
BUDGET SECTION - EDUCATION AND ENVIRONMENT DIVISION

Wednesday, June 19, 2024
327C Room, State Capitol
Bismarck, North Dakota

Senator Ronald Sorvaag, Chairman, called the meeting to order at 1:21 p.m.

Members present: Senators Ronald Sorvaag, Scott Meyer, David S. Rust, Donald Schaible; Representatives Karla Rose Hanson, Bob Martinson, Mike Nathe, David Richter, Mark Sanford, Steve Swiontek

Members absent: Senator Karen K. Krebsbach and Representative Mike Schatz

Others present: Kirsten Baesler, Jamie Mertz, and Krista Schulz, Department of Public Instruction

See [Appendix A](#) for additional persons present.

Chairman Sorvaag provided comments regarding the duties of the committee. He noted interim meetings of the Budget Section divisions will make the appropriation committees more efficient during session.

COMMITTEE DUTIES

Ms. Sheila Sandness, Senior Fiscal Analyst, Legislative Council, presented a memorandum entitled [Budget Section Divisions - Background](#). She noted the non-leadership divisions of the Budget Section have been assigned to review agency base budgets and programs, receive updates on the status of agency budgets, review agency budget requests, conduct selected tours of state facilities, and receive information on other budget-related areas.

Mr. Alex Cronquist, Senior Fiscal Analyst, Legislative Council, reviewed special fund and agency budget information available on the Legislative Council website. He noted the website has been updated to include the most recent compliance report for agencies and trust fund analyses, including the final balance for select special funds at the end of the 2021-23 biennium.

ELEMENTARY AND SECONDARY EDUCATION

Ms. Sandness presented information regarding the Department of Public Instruction's (DPI) [Compliance With Legislative Intent](#) report; various special funds related to elementary and secondary education funding including the [foundation aid stabilization fund](#), [state tuition fund](#), and [common schools trust fund](#); the department's [Base Budget Summary](#); and 2025 base budget bill [\[25.0157.01000\]](#).

Ms. Kirsten Baesler, Superintendent of Public Instruction, distributed a binder with information [Appendix B](#) regarding the department's presentation, including a copy of the Department of Public Instruction Biennial Report for the 2021-23 biennium. She provided information regarding the structure of educational authority for K-12 education in the state, including department organization and funding [Appendix C](#) and contracts and grants [Appendix D](#). She noted:

- The department has 2 divisions, Student Support and Innovation and Information and Administration, and the department's FTEs are funded by federal funds (62 percent) and state funds (38 percent).
- In addition to DPI, the Superintendent of Public Instruction also supervises the Center for Distance Education, North Dakota Vision Services - School for the Blind, School for the Deaf, and State Library.

- While the regional education associations (REAs), Education Standards and Practices Board, Career and Technical Education, Children's Cabinet, State Board of Public School Education, and Commission on Juvenile Justice are legislatively-created entities, they are not under the supervision of the Superintendent of Public Instruction.
- The department's largest contracts are for state assessment services, totaling \$3.2 million in fiscal year 2023 and \$1.9 million through April 2024. Additional contracts include Central Regional Education Association which has received \$1 million through April 2024 to provide statewide support to targeted and comprehensive school improvement schools.
- Except for \$173,749 of special funds from the displaced homemakers fund, the grants-other grants line item of the department's budget is federally funded.
- Grants-program grants, funded from the general fund and turn-back funds, are provided primarily to school districts, however some grants are provided to individuals, adult resource centers, colleges and universities, REAs, and a state agency.
- Grants-passthrough grants are predominantly funded with general fund turnback funds, however funding provided to two science museums was from the strategic infrastructure and investments fund.

In response to a question from a committee member, Ms. Baesler noted it would be fiscally responsible to examine what parameters would put school districts on a path to consolidation. She noted that while there are many factors to consider when reviewing the viability of a school district, education quality would be the department's highest priority.

In response to a question from a committee member, Ms. Baesler noted consolidating school districts would not change the formula payment, however funding would be redistributed to impacted school districts. In addition, funding used for school administration may be allocated to other purposes when districts share services.

In response to a question from a committee member, Mr. Jamie Mertz, Chief Financial Officer, DPI, noted the \$81.8 million difference between the department's detailed list of grants-other grants and the grants-other grants line item in the department's appropriation bill is related to a transfer, approved by the Emergency Commission, from the ESSER Fund appropriation line item to the grants-other grants line item during the 2021-23 biennium. The transfer of funds back to the ESSER fund appropriation line item was missed in the 2023-25 biennium budget, so the department received Emergency Commission approval to move the funding back in the current biennium.

Ms. Krista Schulz, Human Resources Manager, DPI, provided information regarding targeted market equity and the new and vacant FTE funding pool [Appendix E](#). She noted:

- An Office of Management and Budget (OMB) review identified several low-paid positions when compared to similar positions in the state. As a result, OMB allocated \$1,095,076 for targeted market equity increases to DPI, of which \$562,998 was from the general fund and \$532,078 was from federal funds, which was distributed to 69 employees based on compa-ratios, market data, turnover, proficiency, and experience.
- Targeted market equity increases have resulted in increased employee engagement and lower turnover rates. The department had 8.75 vacant FTE positions as of July 1, 2023. As of June 19, 2024, there are 3.75 vacant FTE positions.
- During the 2023 session, \$789,815 was transferred to the new and vacant FTE funding pool. The department has received \$552,870, the maximum available, from the funding pool for vacant positions that have been filled.
- Vacant FTE general fund savings totaled \$73,083, of which \$26,188 was used for leave payouts (\$18,988)

and temporary salary increases (\$7,200).

