

March 2000

## STATUS REPORT ON FOUNDATION AID AND OTHER MAJOR GRANTS TO SCHOOL DISTRICTS

This memorandum provides the following information for the 1999-2001 biennium:

- A summary of the appropriations for foundation aid and other major grants to school districts.
- Original and revised estimates for per student payments and weighted student units for the first and second year of the biennium.
- Status of appropriations for foundation aid, special education, supplemental payments, Educational Telecommunications Council grants, payments distributed on the basis of average daily membership (ADM), payments for declining enrollment, distributions from the state tuition fund, payments for limited English proficient students, reorganization bonus payments, and contingent distributions.

### 1999-2001 BIENNIUM APPROPRIATION FOR FOUNDATION AID AND OTHER MAJOR GRANTS

The 1999 Legislative Assembly appropriated the following amounts for foundation aid and other major grants to be distributed to school districts during the 1999-2001 biennium:

|  | 1999-2001<br>Biennium<br>Appropriation | 1997-99<br>Biennium<br>Appropriation | 1999-2001<br>Biennium<br>Increase<br>(Decrease) |
|--|--|--------------------------------------|---|
| <b>Foundation aid</b>                                    |  |                                      |   |
| Statutory per student payments                           | \$520,678,909                          | \$501,586,540                        | \$19,092,369                                    |
| Less mill deduct and excess fund balance deduct          | 78,072,650                             | 72,298,601                           | 5,774,049                                       |
| General fund per student payments                        | \$442,606,259                          | \$429,287,939                        | \$13,318,320                                    |
| Limited English proficiency payments                     | 400,000                                | 300,000                              | 100,000   |
| Transportation payments                                  | 36,000,000                             | 36,768,320                           | (768,320)                                       |
| Total foundation aid - General fund                      | \$479,006,259                          | \$466,356,259                        | \$12,650,000                                    |
| <b>Other major grants - General fund</b>                 |  |                                      |   |
| Special education  | \$46,600,000                           | \$40,550,000                         | \$6,050,000                                     |
| Supplemental payments                                    | 3,100,000                              | 3,100,000                            |   |
| ADM payments   | 2,500,000                              |                                      | 2,500,000                                       |
| Declining enrollment payments                            | 1,000,000                              |                                      | 1,000,000                                       |
| Educational Telecommunications Council grants            | 6,000,000                              | 6,000,000                            |   |
| Total other major grants - General fund                  | \$59,200,000                           | \$49,650,000                         | \$9,550,000                                     |
| Total foundation aid and other major general fund grants | \$538,206,259                          | \$516,006,259                        | \$22,200,000                                    |
| <b>Other major grants - Other funds</b>                  |  |                                      |   |
| Tuition fund distributions                               | \$53,528,217                           | \$49,273,144                         | \$4,255,073                                     |
| Total foundation aid and other payments                  | \$591,734,476                          | \$565,279,403                        | \$26,455,073                                    |

### PER STUDENT FOUNDATION AID AND TUITION FUND PAYMENTS AND WEIGHTED STUDENT UNITS

The legislative appropriations for per student foundation aid and tuition fund payments and the current estimates for the first and second year of the 1999-2001 biennium are as follows:

|                            | 1999 Legislative Appropriation | Current Estimate | Current Estimate Increase (Decrease) From Legislative Appropriation | Current Estimate Percentage Increase (Decrease) From Legislative Appropriation |
|----------------------------|--------------------------------|------------------|---|--|
| <b>1999-2000</b>           |                                |                  |   |  |
| Per student payments       | \$2,145                        | \$2,145          | \$0   | 0.0%   |
| Tuition fund distributions | 220                            | 225              | 5   | 2.3%   |
| Total payments             | \$2,365                        | \$2,370          | \$5   | 0.2%   |
| Weighted student units     | 119,430                        | 118,877          | (553)   | (0.5%)   |
| <b>2000-2001</b>           |                                |                  |   |  |
| Per student payments       | \$2,230                        | \$2,230          | \$0   | 0.0%   |
| Tuition fund distributions | 220                            | 235              | 15  | 6.8%   |
| Total payments             | \$2,450                        | \$2,465          | \$15  | 0.6%   |
| Weighted student units     | 117,718                        | 117,718          | 0   | 0.0%   |

Weighted student units are calculated based on a weighting factor, which is specified in statute for each size category of school, multiplied by the school district enrollment or ADM. North Dakota Century Code Section 15-40.1-09 defines "average daily membership" as the total days all students in a given school are in attendance, including certain holidays, divided by 180 days. This section provides that weighted student units must be calculated on the basis of the current year's enrollment or the previous year's ADM, whichever is greater. Consequently, the foundation aid formula provides a mechanism to protect districts against fluctuating payments based on temporary enrollment declines and also slows the reduction in foundation aid for districts with continuous enrollment declines.

### FOUNDATION AID

The following schedule shows budgeted foundation aid expenditures and the current estimate of expenditures for each year of the 1999-2001 biennium:

| FOUNDATION AID PROGRAM - 1999-2001 BIENNIUM |                                  |   |  |  |  |                                       |  |
|---|----------------------------------|---|--|--|--|---------------------------------------|--|
|   | 1999-2001 Biennium Appropriation | 1999-2000 Fiscal Year Budgeted Expenditures | 1999-2000 Fiscal Year Current Estimate of Expenditures | 1999-2000 Fiscal Year Current Estimate (Over) Under Budget | 2000-01 Fiscal Year Current Estimate of Expenditures | 1999-2001 Biennium Estimated Payments | 1999-2001 Biennium Estimated Remaining Balance |
| Statutory per student payments              | \$520,678,909                    | \$257,135,026                               | \$256,114,561  | \$1,020,465 <sup>1</sup>                                   | \$263,543,883  | \$519,658,444                         | \$1,020,465 <sup>1</sup>                       |
| Less deducts                                | 78,072,650                       | 38,274,828                                  | 38,274,828   |  | 39,649,812   | 77,924,640                            | \$148,010 <sup>2</sup>                         |
| General fund per student payments           | \$442,606,259                    | \$218,860,198                               | \$217,839,733  | \$1,020,465 <sup>1</sup>                                   | \$223,894,071  | \$441,733,804                         | \$872,455                                      |
| Limited English proficiency payments        | 400,000                          | 200,000                                     | 200,000  |  | 200,000  | 400,000                               |  |
| Transportation payments                     | 36,000,000                       | 18,000,000                                  | 17,733,595   | 266,405 <sup>1</sup>                                       | 18,000,000   | 35,733,595                            | 266,405 <sup>1</sup>                           |
| Total foundation aid - General fund         | \$479,006,259                    | \$237,060,198                               | \$235,773,328  | \$1,286,870 <sup>1</sup>                                   | \$242,094,071  | \$477,867,399                         | \$1,138,860 <sup>3</sup>                       |

<sup>1</sup> The variance is primarily attributable to the actual number of students being less than estimated. For the 1999-2000 school year, weighted student units, the basis used to distribute foundation aid payments, were 553 students, or .5 percent, less than estimated.

<sup>2</sup> The variance is attributable to the actual statewide taxable valuation to be used for distributing foundation aid payments for the second year of the biennium being less than estimated. The actual statewide taxable valuation to be used for distributing 2000-01 foundation aid payments was \$4.6 million less than the amount used during the 1999 legislative session to calculate the foundation aid appropriation. Consequently, the mill deduct for the second year of the biennium will be approximately \$148,000 less than the amount used to calculate the foundation aid appropriation, resulting in a corresponding increase in the general fund cost to make the foundation aid payments.

<sup>3</sup> The variance is attributable to:

- Decreased cost of \$1,286,870 due to the actual number of students being less than anticipated.
- Increased cost of \$148,010 due to the mill deduct being less than anticipated for the second year of the biennium.

The appropriation was calculated based on an anticipated decline of 1,712 weighted student units between the first and second year of the biennium. The original estimate for the number of students for the second year of the biennium has not been revised. If the actual number of students for the 2000-01 school year is less than anticipated, costs for foundation aid and transportation payments will be reduced and the remaining balance will increase accordingly. Any remaining balance will be distributed pursuant to 1999 Senate Bill Nos. 2162 and 2441. (See the sections entitled **Reorganization Bonus Payments** and **Foundation Aid - Contingent Distributions**.)

