

**Department of Public Instruction
Budget 201
House Bill Nos. 1013, 1261; Senate Bill Nos. 2238, 2267**

	FTE Positions	General Fund	Other Funds	Total
2013-15 legislative appropriation	99.75	\$1,723,613,325 ¹	\$436,996,759	\$2,160,610,084
2011-13 legislative appropriation	<u>99.75</u>	<u>1,244,025,651²</u>	<u>481,203,423²</u>	<u>1,725,229,074</u>
2013-15 appropriation increase (decrease) to 2011-13 appropriation	0.00	\$479,587,674	(\$44,206,664)	\$435,381,010

¹This amount includes \$6,070,000 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$1,717,543,325.

²This amount reflects the following 2011-13 supplemental appropriations:

- \$25 million of additional federal funds to the Department of Public Instruction for providing grants to school districts (Section 3 of House Bill No. 1013).
- \$45,000 from the general fund for continuing education grants for the 2011-13 biennium (2013 House Bill No. 1023).

Item Description

One-time funding - The Legislative Assembly in Section 2 of House Bill No. 1013 identified \$3,070,000 of one-time funding from the general fund for the 2013-15 biennium for various initiatives. In addition, the Legislative Assembly also provided one-time funding from the general fund of \$3 million for school district safety grants in Senate Bill No. 2267. The following table is a summary of one-time funding provided from the general fund:

	Total
Funding pool for initiatives (HB 1013)	\$2,750,000
Information technology staffing analysis (HB 1013)	100,000
Early childhood care and education study (HB 1013)	200,000
Governing North Dakota textbook (HB 1013)	20,000
School district safety grants (SB 2267)	3,000,000
Total	\$6,070,000

Status/Result

Funding pool for initiatives - Through February 2014, the Department of Public Instruction spent \$585,294 from the funding pool for initiatives. See the **Funding pool for initiatives** section below.

Information technology staffing analysis - The Legislative Assembly in Section 15 of House Bill No. 1013 identified \$100,000 from the general fund included in the Department of Public Instruction's appropriation to contract with the Information Technology Department and a private consultant to conduct an information technology staffing analysis for the 2013-15 biennium. The analysis must include a review of the Department of Public Instruction information technology staffing duties, responsibilities, and staffing levels and must consider the feasibility and desirability of transferring additional information technology positions to the Information Technology Department and must provide recommendations regarding the appropriate level of information technology staff for the Department of Public Instruction.

The department contracted with Eide Bailly LLP to perform the information technology staffing analysis, which included interviews with department staff, EduTech, the Department of Career and Technical Education, and school districts. The department has received the draft report. The department anticipates the final report will be available summer 2014 and all of the funding provided for the analysis will be spent.

Early childhood care and education study - The Legislative Assembly, in 2013 Senate Bill No. 2229, required the Superintendent of Public Instruction to study the development, delivery, and administration of comprehensive early childhood care and early childhood education in the state and report to the Legislative Management before June 1, 2014. The study must include an examination of the availability, quality, and cost of services offered by existing public and private sector providers; the projected need for services during the

coming 10 years to 20 years; and the ability of public and private sector providers to address the expansion of facilities or the creation of additional facilities. The department has a contract for \$73,500 with the University of Denver for an external facilitator, including research, state data analysis, travel, and the final report. In addition to the facilitator's contract, funding provided for the study will be used for travel and stipends for 29 non-state employee committee members. The department anticipates there will be one more study committee meeting in May, and the final report will be available the week of June 9.

Governing North Dakota textbook - The Department of Public Instruction has issued a \$20,000 grant to the North Dakota Historical Society for textbook updates.

School district safety grants - Through April 2014 the Department of Public Instruction has spent \$243,655 for school district safety grants. See the **School district safety grants** section below.

Through March 2014, the Department of Public Instruction has expended \$21,759 from the accrued leave payments line item for retirements and resignations. The department has not determined whether a transfer from the accrued leave payments line item to the salaries and wages line item will be necessary.

