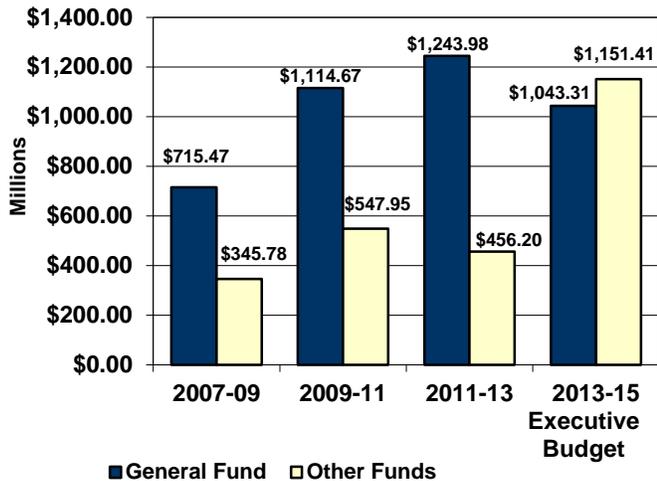


**Department 201 - Department of Public Instruction
 House Bill No. 1013**

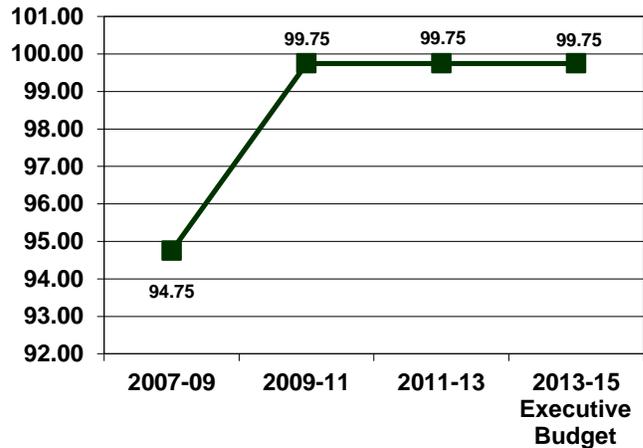
	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget	99.75	\$1,043,309,862	\$1,151,411,433	\$2,194,721,295
2011-13 Legislative Appropriations	99.75	1,243,980,651	456,203,423	1,700,184,074 ¹
Increase (Decrease)	0.00	(\$200,670,789)	\$695,208,010	\$494,537,221

¹The 2011-13 appropriation amounts do not include \$9.5 million of estimated excess funding for state school aid and transportation aid payments continued from the 2009-11 biennium to the 2011-13 biennium for state school aid per student payments (\$9 million) and adult education learning center grants (\$500,000). In addition, the 2011-13 appropriation amounts do not include \$317,785 of special funds authority for additional federal education jobs fund payments authorized by the Emergency Commission during the 2011-13 biennium.

Agency Funding



FTE Positions



Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2013-15 Executive Budget	\$1,043,309,862	\$0	\$1,043,309,862
2011-13 Legislative Appropriations	1,243,596,651	384,000	1,243,980,651
Increase (Decrease)	(\$200,286,789)	(\$384,000)	(\$200,670,789)

First House Action

Attached is a summary of the first house changes.

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

	General Fund	Other Funds	Total
Salaries and wages			
1. Provides funding for state employee salary increases, of which \$762,682 relates to performance increases and \$536,195 is for market equity adjustments. The House added funding of \$9,498 to correct the executive compensation package and reduced funding by \$588,536 for performance and market equity adjustments.	\$402,652	\$896,225	\$1,298,877
2. Increases funding for temporary salaries	\$200,000		\$200,000
Operating expenses			
3. Removes 2011-13 one-time funding for programming changes to the department's state automated reporting system (STARS) used to gather school district information	(\$384,000)		(\$384,000)

