

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

	FTE Positions	General Fund	Other Funds	Total
2001-03 executive budget (Governor Schafer) (bills as introduced)	131.95	\$550,821,984	\$237,017,455	\$787,839,439
2001-03 legislative appropriations	95.25	571,719,794	232,691,705	804,411,499
Legislative increase (decrease) to executive budget	(36.70)	\$20,897,810	(\$4,325,750)	\$16,572,060
Legislative increase (decrease) to 1999-2001 appropriations	(36.70)	\$24,665,885	\$28,422,532	\$53,088,417
2001-03 Governor Hoeven's recommendation	131.95	\$570,605,949	\$237,044,955	\$807,650,904
Legislative increase (decrease) to Governor Hoeven's recommendation	(36.70)	\$1,113,845	(\$4,353,250)	(\$3,239,405)

GOVERNOR HOEVEN'S RECOMMENDATIONS

The Hoeven recommendation included the following changes to the Schafer recommendation:

	General Fund	Other Funds	Total
Decreased per student state aid to provide funding for teacher compensation payments	(\$27,876,613)		(\$27,876,613)
Decreased special education aid to provide funding for teacher compensation payments	(1,361,305)		(1,361,305)
Removed funding for the Quality Schools Commission	(575,192)		(575,192)
Removed funding for the development of a student data base	(412,500)		(412,500)
Added funding to restore operating expenses for the Division of Independent Study to the amount included in the agency's base budget request		\$27,500	27,500
Added funding for teacher compensation payments	50,009,575		50,009,575
Total Hoeven recommended changes to the Schafer budget	\$19,783,965	\$27,500	\$19,811,465

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET (SCHAFFER) 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 House Bill No. 1015. In addition to the above appropriations, agencies may receive additional funding from the \$5 million appropriated in Section 1 of House Bill No. 1015 for special market equity adjustments for classified state employees whose salaries are the furthest from their respective salary range midpoints.

The Legislative Assembly also provided the following amounts for salary increases in addition to the compensation package:

An appropriation of \$10,979 from the general fund for an equity salary increase of \$522.33 per month for the Superintendent of Public Instruction effective January 1, 2002.

An appropriation of \$31,787 (\$405 from the general fund and \$31,382 from other funds) for salary adjustments to increase salaries to new pay range minimums established by Central Personnel.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Adjusted funding to provide \$10,979 for a market equity increase for the Superintendent of Public Instruction (The executive budget included more funding than was necessary to provide for this increase.)		(\$3,549)		(\$3,549)
Added funding for teacher compensation payments of \$1,000 the first year and an additional \$2,000 the second year (second year total of \$3,000 per teacher FTE) to approximately 8,884 eligible school district FTE positions		35,036,000		35,036,000
Reduced funding for per student and transportation aid from \$485,542,761 to \$473,971,648 to reallocate funding to the teacher compensation payment program (The Hoeven recommendation reduced the Schafer recommendation for per student and transportation aid by \$27,876,613 to provide funding for teacher compensation payments of \$2,000 the first year of the biennium and an additional \$1,500 the second year (second year total of \$3,500 per teacher FTE). The 2001-03 biennium appropriation is a decrease of \$5,034,611 compared to the 1999-2001 biennium appropriation of \$479,006,259.)		(11,771,113)		(11,771,113)
Decreased funding for special education aid from \$51,260,000 to \$49,898,695 to reallocate funding to the teacher compensation payment program, as included in the Hoeven budget recommendation (The teacher compensation payment program will provide payments of approximately \$1,122,000 to public school districts for the compensation of special education instructional personnel. The 2001-03 biennium appropriation is an increase of \$3,298,695 compared to the 1999-2001 biennium appropriation of \$46,600,000.)		(1,361,305)		(1,361,305)

