

Department of Public Instruction
Budget No. 201
House Bill No. 1013 and Senate Bill No. 2272

	FTE Positions	General Fund	Other Funds	Total
2017-19 legislative appropriation	91.75	\$1,435,601,984	\$897,547,065	\$2,333,149,049
2015-17 legislative appropriation	99.75	1,701,708,569	624,685,766	2,326,394,335
2017-19 appropriation increase (decrease) to 2015-17 appropriation	(8.00)	(\$266,106,585)	\$272,861,299	\$6,754,714

Item Description

FTE changes - The Legislative Assembly approved 91.75 FTE positions for the Department of Public Instruction for the 2017-19 biennium, a decrease of 8 FTE positions from the 2015-17 biennium. The Legislative Assembly removed 1 FTE multimedia developer position, 2 FTE administrative assistant III positions, 1 FTE senior programmer analyst position, 1 FTE programmer analyst II position, 1 FTE research technician position, 1 FTE education information process analyst position, and 1 FTE accounting manager II position.

One-time funding - The Legislative Assembly provided one-time funding to the Department of Public Instruction in the following bills:

2017 House Bill No. 1013

- **Integrated formula payments** - In addition to \$110 million of ongoing funding provided from the foundation aid stabilization fund, the Legislative Assembly, in Section 3 of House Bill No. 1013, identified \$185 million of one-time funding from the foundation aid stabilization fund for integrated formula payments for a total of \$295 million for the biennium.
- **Regional education association merger grants** - The Legislative Assembly, in Sections 3 and 15 of House Bill No. 1013, provided for the distribution of \$100,000 from the foundation aid stabilization fund for the purpose of providing one-time regional education association merger grants. Each regional education association that merges with another regional education association to form a single entity with a single governing board during the 2017-19 biennium is entitled to a one-time \$25,000 grant.
- **Governor's School program** - The Legislative Assembly, in Sections 3 and 7 of House Bill No. 1013, provided \$220,000 of one-time funding from the student loan trust fund for support of Governor's School science, technology, engineering, and mathematics programs.

Status/Result

The Department of Public Instruction has reclassified six positions biennium to date and is currently developing a strategic plan. The department does not anticipate requesting additional FTE positions based on the strategic plan, but would reclassify existing positions to fill the programs or positions identified in the strategic plan. The department has seven vacant positions. The department anticipates filling most of the vacant positions, but positions will be evaluated, based on the strategic plan, as the budget is developed for the 2019-21 biennium.

Integrated formula payments - Through March 2018 the department has transferred \$147.5 million, one-half of the \$295 million made available, from the foundation aid stabilization fund for integrated formula payments. See the **State school aid - Integrated formula payments, transportation aid, special education contracts, and rapid enrollment grants** section below.

Regional education association merger grants - Through March 2018 the department has not received any applications for regional education association merger grants.

Governor's School program - Governor's School programs occur in June of each year. As a result, grant expenditures to date have been minimal. The department anticipates all of the grant funds will be expended.

2017 Senate Bill No. 2272

- **English language learner grants** - In addition to an estimated \$5.72 million provided through the integrated payment formula for English language learner services, the Legislative Assembly also provided one-time funding of \$500,000 from the foundation aid stabilization fund for grants to the four school districts that serve the largest number of first-, second-, and third-level English language learners in K-12. The distribution of these grants is provided for in Section 15 of Senate Bill No. 2272 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-, second-, and third-level English language learners enrolled in the four districts. Districts may use grant funds only for the purpose of enhancing services to first-, second-, and third-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, or \$250,000, of the funds during the 1st year of the 2017-19 biennium.
- **Rapid enrollment grants** - The Legislative Assembly, in Section 14 of Senate Bill No. 2272, provided one-time funding of \$6 million from the foundation aid stabilization fund to the Superintendent of Public Instruction for rapid enrollment grants during the 2017-19 biennium. Grants are distributed to districts experiencing an increase of at least 4 percent, or 150 students, but no less than 20 students. The district's grant is determined by reducing the actual percentage increase in the number of students by 2 percent and multiplying the number of students represented by the reduced percentage by \$4 million. The Superintendent may not award more than \$3,000,000 in grants during the 1st year of the biennium and if funding is not sufficient to provide all of the eligible grants, the department must prorate the payment based on the percentage of the total amount to which the school district is entitled.

