

**Department of Public Instruction
Budget 201
Senate Bill Nos. 2013, 2150; House Bill No. 1047**

	FTE Positions	General Fund	Other Funds	Total
2011-13 legislative appropriation	99.75	\$1,243,980,651 ¹	\$456,203,423	\$1,700,184,074
2009-11 legislative appropriation	<u>99.75</u>	<u>1,114,666,854</u>	<u>547,954,154</u>	<u>1,662,621,008</u>
2011-13 appropriation increase (decrease) to 2009-11 appropriation	0.00	\$129,313,797	(\$91,750,731)	\$37,563,066

¹This amount includes \$384,000 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$1,243,596,651.

Item Description

State school aid - Per student payments, transportation aid, special education contracts, federal education jobs fund program payments, mill levy reduction grants, and rapid enrollment grants - The Legislative Assembly appropriated \$1,350,992,316, of which \$1,223,111,478 is from the general fund, \$21,242,838 is from federal funds, \$5 million is from the oil and gas impact grant fund, and \$101,638,000 is from the state tuition fund, for state school aid, including per student payments, federal education jobs fund program payments, transportation aid, special education, rapid enrollment grants, and mill levy reduction grants. This level of funding represents an increase of \$76.7 million from the 2009-11 legislative appropriation. Funding is increased by \$125 million from the general fund, \$15.3 million from the state tuition fund, and \$5 million from the oil and gas impact grant fund and funding from federal funds and the property tax relief sustainability fund are reduced by \$64.4 million and \$4.2 million, respectively. In addition, the 2011-13 executive budget recommended and the Legislative Assembly authorized the Department of Public Instruction to continue \$9 million of estimated excess funding for state school aid (\$8 million from state school aid and \$1 million from transportation aid) from the 2009-11 biennium to the 2011-13 biennium for state school aid per student payments.

The total funding for state school aid of \$1,350,992,316 includes \$982,959,478 for per student payments, transportation aid, and special education; \$341,790,000 for mill levy reduction grants; \$21,242,838 for federal education jobs fund program payments; and \$5 million for rapid enrollment grants. These amounts do not include the \$9 million of funding continued from the 2009-11 biennium for per student payments.

The Legislative Assembly provided \$918,459,478, of which \$816,821,478 is from the general fund and \$101,638,000 is from the state tuition fund, for state school aid for per student formula payments. This level of funding represents an increase of \$110.1 million, of which \$94.8 million is from the general fund and \$15.3 million is from the state tuition fund, from the 2009-11 biennium appropriation of \$808,370,295. In addition, the Legislative Assembly provided \$48.5 million for transportation aid from the general fund,

Status/Result

Information regarding the status of specific state school aid programs is listed below.

Funding available for state school aid, including per student payments, transportation aid, and special education for the 2011-13 biennium, is \$991,959,478, including \$982,959,478 provided by the Legislative Assembly in 2011 and \$9 million continued from the 2009-11 biennium. The Department of Public Instruction estimates state aid payments for the first year of the biennium to be approximately \$482.5 million, \$3.85 million less than appropriated. The department estimates these state aid payments for the second year of the

an increase of \$5 million from the 2009-11 biennium and \$16 million for special education from the general fund, an increase of \$500,000 from the 2009-11 biennium. Details of funding appropriated for state school aid for per student formula payments, transportation aid, and special education is as follows:

Per student formula payments	\$918,459,478
Transportation aid	48,500,000
Special education	16,000,000
Total state school aid	\$982,959,478¹

¹In addition, the Legislative Assembly in 2011 authorized the department to continue up to \$9 million of unspent 2009-11 biennium funding for increasing state school aid to \$991,959,478 for the 2011-13 biennium.

The Legislative Assembly provided in the state aid formula funding of \$6.2 million for a new at-risk weighting factor approved by the Legislative Assembly in 2009, \$36.2 million to increase per student payment rates, \$3 million to replace the technology factor with a data collection factor, and \$4.8 million to increase the special education weighting factor. In addition, the Legislative Assembly provided for a weighting factor of .15 for students who are enrolled in an alternative middle school program. The alternative middle school program factor will be effective July 1, 2013, through June 30, 2015.

