

TESTIMONY ON HB 1013
SENATE APPROPRIATIONS COMMITTEE
March 18, 2021
By: Jamie Mertz, Director Fiscal Management
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Mr. Chairman and Members of the Committee:

Good morning, my name is Jamie Mertz, Director of Fiscal Management for the Department of Public Instruction. I am here to provide you information regarding the Department's 2021-23 appropriation request. I refer you to the budget book that was distributed this morning.

The Department's budget is comprehensive and includes three outlying agencies. These agencies will be providing information and testimony following DPI. For your convenience, we have separated the budget documents by pre-printed tabs for easy reference.

I will start with pages 3 and 4 in the NDDPI 2021-23 Budget Request section. This spreadsheet includes various budgets that can be used to compare our requested appropriation. For our hearing today, I will be focusing on column 3 which is our requested budget for the 2021-23 biennium. Our request is very similar to the House version except for a couple of items that we would appreciate the Senate adding to our bill.

The first is \$100,000 for the fee to Cognia for the statewide expenses. In the House version of 1013, \$1.112 million in Cognia expenses was moved from general fund to special funds source because schools will be funding this aspect of their school approval requirement; however, the \$100,000 would need to be State funded because it wouldn't be fair to charge schools for the Department's share of the school approval and improvement process.

We are also requesting \$200,000 for the ongoing maintenance of the redesigned STARS system. The Sixty-Sixth Legislative Assembly included \$1.2 million in one-time funding for us to redesign this system. Due to some minor bureaucracy, this project was not started until early 2020 and will not be completed by June 2021. We are requesting that any unused funds from the \$1.2 million be allowed to be carried forward into the 2021-23 biennium for completion of this system. We estimate this to be approximately \$500,000.

Page 5 shows the amount of our prior two appropriations that was disbursed to school districts. For the current biennium, 97.23% of our appropriation is disbursed to districts. The remainder is made up of salaries, operating and grants to other entities.

Page 8 identifies the reductions made in our budget that we submitted to OMB. Because of the unique nature of our budget, the percent we were asked to cut was 12.67% which calculated to over \$3.8 million. To identify cuts in our

operating line we looked at our largest items. The two largest expenses in our operating line are the State assessment and technology cost to NDIT. These items could not be cut and NDIT service costs will increase.

The next two largest expenditure items were costs the state has historically agreed to assume for local school districts. School approval is required by NDCC 15.1-06-06. The State is not in a position to continue to absorb these local school expenses to operate and continue to provide the per pupil foundation aid payment at its current rate.

The plan the House approved would have DPI establish a statewide contract with Cognia but NDDPI would bill the districts for their share of the school approval requirement provided by Cognia. Although this expense would now be paid by the districts, they would realize a significant reduction in cost by having a state-wide contract versus each district having its own contract. A state contract provides a 50% reduction. The cost per student for a school district is approximately \$2 per year with a state contract.

Similarly, the cost for all 11th grade students to take the ACT exam the first time has previously been paid for by the state. SB 2141 eliminates the requirement for all 11th graders to take the ACT and the current version of HB 1013 removes that state funding. Schools using ACT for accountability purposes will still have their students' ACT exams paid for with federal assessment funding. Additionally,

economically disadvantaged students may qualify for the ACT Fee Waiver offered by the ACT program which could cover up to four ACT tests. This program has been severely underutilized in North Dakota because the state has covered the cost of the first exam and there is little motivation to apply for the ACT Fee Waiver.

In our Grants-Program Grants line we reduced \$600,000 in grants that are not a part of our current priority initiatives. The remainder of our reductions were made proportionately to the Grants-Passthrough Grants and PowerSchool lines. We did notify NDI of the amount of reduction to PowerSchool and they asked that we request an optional package to reduce the reduction to \$250,000. In the House approved bill, this line was only reduced by \$250,000.

Page 12 summarizes the COVID-19 related federal funding the agency has been awarded, as well as spent. We anticipate that most of the Education Corps and K-12 COVID resiliency grants will be fully spent by the end of June. The performance period for these funds was originally to end on December 30th, 2020. This was extended with recent federal legislation and we will be working with OMB regarding any unused funds. We also know that ESSER expenditures will increase, as districts used the other two grant programs first because they had earlier end dates.

The next item I would like to point out is the Pass-Thru State Grants tab. We've included a summary of each pass-through grant and the required

performance reports. I believe some of these grantees will be submitting testimony regarding the programs these grants fund.

There are a couple final items I would like to discuss before I finish my testimony. The first is regarding Section 13 of HB1013. We believe this section appropriates \$250,000 out of unspent funds from the 2019-21 Integrated Formula Payments line, however, we have heard comments otherwise. We just want to make sure our interpretation is correct as this is what we think the chairman of the House Appropriations-Education and Environment Division had wanted.

We would also request that in Section 19, special education units be included as eligible for the administrative cost-sharing program.

Mr. Chairman, this concludes my remarks and I thank you for the opportunity to discuss the budget of the Department of Public Instruction. Our School Finance Officer Mr. Adam Tescher will present information on the next section pertaining to school funding, but I would be happy to take any additional questions from the committee before he presents. Please feel free to contact me or other Department personnel to answer any questions or provide further information. Thank you.