Funding available for state school aid, including integrated formula payments, transportation aid, special education, and rapid enrollment grants for the 2013-15 biennium, is \$1,836,108,150, including \$1,835,700,000 provided by the Legislative Assembly in 2013 and \$408,150 continued from the 2011-13 biennium for a supplemental assistance payment to a qualifying school district and a grant to an institution implementing a certificate program that prepares individuals with autism spectrum disorder for employment in the technology sector. The Department of Public Instruction estimates payments for integrated formula payments, supplemental assistance, and the grant during the first year of the biennium, not including transportation and special education, to be approximately \$842.3 million, \$8 million less than appropriated. The department estimates integrated formula payments for the second year of the biennium to be approximately \$891.4 million, \$11 million less than appropriated. This results in excess funding of approximately \$19 million for the 2013-15 biennium. There is no provision to distribute funding in excess of obligations for the integrated formula payments remaining at the end of the 2013-15 biennium; therefore, the excess funding will be canceled and be a part of the department's general fund turnback.

Accrued leave payments - In Section 1 of House Bill No. 1013, the Legislative Assembly identified \$322,068, of which \$104,350 is from the general fund, for accrued leave payments.

State school aid - Integrated formula payments, transportation aid, special education contracts, and rapid enrollment grants - The Legislative Assembly appropriated \$1,835,700,000, of which \$1,695,374,000 is from the general fund and \$140,326,000 is from the state tuition fund, for state school aid, including integrated formula payments, transportation aid, special education, and grants for rapid enrollment growth. This level of funding represents an increase of \$484.7 million, including increases in funding of \$472.3 million from the general fund and \$38.7 million from the state tuition fund and decreases in funding of \$5 million from the oil and gas impact grant fund and \$21.3 million from federal funds, from the 2011-13 legislative appropriation of \$1,350,992,316.

The Legislative Assembly approved the implementation of a new integrated formula payment to provide school funding. The legislative appropriation for the state school aid program integrates property tax relief in the kindergarten through grade 12 state school aid funding formula. The formula change discontinues the mill levy reduction grant program and provides the state will determine an adequate base level of support necessary to educate students by applying an integrated payment rate to the weighted student units. For the 2013-15 biennium, the integrated payment rates are \$8,810 during the first year of the biennium and \$9,092 for the second year of the biennium. This base level of support will be provided through a combination of local tax sources, local revenue, and state integrated formula payments. The local funding requirement is set at 60 mills and a percentage of identified local in lieu of property tax sources and local

revenues. Base level support not provided by local sources is provided by the state through the integrated formula payment. In addition, school districts are allowed an additional 10-mill levy for general fund purposes, an additional 12-mill levy for miscellaneous purposes, and a 3-mill levy for a special reserve fund.

The Legislative Assembly provided an appropriation of \$1,752,100,000, of which \$1,611,774,000 is from the general fund and \$140,326,000 is from the state tuition fund, for state school aid for integrated formula payments. This level of funding represents an increase of \$491.9 million, of which \$453.2 million is from the general fund and \$38.7 million is from the state tuition fund, from the 2011-13 biennium appropriation for state school aid and mill levy grants of \$1.26 billion.

Integrated formula payments related to state school aid total \$1.096 billion, an increase of \$177.2 million from state school aid provided during the 2011-13 biennium, and \$656.5 million for a mill levy buydown of 125 mills for the 2013-15 biennium (50 mills more than the 75 mills provided during the 2011-13 biennium), an increase of \$314.7 million from the \$341.8 million provided for mill levy reduction grants from the general fund during the 2011-13 biennium. The executive recommendation included, and the Legislative Assembly approved, increases in the state school aid component of the integrated formula payments totaling \$154.8 million related to cost to continue the formula (\$27.7 million), cost of projected student growth (\$53.5 million), and cost associated with increased per student payments (\$73.6 million). Additional changes to the formula approved by the Legislative Assembly resulted in a net increase of \$22.4 million for a total increase in the state school aid component of the integrated formula payments from the 2011-13 biennium of \$177.2 million.

Transportation aid - The Legislative Assembly provided \$53.5 million from the general fund for transportation aid for the 2013-15 biennium. This level of funding is \$5 million more than the 2011-13 biennium.

The Legislative Assembly, in Section 9 of House Bill No. 1013, requires the Department of Public Instruction to distribute transportation aid for the 2013-15 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:

- One dollar and 13 cents per mile for schoolbuses having a capacity of 10 or more passengers.
- Fifty-two cents per mile for vehicles having a capacity of nine or fewer passengers.
- Fifty cents 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.
- Fifty cents per mile one way for family transportation if the student lives more than two miles from the public school the student attends.

