

**Department of Public Instruction
Budget 201
House Bill Nos. 1013, 1015, 1400; Senate Bill Nos. 2199, 2212**

| | FTE Positions | General Fund | Other Funds | Total |
|---|----------------------|------------------------------|--------------------|----------------------|
| 2009-11 legislative appropriation | 99.75 | \$1,109,455,590 ¹ | \$513,721,154 | \$1,623,176,744 |
| 2007-09 legislative appropriation | <u>94.75</u> | <u>710,471,197</u> | <u>325,778,473</u> | <u>1,036,249,670</u> |
| 2009-11 appropriation increase (decrease) to 2007-09 appropriation | 5.00 | \$398,984,393 | \$187,942,681 | \$586,927,074 |

¹This amount includes \$751,000 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$1,108,704,590.

NOTE: The 2009-11 legislative appropriation amounts include \$150,000, of which \$50,000 is from the general fund, for the agency's share of the \$16 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for executive branch employees.

Item Description

State school aid - Per student payments, transportation aid, and special education contracts - The Legislative Assembly appropriated \$1,264,810,216, of which \$1,092,865,879 is from the general fund, \$85,644,337 is from federal funds, and \$86,300,000 is from the state tuition fund, for state school aid, including per student payments, transportation aid, special education, grants for operations, one-time expenditures, and mill levy reduction grants. This level of funding represents an increase of \$484 million, of which \$388.3 million is from the general fund, \$85.6 million is from federal funds, and \$10.1 million is from the state tuition fund, from the 2007-09 legislative appropriation of \$780,765,879. The Legislative Assembly provided, in the state aid formula, \$1 million for required assessments and, beginning in the second year of the biennium, \$3.68 million for one additional contact day on the school calendar, \$3.78 million for student performance strategists, and \$2.7 million for career advisors.

The total funding for state school aid of \$1,264,810,216 includes \$295 million for mill levy reduction grants and \$969,810,216 for per student payments, transportation aid, special education, and grants for operations and one-time expenditures.

Salaries and wages - The Department of Public Instruction received an allocation of \$150,000, of which \$50,000 is from the general fund, for the agency's share of the \$16 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for executive branch employees.

Status/Result

Funding available for state school aid, including per student payments, transportation aid, special education, and grants for operations and one-time expenditures for the 2009-11 biennium, is \$969,810,216. The Department of Public Instruction estimates these state aid payments for the first year of the biennium to be approximately \$505 million, or \$2.35 million less than appropriated. The department estimates these state aid payments for the second year of the biennium to be approximately \$462.1 million, or \$402,000 less than appropriated, resulting in excess funding of approximately \$2.8 million for the biennium. Any funding in excess of obligations for the per student payments, transportation aid, special education, and grants for operations and one-time expenditures remaining at the end of the 2009-11 biennium will be distributed on a pro rata basis to the school districts pursuant to Section 59 of House Bill No. 1400.

The Department of Public Instruction has distributed mill levy reduction grants totaling \$144.9 million to school districts in the first year of the biennium and estimates mill levy reduction grants in the second year of the biennium will total approximately \$154.5 million for a biennium total of \$299.4 million. The total funding available for mill levy reduction grants is \$295 million. The anticipated \$4.4 million shortfall is due primarily to actual payments exceeding original estimates because of the unintended exclusion of several property types from the original calculation of funding needed for mill levy reduction grants. The department anticipates requesting a deficiency appropriation from the 2011 Legislative Assembly for \$4.4 million to meet mill levy reduction grant obligations (see **Mill levy reduction grants** section below).

The Department of Public Instruction provided salary equity adjustments to 78 staff positions. The salary equity adjustments ranged from \$2 to \$236 per employee per month and were effective July 1, 2009.

One-time funding - The Legislative Assembly identified \$751,000 from the general fund as one-time funding for the 2009-11 biennium. Of the \$751,000, \$500,000 is for programming changes to the department's state automated reporting system (STARS) application used to gather school district information, \$226,000 is for a grant to the North Dakota Geographic Alliance for matching funds available from the National Geographic Society, and \$25,000 is for the development and customization of a North Dakota personal finance schoolbook.

FTE changes - The Legislative Assembly authorized the Department of Public Instruction a total of 99.75 FTE positions, an increase of 5 FTE positions from the 2007-09 biennium authorized level of 94.75 FTE positions. The new positions included 1 FTE administrative assistant III position in the Early Reading First program, 1 FTE assistant director position in the Standards and Achievement unit, 1 FTE assistant director position to monitor the expansion of counseling support and the role of career advisors, and 2 FTE positions (1 FTE assistant director position and 1 FTE administrative assistant II position) in the School Approval and Accreditation unit.

