

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

	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2015-17 legislative appropriation (original)	99.75	\$1,820,982,952 <sup>1</sup>	\$508,632,473	\$2,329,615,425
2013-15 legislative appropriation	<u>99.75</u>	<u>1,728,613,325<sup>2</sup></u>	<u>436,996,759</u>	<u>2,165,610,084</u>
2015-17 appropriation increase (decrease) to 2013-15 appropriation	0.00	\$92,369,627	\$71,635,714	\$164,005,341
2015-17 general fund budget allotment (4.05 percent)	<u>0.00</u>	<u>(\$73,749,810)<sup>3</sup></u>	<u>\$71,758,143</u>	<u>(\$1,991,667)</u>
Adjusted 2015-17 appropriation after budget allotment	99.75	\$1,747,233,142	\$580,390,616	\$2,327,623,758

<sup>1</sup>The original legislative appropriation amount includes \$15,480,000 of one-time funding from the general fund. Excluding this amount, the agency's original ongoing general fund appropriation is \$1,805,502,952.

<sup>2</sup>The 2013-15 appropriation amounts include a contingent appropriation from the general fund to provide a grant of \$5 million for the construction of a children's science center in Bismarck since general fund revenues exceeded 3.5 percent of the estimated general fund revenues for the period from July 1, 2013, through June 30, 2014, as determined by the Office of Management and Budget.

<sup>3</sup>The general fund budget allotment relating to appropriations for state school aid, transportation aid, and special education aid, were offset with a transfer from the foundation aid stabilization fund. See the **General fund budget allotment** section below.

**Item Description**

**General fund budget allotment** - In February 2016 the Governor ordered a 4.05 percent general fund budget allotment for state agencies.

**Status/Result**

The budget allotment reduced general fund appropriations for the Department of Public Instruction by \$73,749,810. However, of the budget allotment amount identified for the Department of Public Instruction, the portion attributable to the \$1,771,806,000 appropriated from the general fund for state school aid, transportation aid, and special education aid was offset by a \$71,758,143 transfer from the foundation aid stabilization fund to the department's operating fund in March 2016. Remaining reductions totaling \$1,991,667 have been made to the following line items:

<b>Line Item</b>	<b>Reduction</b>
Operating expenses	\$281,120
Rapid enrollment grants	1,066,047
Grants - other grants	
Cardiopulmonary resuscitation (CPR) training grants	250,000
Civics education grant	200,000
Medicaid matching grants	160,000
Other grants to be determined	34,500
<b>Total</b>	<b>\$1,991,667</b>

**One-time funding** - The Legislative Assembly, in Section 2 of 2015 Senate Bill No. 2013, identified \$15.48 million of one-time funding from the general fund for the 2015-17 biennium for various initiatives as follows:

	<b>Total</b>
Rapid enrollment grants	\$14,800,000
CPR training grants	450,000
Civics education grant	200,000
Free or reduced meals information technology	30,000
<b>Total</b>	<b>\$15,480,000</b>

**Rapid enrollment grants** - The Legislative Assembly, in Section 8 of Senate Bill No. 2013 provided for the distribution of \$14.8 million for rapid enrollment grants. Grants are distributed based on two funding tiers. Districts experiencing an increase of at least 4 percent or 150 students and no less than 20 students (Tier 1) received \$4,000 per student and districts experiencing an increase of at least 2 percent or 75 students and no less than 10 students (Tier 2) received \$2,000 per student. During the first year of the biennium, the department distributed \$5,432,780 to 35 school districts, enrolling 1,450 new students and awarding grants ranging from \$1,148,160 to \$10,480. In addition, as part of the budget allotment, the department reduced funding for rapid enrollment grants by \$1,066,047, leaving approximately \$8.3 million available for rapid enrollment grants during the second year of the biennium. The department anticipates similar rapid enrollment grants during the second year of the biennium. Any unused rapid enrollment grant funding will not be spent and turned back to the general fund.