The Department of Public Instruction estimates transportation aid payments for the first year of the biennium to be approximately \$26.2 million, \$527,000 less than appropriated. The department estimates transportation aid payments for the second year of the biennium to be approximately \$26.2 million, \$561,000 less than appropriated. Funding available for transportation aid for the 2013-15 biennium is \$53.5 million. This results in excess funding of approximately \$1.1 million for the 2013-15 biennium. Any funding in excess of obligations for transportation aid will be distributed to school districts according to the percentage of the total transportation formula amount to which each school district is entitled pursuant to Section 9 of House Bill No. 1013.

In addition, \$1.2 million remaining in the grants - transportation line item, after the application of the transportation formula by the Superintendent of Public Instruction for the 2011-13 biennium, was distributed to school districts on a prorated basis according to the percentage of the total transportation formula amount to which each school district was entitled, as provided in Section 36 of Senate Bill No. 2150 (2011) related to the distribution of transportation grants.

- Thirty cents per student for each one-way trip.

Section 9 of House Bill No. 1013 also provides if any funds appropriated for transportation aid for the 2013-15 biennium remain unspent after all statutory obligations are met, the Department of Public Instruction is to prorate and distribute the remaining amounts according to the percentage of the total transportation formula amount to which each school district is entitled.

Rapid enrollment grants - The Legislative Assembly in House Bill No. 1261 provided \$13.6 million from the general fund to the Superintendent of Public Instruction for rapid enrollment grants. This level of funding is \$8.6 million more than the 2011-13 biennium. To qualify for a rapid enrollment grant, the school district's enrollment must increase by at least 4 percent annually, and more than 20 students. The district's grant is determined by reducing the actual percentage increase in the number of students by 2 percent and multiplying the number of students represented by the reduced percentage by \$3,900. The Superintendent may not award more than \$6.8 million in grants during the first year of the 2013-15 biennium. If the appropriated amount is insufficient, the Superintendent is authorized to prorate the grants. A district is precluded from receiving a rapid enrollment grant if the district is not eligible to receive state aid because its general fund ending balance exceeds statutory requirements.

For the 2013-14 school year the Department of Public Instruction has distributed rapid enrollment grants totaling \$4.9 million to the following 17 school districts enrolling 1,642 new students:

School District	Enrollment Increase	Rapid Enrollment Grant
Williston	383	\$1,277,827
West Fargo	380	850,937
Dickinson	264	809,221
McKenzie County	156	539,729
Tioga	78	273,994
New (Williams County)	67	243,338
Nedrose	40	136,009
Alexander	37	133,724
Mandaree	27	89,490
Velva	30	86,085
Stanley	32	81,930
Minnewaukan	26	80,195
Killdeer	28	76,721
Grenora	22	73,588
Center-Stanton	22	71,794
Thompson	26	66,665
Bowman County	24	57,155
Total	1,642	\$4,948,402

There were no qualified applicants that did not receive funding during the first year of the biennium, and the department anticipates similar funding will be required for the second year of the biennium. There is no provision to distribute funding that remains after all rapid enrollment grant obligations have been met for the 2013-15 biennium; therefore, any excess funding will be canceled and be a part of the department's general fund turnback.

Funding pool for initiatives - The Legislative Assembly provided \$2,750,000 from the general fund for a flexible funding pool 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--state automated reporting system (STARS) maintenance and development

Management information systems - The Department of Public Instruction anticipates using funds provided as part of the funding pool for management information systems projects, including STARS maintenance, intranet, FileNet, and website upgrades.

Safe and drug-free schools salary funding - The Department of Public Instruction is using funds provided as part of the funding pool to support an administrative assistant (.25 FTE to .50 FTE position), assistant director (1 FTE position), and a program administrator (.50 FTE position). Primary responsibilities include providing technical support, resource development, and

(\$719,000), teacher and principal evaluation systems (\$400,000), and Common Core Standards (\$500,000).

In addition, the Legislative Assembly provided for an exemption to North Dakota Century Code Section 54-16-04 relating to line item transfers to require 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 must report to the Office of Management and Budget regarding all transfers from the funding pool for initiatives.

Other grant reporting - The Legislative Assembly in Section 16 of House Bill No. 1013 requires the Department of Public Instruction develop a format for reporting the cost per participant and the outcomes of other grants provided through the department.