4. Removes 2011-13 one-time funding provided from the national board certification fund for the Education Standards and Practices Board approval and accreditation mainframe rewrite		(\$200,000)	(\$200,000)
5. Removes 2011-13 funding provided from the national board certification fund for ACT and WorkKeys testing		(\$115,000)	(\$115,000)
6. Increases funding for ACT and WorkKeys testing to provide a total of \$867,300 from the general fund	\$188,900		\$188,900
7. Increases operating expenses related to federal grant funding		\$216,165	\$216,165
8. Provides funding for inflationary increases in operating expenses of \$61,550, reduced by the removal of funding of \$20,000 for the Early Childhood Learning Council	\$41,550		\$41,550
9. Increases funding for information technology maintenance to update STARS (\$529,000) and the federal grants management system (\$190,000). The House removed this funding from the operating expense line item and added a \$2.5 million funding pool line item for various expenditures.	\$719,000		\$719,000

Grants

10. Removes 2011-13 funding provided from the general fund and the state tuition fund for state school aid formula payments	(\$816,821,478)	(\$101,638,000)	(\$918,459,478)
11. Adds funding from the general fund, the property tax relief sustainability fund (\$714.2 million), and the state tuition fund (\$140.3 million) for integrated formula payments to schools. The House reduced this funding by \$102,850,000 resulting from changes to the integrated payment formula. In addition, the House changed the funding source for the property tax relief component of the integrated payments from the property tax relief sustainability fund to the general fund.	\$932,900,162	\$854,499,838	\$1,787,400,000
12. Removes 2011-13 funding provided for mill levy reduction grants	(\$341,790,000)		(\$341,790,000)
13. Increases funding for special education from \$16 million to \$16.5 million	\$500,000		\$500,000
14. Increases funding for transportation grants from \$48.5 million to \$53.5 million. The House removed this increase.	\$5,000,000		\$5,000,000
15. Decreases federal funding for other grants		(\$32,112,238)	(\$32,112,238)
16. Decreases funding from the displaced homemaker fund for other grants		(\$25,000)	(\$25,000)
17. Removes 2011-13 funding provided from the oil and gas impact fund for rapid enrollment grants and provides funding from the general fund. The House removed funding for rapid enrollment grants. House Bill No. 1261 provides \$17 million from the general fund for rapid enrollment grants.	\$17,000,000	(\$5,000,000)	\$12,000,000
18. Removes 2011-13 funding provided for alternative middle school education program grants	(\$300,000)		(\$300,000)
19. Adds funding for grants to implement common core state standards. The House removed this funding from the grants line item and added a \$2.5 million funding pool line item for various expenditures.	\$500,000		\$500,000
20. Adds funding to provide statewide training and implementation support of a new teacher and principal evaluation program for all school districts. The House removed this funding from the grants line item and added a \$2.5 million funding pool line item for various expenditures.	\$400,000		\$400,000

21. Increased funding for other grants as follows:

\$338,000

\$338,000

	General Fund Increase (Decrease)	Total General Fund
North Central Council for School Television	\$50,000	\$535,000
Continuing education grants	50,000	150,000
"We the People" program	(2,000)	20,000
Rural art outreach project	35,000	415,000
National writing projects	15,000	173,000
Gearing Up for Kindergarten	190,000	815,000
Total general fund	\$338,000	\$2,108,000

The House removed all increases in other general fund grants included in the executive budget recommendation, except the continuing education grants for a total reduction compared to the executive budget recommendation of \$290,000. The Gearing Up for Kindergarten funding of \$625,000 included in the department's base budget was also removed. Funding for Atlantik-Brucke/Global Bridges program was increased by \$45,000 to provide a total of \$150,000, and the grant for teacher mentoring was reduced \$1 million to provide a total of \$1.3 million.

- 22. Removes 2011-13 one-time federal funding from the education jobs fund program to be distributed to school districts using the state school aid formula (\$21,517,716) (\$21,517,716)
- 23. Removes 2011-13 funding provided from the national board certification fund for the national board certification program and provides funding from the general fund \$120,000 (\$185,000) (\$65,000)

Other Sections in Bill

2011-13 deficiency appropriation - Section 3 appropriates \$25 million of additional federal funds to the Department of Public Instruction for providing grants to school districts during the 2011-13 biennium. Section 24 provides this section is an emergency measure.