**CPR training grants** - The Legislative Assembly, in Section 10 of Senate Bill No. 2013, provided for the distribution of \$450,000 for CPR training grants to reimburse public and nonpublic schools offering qualified CPR training, the same as the 2013-15 biennium. However, for the 2015-17 biennium, the Legislative Assembly removed the matching requirement, provided CPR training grants be made available to middle school students, and set a maximum \$15 per student reimbursement level for qualified CPR training programs. Through March 2016 the department has provided \$2,277 in CPR grants. In addition, as part of the budget allotment, the department reduced funding for CPR grants by \$250,000, leaving \$197,723 available for CPR grants during the remainder of the biennium. The department anticipates additional school districts will apply for reimbursement, but anticipates some of the funding will not be spent and will be turned back to the general fund at the end of the biennium.

**Civics education grant** - The Legislative Assembly provided \$200,000 from the general fund for a passthrough grant to the North Dakota Humanities Council for the development of elementary and secondary civics education. The department has not provided funding for the civics education grant and, as part of the budget allotment, has reduced funding for the grant to zero.

**Free or reduced meals information technology** - The Legislative Assembly provided funding for free breakfast to students eligible for reduced meals. In addition, the Legislative Assembly provided \$30,000 for computer updates related to providing the free breakfast to these students. Through March 2016 the department has spent \$2,984 on computer updates. The department anticipates spending approximately \$15,000 on the updates during the biennium.

**Tuition apportionment and state tuition fund** - North Dakota Century Code Section 15.1-28-01 provides distributions received from the common schools trust fund must be paid into the state treasury and, with the net proceeds of fines for the violation of state laws, constitute the state tuition fund.

In 2013 the Legislative Assembly appropriated \$140,326,000 from the state tuition fund for state school aid payments during the 2013-15 biennium. In addition, Section 4 of 2013 House Bill No. 1013 provided that any money available in the state tuition fund in excess of the \$140,326,000 is appropriated to the Department of Public Instruction for distribution to school districts. However, the 2013 Legislative Assembly suspended Section 15.1-27-22.1 relating to the payment of excess funds appropriated for state school aid, and in 2015, Section 15.1-27-22.1 was repealed.

In 2015 the Legislative Assembly provided that, of the \$1,916,640,000 provided for integrated formula payments during the 2015-17 biennium, \$219,134,000 is from the state tuition fund and any funding in excess of the \$219,134,000 is appropriated to the Department of Public Instruction for distribution to school districts.

**State school aid - Integrated formula payments, transportation aid, special education contracts, and rapid enrollment grants** - The Legislative Assembly appropriated \$2,005,740,000, of which \$1,786,606,000 is from the general fund and \$219,134,000 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 \$170,000,000, of which \$91,200,000 is from the general fund and \$78,800,000 is from the state tuition fund, from the 2013-15 legislative appropriation of \$1,835,700,000.

The legislative appropriation for the state school aid program integrates property tax relief in the K-12 state school aid funding formula. The formula provides the state will determine an adequate base level of support necessary to educate students by applying an integrated payment rate to the weighted student units. For the 2015-17 biennium, the integrated payment rates are \$9,365 during the first year of the biennium and \$9,646 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.

During the 2013-15 biennium, distributions from the common schools trust fund were deposited directly into the Department of Public Instruction's operating fund and not in the state tuition fund. Common schools trust fund distributions deposited into the department's operating fund of \$130,326,000 and transfers from the state tuition fund to the department's operating fund of \$14,282,905 totaled \$144,608,905, \$4,282,905 more than appropriated from the state tuition fund for state school aid during the 2013-15 biennium. The funding in excess of the \$140,326,000 appropriated for state school aid of \$4,282,905 remained in the department's operating account at the end of the 2013-15 biennium instead of the state tuition fund. The department anticipates the \$4,282,905 will remain in the department's operating fund and used for state school aid payments in the 2017-19 biennium.

Distributions from the common schools trust fund continue to be deposited into the Department of Public Instruction's operating account during the 2015-17 biennium.

Funding available for state school aid, including integrated formula payments, transportation aid, special education, and rapid enrollment grants for the 2015-17 biennium, is \$2,006,276,580, including \$2,005,740,000 provided by the Legislative Assembly in 2015, less \$1,066,047 for allotted rapid enrollment grants, and including \$1,602,627 continued from the 2013-15 biennium for the following initiatives in order during the 2015-17 biennium:

- First - \$1,252,627 to enhance the delivery and the participation of students and teachers in advanced placement courses;
- Second - \$200,000 to contract with a research institution in the state to study the impact of early childhood education provider grants;
- Third - \$50,000 to provide for a review process for regional education associations; and
- Fourth - \$100,000 to provide grants to foster the creation of open curricular and instructional materials.