Reimbursement of title funding due to federal sequestration - The Legislative Assembly in Section 17 of House Bill No. 1013 provides legislative intent that if, as a result of the federal sequestration order for fiscal year 2013, school districts experience a reduction in funds provided under Title I, the Superintendent of Public Instruction introduce legislation to the 64th Legislative Assembly seeking state funding for school districts to offset the federal funding reductions.

professional development; dissemination of information; developing a unit workplan; and other duties as assigned to meet statutory requirements regarding youth health and safety issues.

Statewide accreditation system - The Department of Public Instruction is using funds provided as part of the funding pool to provide school accreditation through AdvancED--a school accreditation contractor. Each participating school will host an external visit and evaluation every five years. Currently, there are 365 schools that are transitioning to AdvancED this year and will begin with state assurances and the full process beginning in the fall of the 2014-15 school year.

Business manager training program - The North Dakota School Business Managers Certification Program is administered through the North Dakota School Boards Association. The association charges tuition for the courses (\$75 per hour), and the pool money helps subsidize the cost to the business managers. Funding has also been used to develop curriculum and to provide travel, tuition, and scholarships for business managers attending the training program. The first cohort to receive training included 40 business managers.

Principal and teacher evaluation systems - The Department of Public Instruction anticipates training will begin during the summer 2014 with full implementation in November 2014.

Common Core Standards - North Dakota has adopted the Common Core Standards which will be the official content standards for mathematics and English. The Department of Public Instruction has been addressing the concerns of educators and parents. The department has made available \$100,000 in grants to regional education associations and anticipates the remainder of the funding will be used to facilitate statewide implementation of the Common Core Standards. The department anticipates requesting additional state funding from the Legislative Assembly in 2015 to support positions in the areas of curriculum, assessment, and instructional practices.

The Department of Public Instruction has developed a form to collect information from each recipient of a flow-through grant. The grant recipient is required to provide a brief narrative describing the outcomes of the program and to report the number of participants, total cost, and cost per participant in the program. The form will be in an electronic fillable format and due from the grant recipient by mid-August of each year. The department anticipates compiling program information for the first year of the biennium and providing a report to the Legislative Assembly in 2015.

As a result of the Balanced Budget and Emergency Deficit Control Act (federal sequestration) for fiscal year 2013, federal funding for the Title I, Part A program was reduced by 5.2 percent. The Department of Public Instruction has calculated the reductions by school district and the Superintendent intends to introduce legislation to the 64th Legislative Assembly seeking \$1,661,207 in state funding for districts to offset federal funding reductions.

School construction project loans - In Section 44 of House Bill No. 1013, the Legislative Assembly amended Section 15.1-36-02, as an emergency measure, to authorize the Board of University and School Lands to use \$150 million from the strategic investment and improvements fund for school construction projects. This funding is in addition to \$50 million available from the coal development trust fund. In addition, Section 60 of House Bill No. 1013 provides that if, as of December 31, 2014, any portion of the \$150 million made available for school construction project loans in Section 15.1-36-02(1)(b) remains uncommitted for the purpose of providing school construction loans, the Board of University and School Lands may authorize up to \$50 million of the uncommitted amount for the purpose of providing medical facility infrastructure loans in accordance with 2013 Senate Bill No. 2187.

2011-13 carryover - Pursuant to Section 15.1-27-22.1, any moneys remaining in the grants - state school aid line item, after the Superintendent of Public Instruction complies with all statutory payment obligations imposed for the 2011-13 biennium, is to be distributed to school districts. However, the Legislative Assembly in 2013 provided, before any remaining funds are distributed, the Department of Public Instruction provide funding for a one-time supplemental assistance payment and an autism spectrum disorder technology grant as follows:

- **One-time supplemental assistance payment** - Section 57 of House Bill No. 1013 provides, as an emergency measure, if any money remains in the grants - state school aid line item after the Superintendent of Public Instruction complies with all statutory payment obligations imposed for the 2011-13 biennium, the Superintendent must reserve the first \$158,150 to provide a supplemental assistance payment to a qualifying school district which participated with another school district in a cooperative agreement that at the conclusion of the 2012-13 school year became part of a reorganized district.
- **Autism spectrum disorder technology grant** - Section 61 of House Bill No. 1013 provides, as an emergency measure, if any money remains in the grants - state school aid line item after the Superintendent of Public Instruction complies with all statutory payment obligations imposed for the 2011-13 biennium, the Superintendent may transfer \$250,000 to the Department of Career and Technical Education to provide a grant to an institution implementing a certificate program that prepares individuals with autism spectrum disorder for employment in the technology sector.

