

**Department of Public Instruction
Budget 201
House Bill Nos. 1013, 1301, 1344**

	FTE Positions	General Fund	Other Funds	Total
2001-03 legislative appropriation	95.25	\$571,763,654	\$232,773,559	\$804,537,213
1999-2001 legislative appropriation	131.95	547,053,909	204,269,173	751,323,082
2001-03 appropriation increase (decrease) to 1999-2001 appropriation	(36.70)	\$24,709,745	\$28,504,386	\$53,214,131

NOTE: The 2001-03 appropriation amounts include \$125,714, of which \$43,860 is from the general fund, for the agency's share of the \$5,000,000 funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

Item Description

State aid - Per student and transportation payments - The 2001 Legislative Assembly appropriated \$473,971,648 from the general fund for per student and transportation aid payments during the 2001-03 biennium, \$5,034,611 less than the amount appropriated for the 1999-2001 biennium. Due to declining student enrollment, the decreased appropriation provides for per student payments to increase from \$2,230 in 2000-01 to \$2,287 in 2001-02 and \$2,347 in 2002-03.

Tuition apportionment - The 2001 Legislative Assembly appropriated \$67,239,025 from the state tuition fund for tuition apportionment payments to school districts during the 2001-03 biennium, \$13,710,808 more than the amount appropriated for the 1999-2001 biennium. The appropriation will provide for payments of approximately \$300 per census unit, an increase of \$80 per census unit from the 2000-01 appropriated payment of \$220. The 2001-03 biennium increase is primarily attributable to the anticipated distribution by the Board of University and School Lands of all income earned on tobacco settlement money deposited in the common schools trust fund.

Teacher compensation payments - The 2001 Legislative Assembly appropriated \$35,036,000 from the general fund for teacher compensation payments of \$1,000 the first year of the biennium and an additional \$2,000 the second year (second year total of \$3,000 per FTE teacher) to approximately 8,884 eligible instructional personnel.

Status/Result

Estimated general fund state aid payments for the first year of the biennium are close to original estimates. Actual first-year payments are anticipated to be approximately \$90,000 less than originally estimated due to the net effect of per student payments slightly exceeding original estimates and transportation payments being less than estimated. The number of weighted student units is also close to original projects; the actual number of students is .003 percent less than estimated for the 2001-02 school year.

Total state aid payments for the 2001-03 biennium are estimated to be approximately \$700,000 less than the amount appropriated, due primarily to an increase in the statewide taxable valuation used to calculate the mill deduct for fiscal year 2003 state aid payments.

Actual tuition fund distributions have been close to original estimates. The Department of Public Instruction estimated that through December 31, 2001, tuition fund distributions would be \$19,345,052. Actual distributions through December 31, 2001, were \$19,426,334, \$81,282 more than estimated.

School districts have reported that approximately 8,786 instructional FTE positions are eligible to receive the state reimbursed compensation adjustment for fiscal year 2002, 98 FTE positions fewer than estimated. Actual teacher compensation payments for fiscal year 2002 were originally estimated to be \$8,883,820. Based on reimbursement claims from school districts, fiscal year 2002 payments are currently estimated to be \$8,786,000, \$97,820 less than originally estimated. Total payments for the

Title I testing - The 2001 Legislative Assembly appropriated \$1,217,928 from the general fund for developing and administering standards-based student tests and for the cost of reporting the results to the Legislative Council, as required by 2001 House Bill No. 1293. The testing is required for the state to continue to receive federal Title I funding, estimated to be approximately \$40 million for the 2001-03 biennium.

School district reorganization bonuses - House Bill No. 1301 (2001) provides a general fund appropriation of \$1,665,000 for reorganization bonus payments to qualifying school districts, as defined in North Dakota Century Code Section 15.1-12-11.1. The bonus amount is based on the number of students, the number of square miles in the reorganized district, and the number of districts reorganizing. In addition, House Bill No. 1141 (2001) provides that school districts may receive an advance bonus payment of \$15,000 per district for the purpose of studying and planning for reorganization. If the districts eventually reorganize, the money advanced is deducted from their bonus. If the districts do not reorganize, the money advanced must be repaid.

School district compensation report - House Bill No. 1344 (2001) requires school districts to submit employee compensation reports to the Department of Public Instruction by September 2002 and provides a general fund appropriation of \$200,000 to the Department of Public Instruction for the purpose of developing and implementing the report.

Payments for limited English proficient students - The 2001 Legislative Assembly appropriated \$650,000 from the general fund for payments to school districts with limited English proficient students, \$250,000 more than the 1999-2001 biennium appropriation. House Bill No. 1321 (2001) increased the per

2001-03 biennium are estimated to be \$34,644,000, \$392,000 less than the amount appropriated.

The \$1,217,928 appropriation is expected to be adequate to meet the requirements of House Bill No. 1293. The department contracted with CTB/McGraw-Hill Publishing to coordinate the development, printing, dissemination, and scoring of student assessments for all North Dakota students in grades 4, 8, and 12. The total cost of the contract is \$1,012,928. The department's costs to coordinate assessment activities to ensure alignment with the state's content standards are estimated to be \$200,000. Costs to develop a report on the assessment results, which will be presented to the Legislative Council pursuant to House Bill No. 1293, is estimated to be \$5,000.