The entire budget allotment attributable to the \$1,771,806,000 appropriated from the general fund for state school aid, transportation aid, and special education aid is offset by a \$71,758,143 transfer from the foundation aid stabilization fund.

The Legislative Assembly provided an appropriation of \$1,916,640,000, of which \$1,697,506,000 is from the general fund and \$219,134,000 is from the state tuition fund, for state school aid for integrated formula payments. This level of funding represents an increase of \$164,500,000, of which \$85,700,000 is from the general fund and \$78,800,000 million is from the state tuition fund, from the 2013-15 biennium appropriation for integrated formula payments of \$1,752,000,000.

**Transportation aid grants and contingent transportation grants** - The Legislative Assembly provided \$57 million from the general fund for transportation aid during the 2015-17 biennium. This level of funding is \$3.5 million more than 2013-15 biennium.

- The Legislative Assembly, in Section 7 of Senate Bill No. 2013, requires the Department of Public Instruction to distribute transportation aid for the 2015-17 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:
- \$1.18 per mile for schoolbuses having a capacity of 10 or more passengers.
- Fifty-five cents per mile for vehicles having a capacity of nine or fewer passengers.
- Fifty-four 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-four cents per mile one way for family transportation if the student lives more than two miles from the public school the student attends.
- Thirty-two cents per student for each one-way trip.

The Department of Public Instruction estimates payments for integrated formula payments during the first year of the biennium, not including transportation, special education, and rapid enrollment grants, to be approximately \$926 million, \$10.7 million less than appropriated. The department estimates integrated formula payments for the second year of the biennium to be approximately \$970.1 million, \$9.3 million less than appropriated. This results in excess funding of approximately \$20 million for the 2015-17 biennium. Except for the provision to distribute additional transportation grants of \$3 million, there is no provision to distribute funding in excess of obligations for the integrated formula payments remaining at the end of the 2015-17 biennium. Therefore, excess funding of approximately \$17 million will not be spent and be a part of the department's general fund turnback. See the **Transportation aid grants and contingent transportation grants** section below.

The Department of Public Instruction estimates transportation aid payments for the first year of the biennium to be approximately \$28.4 million, \$100,000 less than appropriated. The department estimates transportation aid payments for the second year of the biennium to be approximately \$28.5 million, the same as appropriated. Funding available for transportation aid for the 2015-17 biennium is \$57 million. This results in excess funding of approximately \$100,000 for the 2015-17 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 7 of Senate Bill No. 2013.

Based on the department's estimates, the appropriation for integrated formula payments will exceed actual payments by approximately \$20 million, of which \$3 million will be provided in additional transportation grants, for a total of \$60 million provided for transportation aid grants during the 2015-17 biennium.

In addition, \$491,166 remaining in the grants - transportation line item, after the application of the transportation formula by the Superintendent of Public Instruction for the 2013-15 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 in June 2015, as provided in Section 9 of 2013 House Bill No. 1013 related to the distribution of transportation grants.

In addition to \$57 million provided from the general fund for transportation aid during the 2015-17 biennium in Senate Bill No. 2013, the Legislative Assembly provided, in Section 13 of 2015 Senate Bill No. 2015, that 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 2015-17 biennium, the Superintendent must provide up to \$3 million of the funds remaining for additional transportation grants. The Superintendent must prorate the available funding according to the percentage of the total transportation formula amount to which each school district is entitled.

Section 7 of Senate Bill No. 2013 also provides if any funds appropriated for transportation aid for the 2015-17 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.

