

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

	FTE Positions	General Fund	Other Funds	Total
2007-09 executive budget (bills as introduced)	98.25	\$711,585,726	\$326,080,447	\$1,037,666,173
2007-09 legislative appropriations	94.75	710,423,275	325,668,238	1,036,091,513
Legislative increase (decrease) to executive budget	(3.50)	(\$1,162,451)	(\$412,209)	(\$1,574,660)
Legislative increase (decrease) to 2005-07 appropriations	2.00	\$73,704,688 ¹	\$7,768,603 ²	\$81,473,291

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.

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The legislative action affecting the recommended appropriation for the Department of Public Instruction is in accordance with legislative salary and fringe benefits guidelines as contained in Senate Bill No. 2189.

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Reduced funding recommended in the executive budget relating to retiree health credit contributions		(\$3,451)	(\$8,069)	(\$11,520)
Removed 3.5 FTE positions and related funding due to the failure to receive anticipated federal funding	(3.50)		(404,140)	(404,140)
Increased funding for salaries and wages for administration of the state English language learner program		20,000		20,000
Decreased funding for the state assessment program from \$1,667,928 to \$1,217,928		(450,000)		(450,000)
Removed funding for the state school aid rewrite project. (Funding for this project is provided from the estimated funding available for contingent per student and transportation aid distributions for the 2005-07 biennium (see 2005-07 Contingent Distributions section below).		(400,000)		(400,000)

Removed funding for the teacher's licensure application rewrite project. (Funding for this project is provided from the estimated funding available for contingent per student and transportation aid distributions for the 2005-07 biennium (see 2005-07 Contingent Distributions section below).	(500,000)	(500,000)		
Increased funding for grants to the North Dakota Governor's School from \$270,000 to \$320,000	50,000	50,000		
Increased funding for grants to the teacher center network from \$230,000 to \$276,000	46,000	46,000		
Increased funding for grants to the LEAD center from \$235,000 to \$245,000	10,000	10,000		
Increased funding for grants to the Red River Valley Writing Project from \$40,000 to \$50,000	10,000	10,000		
Increased funding for grants to the Northern Plains Writing Project from \$48,000 to \$58,000	10,000	10,000		
Increased funding for grants to the North Dakota Museum of Art rural art outreach project from \$250,000 to \$295,000	45,000	45,000		
Removed funding for regional education association incentives. (Funding for these incentives is provided from the estimated funding available for contingent per student and transportation aid distributions for the 2005-07 biennium (see Regional Education Association Incentives section below).	(2,000,000)	(2,000,000)		
Increased funding for state school aid for full-day kindergarten beginning with the 2008-09 school year from \$724,165,879 to \$726,165,879 (see Per Student Formula Payments section below).	2,000,000	2,000,000		
Total	<u>(3.50)</u>	<u>(\$1,162,451)</u>	<u>(\$412,209)</u>	<u>(\$1,574,660)</u>

FTE Changes

The 2007-09 biennium appropriation includes funding for 94.75 FTE positions, an increase of 2 FTE positions from the 2005-07 biennium authorized level of 92.75 FTE positions and a decrease of 3.5 FTE positions from the executive budget recommendation of 98.25 FTE positions. The Legislative Assembly did not change the executive recommendation to add 1 research analyst III FTE position and 1 assistant director primary/secondary education FTE position. The Legislative Assembly removed 3.5 FTE positions included in the executive recommendation due to the loss of anticipated federal funding.

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 did not change the executive budget recommendation to consolidate 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. See the schedules following this section for a comparison of state school aid and other grants for the 2005-07 and 2007-09 bienniums.

Per Student Formula Payments

The Legislative Assembly provided an appropriation of \$726,165,879, of which \$649,965,879 is from the general fund and \$76.2 million is from the state tuition fund, for state school aid for per student formula payments. This level of funding represents an increase of \$77.6 million, of which \$73 million is from the general fund and \$4.6 million is from the state tuition fund, from the 2005-07 biennium appropriation of \$648,565,879. The executive budget recommendation for the 2007-09 biennium included funding of \$3 million from the general fund for full-day kindergarten for at-risk students beginning with the 2008-09 school year. The Legislative Assembly increased the funding by \$2 million from the general fund, from \$3 million to \$5 million, to expand funding for full-day kindergarten for all students beginning with the 2008-09 school year. The funding of \$724,165,879 for per student formula payments consists of:

Base per student formula payments	\$661,665,879
Special education - Average daily membership payments	43,000,000
Equity payments	16,500,000
Full-day kindergarten (beginning with the 2008-09 school year)	5,000,000
Total	\$726,165,879

Transportation Aid

The Legislative Assembly did not change the executive budget recommendation to provide a general fund appropriation of \$33.5 million for transportation aid, the same amount as appropriated for the 2005-07 biennium. In addition, the Legislative Assembly provided that the Department of Public Instruction is to use \$2 million of the estimated funding available for contingent per student and transportation aid distributions for the 2005-07 biennium for providing additional transportation grants to school districts during the 2007-09 biennium as provided in Senate Bill No. 2200.