The executive budget recommendation for the 2011-13 biennium provided \$341.8 million from the property tax relief sustainability fund to the Department of Public Instruction for allocation to school districts to reduce school district property taxes for the 2011-13 biennium. The Legislative Assembly, in 2011 House Bill No. 1047, transferred \$295 million from the property tax relief sustainability fund to the general fund in July 2011 and provided \$341.8 million from the general fund to the Department of Public Instruction for mill levy reduction grants during the 2011-13 biennium.

The Legislative Assembly, in 2011 Senate Bill No. 2150, provided \$5 million from the oil and gas impact grant fund to the Superintendent of Public Instruction for rapid enrollment grants.

2009-11 carryover - The Legislative Assembly provided that the Department of Public Instruction continue up to \$9.5 million of estimated excess funding for state school aid and transportation aid payments from the 2009-11 biennium to the 2011-13 biennium for state school aid per student payments (\$9 million) and adult education learning center grants (\$500,000). Any additional excess funds remaining at the end of the 2009-11 biennium are to be distributed according to provisions of 2009 House Bill No. 1400. The Department of Public Instruction anticipated the 2009-11 biennium funding for state school aid would exceed the per student state school aid

biennium to be approximately \$501.6 million, \$4 million less than appropriated. This results in excess funding of approximately \$7.85 million for the 2011-13 biennium. Any funding in excess of obligations for the per student payments remaining at the end of the 2011-13 biennium will be distributed on a pro rata basis according to the latest available average daily membership of each school district pursuant to Section 29 of 2011 Senate Bill No. 2150, codified as North Dakota Century Code Section 15.1-27-22.1. 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 36 of Senate Bill No. 2150.

The Department of Public Instruction has distributed mill levy reduction grants totaling \$162.3 million to school districts in the first year of the biennium and estimates mill levy reduction grants in the second year of the biennium will total approximately \$169.2 million for a biennium total of \$331.5 million. The total funding available for mill levy reduction grants is \$341,790,000. The anticipated \$10.3 million excess in the appropriation is due primarily to property value increases being less than anticipated.

For the 2011-12 school year, the Department of Public Instruction has distributed rapid enrollment grants totaling \$2.4 million to 10 school districts enrolling 616 new students (see **Rapid enrollment grants** section below).

For the 2009-11 biennium, state school aid funding exceeded the per student state school aid obligation by \$9.9 million. In addition, special education contract funding exceeded obligations by \$1.8 million for a total of \$11.7 million. The department continued \$8.5 million of the excess per student state school aid to the 2011-13 biennium for state school aid (\$8 million) and for adult education learning center grants (\$500,000). The balance remaining of \$3.2 million was distributed to school districts according to the provisions of 2009 House Bill No. 1400 (see **Adult education learning center grants** section below).

obligation by approximately \$8 million and the funding for transportation aid payments would exceed obligations by approximately \$1.9 million. The Legislative Assembly provided in House Bill No. 1400 that any funds appropriated for state school aid remaining after the department has provided for all statutory payment obligations be distributed as additional per student payments on a prorated basis according to the latest available average daily membership of each school district and that any funds remaining after the application of the transportation formula be distributed on a pro rata basis based on percentage of total transportation formula payments.

Rapid enrollment grants - The Legislative Assembly provided \$5 million from the oil and gas impact grant fund to the Superintendent of Public Instruction for rapid enrollment grants. If the number of students enrolled in a district increases by at least 7 percent annually, and if that increase is equal to at least 25 students, the district's grant is the per student payment multiplied by the actual increase in its student enrollment. The Superintendent of Public Instruction may not award more than \$2.5 million in grants during the first year of the 2011-13 biennium. If the appropriated amount is insufficient, the Superintendent of Public Instruction is authorized to prorate the grants. A district is precluded from receiving a rapid enrollment grant if the district is not eligible to receive state aid because of the level of its general fund ending balance.

For the 2009-11 biennium, funding for transportation aid payments exceeded obligations by \$1,553,093. The department continued \$1 million of the excess transportation aid payments to the 2011-13 biennium for state school aid. The balance remaining of \$553,093 was distributed to school districts according to the provisions of House Bill No. 1400.