**English language learner funding and grants** - The Legislative Assembly provided, through integrated formula payments, \$3.9 million for English language learner services during the 2015-17 biennium. Funding included in the formula is provided through weighting factors for the first, second, and third level of six categories of proficiency of English language learners. In addition to funding provided through the integrated payment formula, the Legislative Assembly also provided, in Senate Bill No. 2013, \$1 million for grants to the four school districts that serve the largest number of first and second level English language learners in K-12. The distribution of these grants is provided for in Section 30 of 2015 Senate Bill No. 2031 and provides the Superintendent of Public Instruction must distribute a pro rata share of the available grant dollars to each eligible district based upon the total number of first and second level English language learners enrolled in the four districts. Districts may use grant funds only for the purpose of enhancing services to first and second level English language learners, including hiring additional teachers, interpreters, and social workers for first and second level English language learners and other ancillary support services and programs approved by the Superintendent. The Superintendent may not award more than 50 percent of the funds during the first year of the 2015-17 biennium.

The Legislative Assembly, in Section 9 of Senate Bill No. 2031, provided for additional increases to certain English language learner weighting factors effective July 1, 2017. If not adjusted by the 2017 Legislative Assembly, the additional cost of these weighting factor increases in the 2017-19 biennium will be approximately \$700,000.

The Department of Public Instruction awarded 50 percent of the funding in the first year of the biennium. Four English language learner grants totaling \$500,000 were provided as follows:

School District	English Language Learner Grant
Fargo	\$191,574
West Fargo	149,021
Grand Forks	124,983
Bismarck	34,422
Total	\$500,000

The department anticipates the remaining funds will be distributed in the second year of the biennium.

**2013-15 carryover** - The Legislative Assembly, in Section 12 of Senate Bill No. 2013, provided the amount appropriated for school district safety grants in Section 1 of Chapter 59 of the 2013 Session Laws is not subject to Section 54-44.1-11 and any unexpended funds are available for school district safety grants during the 2015-17 biennium.

The Legislative Assembly provided, in Sections 32 through 35 of Senate Bill No. 2031, that if any money remains in the integrated formula payments line item after the Superintendent of Public Instruction complies with all statutory payment obligations imposed for the 2013-15 biennium, the Superintendent must provide, from the funds remaining, for the following initiatives in order during the 2015-17 biennium:

- First - \$1,252,627 to enhance the delivery and the participation of students and teachers in advanced placement courses;
- Second - \$200,000 to contract with a research institution in the state to study the impact of early childhood education provider grants;
- Third - \$50,000 to provide for a review process for regional education associations; and
- Fourth - \$100,000 to provide grants to foster the creation of open curricular and instructional materials, including textbooks utilized in required course offerings as set forth in Section 15.1-21-02, and in particular textbooks utilized in advanced placement and dual-credit courses, in order to reduce the related acquisition costs. Any instructional materials, including textbooks, developed in whole or in part with a grant awarded under this section, must be made available, free of charge, to all school districts in the state.

In addition, in Section 31 of Senate Bill No. 2031, the Legislative Assembly provided the unexpended amount remaining from the transfer of \$250,000 from the 2011-13 biennium, as permitted in Section 61 of Chapter 13 of the 2013 Session Laws, is not subject to the provisions of Section 54-44.1-11 at the end of the 2013-15 biennium and may be continued into the 2015-17 biennium, for the purpose of continuing the grant to an institution implementing a certificate program that prepares individuals with autism spectrum disorder for employment in the technology sector.

**School district safety grants** - The Department of Public Instruction continued \$849,130 of unexpended funding for school district safety grants from the 2013-15 biennium to the 2015-17 biennium. Through April 2016 the department has provided a total of \$301,277 for school district safety grants.

At the end of the 2013-15 biennium, \$38,757,674 remained in the integrated formula payments line item. The department continued funding totaling \$1,602,627 as identified in Sections 32 through 35 of Senate Bill No. 2031. The balance remaining of \$37,155,047 was turned back to the general fund.

**Advanced placement courses** - Funding continued to enhance the delivery and the participation of students and teachers in advanced placement courses of \$1,252,627 will be used for the department's college and career readiness program. Program expenditures through March 2016 totaled \$19,228. The department anticipates using all of the funds made available during the 2015-17 biennium.

**Early childhood education provider grant impact study** - The department has entered into a contract for the entire \$200,000 with North Dakota State University to study the impact of early childhood education provider grants. Through March 2016 the department has spent \$50,000 on the study.