State school aid - Integrated formula payments, transportation aid, special education contracts, and rapid enrollment grants - The Legislative Assembly appropriated \$2,015,904,163, of which \$1,409,357,258 is from the general fund, \$301,000,000 is from the foundation aid stabilization fund, and \$305,546,905 is from the state tuition fund, for state school aid, including integrated formula payments, transportation aid, special education, and grants for rapid enrollment growth. Of the \$301,000,000 provided from the foundation aid stabilization fund, \$191,000,000 is considered one-time funding. This level

English language learner grants - The four districts that serve the largest number of first-, second-, and third-level English language learners are Fargo, West Fargo, Grand Forks, and Bismarck. Through May 2018 the department has provided reimbursements totaling \$168,828, including West Fargo (\$83,480), Fargo (\$43,170), Bismarck (\$20,408), and Grand Forks (\$21,770). The department expects to receive additional claims and anticipates all of the funding will be expended during the biennium.

Rapid enrollment grants - Eligible rapid enrollment grant claims totaled \$5.1 million during the 1st year of the biennium; however, total grants are limited to \$3 million each year; therefore, the department was required to prorate grant payments. During the 1st year of the biennium, the department distributed \$3 million to 24 school districts, enrolling 1,826 new students and awarded grants ranging from \$28,476 to \$811,234. School districts received a prorated payment of approximately \$2,349 per student for those exceeding the 2 percent increase. The Department of Public Instruction anticipates all grant funding will be awarded during the 2017-19 biennium.

The Department of Public Instruction estimates payments for integrated formula payments during the 1st year of the biennium, not including transportation, special education, and rapid enrollment grants, to be approximately \$952.8 million, \$13.1 million less than appropriated. The department estimates integrated formula payments for the 2nd year of the biennium to be approximately \$970.2 million, \$809,379 more than appropriated. This results in excess funding of approximately \$12.3 million for the 2017-19 biennium. There is no provision to distribute funding in excess of obligations for the integrated formula payments remaining at the end

of funding represents an increase of \$12,459,633, including a decrease in funding of \$258,900,000 from the general fund and increases in funding of \$185,000,000 from the foundation aid stabilization fund and \$86,400,000 from the state tuition fund, from the 2015-17 adjusted legislative appropriation of \$2,003,444,530.

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 2017-19 biennium, the integrated payment rate will remain at \$9,646 for each year of the biennium, the same as the 2nd year of the 2015-17 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 \$1,935,204,163, of which \$1,334,657,258 is from the general fund, \$295,000,000 is from the foundation aid stabilization fund, and \$305,546,905 is from the state tuition fund, for integrated formula payments. Of the \$295,000,000 provided from the foundation aid stabilization fund, \$185,000,000 is considered one-time funding. This level of funding represents an increase of \$18,564,163, including a decrease in funding of \$246,795,449 from the general fund and increases in funding of \$178,946,707 from the foundation aid stabilization fund and \$86,412,905 from the state tuition fund, from the 2015-17 biennium adjusted appropriation for integrated formula payments of \$1,916,640,000.

Transportation aid grants - The Legislative Assembly provided \$55.4 million from the general fund for transportation aid during the 2017-19 biennium. This level of funding is \$1.6 million less than 2015-17 biennium funding of \$57 million from the general fund. Section 13 of House Bill No. 1013 requires the Department of Public Instruction to distribute transportation aid for the 2017-19 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 and \$0.11 per mile for schoolbuses having a capacity of 10 or more passengers.
- \$0.52 per mile for vehicles having a capacity of nine or fewer passengers.
- \$0.50 per mile round trip for family transportation of a student with a disability whose individualized education program plan requires that the student attend a school outside the student's school district of residence.

of the 2017-19 biennium. Therefore, excess funding will not be spent and will be a part of the department's general fund turnback. See the **Transportation aid grants** and **Special education contracts** sections below and rapid enrollment grants under **One-time funding** section above.