Federal fiscal stimulus funding - The Legislative Assembly appropriated \$153,409,736 of federal fiscal stimulus funds from the federal American Recovery and Reinvestment Act of 2009 to the Department of Public Instruction. Federal fiscal stimulus funds made available to the state under the American Recovery and Reinvestment Act of 2009 were appropriated as follows:

| | |
|--|---------------|
| Title I - Part A | \$27,415,262 |
| Title I - School improvement | 7,145,000 |
| Title II - Part D - Technology | 3,209,375 |
| Individuals With Disabilities Education Act | 27,413,988 |
| McKinney-Vento Homeless Assistance Act | 150,000 |
| National school lunch program | 230,000 |
| The emergency food assistance program | 85,426 |
| Clean diesel (funds from the State Department of Health) | 1,730,000 |
| Subtotal | \$67,379,051 |
| State aid grants (funding from Governor's office - Fiscal stabilization - education) | 85,644,337 |
| Total federal funds | \$153,023,388 |

The Department of Public Instruction anticipates using the STARS application funding of \$500,000 to make ongoing changes to the system, including updates, modifications, and programming for new data collections. The department anticipates the cost of the changes will exceed the funding and is working with the Information Technology Department to develop cost estimates.

The department transferred the \$226,000 North Dakota Geographic Alliance grant funding to the National Geographic Education Foundation in August 2009. The \$25,000 appropriated for the development and customization of a North Dakota personal finance schoolbook was used to develop a guide to personal finance information available to school districts online.

As of April 26, 2010, the Department of Public Instruction had filled the following positions:

- 1 FTE assistant director position to monitor the expansion of counseling support and the role of career advisors.
- 1 FTE assistant director position in the School Approval and Accreditation unit.
- 1 FTE administrative assistant II position to assist in counseling support and the School Approval and Accreditation unit.
- 1 FTE administrative assistant III position in the Early Reading First program (This position was originally approved during the 2007-08 interim and then added by the 2009 Legislative Assembly.)

The department anticipates the FTE assistant director position in the Standards and Achievement unit will begin in June 2010.

The Department of Public Instruction has received \$57.4 million of the \$85.6 million in federal fiscal stimulus funding appropriated for state aid grants and distributed the funding through the state aid formula. The department anticipates the remaining \$28.2 million will be received and distributed through the state aid formula before June 30, 2010.

The Department of Public Instruction anticipates receiving the following federal fiscal stimulus funds from the American Recovery and Reinvestment Act of 2009:

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|--|---------------|
| Title I - Part A | \$27,437,104 |
| Title I - School improvement | 7,145,000 |
| Title II - Part D - Technology | 3,209,375 |
| Individuals With Disabilities Education Act | 27,413,988 |
| McKinney-Vento Homeless Assistance Act | 175,966 |
| National school lunch program | 215,764 |
| The emergency food assistance program | 80,967 |
| Clean diesel (funds from the State Department of Health) | 1,730,000 |
| Subtotal | \$67,408,164 |
| State aid grants | 85,644,337 |
| Total federal funds | \$153,052,501 |

Federal fiscal stabilization - other government services funds - The Legislative Assembly appropriated federal fiscal stabilization - other government services funds made available to the Governor under the American Recovery and Reinvestment Act of 2009 as follows:

| | |
|--|------------------|
| Department of Public Instruction administrative costs relating to federal fiscal stimulus payments to schools, including salaries (\$152,533) and operating expenses (\$173,815) | \$326,348 |
| Early Childhood Learning Council operating expenses | 20,000 |
| Funding for an English language learner grant to a regional education association (SB 2212) | 40,000 |
| Total federal funds (from Governor's office) | \$386,348 |

Gifted and talented program - The Legislative Assembly increased state school aid funding for the gifted and talented program by \$400,000 from the general fund to provide a total of \$800,000.

Teacher of the year program - The Legislative Assembly increased funding for operating expenses by \$14,000 from the general fund to provide funding for a North Dakota teacher of the year program.

Contingent supplemental transportation aid payments - The Legislative Assembly provided a \$5 million appropriation from the general fund for supplemental transportation aid payments contingent on the Office of Management and Budget projecting during the 2009-11 biennium that the June 30, 2011, ending balance of the state general fund will be at least \$30 million more than estimated by the 2009 Legislative Assembly.

