

**Department of Public Instruction
Budget No. 201
House Bill Nos. 1013, 1050, 1154**

	FTE Positions	General Fund	Other Funds	Total
2005-07 executive budget (bills as introduced)	92.75	\$634,144,940	\$295,876,672	\$930,021,612
2005-07 legislative appropriations	92.75	636,443,587	295,899,635	932,343,222
Legislative increase (decrease) to executive budget	0.00	\$2,298,647	\$22,963	\$2,321,610
Legislative increase (decrease) to 2003-05 appropriations	0.00	\$31,678,581 ¹	(\$159,168)	\$31,519,413 ¹

¹This amount reflects a 2003-05 appropriation of \$30 million of additional federal funds to the Department of Public Instruction for providing grants to school districts authorized in Section 6 of House Bill No. 1013.

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET 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. 1050.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Added funding recommended in the executive budget for state employee salary increases		\$14,415	\$31,052	\$45,467
Reduced funding recommended in the executive budget for state employee health insurance premiums from \$559.15 to \$553.95 per month per policy		(3,268)	(8,089)	(11,357)
Decreased funding for salaries and wages		(35,000)		(35,000)
Decreased funding for operating expenses		(275,000)		(275,000)
Provided funding to develop standards for English language proficiency and to implement assessments that are aligned to the standards		275,000		275,000
Decreased funding for transportation aid payments from \$34.8 million to \$33.5 million. (The 2005-07 biennium appropriation is a decrease of \$1.3 million compared to the 2003-05 biennium appropriation of \$34.8 million.)		(1,300,000)		(1,300,000)
Increased funding for state school aid per student payments from \$476,703,759 to \$483,403,759. (The 2005-07 biennium appropriation is an increase of \$29,473,769 compared to the 2003-05 biennium appropriation of \$453,929,990.)		6,700,000		6,700,000

Decreased funding for revenue supplemental payments from \$7.5 million to \$5 million, the same level of funding appropriated for the 2003-05 biennium	(2,500,000)	(2,500,000)		
Increased funding for reorganization bonus payments from \$500,000 to \$759,000. (The 2005-07 biennium appropriation is an increase of \$259,000 compared to the 2003-05 biennium appropriation of \$500,000.)	259,000	259,000		
Decreased funding for joint powers agreement incentives from \$2 million to \$1 million	(1,000,000)	(1,000,000)		
Increased funding for adult education from \$920,000 to \$1,055,000. (The 2005-07 biennium appropriation is an increase of \$135,000 compared to the 2003-05 biennium appropriation of \$920,000.)	135,000	135,000		
Decreased funding for the North Dakota LEAD Center from \$236,500 to \$235,000. (The 2005-07 biennium appropriation is an increase of \$20,000 compared to the 2003-05 biennium appropriation of \$215,000.)	(1,500)	(1,500)		
Provided funding for contracting to provide transportation efficiency training to school district personnel (see Related Legislation section below)	30,000	30,000		
Total	0.00	\$2,298,647	\$22,963	\$2,321,610

FTE Changes

The 2005-07 biennium appropriation includes funding for 92.75 FTE positions, the same as the 2003-05 biennium.

State Aid - Per Student, Limited English Proficiency Payments, and Transportation Aid

The Legislative Assembly provided a general fund appropriation of \$517,553,759 for per student, limited English proficiency payments, and transportation aid for the 2005-07 biennium. The 2005-07 biennium appropriation is \$28,173,769 more than the 2003-05 biennium appropriation of \$489,379,990 and \$5,400,000 more than the executive budget recommendation of \$512,153,759. The legislative appropriation increases per student payments from \$2,623 in 2004-05 to \$2,765 in 2005-06 and to \$2,879 in 2006-07. See the schedules following this section for a comparison of state school aid and other grants for the 2003-05 and 2005-07 bienniums.