Section 48 of Senate Bill No. 2200 provides that the Department of Public Instruction is to distribute transportation aid for the 2007-09 biennium as follows:

1. For the first year of the biennium, the department is to distribute transportation aid 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:
 - a. Fifty-one and one-half cents per mile for schoolbuses having a capacity of 10 or more passengers and transporting students within city limits.
 - b. Seventy-three and one-half cents per mile for schoolbuses having a capacity of 10 or more passengers and transporting students in rural areas.
 - c. Forty cents per mile for vehicles having a capacity of nine or fewer passengers and transporting students in rural areas.
2. For the second year of the biennium, the department is to distribute transportation aid to each school district in the same amount the district received for the first year of the biennium.

Section 48 also provides that if any funds appropriated for transportation aid for the 2007-09 biennium remain unspent after all statutory obligations are met, the Department of Public Instruction is to prorate the remaining amounts according to the percentage of the total transportation formula amount to which each school district is entitled.

Special Education Contracts

The Legislative Assembly did not change the executive budget recommendation to provide a general fund appropriation of \$17.5 million for special education contracts. The 2007-09 biennium appropriation is \$2 million more than the 2005-07 biennium appropriation of \$15.5 million.

Regional Education Association Incentives

The Legislative Assembly removed the \$2 million of funding from the general fund included in the executive budget recommendation for regional education association incentives. The Legislative Assembly provided that the Department of Public Instruction use \$1 million of the estimated funding available for contingent per student and transportation aid distributions for the 2005-07 biennium as payments to school districts that are members of regional education associations during the 2007-09 biennium. In addition, the Legislative Assembly provided 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 is to use \$2 million for providing additional per student payments to school districts participating in regional education associations (see **2005-07** and **2007-09 Contingent Distributions** sections below for additional information).

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.

Teacher Compensation Increases

Section 19 of Senate Bill No. 2013 provides that during the 2007-09 biennium the board of each school district is to use an amount equal to at least 70 percent of all new money received by the district for per student payments to increase the compensation paid to teachers and to provide compensation to teachers who begin employment with the district on or after July 1, 2007.

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

The Department of Public Instruction anticipates 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 following is a summary of the estimated funding available for contingent payments based on Sections 27 and 28 of House Bill No. 1154 (2005) and Section 18 of Senate Bill No. 2013, which amends Section 28 of House Bill No. 1154 (2005):

Estimated per student and transportation aid available for distribution as contingency payments		\$14,173,000
Projected distributions		
Return of money to the general fund	\$759,000	
Provide additional payments to school districts serving English language learners in accordance with NDCC Section 15.1-27-12	450,000	
Provide additional payments to school districts participating in eligible education 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 education associations as provided in Section 32 of House Bill No. 1154 (2005).)	1,000,000	
Provide for 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	

Provide additional transportation grants to school districts for the 2007-09 biennium as provided in 2007 Senate Bill No. 2200	2,000,000	
Provide payments to school districts that are members of regional education associations during the 2007-09 biennium	1,000,000	
Provide a grant to the Division of Independent Study for enhancing civic education	30,000	
Provide a one-time grant to the North Dakota Museum of Art for enhancing the Snow Country Prison Exhibit	15,000	
Pay for the 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	
Provide 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	
Provide additional payments to school districts offering an adult education program during the 2005-07 biennium	200,000	
Purchase automated external defibrillators and distribute to school districts	400,000	
Provide a 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	
Fund the rewrite of the state school aid computer system	500,000	
Fund the 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	
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.	25,478	
Provide 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	
Provide a grant for the Atlantik-Brucke teacher exchange program	50,000	
Subtotal		8,441,478
Funding remaining to be distributed as additional per student payments		\$5,731,522

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 learner 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.

Other Sections in Senate Bill No. 2013

Teachers' Fund for Retirement appropriation - Section 4 provides an appropriation to the Division of Independent Study, School for the Deaf, North Dakota Vision Services - School for the Blind, and the Department of Corrections and Rehabilitation for the additional employer retirement contributions for Teachers' Fund for Retirement members required by Senate Bill No. 2046.

2005-07 appropriation - Section 5 appropriates \$22 million of additional federal funds to the Department of Public Instruction for providing grants to school districts during the 2005-07 biennium.

Tuition apportionment - Section 6 provides that any money available in the state tuition fund in excess of the \$76.2 million appropriated in Section 3 of the bill is appropriated to the Department of Public Instruction for distribution to school districts.