Supplemental operations grants - The Legislative Assembly reduced state school aid funding for the first year of the biennium and provided \$16,795,584 from the general fund for supplemental operations grants to be awarded on or before September 1, 2009, on a prorated basis according to the latest available average daily membership of each school district.

Supplemental one-time grants - The Legislative Assembly changed the funding source for state school aid to include fiscal stabilization funds made available to the Governor under the American Recovery and Reinvestment Act of 2009 and provided for the distribution of supplemental one-time grants to school districts totaling \$85,644,337 from the general fund. The grants may only be used for improvements, additions, equipment, textbooks, Title I expenditures, or professional development, and the school districts must report to the Department of Public Instruction regarding the use of the funds. The Department of Public Instruction is required to compile the information and report to the Legislative Council.

The Department of Public Instruction has received \$386,348 in federal fiscal stabilization - other government services funds made available to the Governor under the American Recovery and Reinvestment Act of 2009, of which \$326,348 was for administrative costs related to federal fiscal stimulus programs that did not include funding for administration. Administration expenditures to date total \$164,830.

To date the Department of Public Instruction has expended \$288 of the \$20,000 available for Early Childhood Learning Council operating expenses.

The English language learner grant funding will be distributed to one regional education association to conduct a pilot program. To date these funds have not been distributed.

The Department of Public Instruction distributed a total of \$200,000 to nine special education units providing gifted and talented services in March 2010. In addition, \$200,000 will be distributed to the special education units in May 2010, February 2011, and April 2011.

To date the Department of Public Instruction has provided \$6,103 for North Dakota teacher of the year program operating expenses, including travel, awards, and meeting expenses.

As of April 26, 2010, the Department of Public Instruction has not received indication from the Office of Management and Budget that the ending balance of the state general fund at June 30, 2011, will be at least \$30 million more than estimated by the 2009 Legislative Assembly.

The Department of Public Instruction distributed the unrestricted aid to school districts in its September 2009 payment.

The Department of Public Instruction distributed the funding to school districts in September, October, November, and December 2009. The department anticipates collecting information regarding the expenditures, anticipated obligations, and unspent funding during the summer of 2010. The Legislative Management's interim Education Committee has been assigned to receive a report from the Department of Public Instruction regarding the expenditures.

North Dakota Indian Education Advisory Council - The Legislative Assembly provided funding of \$66,000 from the general fund for the council.

Teacher support system program - In House Bill No. 1400, the Legislative Assembly provided \$2.3 million from the general fund for a grant to the Education Standards and Practices Board for a teacher support system program.

National board certification fund - In House Bill No. 1400, the Legislative Assembly provided \$500,000 from the general fund for a national board certification fund.

Continuing education grants - In House Bill No. 1400, the Legislative Assembly provided \$100,000 from the general fund for continuing education grants to individuals pursuing degrees or diplomas in education leadership, individuals becoming career advisors, or individuals pursuing a school counselor credential.

Mill levy reduction grants - 2009-11 - The Legislative Assembly in Senate Bill No. 2199 provided property tax relief by appropriating \$295 million from the general fund to the Department of Public Instruction for allocation to school districts to reduce school district property taxes for the 2009-11 biennium. The funding provides for a reduction of up to 75 mills in school district property tax levies and replacement of the revenue to school districts providing mill levy reduction grants. In addition, Senate Bill No. 2199:

- Eliminates authority for unlimited levy approval for school districts.
- Establishes a deadline of 2015 for school districts with existing voter-approved excess levies or unlimited levies to obtain voter approval for continuation of a levy of up to a specific number of mills.
- Provides if voter approval is not obtained by 2015, the school district levy limitation will be subject to statutory provisions allowing a levy based on the number of dollars levied by the school district in the highest of the most recent three years or the 185-mill general fund levy limitation.

The North Dakota Indian Education Advisory Council has met three times and is drafting recommendations. To date the council expenditures total \$12,709.

The Education Standards and Practices Board has hired a coordinator and anticipates the funding will be used to provide training and support for a teacher mentoring program and, if funds are available, support for instructional coaches. The program began in January 2010 and mentors worked one on one with 125 new teachers during the 2009-10 school year. The board anticipates 400 new teachers will qualify for the program each year. Program expenditures through March 10, 2010, totaled \$152,892 and included payroll, training, content development, travel, supplies, and online seminars.

The Department of Public Instruction established a national board certification fund and transferred the funding to the State Investment Board in August 2009. Due to the size of the fund, the funds are invested at the Bank of North Dakota. The department anticipates asking the 2011 Legislative Assembly to transfer the funding to the State Treasurer for investment administration.