Limited English Proficiency Payments

The Legislative Assembly did not change the executive budget recommendation to provide a general fund appropriation of \$650,000 (included in the state school aid line item) for payments to school districts educating students with limited English proficiency, the same amount appropriated for the 2003-05 biennium. North Dakota Century Code (NDCC) Section 15.1-27-12 requires the Department of Public Instruction to calculate the total weighted number of students eligible for payment for each year by determining the sum of all English language learner students weighted as follows: 10 times the number of Level I students, 8 times the number of Level II students, 4 times the number of Level III students, and the number of Level IV students. The department determines the per student amount used to calculate payments for the first year of the biennium by dividing the total weighted number of students eligible for payment into 49 percent of the total amount appropriated for the biennium and the per student amount used to calculate payments for the second year of the biennium by dividing the total weighted number of students eligible for payments into 51 percent of the total amount appropriated.

Transportation Aid

The Legislative Assembly provided a general fund appropriation of \$33.5 million (included in the state school aid line item) for transportation aid, a decrease of \$1.3 million from the amount appropriated for the 2003-05 biennium and executive budget recommendation of \$34.8 million. Section 25 of House Bill No. 1154 requires that for the first year of the 2005-07 biennium, the Department of Public Instruction apply the transportation formula as it existed on June 30, 2001, except provide reimbursement for in-city mileage at the rate of 50 cents for schoolbuses having a capacity of 10 or more students and reimbursement for vehicles having a capacity of 9 or fewer students and transporting students who live outside the incorporated limits of a city at the rate of 40 cents per mile, and the Superintendent is to use the latest available student counts in determining transportation payments. During the second year of the biennium, the Superintendent is to distribute the same amount to each school district as the district received during the first year of the biennium.

Teacher Compensation Payments

The Legislative Assembly did not change the executive budget recommendation to provide a general fund appropriation of \$50,912,120 to continue the current level of teacher compensation payments of \$1,000 for first-year teachers and \$3,000 for other teachers. The funding of \$50,912,120 is \$941,880 less than the 2003-05 biennium appropriation of \$51,854,000. Section 30 of House Bill No. 1154 requires each school district to use 70 percent of all new money received for per student payments and tuition apportionment payments for the purpose of increasing teacher compensation. School districts may be exempted from the requirement if the board of the school district determines by an affirmative vote of two-thirds of its members that complying with the provisions would place the school district in the position of having insufficient fiscal resources to meet its other obligations.

Special Education Aid

The Legislative Assembly did not change the executive budget recommendation to provide a general fund appropriation of \$52.5 million for special education aid, an increase of \$2,601,305 from the 2003-05 biennium appropriation of \$49,898,695. Section 9 of House Bill No. 1013 provides that the appropriation for special education be distributed as follows:

1. \$15.5 million to reimburse school districts or special education units for excess costs incurred relating to contracts for students with disabilities (\$2.5 million more than the 2003-05 biennium appropriation).
2. \$400,000 to reimburse school districts or special education units for gifted and talented programs (no change from the amount appropriated for the 2003-05 biennium).
3. \$36.6 million distributed on a per student basis as required by NDCC Section 15.1-27-10 (\$101,305 more than the 2003-05 biennium appropriation).

Revenue Supplement Payments

The Legislative Assembly provided a general fund appropriation of \$5 million for revenue supplement payments to school 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 2005-07 biennium appropriation of \$5 million is \$2.5 million less than the executive recommendation of \$7.5 million and is the same amount appropriated for the 2003-05 biennium.

Reorganization Bonus Payments

House Bill No. 1154 provides the Department of Public Instruction a general fund appropriation of \$759,000 for reorganization bonus payments to any school district having a reorganization effective on July 1, 2005, 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 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. Section 33 of House Bill No. 1154 provides that if any money remains after the Department of Public Instruction completes the payment of bonuses for any reorganization effective on July 1, 2005, the department use the remaining money to provide additional per student payments on a prorated basis, according to the latest available daily membership. The 2005-07 biennium appropriation of \$759,000 is \$259,000 more than the executive recommendation and the 2003-05 biennium appropriation of \$500,000.