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

Integrated formula payments - Section 5 identifies \$714,173,838 from the property tax sustainability fund for the integrated formula payments provided in Section 1 of the bill; however, the appropriation language should be removed from this section because the funds are also appropriated in Section 1. **The House removed this section and adjusted the funding source to the general fund.**

Payments for 2011-13 biennium educational services - Section 8 provides that the Department of Public Instruction may use money appropriated for integrated formula payments and special education contracts for the 2013-15 biennium to pay claims due during the 2011-13 biennium but not filed with the department until the 2013-15 biennium.

Special education gifted and talented programs - Section 9 provides that the Department of Public Instruction use \$800,000 of the 2013-15 legislative appropriation for integrated formula payments for reimbursing school districts or special education units for gifted and talented programs. The department is to encourage cooperative efforts for gifted and talented programs among school districts and special education units. State school aid payments for special education must be reduced by the amount of matching funds required to be paid by school districts or special education units for students participating in the Medicaid program. Special education funds equal to the amount of the matching funds required to be paid by the school district or special education unit must be paid by the Department of Public Instruction to the Department of Human Services on behalf of the school district or unit.

Regional education association grants - Section 10 provides for the distribution of up to \$800,000 from the integrated formula payments line item for regional education association grants to assist with the cost of compensating coordinators during the 2013-15 biennium. The maximum annual grant to a regional education association is the lesser of \$50,000 or 70 percent of the total compensation of the coordinator.

Continuing education grants - Section 12 provides for the distribution of up to \$150,000 from the Grants - other grants line item for continuing education grants. Grant awards are in amounts up to \$1,200 per eligible recipient and any funding remaining after grants have been awarded to all eligible recipients must be distributed to school districts as additional per student payments based on latest average daily membership.

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

Superintendent of Public Instruction salary - Section 21 provides the statutory changes increasing the Superintendent of Public Instruction's salary. The Superintendent of Public Instruction's annual salary is increased from the current level of \$105,954 to \$110,192, effective July 1, 2013, and to \$114,600, effective July 1, 2014, to reflect the 4 percent and 4 percent recommended salary increase. **The House changed this section of the bill to provide a salary increase of 3 percent effective July 1, 2013, and 3 percent effective July 1, 2014.**

National board certification program - Section 22 amends Section 15.1-18.1-02 relating to the national board certification program. Section 23 of the bill makes these changes effective July 1, 2015.

The House added the following sections to the bill:

Property tax relief sustainability fund transfer - The House added a section to provide for a transfer of \$341,790,000 from the property tax relief sustainability fund to the general fund.

Information technology full-time equivalent position transfer - The House added a section to require the Superintendent of Public Instruction to transfer 6 FTE information technology positions to the Information Technology Department by September 30, 2014, or request Budget Section approval for an extension of the deadline. The section also provides the department may seek Emergency Commission approval to transfer funding from the salaries and wages line item to the operating expenses line item to pay for the services provided by the Information Technology Department. In addition, a section was added to authorize 6 FTE positions and appropriate \$880,953 from special funds derived from other income to the Information Technology Department for the positions to be transferred from the Department of Public Instruction.

Transportation grants distribution - The House added a section to provide for the distribution of transportation grants to school districts.

Funding pool for initiatives - The House provided a flexible funding pool of \$2.5 million for items that were not included in the executive budget recommendation, including management information systems--website updates, safe and drug-free schools salary funding, statewide accreditation system, and a business manager training program. In addition, the flexible funding pool is intended to provide funding for items totaling \$1,619,000 included in the executive budget recommendation, including management information systems--STARS maintenance and development (\$719,000), teacher and principal evaluation systems (\$400,000), and common core state standards (\$500,000). The increase in funding for the Superintendent's initiatives funding pool is offset by funding reductions in line items related to the initiatives included in the executive budget recommendation, for a net increase in funding of \$881,000 from the general fund.

The House also added a section to provide for an exemption to Section 54-16-04, relating to line item transfers, to provide the Department of Public Instruction transfer funding, to the extent necessary, from the funding pool for initiatives line item to the appropriate line item for expending the funds for each initiative. The Superintendent of Public Instruction shall report to the Office of Management and Budget regarding all transfers from the funding pool for initiatives.

Other grant reporting - The House added a section requiring the Department of Public Instruction to develop a format for reporting the cost per participant and the outcomes of other grants provided by the department.