Reduced funding for revenue supplement payments from \$3,450,000 to \$2,200,000 to reflect the estimated amount required to fund the revenue supplement payment program as provided in North Dakota Century Code (NDCC) Section 15.1-27-11 (The 2001-03 biennium appropriation is a decrease of \$900,000 compared to the 1999-2001 biennium appropriation of \$3,100,000.)		(1,250,000)		(1,250,000)
Increased funding from \$450,000 to \$650,000 for limited English proficiency payments (The 2001-03 biennium appropriation is an increase of \$250,000 compared to the 1999-2001 biennium appropriation of \$400,000.)		200,000		200,000
Decreased funding for operating expenses		(35,000)		(35,000)
Increased funding from \$200,000 to \$215,000 for grants to the leadership in educational administration development (LEAD) consortium (The 2001-03 biennium appropriation is an increase of \$15,000 compared to the 1999-2001 biennium appropriation of \$200,000.)		15,000		15,000
Increased funding for operating expenses of the Division of Independent Study, as contained in the Hoeven budget recommendation			\$27,500	27,500
Removed funding for the Division of Independent Study (Pursuant to Senate Bill No. 2251, the amounts appropriated for the Division of Independent Study must be transferred to the Information Technology Department for use by the Educational Technology Council.)	(37.70)	(795,416)	(4,353,250)	(5,148,666)
Removed funding for the student data base project, as recommended by Governor Hoeven		(412,500)		(412,500)
Removed funding for the Quality Schools Commission, as recommended by Governor Hoeven		(575,192)		(575,192)
Increased funding from \$50,000 to \$100,000 for geographic education grants (The 2001-03 biennium appropriation is an increase of \$50,000 compared to the 1999-2001 biennium appropriation of \$50,000.)		50,000		50,000
Reduced funding for salaries and wages		(100,000)		(100,000)
Added funding for dues to the Education Commission of the States		89,100		89,100

Reduced funding from \$1,289,643 to \$1,217,928 for Title I testing to reflect the cost of developing and administering the required tests and reporting the results, as required by House Bill No. 1293		(71,715)		(71,715)
Increased funding from \$210,000 to \$220,000 for grants to teacher centers		10,000		10,000
Increased funding from \$33,000 to \$41,500 for the national board certification program administered by the Education Standards and Practices Board (House Bill No. 1344) (The 2001-03 biennium appropriation is an increase of \$21,500 compared to the 1999-2001 biennium appropriation of \$20,000.)		8,500		8,500
Added funding for school district reorganization bonuses (House Bill No. 1301)		1,665,000		1,665,000
Added funding for development of a school district compensation report (House Bill No. 1344)	1.00	200,000		200,000
Total	<u>(36.70)</u>	<u>\$20,897,810</u>	<u>(\$4,325,750)</u>	<u>\$16,572,060</u>

FTE Changes

The Legislative Assembly removed the funding and 37.70 FTE positions relating to the Division of Independent Study. Senate Bill No. 2251 provides that amounts appropriated to the Division of Independent Study for the 2001-03 biennium must be transferred to the Information Technology Department to be spent under the direction of the Educational Technology Council.

The Legislative Assembly added one FTE position to the Department of Public Instruction for the development of a school district compensation report.

Teacher Compensation Payments

The Legislative Assembly provided a general fund appropriation of \$35,036,000 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 teacher FTE) to approximately 8,884 eligible instructional personnel. The Schafer executive budget did not include any funding for teacher compensation payments. The Hoeven budget recommendation included \$50,009,575 for teacher compensation payments of \$2,000 the first year and an additional \$1,500 the second year (second year total of \$3,500 per teacher FTE) to approximately 9,093 eligible instructional and administrative personnel.

House Bill No. 1344 provides statutory provisions relating to the definition of eligible personnel and the distribution of teacher compensation payments to school districts. The bill provides that on or before October 1 of each year, a school district may file a claim with the Department of Public Instruction for the reimbursement of moneys the district anticipates spending during the school year to increase teacher salaries. Payments are limited to \$1,000 per eligible teacher FTE for 2001-02 and \$3,000 for 2002-03.