Joint Powers Agreement Incentives

House Bill No. 1154 provides the Department of Public Instruction a general fund appropriation of \$1 million for providing payments to school districts that are members of eligible educational associations, a decrease of \$1 million from the executive recommendation of \$2 million. Section 32 of House Bill No. 1154 provides that the appropriation for joint powers agreement incentives be distributed as follows:

1. \$750,000 to eligible school districts on a per student basis during June 2006. The total amount to which a school district is entitled may not exceed the amount expended by the school district during the 2005-06 school year to participate in an eligible educational association.
2. \$250,000 to eligible school districts on a per student basis during June 2007. The total amount to which a school district is entitled may not exceed the amount expended by the school district during the 2006-07 school year to participate in an eligible educational association.

Tuition Apportionment

The Legislative Assembly did not change the executive budget recommendation to provide a special funds appropriation of \$71.6 million from the state tuition fund for tuition apportionment payments to school districts. The 2005-07 biennium appropriation is \$2,104,629 more than the 2003-05 biennium appropriation of \$69,495,371. The legislative appropriation will provide for payments of approximately \$351 per census unit, an increase of \$16 per census unit from the 2004-05 appropriated payments of \$335.

Contingent Distributions - Per Student and Transportation Aid

Sections 27 and 28 of House Bill No. 1154 provide that if any funds appropriated for the 2005-07 biennium for per student and transportation aid payments remain unspent after all statutory obligations are met, the Department of Public Instruction shall distribute the funds as follows:

1. The first \$759,000 to the general fund.
2. The next \$450,000 for providing additional payments to school districts serving English language learners in accordance with NDCC Section 15.1-27-12.
3. The next \$1 million for providing additional per student payments to school districts participating in eligible educational associations.
4. Any remaining amounts as additional per student payments on a prorated basis according to the latest available average daily membership of each school district.

Contingent Distributions - Teacher Compensation

Section 29 of House Bill No. 1154 provides that if any funds appropriated for the 2005-07 biennium for teacher compensation payments remain unspent after all statutory obligations are met, the Department of Public Instruction shall use the remaining funds to provide additional per student payments on a prorated basis according to the latest available average daily membership of each school district.

Other Sections in House Bill No. 1013

2003-05 appropriation - Section 6 appropriates \$30 million of additional federal funds to the Department of Public Instruction for providing grants to school districts during the 2003-05 biennium.

Tuition apportionment - Section 7 provides that any money available in the state tuition fund in excess of the \$71.6 million appropriated in Section 3 of the bill is appropriated to the Department of Public Instruction for distribution to school districts.

Payments for 2003-05 biennium educational services - Section 8 provides that the Department of Public Instruction may use money appropriated for state school aid and special education aid for the 2005-07 biennium to pay claims due but not filed with the department during the 2003-05 biennium.

Distribution of special education aid - Section 9 provides that special education aid must be distributed as follows:

1. \$15.5 million to reimburse school districts or special education units for excess costs incurred relating to contracts for students with disabilities.
2. \$400,000 to reimburse school districts or special education units for gifted and talented programs.
3. \$36.6 million distributed on a per student basis as required by NDCC Section 15.1-27-10.

Payments for limited English proficiency - Section 10 designates \$650,000 of the state school aid appropriation for payments to school districts educating limited English proficient students pursuant to NDCC Section 15.1-27-12. This represents the same amount provided for payments for limited English proficiency in the 2003-05 biennium.

Indirect cost allocation - Section 11 provides that notwithstanding NDCC Section 54-44.1-15, the Department of Public Instruction may deposit indirect cost recoveries in its operating account. Section 54-44.1-15 otherwise provides that indirect cost recoveries must be deposited in the general fund.

Displaced homemaker fund - Section 12 provides that \$253,646 of the amount appropriated in Section 3 of the bill is from the displaced homemaker fund and is for the purpose of providing services to displaced homemakers.

Legislative Council study - Section 16 requires the Legislative Council to study, during the 2005-06 interim, the state's elementary and secondary education system, including key measurements of student progress, programs that address the state's competitiveness with other states, costs incurred by the state relating to implementing the No Child Left Behind Act, and the most effective means of using taxpayer dollars at the state and local levels to ensure the best possible education for the children of this state. The Legislative Council is to evaluate effective programs; opportunities for achievement; and statutory, regulatory, and political barriers to success. The Legislative Council is to receive input from teachers; administrators; parents; students; local business and community leaders; representatives of higher education; and may use technology, curricular, and programmatic consultants, among others.