The mill deduct factor for both years of the 1999-2001 biennium is 32 mills. Pursuant to North Dakota Century Code (NDCC) Section 15-40.1-06, the mill deduct factor is multiplied by the latest available net assessed and equalized property valuation of each district and that amount is subtracted from the foundation aid, tuition apportionment, special education aid, and transportation aid payments to which a district is otherwise entitled. The statewide taxable valuation used for distributing foundation aid payments for the first year of the biennium is \$1.19 billion, which results in a mill deduct of \$38.1 million, the same as the amount used during the 1999 legislative session to calculate the appropriation. For the second year of the biennium, the actual statewide taxable valuation to be used for distributing foundation aid payments is \$1.23 billion, \$4.6 million less than the amount used to calculate the foundation aid appropriation. Consequently, the mill deduct for the second year of the 1999-2001 biennium will be **\$148,010 less** than anticipated, resulting in a corresponding increase in the general fund cost to distribute foundation aid payments at the level specified in statute.

North Dakota Century Code Section 15-40.1-06 provides that in addition to the mill deduct amount, the Department of Public Instruction must deduct from foundation aid, tuition apportionment, special education aid, and transportation aid the amount of a school district's unobligated general fund balance which is in excess of 75 percent of the school district's expenditures, plus an additional \$20,000. The estimated "excess fund balance deduct" used to calculate the foundation aid appropriation was \$200,000 for each year of the biennium.

### SPECIAL EDUCATION

The 1999 Legislative Assembly provided a general fund appropriation of \$46.6 million for special education payments to be distributed as follows, pursuant to Section 5 of 1999 Senate Bill No. 2013:

- \$11.5 million to reimburse school districts for special education contract costs above the amount for which districts are liable. This section also provides that the \$11.5 million must be distributed \$5.5 million the first year of the biennium and \$6 million the second year. Any of the \$11.5 million not used for regular contract reimbursements must be distributed to districts to proportionally reduce special education costs.
- \$400,000 to reimburse school districts for gifted and talented programs.
- \$34.7 million distributed on the basis of student ADM, pursuant to NDCC Section 15-40.1-07.6.

Special education ADM payments for 1999-2000 are \$156 per student, as anticipated. The department estimates that the payment for the second year of the biennium will be \$159 per student, unchanged from the amount originally estimated. The following schedule shows, for the period July 1, 1999, to December 31, 1999, a comparison of actual and budgeted special education expenditures:

| SPECIAL EDUCATION<br>COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH DECEMBER 31, 1999   |  |  |  |   |
|--|--|--|--|---|
|  | 1999-2001<br>Biennium<br>Appropriation | Budgeted<br>Expenditures<br>Through 12/31/99 | Actual<br>Expenditures<br>Through 12/31/99 | Actual Expenditures<br>(Over) Under<br>Budgeted Amounts |
| Special education payments   | \$46,600,000 <sup>1</sup>              | \$8,951,055                                  | \$12,044,132 <sup>2</sup>                  | (\$3,093,077) <sup>3</sup>                              |
| <sup>1</sup> Includes appropriations of \$400,000 for gifted and talented programs, \$11,500,000 for contract payments, and \$34,700,000 for ADM payments.                                 |  |  |  |   |
| <sup>2</sup> Includes expenditures of \$0 for gifted and talented programs, \$33,617 for contract payments, and \$12,010,515 for ADM payments.   |  |  |  |   |
| <sup>3</sup> The variance is primarily attributable to the timing of the distribution of the payments. A distribution budgeted for January 2000 was actually distributed in December 1999. |  |  |  |   |

### SUPPLEMENTAL PAYMENTS

The 1999 Legislative Assembly provided a general fund appropriation of \$3.1 million to the Department of Public Instruction for supplemental payments to school districts. North Dakota Century Code Section 15-40.1-07.8 provides a formula for the distribution of supplemental payments to school districts that are below the statewide average taxable valuation per student and below the statewide average educational expenditure per student. The following schedule shows, for the period July 1, 1999, to December 31, 1999, a comparison of actual and budgeted expenditures for supplemental payments:

| <b>SUPPLEMENTAL PAYMENTS<br/>COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH DECEMBER 31, 1999</b>   |   |   |   |  |
|--|---|---|---|--|
|  | <b>1999-2001<br/>Biennium<br/>Appropriation</b> | <b>Budgeted<br/>Expenditures<br/>Through 12/31/99</b> | <b>Actual<br/>Expenditures<br/>Through 12/31/99</b> | <b>Actual Expendi-<br/>tures (Over) Under<br/>Budgeted Amounts</b> |
| Supplemental payments  | \$3,100,000                                     | \$902,633   | \$1,053,072   | (\$150,439) <sup>1</sup>   |
| <sup>1</sup> The variance is primarily attributable to the timing of the distribution of the payments. A distribution budgeted for January 2000 was actually distributed in December 1999. |   |   |   |  |

