

**Department of Public Instruction
Budget 201
Senate Bill No. 2013; House Bill No. 1014**

	FTE Positions	General Fund	Other Funds	Total
2007-09 legislative appropriation	94.75	\$710,471,197	\$325,778,473	\$1,036,249,670
2005-07 legislative appropriation	<u>92.75</u>	<u>636,718,587¹</u>	<u>317,899,635²</u>	<u>954,618,222</u>
2007-09 appropriation increase (decrease) to 2005-07 appropriation	2.00	\$73,752,610	\$7,878,838	\$81,631,448

¹This amount reflects a 2005-07 deficiency appropriation of \$275,000 from the general fund to the Department of Public Instruction for operating expenses.

²This amount reflects a 2005-07 appropriation of \$22 million of additional federal funds to the Department of Public Instruction for providing grants to school districts authorized in Section 5 of Senate Bill No. 2013.

NOTE: The 2007-09 legislative appropriation amounts include \$158,157, of which \$47,922 is from the general fund, for the agency's share of the \$10 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

Item Description

State school aid - Per student payments, transportation aid, and special education contracts - The Legislative Assembly provided an appropriation of \$777,165,879, of which \$700,965,879 is from the general fund and \$76.2 million is from the state tuition fund, for state school aid, including per student payments, transportation aid, and special education. This level of funding represents an increase of \$78.6 million, of which \$74 million is from the general fund and \$4.6 million is from the state tuition fund, from the 2005-07 biennium appropriation of \$698,565,879. The Legislative Assembly consolidated funding for the state school aid program, including per student payments, teacher compensation payments, special education average daily membership payments, revenue supplemental payments, and tuition apportionment payments, into a new state school aid funding formula with a new distribution methodology.

School district reorganization planning grants - Section 50 of Senate Bill No. 2200 provides that the Department of Public Instruction may use \$100,000 of the 2007-09 legislative appropriation for state school aid for providing planning grants to school districts participating in reorganizations under North Dakota Century Code (NDCC) Chapter 15.1-12. A grant provided may not exceed \$25,000 and may not be awarded unless the student enrollment of the participating districts exceeds 360. If a grant is provided and the recipient districts vote not to reorganize, the department is to withhold the grant amount that each district received from any state aid payable to the district.

Status/Result

The total funding available for state school aid, including per student payments, transportation aid, and special education for the 2007-09 biennium is \$780,765,879. This amount includes \$3.6 million of funding carried over to the 2007-09 biennium from 2005-07 per student and transportation aid contingent distributions. The Department of Public Instruction estimates total state aid payments for the first year of the biennium to be approximately \$381.4 million, or \$2.9 million less than appropriated. The department estimates total state aid payments for the second year of the biennium to be approximately \$397.8 million, or \$1.5 million more than appropriated. This results in approximately \$1.4 million of funding remaining at the end of the 2007-09 biennium. Of the \$1.4 million, approximately \$700,000 will be in state school aid per student payments and distributed according to Section 55 of Senate Bill No. 2200 and approximately \$700,000 will be distributed as additional transportation grants according to Section 48 of Senate Bill No. 2200.

The department estimates approximately 85 percent to 100 percent of school districts will be offering full-day kindergarten for the 2008-09 school year.

To date the Department of Public Instruction has provided one grant for \$25,000 to Kidder County (Pettibone, Steele, Tappen, and Tuttle).

School district deferred maintenance and physical plant improvement grants - Section 50 of Senate Bill No. 2200 provides a \$5 million general fund appropriation to the Department of Public Instruction for school districts' deferred maintenance and physical plant improvement grants contingent upon the Office of Management and Budget projecting either the June 30, 2008, or the June 30, 2009, ending general fund balance to be \$30 million more than projected by the Office of Management and Budget at the end of the 2007 legislative session.

2005-07 contingent distributions - Per student and transportation aid - At the close of the 2007 legislative session, the Department of Public Instruction anticipated approximately \$14,173,000 of per student and transportation aid funding for the 2005-07 biennium may be available for distribution as contingent payments after all statutory obligations are met. The department was to distribute contingent payments based on Sections 27 and 28 of House Bill No. 1154 (2005) and Section 18 of Senate Bill No. 2013 (2007), which amended Section 28 of House Bill No. 1154 (2005).