English language learner testing - Section 18 provides legislative intent that the Department of Public Instruction not charge school districts for testing relating to the English language learner program.

Related Legislation

Superintendent's annual salary - House Bill No. 1015 provides statutory changes relating to the Superintendent of Public Instruction's annual salary. The Superintendent's salary is increased from \$77,434 to \$80,531 on July 1, 2005, and to \$83,753 on July 1, 2006.

Revenue supplement payments - House Bill No. 1032 removes unrestricted federal revenue from the supplemental payment formula.

Per student payments, weighting factors, teacher compensation, joint powers agreement incentives - House Bill No. 1154:

- Increases per student payments from \$2,623 in 2004-05 to \$2,765 in 2005-06 and to \$2,879 in 2006-07.
- Increases the mill deduct from 36 mills in 2004-05 to 38 mills in 2005-06 and to 41 mills in 2006-07.
- Adjusts the weighting factors used for the calculation of weighted student units and the distribution of state school aid, including the consolidation of school district-size categories and the increase of weighting factors so no factor is set below 1.0.
- Increases the minimum teacher salary from \$21,500 for the 2004-05 school year to \$22,000 for 2005-06 and to \$22,500 for 2006-07.
- Provides for distribution of transportation aid payments.
- Provides for the return of \$759,000 to the general fund from any money that was appropriated for 2005-07 per student and transportation aid payments and remain unspent as of June 30, 2007.
- Provides for the distribution of contingent per student and transportation payments and teacher compensation payments.

- Requires each school district to use an amount equal to at least 70 percent of all new money received for per student payments and tuition apportionment payments for the purpose of increasing teacher compensation. School districts may be exempted from the requirement if the board of the school district determines by an affirmative vote of two-thirds of its members that complying with the provisions would place the school district in the position of having insufficient fiscal resources to meet its other obligations.
- Requires the Superintendent of Public Instruction to compile a report regarding the operations of each educational association governed by a joint powers agreement and to present the information to an interim committee designated by the Legislative Council.
- Provides a \$1 million general fund appropriation to the Department of Public Instruction for providing per student payments to school districts that are members of eligible educational associations governed by joint powers agreements.
- Provides a \$759,000 general fund appropriation to the Department of Public Instruction for providing bonuses to school districts having a reorganization effective on July 1, 2005, pursuant to NDCC Section 15.1-12-11.1.
- Provides a \$30,000 general fund appropriation to the Department of Public Instruction for contracting to provide transportation efficiency training to school district personnel.

2003-05 contingent state school aid distributions - House Bill No. 1311 amends Section 37 of Chapter 667 of the 2003 Session Laws to provide that any money appropriated for per student and transportation payments for the 2003-05 biennium remaining unspent after all statutory obligations are met, must be distributed as follows:

1. The first \$119,190 for reimbursing eligible school districts that received reduced amounts of state aid during the second year of the 2003-05 biennium because the district's general fund levy fell below 140 mills as the result of a reorganization or the dissolution of a contiguous district.
2. The next \$250,000 for providing reimbursements to the chief administrators of joint powers agreements.
3. The next \$1 million for providing reorganization bonuses, pursuant to NDCC Section 15.1-12-11.1, to school districts having reorganizations effective after July 1, 2003, and before July 1, 2005.
4. Any remaining amounts as additional per student payments on a prorated basis according to the average daily membership of school districts during the 2004-05 school year.

No Child Left Behind - House Bill No. 1434 continues the interim No Child Left Behind Committee and requires the Superintendent of Public Instruction to present proposed changes to the state accountability plan required under the No Child Left Behind Act to the interim No Child Left Behind Committee before submitting proposed changes to the United States Secretary of Education.

Study of education funding - Senate Bill No. 2404 directs a Legislative Council study of enhanced funding for elementary and secondary education and methods by which the state's reliance on property taxes to fund elementary and secondary education could be reduced.