State Aid - Per Student Payments and Transportation

The Legislative Assembly provided a general fund appropriation of \$473,971,648 for per student and transportation payments for the 2001-03 biennium. The 2001-03 biennium appropriation is \$5,034,611 less than the 1999-2001 biennium appropriation, \$11,571,113 less than the Schafer recommendation, and \$16,305,500 more than the Hoeven recommendation. The legislative appropriation increases per student payments from \$2,230 in 2000-01 to \$2,287 in 2001-02 and \$2,347 in 2002-03. See the schedules following this section for a comparison of state school aid and other grants for the 1999-2001 and 2001-03 bienniums.

Payments for Limited English Proficient Students

The Legislative Assembly provided a general fund appropriation of \$650,000 (included in the foundation aid and transportation line item) for payments to school districts educating students with limited English proficiency, an increase of \$200,000 over the Schafer and Hoeven executive recommendations and an increase of \$250,000 over the amount appropriated for the 1999-2001 biennium. House Bill No. 1321 amends NDCC Section 15.1-27-12 to create a three-tiered payment system. Under current law, schools receive \$400 for each student with "level I or II" English language skills, as determined using the language survey instrument specified in statute. Effective August 1, 2001, schools will receive payments of \$425 for each level I student, \$325 for each level II student, and \$225 for each level III student. The estimated cost of limited English proficiency payments for the 2001-03 biennium, based on the new payment levels, is approximately \$650,000.

Revenue Supplement Payments

The Legislative Assembly provided a general fund appropriation of \$2.2 million for revenue supplement payments to districts below the state average taxable valuation per student and below the state average educational expenditure per student, as defined in NDCC Section 15.1-27-11. The statutory formula is anticipated to provide for the distribution of only \$2.2 million during the 2001-03 biennium. The 1999-2001 biennium appropriation for revenue supplement payments was \$3,100,000, of which \$420,838 is not anticipated to be distributed. The Schafer and Hoeven budget recommendations included \$3,450,000 for revenue supplement payments for the 2001-03 biennium.

Special Education Aid

The Legislative Assembly provided a general fund appropriation of \$49,898,695 for special education aid, \$3,298,695 more than the 1999-2001 biennium appropriation of \$46,600,000, \$1,361,305 less than the Schafer recommendation, and the same amount as included in the Hoeven recommendation. Section 8 of House Bill No. 1013 provides legislative intent that the appropriation for special education be distributed as follows:

1. \$12,665,000 to reimburse school districts for special education contract costs (\$1,165,000 more than the 1999-2001 biennium appropriation).
2. \$400,000 to reimburse school districts for gifted and talented programs (no change from the amount appropriated for the 1999-2001 biennium).
3. \$36,833,695 distributed on the basis of average daily membership, pursuant to NDCC Section 15.1-27-10 (\$2,133,695 more than the 1999-2001 biennium appropriation).

Reorganization Bonus Payments

House Bill No. 1301 provides a general fund appropriation of \$1,665,000 for reorganization bonus payments pursuant to NDCC Section 15.1-12-11.1. Section 15.1-12-11.1 provides that if a newly reorganized district consists of at least 800 square miles or consists of at least 500 square miles, has a student population of at least 520, and had no practical reorganization alternatives to allow it to meet the 800 square mile criteria, the district is entitled to a reorganization bonus. The bonus amount is based on the number of students, the number of square miles included in the reorganized district, and the number of districts reorganizing.

For the 1999-2001 biennium, up to \$2 million was available to be distributed for reorganization bonuses from end-of-biennium unspent moneys appropriated for foundation aid. However, no district is anticipated to be eligible for a bonus payment as of June 30, 2001.