In April 2008 the Office of Management and Budget projected the June 30, 2008, ending balance of the general fund to be more than \$30 million in excess of the amount predicted at the conclusion of the 2007 legislative session and the deferred maintenance and physical plant improvement grants were made available to eligible school districts. For purposes of the grant, an "eligible school district" is a school district that:

- Has a general fund levy equal to at least 150 mills.
- Is not precluded from receiving state aid by the provisions of Section 26 of Senate Bill No. 2200, which reduces the district's payment in the case of an excess general fund balance.
- Provides an equal monetary match.

The Department of Public Instruction has identified 171 eligible and 19 ineligible school districts. All of the school districts found to be ineligible were unable to meet the minimum general fund levy of 150 mills. To date the department has awarded 66 grants totaling approximately \$2.1 million.

The actual amount of per student and transportation aid funding that remained at the end of the 2005-07 biennium was \$13.6 million. The Department of Public Instruction returned \$759,000 to the general fund and is providing the following contingent payments pursuant to Section 18 of Senate Bill No. 2013 (2007), which amended Section 28 of House Bill No. 1154 (2005):

	Authorized Amount Pursuant to Section 18 of Senate Bill No. 2013	Actual Payments Through March 2008	Amount Remaining ¹
Additional payments to school districts serving English language learners in accordance with NDCC Section 15.1-27-12	\$450,000	\$450,000	\$0
Additional payments to school districts participating in eligible educational associations. (The first \$45,000 of the \$1 million is to be distributed during the 2007-09 biennium as grants in the amount of \$5,000 each to any educational association that commits to the development and implementation of a teacher mentoring program. The remaining \$955,000 is to be distributed as additional per student payments to school districts participating in eligible educational associations as provided in Section 32 of House Bill No. 1154 (2005).)	1,000,000	955,000	45,000
Increases over the established baselines in the minimum percentage of state aid payable to a district per weighted student unit during the 2007-09 biennium	600,000	0	600,000
Additional transportation grants to school districts for the 2007-09 biennium as provided in 2007 Senate Bill No. 2200	2,000,000	0	2,000,000
Payments to school districts that are members of regional education associations during the 2007-09 biennium	1,000,000	500,000	500,000
Grant to the Division of Independent Study for enhancing civic education	30,000	30,000	0
One-time grant to the North Dakota Museum of Art for enhancing the Snow Country Prison Exhibit	15,000	15,000	0

	Authorized Amount Pursuant to Section 18 of Senate Bill No. 2013	Actual Payments Through March 2008	Amount Remaining ¹
Services of professionals and experts with whom the Commission on Education Improvement contracts during the 2007-08 interim for assistance with its study of educational adequacy	200,000	55,734	144,266
Funding to the Education Standards and Practices Board for providing payments to recipients of national board certification and scholarships to individuals seeking national board certification	77,000	54,500	22,500
Additional payments to school districts offering an adult education program during the 2005-07 biennium	200,000	0	200,000
Purchase automated external defibrillators and distribute to school districts	400,000	399,951	49
Grant to the North Central Council of School Television for licensing of education television programs for classroom use by North Dakota elementary and secondary schools, assisting with the North Dakota studies project, and other operating expenses	395,000	395,000	0
Rewrite of the state school aid computer system	500,000	191,695	308,305
Rewrite of the teacher licensure application used by the Department of Public Instruction and the Education Standards and Practices Board. (The Education Standards and Practices Board is to pay the remaining \$80,000 of the anticipated total project cost.)	650,000	86,770	563,230
Reimburse eligible school districts that received reduced amounts of state aid. An eligible school district is one that received a reduction in state aid during the 2005-07 biennium because the district's general fund levy fell below 140 mills as the result of an accounting oversight.	25,748	25,748	0
Grants of \$1,000 to North Dakota residents who are licensed to teach by the Education Standards and Practices Board, have taught in the state during each of the last five school years, and are enrolled in either a master of education program in educational leadership or a program leading to a specialist diploma in educational leadership	90,000	57,000	33,000
Grant for the Atlantik-Brucke teacher exchange program	50,000	50,000	0
Total	\$7,682,748	\$3,266,398	\$4,416,350

¹Amounts remaining are anticipated to be disbursed by the department by the end of the 2007-09 biennium.