- \$0.50 per mile one way for family transportation if the student lives more than two miles from the public school the student attends.
- \$0.30 per student for each one-way trip.

Special education contracts - The Legislative Assembly provided \$19.3 million from the general fund for special education contracts during the 2017-19 biennium. This level of funding is \$2 million more than 2015-17 biennium funding of \$17.3 million from the general fund. The Legislative Assembly, in Section 10 of House Bill No. 1013, provided the Department of Public Instruction may use money appropriated for integrated formula payments and special education contracts for the 2017-19 biennium to pay claims due during the 2015-17 biennium, but not filed with the department until the 2017-19 biennium. In addition, the Legislative Assembly, in Section 26 of House Bill No. 1013, repealed North Dakota Century Code Section 6-09-45, relating to a required transfer from Bank of North Dakota undivided profits to provide funding for special education contract costs in excess of funds appropriated. The Legislative Assembly provided, pursuant to Section 11 of House Bill No. 1013, if special education contract obligations exceed funds provided, the Superintendent of Public Instruction shall request a deficiency appropriation for the 2017-19 biennium from the 66th Legislative Assembly.

Program grants, program grant pool, and authorized carryover of 2015-17 biennium funds - The Legislative Assembly provided a total of \$6,210,000 from the general fund for programs administered by the Department of Public Instruction, including a program grant pool, during the 2017-19 biennium. This funding includes a flexible funding pool of \$1,530,000 for new initiatives and various program grants that had been included in the department's budget separately. Funding for programs the department administered during the 2015-17 biennium, that will be funded through the pool during the 2017-19 biennium, include a total of \$640,000 for continuing education grants (\$150,000), preschool continuing education grants (\$150,000), curriculum alignment grants (\$100,000), and teacher and principal evaluation system grants (\$240,000). Funding is provided in the pool to continue these grant programs and for the Superintendent of Public Instruction's leveraging the senior year and leadership initiatives. In addition to the \$1,530,000 provided in the program grant pool, the Legislative Assembly provided, in Section 9 of House Bill No. 1013, the unexpended amount remaining from the transfer of \$1,252,627 from the 2013-15 biennium, as permitted in Section 32 of Chapter 137 of the 2015 Session Laws to enhance the delivery and the participation of students and teachers in advanced placement courses during the 2015-17 biennium, is not subject to the provisions of Section 54-44.1-11 at the end of the 2015-17 biennium and may

The student contract system reimburses school districts for high-cost students and students that are in placement for reasons other than education. Placements may be made by placing agencies or parents into a residential facility. School districts are responsible for the statewide average cost per student for placements by a placing agency or parent. School districts are responsible for four times the statewide average cost per student for school placements. Special education contract costs exceeding these limits are reimbursed by the state. The number of special education students qualifying for a student contract has increased from 400 students during the 2013-14 school year to 620 during the 2016-17 school year.

The Department of Public Instruction, pursuant to Section 10 of House Bill No. 1013, used approximately \$2 million of funding provided for 2017-19 biennium special education contracts for contracts due during the 2015-17 biennium, but not filed with the department until the 2017-19 biennium. If the trend continues, claims could exceed funding by as much as \$3 million in the grants - special education line during the 2017-19 biennium. The department anticipates requesting a deficiency appropriation from the 66th Legislative Assembly for special education contract costs exceeding funds appropriated pursuant to Section 11 of House Bill No. 1013.