As of March 31, 2014, the total value of the coal development trust fund permanent fund assets was \$65.95 million, of which \$31.33 million was school construction loans receivable, \$7.56 million was coal impact loans receivable, and \$27.06 million was either invested or was a receivable of investment or other earnings. Section 15.1-36-02 limits the outstanding principal balance of school construction loans from the coal development trust fund to \$50 million leaving \$18.67 million available for loans from the coal development trust fund.

As of March 31, 2014, new loans made from the strategic investment and improvements fund totaled \$126.1 million, leaving \$23.90 million available for additional loans from the strategic investment and improvements fund.

Pending loan requests, totaling \$83 million, exceed total funding available from the coal development trust fund and the strategic investment and improvements fund of \$42.6 million. Funding available for school construction loans has been committed to districts and a waiting list exists for additional loans as funding becomes available.

Unobligated state school aid remaining as of June 30, 2013, totaled \$7.1 million, of which \$408,150 was continued into the 2013-15 biennium and distributed as a one-time supplemental assistance payment (\$158,150) and transferred to the Department of Career and Technical Education to provide a grant to an institution implementing a certificate program that prepares individuals with autism spectrum disorder for employment in the technology sector (\$250,000). Remaining funds totaling \$6.7 million were distributed to school districts on a prorated basis according to the latest available average daily membership of each school district pursuant to Section 15.1-27-22.1.

Legislative Management study - Education funding and accountability study appropriation and committee - The Legislative Assembly in Section 58 of House Bill No. 1013 provides the Legislative Management appoint a committee to examine and clarify state-level and local-level responsibility for the equitable and adequate funding of elementary and secondary education in the state. Section 59 provides \$100,000 from the general fund to the Legislative Council to contract with consultants and other personnel necessary to complete the study of education funding and accountability.

Cardiopulmonary resuscitation (CPR) training grants - The Legislative Assembly in Senate Bill No. 2238 appropriated \$450,000 from the general fund to the Department of Public Instruction to reimburse public and nonpublic schools offering qualified CPR training.

School district safety grants - The Legislative Assembly in Senate Bill No. 2267 appropriated \$3 million from the general fund to provide school district safety grants to districts:

1. Not precluded from receiving state aid by Section 15.1-27-35.3;
2. Providing an equal monetary match for any amount received through the grant program; and
3. Having an ending general fund balance that does not exceed 25 percent of the district's total general fund expenditures as of June 30, 2013.

Districts must expend funds for projects that improve safety and submit documentation to the department for reimbursement. Each district is eligible for \$10,000 plus the district's pro rata share of the remaining \$3 million appropriation.

Transition payments for isolated school districts - The Legislative Assembly in Senate Bill No. 2214 extended transition payments for school districts that were recognized as being isolated before July 1, 2011, but which no longer meet the statutory criteria.

Office space remodeling projects

The study to examine and clarify state-level and local-level responsibility for the equitable and adequate funding of elementary and secondary education has been assigned to the interim Education Funding Committee. The Legislative Council has contracted with Picus Odden and Associates to assist with the study for \$84,140. Expenditures related to the study total \$74,421 through March 2014.

The Department of Public Instruction has worked with partners to develop and distribute a fact sheet regarding the eligibility of school districts to be reimbursed for CPR and automated external defibrillator (AED) training of high school students. Through March 1, 2014, four school districts have submitted requests for reimbursements totaling \$2,850. The department indicated there has been additional interest in the program. Any unused funding will be canceled and be a part of the department's general fund turnback.

The Department of Public Instruction has published the safety grant allocation by school district on its website. Expenditures through April 2014 totaled \$243,655. Because the grants are provided on a reimbursement basis, disbursements have been delayed. However, the department anticipates all of the funding provided for safety grants will be utilized by the end of the biennium.

The Department of Public Instruction provided \$259,206 from the integrated formula payments line item to eight eligible school districts during the first year of the biennium and anticipates \$194,405 will be distributed to the same districts during the second year of the biennium.

To collocate staff members currently located elsewhere in Bismarck and in the cities of Minot and Fargo with staff members located in the Capitol, the Department of Public Instruction is in the process of remodeling office space on the 9th and 11th floors of the Capitol. The department has also indicated that, depending on the outcome of the information technology staffing analysis, the 10th floor may also be remodeled to improve connectivity and accommodate staff. Cost estimates for the remodeling projects are not yet available.