For the 2011-12 school year the Department of Public Instruction has distributed rapid enrollment grants totaling \$2.4 million to the following 10 school districts enrolling 616 new students:

School District	Enrollment Increase	Rapid Enrollment Grant
Williston	192	\$750,720
McKenzie County	114	445,740
Stanley	78	304,980
Divide County	54	211,140
Warwick	36	140,760
Bowman County	30	117,300
Minnewaukan	29	113,390
South Heart	28	109,480
Nesson	28	109,480
South Prairie	27	105,570
Total	616	\$2,408,560

There were no qualified applicants that did not receive funding during the first year of the biennium, and the department anticipates the remaining funding will be used to fund grants in the second year of the biennium. The department reports that it is possible payments for the second year of the biennium may need to be prorated.

Adult education learning center grants - The Legislative Assembly increased funding for adult education learning center grants by \$1,260,441 to provide a total of \$3,110,411 for the 2011-13 biennium. In addition, the Legislative Assembly provided for the distribution of \$500,000 made available by reserving unobligated excess state school aid funding from the 2009-11 biennium. The department is to continue excess state school aid and transportation aid funding from the 2009-11 biennium into the 2011-13 biennium to provide grants of up to \$250,000 during the first year of the biennium only if federal funding available to the state for adult education is less than \$900,000 in federal fiscal year 2012. Funding provided in the first year of the biennium is limited to the difference between federal funding available in federal fiscal year 2012 and \$900,000. The department may use any remaining funds for adult education learning center grants during the second year of the biennium.

Alternative middle school program - The Legislative Assembly provided \$300,000 from the general fund for grants to school districts that offer alternative education programs for students in grades 6 through 8 during the second year of the 2011-13 biennium. In addition, the Legislative Assembly provided for a weighting factor of .15 for students who are enrolled in an alternative middle school program for at least 15 hours per week effective July 1, 2013, through June 30, 2015.

Federal education jobs fund program payments - Federal H.R.1586--signed into law in August 2010--provided additional funding for elementary and secondary education. North Dakota's share of the additional elementary and secondary education funding--known as the education jobs fund program--is \$21,517,716, of which \$21,242,838 is to be distributed to school districts through the state's funding formula and \$274,878 is available to the Department of Public Instruction for administration of the program. The funding is to be made available to school districts for use in hiring or rehiring school employees during the 2010-11 school year; therefore, the Legislative Assembly in 2011 approved an emergency clause to allow funds to begin to be distributed during the 2010-11 school year.

Data collection factor - The Legislative Assembly required school districts to acquire and use PowerSchool as its principal student information system and provided in state school aid funding an additional \$3 million to change the .002 technology factor to a .006 data collection factor.

Federal funding available to the state for adult education in federal fiscal year 2012 exceeded \$900,000; therefore, the Department of Public Instruction did not distribute the funds. The department anticipates distributing the entire \$500,000 on July 1, 2012. Because federal funds cannot be used to support the GED program or services, the funding will be used to comply with the demands of the new GED computer-based testing process and prepare for the new 2014 series requirements.

The Department of Public Instruction accepted applications in February 2012 based on the estimated number of students for the grants to be awarded during the second year of the 2011-13 biennium. The department has awarded 14 grants for programs serving 278 students to be awarded with the districts' first state aid payment in August 2012. The awards provide \$597 per student for a total of \$165,966. The department does not anticipate spending \$134,034 of the available funding. Based on the estimated number of students included in the applications received during the 2011-13 biennium, the alternative middle school weighting factor which becomes effective July 1, 2013, is estimated to cost \$400,000 during the 2013-15 biennium. Funding requested for the 2013-15 biennium will be based on actual students served during the prior school year.

In September 2011 the Department of Public Instruction received Emergency Commission approval to increase federal funds spending authority by \$316,875 from the United States Department of Education for education jobs fund payments. The department received Emergency Commission approval in December 2011 for an additional increase of \$910 to provide a total of \$21,835,501 in federal education jobs fund program payments. Funds are distributed to school districts as requests for reimbursements are submitted. Federal education jobs fund program expenditures through January 2012 totaled \$16,604,985. The department was granted a waiver to extend the September 30, 2011, application deadline. Expenses must be incurred by June 30, 2012, and submitted prior to September 30, 2012, to be eligible for reimbursement. The department anticipates the remaining education jobs funding will be distributed.

The data collection factor generated funding of \$2.1 million during the first year of the 2011-13 biennium and is estimated to generate \$2.25 million during the second year of the biennium. The funding is transferred to the Information Technology Department (ITD) for the cost of the acquisition, implementation, or utilization of PowerSchool and any related technology support services. If the

One-time funding - The Legislative Assembly identified \$384,000 of one-time funding from the general fund for a rewrite and maintenance of the Department of Public Instruction's state automated reporting system application used to gather school district information, including the department's data collection and compliance portion of the teacher licensure and approval/accreditation system.