The \$5.1 million of funding remaining after providing for the contingency items noted above was distributed by the department to the school districts as additional per student payments in June 2007.

2007-09 contingent distributions - State school aid - Section 55 of Senate Bill No. 2200 provides that if any funds appropriated for state school aid payments for the 2007-09 biennium remain unspent after all statutory obligations are met, the Department of Public Instruction is to distribute the remaining funds as follows:

1. The first \$1 million for any state obligations in excess of the amount appropriated for special education contract charges.
2. The next \$2 million for providing additional per student payments to school districts participating in regional education associations under NDCC Chapter 15.1-09.1.
3. The next \$550,000 for providing additional payments to school districts serving English language learners and new immigrant English language learners in accordance with NDCC Chapter 15.1-38.
4. The next \$200,000 for providing additional payments to school districts offering an adult education program during the 2007-09 biennium.
5. Any remaining amounts as additional per student payments on a prorated basis according to the latest average daily membership of each school district.

Contingent transfer for special education - Section 56 of Senate Bill No. 2200 provides that if the Superintendent of Public Instruction determines there are insufficient funds to fully reimburse school districts for the excess costs of serving the 1 percent of special education students statewide who require the greatest school district expenditures, the Industrial Commission shall transfer the amount necessary from the Bank of North Dakota. The Superintendent is to request a deficiency appropriation from the 61st Legislative Assembly to return any amount transferred under these provisions to the Bank of North Dakota.

North Dakota Commission on Education Improvement - Senate Bill No. 2200 provides authorization for the continuation of the North Dakota Commission on Education Improvement. The Department of Public Instruction may use up to \$40,000 of the 2007-09 legislative appropriation for state school aid for expense reimbursement for members of the commission.

Regional education association incentives - The 2007 Legislative Assembly provided that \$2 million of the 2005-07 per student and transportation aid funding available for contingent payments at the end of the 2005-07 biennium be distributed to regional education associations as grants during the 2007-09 biennium.

In addition, the 2007 Legislative Assembly provided that if any funds appropriated for state school aid payments for the 2007-09 biennium remain

As of April 2008 the Department of Public Instruction anticipates approximately \$700,000 of state school aid may be available for distribution as contingent payments. If the current projection is realized, the funding would be used for any state obligations in excess of the amount appropriated for special education contract charges.

The Department of Public Instruction will determine later in the 2007-09 biennium if a transfer from the Bank of North Dakota will be necessary to fully reimburse school districts for the excess costs of serving the 1 percent of special education students statewide who require the greatest school district expenditures.

Through March the Department of Public Instruction has spent approximately \$10,000 on expense reimbursement for members of the North Dakota Commission on Education Improvement. The department is unable to anticipate the total amount of expenditures for the biennium as the department is unsure of the number of anticipated meetings.

The Department of Public Instruction is distributing the \$2 million to the regional education associations during the 2007-09 biennium from the 2005-07 per student and transportation aid funding available for contingent payments at the end of the 2005-07 biennium.

In regard to the 2007-09 contingent state school aid distributions, as of April 2008 the Department of Public Instruction anticipates approximately \$700,000 of state school aid may be available for distribution as contingent payments for the

unspent after all statutory obligations are met, the Department of Public Instruction is to distribute the first \$1 million for any state obligations in excess of the amount appropriated for special education contract charges and the next \$2 million for providing additional per student payments to school districts participating in regional education associations under NDCC Chapter 15.1-09.1. See **2007-09 contingent distributions - State school aid** section above.

2007-09 biennium. If the current projection is realized, the funding would be distributed for any state obligations in excess of the amount appropriated for special education contract charges (priority No. 1) and no funds would be available for additional per student payments to school districts participating in regional education associations.