Contingent Payments - Declining Enrollment

Section 14 of House Bill No. 1344 provides that if any funds appropriated for per student and transportation state aid remain unspent after all statutory obligations are met, the Department of Public Instruction shall distribute payments to districts with a decline in student enrollment during the period 1997-98 to 2000-01, subject to the following:

1. The Department of Public Instruction shall distribute a payment for declining enrollment during the first year of the biennium if the department determines that the amount budgeted for per student and transportation payments exceeds the amount required to make those payments during the first year of the biennium by an amount sufficient to provide for a payment of \$150 for each eligible decline in enrollment.

2. If the first-year foundation aid surplus is insufficient to provide for a first-year payment of \$150 per decline in enrollment, the department may not distribute any first-year payment for declining enrollment.
3. The department shall distribute a payment for declining enrollment during the second year of the biennium if the department determines that the amount appropriated for per student and transportation payments will exceed the amount required to make those payments during the 2001-03 biennium.
4. Payments during the biennium may not exceed \$250 multiplied by the number of students by which the district's 2000-01 fall enrollment is less than the district's 1997-98 fall enrollment.
5. No school may receive payments for a decline of more than 400 students.

The department estimates the cost of these payments will be approximately \$2 million for the 2001-03 biennium if funds are available.

Contingent Payments - "Hold Harmless"

Subsection 1 of Section 15 of House Bill No. 1344 directs the Department of Public Instruction to distribute "hold harmless" payments if any funds appropriated for per student and transportation state aid for the 2001-03 biennium remain unspent after all statutory obligations are met, and the contingent payments for declining enrollment as provided in Section 14 are distributed. The payments will be calculated as follows:

1. The department must calculate the difference between the following:
 - a. The total payments the district will receive during the 2001-03 biennium for per student payments at the rates of \$2,287 and \$2,347 and teacher compensation payments, as appropriated by the Legislative Assembly.
 - b. The total payments the district would have received during the 2001-03 biennium for per student payments at the rates of \$2,439 and \$2,502 if no funds were appropriated for teacher compensation payments.
2. If the amount a district would have received under option b above exceeds the amount a district is estimated to receive under option a, the department must calculate the difference and pay that amount to the district.
3. Total "hold harmless" payments may not exceed \$2 million during the 2001-03 biennium.
4. If insufficient funds are available to make the payments required by this section, the department shall prorate the available amount among the eligible districts.

Contingent Payments - Additional Per Student Payments

Subsection 2 of Section 15 of House Bill No. 1344 directs the Department of Public Instruction to distribute additional per student payments if any moneys appropriated for teacher compensation payments for the 2001-03 biennium remain unspent after all statutory obligations are met.

Subsection 3 of Section 15 directs the Department of Public Instruction to distribute additional per student payments if any moneys appropriated for per student and transportation state aid for the 2001-03 biennium remain unspent after all statutory obligations are met and the contingent payments for declining enrollment and "hold harmless" are distributed.

Standards-Based Student Testing

The Legislative Assembly provided a general fund appropriation of \$1,217,928 to fund the 2001-03 biennium cost of developing and administering standards-based student tests and reporting the results of the tests. The tests are required for the state to continue to receive federal Title I funding, estimated to be approximately \$40 million for the 2001-03 biennium. The department received a proposal to develop and administer the required tests at a cost of \$1,212,928 for the 2001-03 biennium. In addition, the cost of reporting the test results, as required by House Bill No. 1293, is estimated to be \$5,000.

The Schafer and Hoeven executive budgets included \$1,289,643 for developing and administering standards-based tests. The 2001-03 biennium appropriation of \$1,217,928 is \$814,285 more than the 1999-2001 biennium appropriation of \$403,643 for the department's standardized achievement testing program.