### **EDUCATIONAL TELECOMMUNICATIONS COUNCIL GRANTS**

The 1999 Legislative Assembly provided a general fund appropriation of \$6 million to the Department of Public Instruction for grants to be distributed by the Educational Telecommunications Council for technology or teacher professional development related expenditures, pursuant to Section 6 of 1999 Senate Bill No. 2013. The maximum amount a district is eligible to receive is a proportionate share of the \$6 million appropriation based on the student ADM in the district compared to the statewide total student ADM. The minimum grant amount is \$5,000. The following schedule shows, for the period July 1, 1999, to December 31, 1999, a comparison of actual and budgeted expenditures for Educational Telecommunications Council grants:

| <b>EDUCATIONAL TELECOMMUNICATIONS COUNCIL GRANTS<br/>COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH DECEMBER 31, 1999</b>  |   |   |   |  |
|---|---|---|---|--|
|   | <b>1999-2001<br/>Biennium<br/>Appropriation</b> | <b>Budgeted<br/>Expenditures<br/>Through 12/31/99</b> | <b>Actual<br/>Expenditures<br/>Through 12/31/99</b> | <b>Actual Expenditures<br/>(Over) Under<br/>Budgeted Amounts</b> |
| Educational Telecommunications Council grants   | \$6,000,000                                     | \$6,000,000   | \$2,010,340   | \$3,989,660 <sup>1</sup>   |
| <sup>1</sup> The variance is attributable to an unanticipated delay in grant requests from school districts. The department had anticipated that all school districts would request their allotted share of the funds by December 31, 1999. |   |   |   |  |

### **AVERAGE DAILY MEMBERSHIP AND DECLINING ENROLLMENT PAYMENTS**

Section 14 of 1999 Senate Bill No. 2162 provides a general fund appropriation of \$3.5 million for providing payments to school districts as follows:

- \$1,750,000 distributed during the first year of the biennium on the basis of ADM.
- \$1 million distributed during the first year of the biennium to assist school districts with declining enrollment.
- \$750,000 distributed during the second year of the biennium on the basis of ADM.

In addition, this section provides for the distribution of an additional \$1 million on the basis of ADM and an additional \$1 million to assist school districts with declining enrollment if the moneys are available from any unspent funds appropriated by the 1999 Legislative Assembly for foundation aid. (See the section entitled **Foundation Aid - Contingent Distributions**.)

The following schedule shows, for the period July 1, 1999, to December 31, 1999, a comparison of actual and budgeted expenditures for ADM and declining enrollment payments, pursuant to 1999 Senate Bill No. 2162:

| <b>AVERAGE DAILY MEMBERSHIP AND DECLINING ENROLLMENT PAYMENTS<br/>COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH DECEMBER 31, 1999</b> |                  |                 |               |                            |
|---|------------------|-----------------|---------------|----------------------------|
|   | <b>1999-2001</b> | <b>Budgeted</b> | <b>Actual</b> | <b>Actual Expenditures</b> |

|                                  | Biennium<br>Appropriation | Expenditures<br>Through 12/31/99 | Expenditures<br>Through 12/31/99 | (Over) Under<br>Budgeted Amounts |
|----------------------------------|---------------------------|----------------------------------|----------------------------------|----------------------------------|
| ADM payments                     | \$2,500,000               | \$1,050,000                      | \$1,154,694                      | (\$104,694) <sup>1</sup>         |
| Declining enrollment<br>payments | \$1,000,000               | \$600,000                        | \$686,139                        | (\$86,139) <sup>1</sup>          |

<sup>1</sup> The variance is primarily attributable to the timing of the distribution of the payments. A distribution budgeted for January 2000 was actually distributed in December 1999.

### TUITION FUND DISTRIBUTIONS

The state tuition fund consists of the net proceeds from all fines for violation of state laws, leasing of school lands, and the interest income from the state common schools trust fund, pursuant to NDCC Section 15-44-01. Section 15-44-03 directs the Office of Management and Budget, on or before the third Monday in February, April, August, October, and December of each year, to certify to the Superintendent of Public Instruction the amount of the state tuition fund. The Superintendent of Public Instruction apportions the money in the fund among the school districts in the state in proportion to the number of school-age children residing in each district (census units).