In response to a question from a committee member, Ms. Schulz noted unspent federal funds that remain in the new and vacant FTE funding pool may be turned back to the federal government.

Mr. Mertz provided information regarding the department's 2023-25 biennium budget and student enrollment [Appendix F](#). He noted:

- The 2023-25 biennium budget, including carryover, totals \$2.966 billion, of which 98 percent or \$2.9 billion is granted to other entities.
- The department is projecting general fund turnback for the 2023-25 biennium will total approximately \$68.5 million relating to integrated formula payments (\$56.8 million), transportation grants (\$8.2 million), and grants-program grants (\$3.5 million). Integrated formula payments are less than projected due to lower enrollment and higher property tax collections than anticipated in the budget. The estimated \$3.5 million grants-program grants turnback is primarily due to lower expenditures in the free meal program. Fewer students than anticipated qualified for the program and estimates were based on every qualifying child participating in the program.
- The increase in enrollment from the 2023 school year to the 2024 school year was approximately 0.33 percent compared to anticipated growth of 1.12 percent. The department is projecting enrollment growth of 0.81 percent and 0.24 percent for the 2025 and 2026 school years, respectively.
- Birth rates have been decreasing and enrollment has been flat, however smaller districts are losing students and the largest 10 districts are growing.
- The department may request a general fund deficiency appropriation of up to \$88,740, the balance of funds deducted from the department's budget for the new and vacant FTE pool, for salaries and wages.

Ms. Baesler provided information regarding para-to-teacher programs and the outcomes of various other program grants [Appendix G](#). She noted:

- The para-to-teacher program began prior to the COVID-19 pandemic. The department used special education funding to create a program to assist special education paraprofessionals become special education teachers.
- Using ESSER funds the department established the grow your own program by expanding the para-to-teacher program to all teachers' aides and school support staff.
- The registered teacher apprenticeship program, open to all paraprofessionals, is funded by United States Department of Labor grants.
- There are 407 individuals currently enrolled in the para-to-teacher, grow your own, and registered teacher apprenticeship programs.
- In 2023 adult education program general educational development (GED) test takers had an 87 percent pass rate.
- Biennium to date the expansion of the free or reduced meal program, to provide free meals to families with incomes less than 200 percent of the federal poverty level, has provided benefits to 9,265 students.
- Biennium to date the leveraging the senior year program has allowed 464 students to participate in the college ready English and Mathematics program and supported 6,543 advanced placement exams resulting in savings of \$461,250 and \$3,692,973, respectively.
- Because the department did not receive authority to collect the information, there are no outcomes provided for teacher retention funding provided to Vital Network

In response to a question from a committee member, Ms. Baesler noted a teacher shortage task force is reviewing data to determine the cause of teacher shortages in various areas of the state and anticipates making recommendations to the Governor by the end of September. She noted concerns include respect for the profession, working conditions, and compensation.

In response to a question from Chairman Sorvaag, Ms. Baesler noted the department is adding administrators to the apprenticeship program to address concerns related to school district culture.

Ms. Baesler provided information regarding the status of funding from the Elementary and Secondary School Emergency Education Relief (ESSER) Fund [Appendix H](#). She noted:

- The state has turned back \$153,118 of ESSER I funding allocated to school districts and \$2,571 of ESSER II funding allocated to school districts.
- Remaining ESSER III funds, including \$49.1 million remaining from funds allocated to school districts and \$12.7 million remaining from discretionary funds allocated to DPI, must be spent by September 30, 2024. Discretionary ESSER funds allocated to DPI have been encumbered and are anticipated to be spent.
- The department has been contacting school districts regarding the deadline and has concerns regarding school districts that still have large balances of available funding.
- The department does not have information regarding how ESSER I and ESSER II were spent, however the department was authorized to collect data on ESSER III expenditures. The top 10 uses of ESSER III funding were acquisition of real property and modular buildings, construction projects, renovation projects, addressing learning loss, maintaining continuity of services, improving air quality, school facility improvements, educational technology, transportation, and special education.

In response to a question from Chairman Sorvaag, Ms. Baesler noted 2025-27 biennium budget priorities include addressing the impact of inflation on the integrated formula payment and investing in a statewide effort to increase student mathematics performance.

In response to a question from a committee member, Ms. Baesler noted the department would provide additional information regarding professional fees and services and how the department has used discretionary ESSER funding. The department provided the additional information [Appendix I](#) via email to the committee.

In response to a question from a committee member, Ms. Baesler noted the \$5.8 million PowerSchool line item in the department's budget is provided as a passthrough to the Information Technology Department (ITD). The funding is used by ITD to pay for PowerSchool software licensing and Edutech. The department does not have a contract with PowerSchool. Because of PowerSchool's inability to dual enroll students under the current plan and pricing, the department has issued a request for proposal to secure a vendor. She noted PowerSchool may be the successful bidder and remain the vendor, however a new contract will grant the same access to services for small and large school districts.

Chairman Sorvaag said the committee will meet in September to review higher education budgets.

Vice Chairman Nathe said it has been useful to review information regarding the outcomes of initiatives approved during the last legislative session.

No further business appearing, Chairman Sorvaag adjourned the meeting at 3:46 p.m.

Alex J. Cronquist
Senior Fiscal Analyst

Sheila M. Sandness
Senior Fiscal Analyst

ATTACH: