percent. If a provider fails to meet the notification requirements of this section a second time, the ~~department of commerce~~superintendent of public instruction shall determine that the provider is ineligible to participate in the grant program for a period of one year.

**SECTION 20. AMENDMENT.** Section 15.1-37-08 of the North Dakota Century Code is amended and reenacted as follows:

### **15.1-37-08. Data collection - Requirements.**

The superintendent of public instruction, ~~with the advice and consent of the department of commerce,~~ shall implement a uniform system for the accounting, budgeting, and reporting of data by any early childhood education provider to whom or to which grants are distributed in accordance with section 15.1-37-06. Grants may be withheld or forfeited, in whole or in part, if information required in accordance with this section is not submitted at the time or in the manner requested by the superintendent.

**SECTION 21. GRANTS - SPECIAL EDUCATION DEFICIENCY AUTHORIZATION.** If funds provided to the superintendent of public instruction in subdivision 1 of section 1 of this Act for grants - special education, for the biennium beginning July 1, 2019, and ending June 30, 2021, are not sufficient to meet special education contract obligations, the superintendent of public instruction shall request supplemental funding from the sixty-sixth legislative assembly.