**Regional education association review process** - The Legislative Assembly, in Section 6 of Senate Bill No. 2031, required regional education associations meet the requirements of a review process to be eligible for state funding. All regional education associations will use AdvancEd for the review process and through March 2016 there have been no expenditures for the biennium to date. The department has indicated current funding levels allow for two regional education associations to complete the process this biennium and if current funding levels are maintained over the next 2 bienniums, the accreditation process for all of the regional education associations will be complete by 2020.

**Open curricular and instructional materials** - Through March 2016 no grants to foster the creation of open curricular and instructional materials have been made by the department. The department reports stakeholder meetings have been held to discuss a warehouse, index, portal, and maintenance.

Funding of \$131,804 was continued by the Department of Career and Technical Education to the 2015-17 biennium for the purpose of continuing the grant to an institution implementing a certificate program that prepares individuals with autism spectrum disorder for employment in the technology sector. Through April 2016 none of this funding has been spent.

**Medicaid matching funding distribution** - The Legislative Assembly, in Section 5 of Senate Bill No. 2013, provided 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. The Legislative Assembly provided \$323,611 from the general fund to the Department of Public Instruction to offset the increase in Medicaid matching requirements of school districts related to increased medical assistance reimbursement rates for physical, occupational, and speech therapy services during the 2015-17 biennium.

**Regional education associations and teacher center networks** - The Legislative Assembly, in Section 22 of Senate Bill No. 2013, provided legislative intent that, during the 2015-17 biennium, teacher center networks merge with regional education associations and to provide mergers are complete by July 1, 2017.

**Oil and gas impact grants** - The Legislative Assembly, in Section 5 of 2015 House Bill No. 1176, provided \$139.3 million (\$140 million less \$700,000 appropriated for administrative costs in 2015 House Bill No. 1013) from the oil and gas impact grant fund to the Board of University and School Lands for oil and gas impact grants for the 2015-17 biennium. Of the \$139.3 million, \$6.8 million is undesignated, and \$132.5 million is designated for grants to various agencies, nonprofits, and political subdivisions, including \$30 million for school districts.

**Electronic survey of the Education Standards and Practices Board** - The Legislative Assembly, in Section 7 of Senate Bill No. 2031, required the Superintendent of Public Instruction develop an electronic survey to be used by the Education Standards and Practices Board at the conclusion of all interactions with individuals seeking information or services from the board. The board must compile the responses and provide reports regarding the results to an interim committee designated by the Legislative Management.

The department has reduced the funding available for Medicaid matching grants by \$160,000 as part of the February budget allotment, leaving \$163,611 available for matching grants during the 2015-17 biennium. The Department of Human Services, as part of the budget allotment, has postponed certain reimbursement rate increases that resulted in the increased Medicaid matching costs for school districts. As a result, the Department of Public Instruction does not anticipate needing all of the remaining funding.

The department has indicated that the merger of teacher center networks with regional education associations is progressing at different rates across the state and a statewide meeting of teacher center and regional education associations leadership is scheduled in May 2016.

As of April 2016 the Board of University and School Lands has awarded \$15,000,193 of grants to school districts for the 2015-17 biennium. However, based on the Office of Management and Budget's 2015-17 biennium revised revenue forecast released in February 2016, the allocations to the oil and gas impact grant fund are estimated to be \$28.6 million, a decrease of \$111.4 million compared to the May 2015 legislative forecast. As a result, the Department of Trust Lands has suspended all grants awards for projects that have not been started. The Department of Trust Lands will make disbursements on a reimbursement basis for grants that have been awarded as funds become available from oil and gas tax collections. The remaining grant rounds have been postponed, but may be reconsidered if additional funds become available.

The department developed the survey in May 2015 and began receiving responses in June 2015. The department shares results of the survey with the Education Standards and Practices Board on a quarterly basis. In addition, Legislative Management has assigned the responsibility to receive a report from the Education Standards and Practices Board regarding survey results to the interim Education Committee. The interim Education Committee received a report, including survey results from June 2015 through March 2016, from the Education Standards and Practices Board in May 2016.