Payments for 2005-07 biennium educational services - Section 7 provides that the Department of Public Instruction may use money appropriated for state school aid and special education contracts for the 2007-09 biennium to pay claims due but not filed with the department during the 2005-07 biennium.

Distribution of special education aid - Section 8 provides that the Department of Public Instruction is to use \$400,000 of the 2007-09 legislative appropriation for state school aid for reimbursing school districts or special education units for gifted and talented programs. The department is to encourage cooperative efforts for gifted and talented programs among school districts and special education units. 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.

Indirect cost allocation - Section 9 provides that notwithstanding NDCC Section 54-44.1-15, the Department of Public Instruction may deposit indirect cost recoveries in its operating account. Section 54-44.1-15 otherwise provides that indirect cost recoveries be deposited in the general fund.

Adult education per student funding study - Section 16 provides that the Commission on Education Improvement shall consider studying, during the 2007-08 interim, changes to the state school aid formula to provide per student payments to school districts offering an adult education program.

Exemption - Section 17 provides that any amounts distributed pursuant to Section 18 of the bill relating to contingent per student and transportation aid distributions for the 2005-07 biennium that will not be expended before June 30, 2007, are not subject to the provisions of NDCC Section 54-44.1-11 and may be expended during the 2007-09 biennium.

Superintendent's annual salary - Section 20 provides statutory changes relating to the Superintendent of Public Instruction's annual salary. The Superintendent's salary is increased from \$83,753 to \$87,103 on July 1, 2007, and \$90,587 on July 1, 2008.

Related Legislation

2005-07 deficiency appropriation - Senate Bill No. 2023 provides a \$275,000 general fund deficiency appropriation for the 2005-07 biennium for operating expenses for the department.

State school aid payments, deferred maintenance and physical plant improvement grants, and special education contingent transfer - Senate Bill No. 2200:

- Consolidates 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.
- Provides a base per student payment (\$3,250 for 2007-08 and \$3,325 for 2008-09) with weighting factor adjustments for various programs authorized by the North Dakota Century Code, such as special education, English language learners, alternative high school, and summer school.
- Provides an offset to a school district's state aid payment if the district's general fund mill levy is below 150 mills in the first year of the 2007-09 biennium and 155 mills in the second year of the biennium. The amount is calculated as the difference in mills times the district's taxable valuation.
- Provides an offset to a school district's state aid payment if the district's imputed taxable valuation per student is greater than 150 percent of the state average imputed taxable valuation per student.
- Includes a minimum payment provision providing that each school district will receive a minimum payment per weighted student unit for the 2007-08 school year that is at least 103.5 percent of the baseline funding per weighted student unit. For the following school years, the payment per weighted student unit must be equal to at least 106 percent of the baseline funding per weighted student unit.
- Includes a maximum payment provision providing that, not including equity payments, a school district's state aid payment for the 2007-08 school year may not exceed 107 percent of the baseline funding per weighted student unit. For the following school years, the maximum annual increase in allowable funding per weighted student unit over the baseline is three percentage points per year plus the district's share of any increased state aid appropriated for that year.
- 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.
- Provides for the distribution of transportation aid payments.
- Provides for school district reorganization planning grants.
- Provides an appropriation for school district deferred maintenance and physical plant improvement grants.
- Provides for the distribution of state school aid payments for the 2007-09 biennium.
- Provides for a contingent transfer by the Bank of North Dakota for special education.

High school graduation requirements - Senate Bill No. 2309 increases high school graduation requirements.

Automated external defibrillators - Senate Bill No. 2313 provides that the Superintendent of Public Instruction shall purchase automated external defibrillators and distribute the defibrillators to school districts in this state for placement in schools or at the site of school-related activities.

Contingent distributions of state school aid payments - Senate Bill No. 2388 amends Section 28 of Chapter 167 of 2005 Session Laws relating to contingent distributions of state school aid payments for the 2005-07 biennium to provide a payment of \$25,748 for reimbursing eligible school districts that received reduced amounts of state aid.

Superintendent of Public Instruction qualifications - House Bill No. 1169 removes the statutory requirement that the Superintendent of Public Instruction hold a valid North Dakota professional teaching license.

North Dakota studies - House Bill No. 1172 requires that North Dakota studies be taught in grades 4 and 8 and that high schools offer a semester course in North Dakota studies at least once every two years.

Reorganization bonuses - House Bill No. 1178 amends the contingent distribution provisions for funds appropriated for reorganization bonuses for the 2005-07 biennium.

Determination of the cost of elementary and secondary education - House Concurrent Resolution No. 3012 provides that the Legislative Council consider studying the determination of the cost of elementary and secondary education and the determination of the cost of delivering only that education required by state law, assuming a student-to-teacher ratio of 20 to 1 and excluding all extracurricular activities.