Three consolidated districts became eligible for reorganization bonuses in December 2001 and received payments totaling \$1,149,000, resulting in \$516,000 remaining available for future consolidations, as shown below:

General fund appropriation for consolidation bonuses	\$1,665,000
Less bonus payments distributed	
Granville, Upham, Towner	\$500,000
Milton, Osnabrock, Langdon	301,000
Mott, Regent	348,000
Total bonus payments	\$1,149,000
Remaining appropriation	\$516,000

No districts have requested \$15,000 advance bonus payments pursuant to House Bill No. 1141.

The department has contracted with a private vendor to develop two web-based reporting systems for use by school districts. The first system, developed at a cost of \$18,800, allows school district claims for teacher compensation to be filed electronically. The second system, still under development at an estimated cost of \$18,600, allows school districts to submit employee compensation information electronically. The second system is anticipated to be operational by July 1, 2002, with the first reports from school districts due by September 11, 2002. In addition to the system development costs of \$37,400, related operating expenses and salaries are anticipated to total approximately \$160,000 for the 2001-03 biennium.

As of the date of this report, the actual number of limited English proficient students for the 2001-02 school year has not been determined. The department estimates approximately 840 students will qualify. Testimony provided in support of House Bill No. 1321 indicated that as many as 985 students per year may qualify, resulting in an estimated biennial cost of

student payment amounts for limited English proficient students and created a three-tiered payment system.

Contingent payments - House Bill No. 1344 provides for contingent payments if any funds appropriated for per student and transportation aid payments remain unspent after all statutory obligations are met. Contingent payments are authorized for:

- **Declining enrollment** - Payments for declines in enrollment experienced during the period 1997-98 to 2000-01. Total payments are estimated to be approximately \$2 million if funds are available.
- **“Hold harmless”** - Payments to districts that receive less during the 2001-03 biennium in state aid and teacher compensation payments than they would have received if the amount appropriated for teacher compensation payments was added to the state aid appropriation. Total “hold harmless” payments are limited to \$2 million if funds are available.
- **Additional per student payments** - Additional per student payments will be distributed with any funds remaining unspent from the amounts appropriated for:

Teacher compensation payments, after all statutory obligations are met.

State aid, after all statutory obligations have been met and the contingent payments for declining enrollment and “hold harmless” are distributed.

Red River Valley writing project - Section 4 of House Bill No. 1013 directs the department to use \$20,000 of its operating expenses line item to support the Red River Valley writing project, an increase of \$10,000 from the amount spent during the 1999-2001 biennium.

Geographic education - The 2001 Legislative Assembly appropriated \$100,000 for geographic education grants, \$50,000 more than the amount appropriated for the 1999-2001 biennium. Legislative intent specified that the grant be provided to the North Dakota Geographic Alliance to be used to match approximately \$400,000 of other funds from the National Geographic Society and other sources to establish a North Dakota geographic education endowment fund. The income of the fund will be used to partially fund the operations of the North Dakota Geographic Alliance, which provides geography instruction training and materials to North Dakota teachers.

Duplicative payments - North Dakota Century Code Section 15.1-02-14 provides that if the Department of Public Instruction receives any federal or other

\$650,000. Because the actual number of students and their classification as English proficiency level I, II, or III has not been determined, the total cost of limited English proficient payments for the 2001-02 school year has also not been determined. However, the appropriation may exceed the amount required to distribute the statutory payments.

Due primarily to an increase in the statewide taxable valuation, and therefore the mill deduct amount, approximately \$700,000 of the state aid appropriation is anticipated to be available for distribution as contingent payments. If the current projection is realized, the \$700,000 will be distributed as payments for declining enrollment and no funds will be available for “hold harmless” or additional per student payments.

Teacher compensation payments are estimated to be \$392,000 less than budgeted for the 2001-03 biennium, which could result in that amount being available for distribution as additional per student payments.

The department has reserved \$20,000 of its operating expenses line item to support the Red River Valley writing project. Payments to the project are made based on claims for reimbursement submitted to the department. Through March 1, 2002, the Red River Valley writing project has requested and received \$2,400.

The department transferred the \$100,000 appropriation to the North Dakota Geographic Alliance in July 2001, pursuant to the alliance’s request. The alliance subsequently used the \$100,000, along with approximately \$150,000 of other funds, to establish an endowment fund. The National Geographic Society provided matching funds in the amount of \$250,000 and an endowment fund was established in the amount of approximately \$500,000. The income of the fund will be used to support geographic education in North Dakota.

The department has not received any federal or other money for administrative expenses which could be transferred to the state tuition fund. The

money for administrative expenses for which a general fund appropriation was received, the department must transfer the money to the state tuition fund, to the extent allowed by law. The department must report annually to the Budget Section regarding any transfers to the state tuition fund pursuant to this section.

department does not anticipate any transfers pursuant to this section to be made during the 2001-03 biennium.