**Foundation aid stabilization fund transfers - School construction assistance loan fund and scholarship endowment fund** - The Legislative Assembly approved 2015 Senate Concurrent Resolution No. 4003, which proposes a constitutional amendment to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for the most recently completed biennium for education-related purposes. In addition, the Legislative Assembly approved 2015 Senate Bill No. 2039 which:

- Establishes a scholarship endowment fund and a school construction assistance loan fund as a revolving loan fund;
- Provides, contingent on the approval of the provisions of Senate Concurrent Resolution No. 4003 by the voters, for transfers from the foundation aid stabilization fund to the school construction assistance loan fund (the lesser of \$200 million or 50 percent of the balance of the fund) and to the scholarship endowment fund (the lesser of \$200 million or 50 percent of the balance of the fund);
- Authorizes, contingent on the approval of the provisions of Senate Concurrent Resolution No. 4003 by the voters, the Bank of North Dakota to use up to \$200 million from the school construction assistance loan fund for school construction loans and establishes loan eligibility requirements and project prioritization. The total of all loans may not exceed \$100 million prior to July 1, 2018; and
- Transfers \$150 million, provided from the strategic investment and improvements fund for school construction loans during the 2013-15 biennium, to the school construction assistance loan fund and provides for the deposit of all interest and other earnings of the fund, including principal repayments of loans made from the fund, to be deposited in the school construction assistance loan fund.

Senate Bill No. 2039, contingent on the approval of Senate Concurrent Resolution No. 4003 by the voters in November 2016, provides any accessible funds that remain in the foundation aid stabilization fund, after completion of the required transfers to other funds, must be used for educational-related purposes, including state aid to school districts and educational-related property tax relief to school district patrons. Integrated formula payments, transportation aid, and special education grants total \$1,822,100,000 during the 2013-15 biennium, of which \$140,326,000 is provided from the state tuition fund and \$1,681,774,000 is provided from the general fund. Based on the February 2016 revised revenue forecast and final legislative action, it is estimated the foundation aid stabilization fund balance will exceed 15 percent of the 2013-15 biennium general fund appropriation for state school aid of \$252,266,100 by an estimated \$399,685,041 by the end of the 2015-17 biennium. If Senate Concurrent Resolution No. 4003 is approved by the voters, the foundation aid stabilization fund will become available December 1, 2016, as follows:

Estimated foundation aid stabilization fund balance - December 1, 2016	\$619,648,278 <sup>1</sup>
Reserve balance - 15 percent of the general fund appropriation for state aid to school districts, including integrated formula payments, transportation aid, and special education grants, during the 2013-15 biennium	\$252,266,100
Transfer to the scholarship endowment fund	\$183,691,089
Transfer to the school construction assistance fund	\$183,691,089

<sup>1</sup>To the extent that the balance in the foundation aid stabilization fund exceeds 15 percent of the general fund appropriation for state aid to school districts, for the most recently completed biennium, oil extraction tax allocations deposited into the foundation aid stabilization fund after December 1, 2016, are available for educational-related purposes, including state aid to school districts and educational-related property tax relief to school district patrons. Based on the February 2016 revised revenue forecast, it is estimated \$32,302,863 in oil extraction tax allocations will be deposited in the foundation aid stabilization fund between December 1, 2016, and June 30, 2017.

**School construction loans and school construction loan interest rate buydown program** - In addition to Senate Concurrent Resolution No. 4003, which proposes a constitutional amendment to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund, and Senate Bill No. 2039, which establishes the school construction assistance loan fund as a revolving loan fund, the Legislative Assembly also approved Senate Bill No. 2178, which provides the Bank of North Dakota may make available up to \$250 million to eligible school districts for school construction loans, creates a school construction loan interest rate buydown program administered by the Bank, and provides for a transfer of \$7,875,000 from the Bank's profits for school construction loan interest rate buydowns. The total of all loans provided by the Bank may not exceed \$125 million during the first year of the 2015-17 biennium.

The Legislative Assembly has provided three funding sources for low-interest school construction loans and two sets of loan criteria. Another \$200 million could be authorized, effective December 1, 2016, contingent on the approval of Senate Concurrent Resolution No. 4003 by voters in November 2016.

If approved by the voters, Senate Concurrent Resolution No. 4003 will expand the use of the foundation aid stabilization fund to allow for the transfer of up to \$200 million from the foundation aid stabilization fund into the school construction assistance loan fund effective December 1, 2016. Eligibility criteria for up to \$200 million from the school construction assistance loan fund is provided in Section 15.1-36-07, which becomes effective upon passage of the initiated measure. The criteria are essentially the same as the criteria used for the Bank of North Dakota interest rate buydown loan program. However, the statute directs the Legislative Assembly to conduct a biennial review of interest rates applicable to new loans. The department anticipates reconciling school construction loan programs during the 2017 legislative session.