National Board Certification Program

Section 16 of House Bill No. 1344 provides a general fund appropriation of \$41,500 to the Education Standards and Practices Board for the purpose of making grants to assist teachers in obtaining national certification. Grants will be distributed as follows:

1. \$1,150 to assist with the assessment costs of teacher certification (estimated to be \$2,300 per teacher for the 2001-03 biennium).
2. \$1,500 per year for each of the first four full school years after the individual obtains certification, if:
 - a. The individual served during the school year as a full-time classroom teacher in a public school in this state; and
 - b. The individual participated in any efforts of the employing school district to develop and implement teacher mentoring programs and teacher evaluation programs.

The 1999 Legislative Assembly appropriated \$20,000 for the purpose of paying one-half of the application or assessment fee for each applicant. The Education Standards and Practices Board anticipates spending only \$13,000 of the 1999-2001 biennium appropriation. The Schafer and Hoeven budget recommendations for the 2001-03 biennium included \$33,000 to pay the \$2,300 assessment fee for up to 10 applicants and to pay \$1,000 stipends to 10 teachers previously certified.

Other Sections in Bill

Tuition apportionment - Section 2 (included in the bill as introduced) provides that any moneys available in the state tuition fund in excess of the \$67,239,025 appropriated in Section 1 of the bill are appropriated to the Department of Public Instruction for distribution to school districts.

Payments for 1999-2001 biennium educational services - Section 3 (included in the bill as introduced) provides that the Department of Public Instruction may use moneys appropriated for per student, transportation, and special education state aid for the 2001-03 biennium to pay claims due but not filed with the department during the 1999-2001 biennium.

Red River Valley writing project - Section 4 was added providing that the department use \$20,000 of its operating expenses line item to support the Red River Valley writing project. The Schafer and Hoeven budget recommendations included \$10,000 for this project. The Legislative Assembly directed the department to spend an additional \$10,000 for the project but did not provide additional funding for the project. The 1999-2001 biennium appropriation for the project was \$10,000.

Standards-based student testing - Section 5 was added directing the department to spend \$1,217,928 of the amount appropriated for operating expenses to develop and administer student tests aligned with the state content standards and to report the results of the tests.

Compensation payments to teachers at state institutions - Section 6 was added providing that, in addition to other salary increases appropriated by the Legislative Assembly, teachers at the Division of Independent Study, the School for the Blind, and the School for the Deaf provided salary increases of \$1,000 for the first year of the biennium and an additional \$2,000 the second year (second-year total of \$3,000 per teacher). The amounts included in the salaries and wages line items for the respective state agencies are:

- Division of Independent Study - \$72,800.
- School for the Deaf - \$74,000.
- School for the Blind - \$56,200.

FTE positions for 2003-05 - Section 7 was added providing legislative intent that the Department of Public Instruction's base budget request for the 2003-05 biennium include no more than 94.25 FTE positions, one fewer than the number authorized for the 2001-03 biennium.

Distribution of special education aid - Section 8 (included in the bill as introduced) provides legislative intent regarding the distribution of special education aid, as follows:

1. \$12,665,000 to reimburse school districts for special education contract costs.
2. \$400,000 to reimburse school districts for gifted and talented programs.
3. \$36,833,695 distributed on the basis of average daily membership (ADM), pursuant to NDCC Section 15.1-27-10.

Technology grants - Section 9 (included in the bill as introduced) provides legislative intent that the appropriation contained in Section 1 of the bill includes \$4,037,500 of federal funds for grants to schools for technology or teacher professional development.

Payments for limited English proficiency - Section 10 (included in the bill as introduced) indicates the amount of the appropriation for per student and transportation state aid that must be used for payments to school districts educating limited English proficient students pursuant to NDCC Section 15.1-27-12. The Schafer and Hoeven budget recommendations included \$450,000 for limited English proficiency payments; the Legislative Assembly added \$200,000 to provide a total of \$650,000. The 1999-2001 biennium appropriation was \$400,000.

Indirect cost allocation - Section 11 (included in the bill as introduced) provides that notwithstanding NDCC Section 54-44.1-15, the department may deposit indirect cost recoveries in its operating account. Section 54-44.1-15 provides that indirect cost recoveries must be deposited in the general fund, as determined by the Office of Management and Budget.