The executive recommendation also included \$200,000 of one-time funding from the general fund for an Education Standards and Practices Board approval and accreditation mainframe rewrite. The Legislative Assembly changed the funding source to provide funding from the national board certification fund for the project.

Indian education issues study - The Legislative Assembly in 2011 House Bill No. 1049 required the Superintendent of Public Instruction study Indian education issues to develop criteria for grants to low-performing schools. In addition, the Legislative Assembly provided \$66,000 from the general fund to continue the North Dakota Indian Education Advisory Council.

School construction loans - The Legislative Assembly made changes to the school construction loans program. The Legislative Assembly increased the minimum interest rate buydowns from 50 to 100 basis points and the maximum interest rate buydowns from 200 to 250 basis points. The amount of school construction loans that a district is entitled to receive increased from \$8 million to \$12 million for school districts whose imputed taxable valuation per student is less than 80 percent of the state average imputed valuation per student, from \$7 million to \$10 million for school districts whose imputed taxable valuation per student is at least 80 percent but less than 90 percent of the state average imputed taxable valuation per student, and from \$2 million to \$4 million for school districts whose imputed taxable valuation per student is at least 90 percent of the state average imputed taxable valuation per student.

funding transferred to ITD exceeds the cost incurred, ITD must return the excess funding to the Department of Public Instruction for distribution to school districts as additional per student payments. The Information Technology Department anticipates all of the funding generated by the data collection factor will be used for the acquisition, implementation, and utilization of PowerSchool.

Through April 2012 the Department of Public Instruction has spent \$134,357 on modifications to the teacher licensure and approval/accreditation system, \$44,558 on modifications to the student contract module of the system, and \$1,202 on other maintenance. The department anticipates all of the funding for maintenance of the automated reporting system will be used during the 2011-13 biennium.

The department reimburses the Education Standards and Practices Board for the programming costs of their approval and accreditation mainframe rewrite as the work is completed. The project is expected to be completed during the 2011-13 biennium.

In January 2012 the Department of Public Instruction reported to the interim Tribal and State Relations Committee on the progress of a study of Indian education issues related to governance, success models, and barriers that prevent schools and students from performing at high rates of student achievement and to develop criteria for grants to low-performing schools. The department, with the assistance of the Indian Education Advisory Council, is developing criteria for grants to low-performing schools. The department will present preliminary information to the Tribal and State Relations Committee at its next meeting. The department anticipates presenting its criteria for grants to low-performing schools to the Legislative Assembly in 2013.

This loan program receives funding from the coal development trust fund. As of December 31, 2011, the total value of permanent fund assets was \$63.8 million, of which \$27.1 million was school construction loans receivable, \$8.7 million was coal impact loans receivable, and \$28 million was either invested or was a receivable of investment or other earnings. Section 15.1-36-02 limits the outstanding principal balance of school construction loans from the coal development trust fund to \$50 million.

Regional education association incentives - The Legislative Assembly increased funding for base payments to regional education associations by \$400,000 to provide a total of \$800,000 for the 2011-13 biennium and required a regional education association to: offer coordination and facilitation of professional development activities for teachers and administrators employed by its member districts; supplement technology support services; and assist with achieving school improvement goals identified by the Superintendent of Public Instruction, the collection, analysis, and interpretation of student achievement data, and the expansion and enrichment of curricular offerings.

Section 9 of 2011 Senate Bill No. 2013 provides for the distribution of the regional education association grants to assist with the cost of compensating coordinators during the 2011-13 biennium. The maximum annual grant to a regional education association is the lesser of \$50,000 or 70 percent of the total compensation of the coordinator.

During the first year of the 2011-13 biennium, the Department of Public Instruction distributed a total of \$391,823 for regional education association incentives. The department provided \$50,000 each to seven of the eight regional education associations. One association, the Missouri River Education Association, was limited to 70 percent of the total compensation of the coordinator or \$41,823. Any funding remaining after distributions related to the second year of the 2011-13 biennium are made will be distributed as additional state school aid pursuant to Section 29 of 2011 Senate Bill No. 2150, codified as Section 15.1-27-22.1.