Following is a summary of the current school construction loan programs:

**Coal development trust fund - Section 15.1-36-02** - The coal development trust fund is a constitutional fund managed by the Department of Trust Lands. The Legislative Assembly authorized up to \$50 million from this fund on a continuing basis for construction loans under Section 15.1-36-02. In fiscal year 2015-16, the coal development trust fund provided loans totaling \$8,210,000 to three districts that did not qualify for the funding under the Bank of North Dakota program because there was not a bond vote. As of April 1, 2016, the coal development trust fund has \$998,077 available to loan, with \$999,000 in requests from two districts pending.

**School construction assistance loan fund** - The school construction loan fund is a revolving loan fund in the state treasury. The fund consists of:

- \$150 million from the strategic investment and improvements fund provided by the Legislative Assembly in 2013 for loans in accordance with Section 15.1-36-02, all of which was committed prior to the 2015 legislative session;
- All interest, earnings, and repayments of loans from the fund; and
- All money appropriated or transferred to the fund by the Legislative Assembly.

No new loans have been funded biennium-to-date and \$48,337 is available to loan as of April 1, 2016. Another \$9.3 million will become available from interest and principal repayments on June 1, 2016.

**Bank of North Dakota interest rate buydown loan program - Section 15.1-36-06** - In addition to construction loans made available under Section 15.1-36-02, the Bank of North Dakota is authorized to provide up to \$250 million in loans to school districts eligible under an interest rate buydown program. The Legislative Assembly approved a transfer of \$7,875,000 from the Bank's current earnings and profits for the purpose of providing interest rate buydowns under the program for the 2015-17 biennium. All loans are 2 percent loans for the first 10 years. To be eligible, school districts must request a statement of the estimated tax increase (both residential and cropland) from the Tax Commissioner, publish information from the tax statements and notice of election in both the local newspaper and on the district's website, and receive authorization for a bond issue. Loan applications must be received annually by the Department of Public Instruction by April 1. After verification that all criteria have been met, the department provides a prioritized list of applicants to the Bank. Through February 2016 the program has loaned or committed to loan a total of \$87,273,858 for school construction projects in 10 school districts. In addition, the department has forwarded a prioritized list of \$90,990,510 in loan requests made by 11 school districts, bringing the total committed through April 1, 2017, to \$178,264,368. Uncommitted funds, which remain available for April 1, 2017, through June 30, 2017, total \$71,735,632. Through February 2016 \$2,857,538 has funded or been committed to fund interest rate buydowns. If the entire \$250 million is distributed through the interest rate buydown program, the Bank estimates \$14.5 million will be needed to buydown the interest rates on program loans during the 2017-19 biennium.

The Department of Public Instruction is collaborating with the Department of Commerce to implement the early childhood education grant program and a joint workgroup has been established to review applications. Because the effective date of the program is July 1, 2016, no early childhood education grant payments have been made. The Department of Commerce has reduced funding available for the early childhood education grant program by \$1.25 million as part of the February budget allotment, leaving \$1.75 million available for benefits.

Initially, applicants will estimate the number of eligible 4-year olds to determine the grant award. Grant payments will be supported by quarterly reports from the grantees. School districts accessing the grants will provide data through PowerSchool, which is ultimately included in the statewide longitudinal data system and state automatic reporting system enrollment. The Department of Public Instruction has included data collection measures for grantees that are not affiliated with a public school in the state automatic reporting system.

The Department of Commerce has received 49 applications for a total of 534 students. The department anticipates \$879,000 will be spent on early childhood education grants during the 2015-17 biennium.

**Early childhood education** - In 2015 Senate Bill No. 2151, the Legislative Assembly provided \$3 million from the general fund to the Department of Commerce for early childhood education grants and requires the Superintendent of Public Instruction implement a uniform system for the accounting, budgeting, and reporting of data by any early childhood education providers receiving the Department of Commerce early childhood grants.