The Department of Public Instruction continued \$700,711 from the 2015-17 biennium to provide a total of \$6,910,711 for program grants during the 2017-19 biennium. The carryover funding was used to increase the program grant pool to provide a total of \$2,230,711 for preschool and counselor continuing education grants, curriculum alignment, the leadership program, teacher/principal evaluation, and the department's leveraging the senior year program. The department anticipates spending all of the funding provided for program grants during the 2017-19 biennium. The following is a summary of the department's budget for program grants:

Program	Total Budget
Leveraging the senior year program	\$1,230,711
Preschool continuing education grants	175,000
Counselor continuing education grants	75,000
Curriculum alignment	100,000
Leadership program	175,000
Teacher/Principal evaluation	475,000
Total program grant pool budget	\$2,230,711
Adult education matching grants	3,100,000
School food services matching grants	1,380,000
Free breakfast program	200,000
Total program grant budget	\$6,910,711

be continued into the 2017-19 biennium, for the purpose of increasing the program grant pool. The department used these carryover funds to implement leveraging the senior year program during the 2015-17 biennium. The following is a summary of program grants, including the program grant pool:

Program	Total General Fund
Adult education matching grants	\$3,100,000
Program grant pool	1,530,000
School food services matching grants	1,380,000
Free breakfast program	200,000
Total 2017-19 program grants	\$6,210,000

Legislative intent - Teacher and administrator mentoring - The Legislative Assembly, in Section 22 of House Bill No. 1013, provided legislative intent that school districts, in addition to mentoring services provided by the state, use Federal Title II funding for teacher and administrator mentoring.

Innovative education program - The Legislative Assembly, in 2017 Senate Bill No. 2186, required the Superintendent of Public Instruction to adopt rules and administer an innovative education program.

The Department of Public Instruction has indicated the percentage of Federal Title II funding budgeted for mentoring by school districts increased from 3 percent during the 2014-15 school year to 8 percent during the 2017-18 biennium.

The Department of Public Instruction drafted administrative rules related to the program, which were approved in December 2017. Because the statute requires 1 year of planning for an innovative education program, there are two application forms. The first is a planning proposal and the second is an implementation application. The department posted the innovative education program planning proposal and implementation application on its website in January 2018 and hosted a webinar in February to review the application process. The department received the first application for innovative education from Northern Cass Public School in the summer of 2017. Northern Cass School District applied to the program before the rules were finalized, but had done the necessary planning, so the program was approved. The Northern Cass School District Jaguar Academy is for students in grades 8 and 9. Two additional grades will be added each year. Students, with parental consent, may opt into the Jaguar Academy or choose to continue high school in the traditional manner. The Jaguar Academy provides students with more opportunity to explore their areas of interest by building a customized schedule for the students, allowing more flexible scheduling, and moving toward proficiency-based grading at the secondary level. In February and March 2018, the department received three additional applications from West Fargo, New Rockford Sheyenne, and Oakes school districts. These districts, along with Northern Cass School District, will be working on personalized competency-based learning as their innovative education program.

School construction loans and school construction loan interest rate buydown program - The Legislative Assembly, in Senate Bill No. 2272, consolidated school construction loans in the school construction assistance revolving loan fund, which is to be administered by the Bank of North Dakota. The bill provides for a transfer of \$75 million from the foundation aid stabilization fund to the school construction assistance revolving loan fund, of which up to \$50 million must be used to repay the Bank of North Dakota for certain outstanding loans.

As of February 2018 all of the school construction loans made through the Department of Trust Lands school construction loan fund program, approximately \$143 million, had been transferred to the school construction assistance revolving loan fund. In addition, \$19.5 million of the \$75 million deposited in the school construction assistance revolving loan fund had been used to purchase loans made through the Bank of North Dakota interest rate buy down loan program. As of February 2018, outstanding loans in the school construction assistance revolving loan fund totaled \$155.8 million and assets of the fund totaled \$228.8 million. Loans through the Bank of North Dakota interest rate buy down loan program remaining to be purchased by the school construction assistance revolving loan fund totaled \$99.2 million.