Federal funding study - The House added a section requiring the Department of Public Instruction to study the costs and benefits of accepting federal funds and the consequences of declining federal funds.

Gearing Up For Kindergarten - The House added a section of legislative intent allowing school districts to participate in the Gearing Up for Kindergarten program if approved by the school board of the local school district.

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.

Significant Audit Findings

The operational audit of the Department of Public Instruction conducted by the State Auditor's office during the 2011-12 interim included the following significant audit findings:

- Controls are not in place to properly ensure procurement procedures are performed in accordance with North Dakota State Procurement Office guidelines.
- The list of Title I districts and schools identified for improvement, corrective action, or restructuring under Section 1116 for the school year 2009-10 submitted by the Department of Public Instruction in the Consolidated State Performance Report for reporting on school year 2008-09 did not properly list all the districts and schools identified.
- The Department of Public Instruction was unable to provide documentation of its monitoring of sub-recipient's use of federal awards during the audit period.

Major Related Legislation

House Bill No. 1023 - Provides a deficiency appropriation of \$45,000 to the Department of Public Instruction for the 2011-13 biennium for continuing education grants

House Bill No. 1038 - Requires the Department of Public Instruction to provide training and support to general education classroom teachers and other school staff regarding the most effective methods of educating and providing services and support to individuals with autism spectrum disorder. It also requires the State Department of Health to establish and administer an autism spectrum disorder registry. A fiscal note prepared by the State Department of Health indicates a fiscal impact of \$589,464 from the general fund, of which \$198,000 relates to the Department of Public Instruction.

House Bill No. 1198 - Creates state-paid tax relief credits and provides a general fund appropriation of \$147.6 million to the State Treasurer for state-paid property tax relief credits

House Bill No. 1261 - Provides a general fund appropriation of \$17 million to the Department of Public Instruction for grants to school districts that can demonstrate rapid enrollment growth during the 2013-15 biennium

House Bill No. 1301 - Continues excess cost and boarding care reimbursements for school districts relating to students voluntarily placed in licensed child care facilities located within their district. A fiscal note prepared by the Department of Public Instruction indicates a fiscal impact of \$550,000 from the general fund. The department indicates the cost is expected to be provided by finding included in the grants - special education contracts line item.

House Bill No. 1319 - Provides the kindergarten through grade 12 integrated formula plan included in the executive budget recommendation for state school aid and property tax relief, as amended by the House. A fiscal note prepared by the Department of Public Instruction indicates a fiscal impact of \$1,684,500,000 for integrated formula payments, of which \$1,544,324,000 is from the general fund and \$140,326,000 is from the state tuition fund.

House Bill No. 1356 - Requires the Superintendent of Public Instruction study the development, delivery, and administration of comprehensive early childhood care and early childhood education in the state. The House added \$200,000 from the general fund to House Bill No. 1013 for the study.

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

Senate Bill No. 2036 - Provides a general fund appropriation of \$403,407,000 to the Superintendent of Public Instruction for mill levy reduction grants to school districts for the 2013-15 biennium

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

Senate Bill No. 2214 - Provides for transition payments for isolated school districts that became ineligible for the isolated school district factor as a result of changes made last biennium. A fiscal note prepared by the Department of Public Instruction indicates a fiscal impact of \$453,611 from the general fund, of which \$324,008 is included in the executive budget recommendation.

Senate Bill No. 2229 - Provides a general fund appropriation of \$4,683,000 to the Superintendent of Public Instruction for annual early childhood education grants to eligible school districts

Senate Bill No. 2238 - Provides a general fund appropriation of \$450,000 to the Superintendent of Public Instruction for reimbursing school districts for costs incurred in providing cardiopulmonary resuscitation training to students

Senate Bill No. 2256 - Defines and establishes requirements and criteria for a home visitation program for families with young children and for pregnant women. A fiscal note prepared by the Department of Public Instruction indicates the fiscal impact is unknown.

Senate Bill No. 2267 - Provides a contingent \$10 million general fund appropriation to the Department of Public Instruction for school district safety and deferred maintenance grants

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

ATTACH:1