Displaced homemaker fund - Section 12 (included in the bill as introduced) provides that \$251,747 of the amount appropriated in Section 1 of the bill is from the displaced homemaker fund and is for the purpose of providing services to displaced homemakers.

State aid to public libraries - Section 13 (included in the bill as introduced) provides that the grants line item appropriated to the State Library includes \$888,745 for state aid to public libraries.

Vision Services - School for the Blind operating fund - Section 14 (included in the bill as introduced) provides that any moneys collected by Vision Services - School for the Blind must be deposited in that agency's operating fund and may be spent subject to legislative appropriation.

In-city busing reimbursement - Sections 15 and 17 were added by the Legislative Assembly to increase the reimbursement rate from 25 cents to 35 cents per mile for in-city busing for schoolbuses with a capacity of 10 or more students. The estimated cost of this increase for the 2001-03 biennium is \$109,838. The Legislative Assembly did not provide additional funding for the increase in transportation payment rates.

Salary of Superintendent - Section 16 (included in the bill as introduced) amends NDCC Section 15.1-02-02 to set the salary of the Superintendent of Public Instruction as follows:

	Annual Salary
Effective January 1, 2001	\$67,619
Effective July 1, 2001	\$69,648
Effective January 1, 2002	\$75,916
Effective July 1, 2002	\$77,434

Appropriation to the State Board for Vocational and Technical Education - Section 18 was added providing a general fund appropriation of \$13,000 to the State Board for Vocational and Technical Education for the purpose of providing grants to support vocational education programs.

Related Legislation

Reorganization bonuses - House Bill No. 1141 provides that school districts may receive an advance of \$15,000 per district for the purpose of studying and planning for reorganization. If the districts reorganize, the money advanced will be deducted from their reorganization bonus. If the districts do not reorganize, the money advanced must be repaid, as determined by the Superintendent of Public Instruction.

Standards-based assessments - House Bill No. 1293 directs the Department of Public Instruction to administer standards-based student achievement tests and report the compiled results to the Legislative Council.

Appropriation for reorganization bonuses - House Bill No. 1301 excludes approximately \$3,000,000 from the amount to be distributed from unspent foundation aid at the end of the 1999-2001 biennium, allows the funds to be general fund turnback, and provides a general fund appropriation of \$1,665,000 for the 2001-03 biennium for reorganization bonus payments to qualifying school districts.

Limited English proficiency payments - House Bill No. 1321 changes the formula for the distribution of limited English proficiency payments to create a three-tiered payment formula.

Per student state aid and teacher compensation payments - House Bill No. 1344:

Increases per student payments from \$2,230 in 2000-01 to \$2,287 in 2001-02 and \$2,347 in 2002-03.

Provides definitions and a formula for the distribution of teacher compensation payments.

Provides for minimum teacher salaries of \$18,500 for the 2001-02 school year and \$20,000 for the 2002-03 school year.

Requires school districts to submit a compensation report to the Department of Public Instruction by September 2002 and provides a general fund appropriation of \$200,000 to the department for the purpose of developing and implementing the report.

Provides for the distribution of contingent declining enrollment payments, "hold harmless" payments, and additional per student payments.

Provides a general fund appropriation of \$41,500 to the Education Standards and Practices Board for teacher certification grants.

Provides for a Legislative Council study of the feasibility and desirability of implementing a teacher compensation package that recognizes four categories of teachers, from beginning to advanced.

Division of Independent Study - Senate Bill No. 2251 creates an Educational Technology Council and places administrative responsibility for the Division of Independent Study with the Educational Technology Council rather than the Department of Public Instruction. Section 9 of the bill provides that any funds appropriated for the Division of Independent Study for the 2001-03 biennium must be transferred to the Information Technology Department for use by the Educational Technology Council.