The 1999 Legislative Assembly appropriated \$53,528,217 to the Department of Public Instruction for tuition fund distributions during the 1999-2001 biennium. Section 2 of 1999 Senate Bill No. 2013 appropriates any additional tuition fund moneys that become available during the biennium. The following schedule shows, for the period July 1, 1999, to December 31, 1999, a comparison of actual and budgeted state tuition fund distributions:

| STATE TUITION FUND<br>COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH DECEMBER 31, 1999 |  |  |  |   |
|---|--|--|--|---|
|   | 1999-2001<br>Biennium<br>Appropriation | Budgeted<br>Expenditures<br>Through 12/31/99 | Actual<br>Expenditures<br>Through 12/31/99 | Actual Expenditures<br>(Over) Under<br>Budgeted Amounts |
| State tuition fund distributions  | \$53,528,217                           | \$10,600,206                                 | \$16,302,727                               | (\$5,702,521) <sup>1</sup>                              |

<sup>1</sup> The variance is attributable to the timing of the distribution of the payments and additional funds available. A \$5,352,822 distribution budgeted for January 2000 was actually distributed in December 1999. In addition, higher than anticipated tuition fund income has resulted in the distribution of an additional \$349,699.

### PAYMENTS FOR LIMITED ENGLISH PROFICIENT STUDENTS

North Dakota Century Code Section 15-40.1-07.7 provides that school districts are entitled to an additional payment of \$400 per year for each student with limited English proficiency. Section 7 of 1999 Senate Bill No. 2013 provides that \$400,000 of the amount appropriated for foundation aid must be used to provide payments for limited English proficient students. The following schedule shows, for the period July 1, 1999, to December 31, 1999, a comparison of actual and budgeted expenditures for payments for limited English proficient students:

| PAYMENTS FOR LIMITED ENGLISH PROFICIENT STUDENTS<br>COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH DECEMBER 31, 1999 |  |  |  |   |
|---|--|--|--|---|
|   | 1999-2001<br>Biennium<br>Appropriation | Budgeted<br>Expenditures<br>Through 12/31/99 | Actual<br>Expenditures<br>Through 12/31/99 | Actual Expenditures<br>(Over) Under<br>Budgeted Amounts |
| Limited English proficiency<br>payments   | \$400,000                              | \$0 <sup>1</sup>                             | \$0 <sup>1</sup>                           | \$0 <sup>1</sup>  |

<sup>1</sup> The department plans to distribute these payments in May 2000, pursuant to NDCC Section 15-40.1-07.7. Consequently, no expenditures were budgeted or incurred through December 31, 1999.

### REORGANIZATION BONUS PAYMENTS

Senate Bill No. 2441 (1999) provides that if any of the funds appropriated by the 1999 Legislative Assembly for foundation aid remain unspent after all statutory obligations have been met, the Superintendent of Public Instruction can use up to \$2 million to make reorganization bonus payments to qualifying districts. (Section 14 of 1999 Senate Bill No. 2162 provides that this \$2 million will only be available after \$2 million of unspent foundation aid funds have been distributed as supplemental payments on the basis of average daily membership and to districts with declining enrollment. (See the following section entitled **Foundation Aid - Contingent Distributions.**)

A district qualifies for reorganization bonus payments if it reorganizes with one or more contiguous school districts, if at least one of the reorganizing districts is a high school district, and if the newly reorganized district consists of at least 800 square miles. The reorganization bonus payment is calculated based on the formula provided in Section 1 of Senate Bill No. 2441, which takes into consideration factors such as the number of districts reorganized, the number of square miles in the reorganized district, and the number of students in the reorganized district.

The distribution of these funds is contingent upon foundation aid funds being unspent at the end of the 1999-2001 biennium. Consequently, no distributions have been made.

### **FOUNDATION AID - CONTINGENT DISTRIBUTIONS**

Section 14 of 1999 Senate Bill No. 2162 provides that if any of the funds appropriated by the 1999 Legislative Assembly for foundation aid remain unspent after all statutory obligations have been met, the Superintendent of Public Instruction shall distribute the remaining funds as follows:

1. The first \$1 million as supplemental payments on the basis of ADM.
2. The second \$1 million to assist school districts that have experienced declining enrollment.
3. The next \$2 million to school districts eligible to receive reorganization bonuses pursuant to Senate Bill No. 2441. (See the preceding section entitled **Reorganization Bonus Payments**.)
4. Any remaining amount as supplemental payments on the basis of ADM.

The distribution of these funds is contingent upon foundation aid funds being unspent at the end of the 1999-2001 biennium. Consequently, no distributions have been made.