The Department of Public Instruction anticipates all of the funding will be awarded as applications received exceed funding available.

The Department of Public Instruction has distributed mill levy reduction grants totaling \$144.9 million to school districts in the first year of the biennium and estimates mill levy reduction grants in the second year of the biennium will total approximately \$154.5 million for a biennium total of \$299.4 million. The total funding available for mill levy reduction grants is \$295 million. The anticipated \$4.4 million shortfall is due primarily to actual payments exceeding original estimates because of the unintended exclusion of several property types from the original calculation of funding needed for mill levy reduction grants. The department anticipates requesting a deficiency appropriation from the 2011 Legislative Assembly for \$4.4 million to meet mill levy reduction grant obligations.

Estimated 2011-13 mill levy reduction grants - The Legislative Assembly also provided for a transfer of \$295 million in 2010 from the permanent oil tax trust fund to the newly created property tax relief sustainability fund to be used for property tax relief allocations after the 2009-11 biennium as determined by the Legislative Assembly.

Regional education associations - The Legislative Assembly provided \$3 million for regional education associations, of which \$2.6 million was to be distributed through a factor in the formula and \$400,000 distributed through grants. In addition, the Legislative Assembly provided that if an adequate amount of funds appropriated for state school aid payments for the 2007-09 biennium remain unspent after all statutory obligations are met, the department use \$2 million for providing additional per student payments to school districts participating in regional education associations.

School district reorganization planning grants - The Legislative Assembly in Section 55 of House Bill No. 1400 provided that the Department of Public Instruction may use \$100,000 of the 2009-11 legislative appropriation for state school aid for providing planning grants to school districts participating in reorganizations under North Dakota Century Code Chapter 15.1-12. A grant provided may not exceed \$25,000 and may not be awarded unless the student enrollment of the participating district exceeds 360. If a grant is provided and the recipient districts vote not to reorganize, the department is to withhold the grant amount that each district received from any state aid payable to the district.

Compensation requirements - The Legislative Assembly in Section 51 of House Bill No. 1400 provided that during the 2009-11 biennium the board of each school district is to use an amount equal to at least 70 percent of all new money received by the district for per student payments and supplemental operations grants to increase the compensation paid to teachers, counselors, and career advisors and to provide compensation to teachers, counselors, and career advisors who begin employment with the district on or after July 1, 2009. Money available to districts as a result of federal action to stimulate the economy or address state fiscal recovery is not considered to be "new money" unless it is distributed through the state school aid formula.

The Department of Public Instruction estimates, based on the mill levy reduction grant formula, including payments related to the exclusion of several property types from the original mill levy reduction grant calculation, that the 2011-13 mill levy reduction grant obligation will total approximately \$341 million. The department's estimate of the mill levy reduction grant obligation is \$46 million more than the \$295 million deposited in the property tax relief sustainability fund by the 2009 Legislative Assembly.

The Department of Public Instruction anticipates distributing the \$400,000 of grants by providing \$25,000 to each of the eight regional education associations each year of the biennium. No funding appropriated for state school aid payments for the 2007-09 biennium remained unspent at the end of the biennium, so additional per student payments to school districts participating in regional education associations were not possible.

To date the Department of Public Instruction has not received any grant applications.

The Department of Public Instruction collects compensation reports and considers any school district requests for an exception to the 70 percent rule. The department has not received any requests for an exception to the compensation rule.

2007-09 contingent distributions - Per student and transportation

aid - The Legislative Assembly in Section 55 of 2007 Senate Bill No. 2200, as amended by Section 58 of 2009 House Bill No. 1400, provided that the Department of Public Instruction first add to the grants - state school aid line item any unspent funds remaining from the 2007-09 special education contracts appropriation prior to determining the remaining state school aid funds. The section provides that if any funds appropriated for state school aid payments for the 2007-09 biennium or added to the grants - state school aid line item remain unspent after all statutory obligations are met, the department is to distribute the remaining funds as follows:

1. The first \$1 million for any state obligations in excess of the amount appropriated for special education contract charges.
2. The next \$2 million for providing additional per student payments to school districts participating in regional education associations under Chapter 15.1-09.1.
3. The next \$550,000 for providing additional payments to school districts serving English language learners and new immigrant English language learners in accordance with Chapter 15.1-38.
4. The next \$200,000 for providing additional payments to school districts offering an adult education program during the 2007-09 biennium.
5. Any remaining amounts as additional per student payments on a prorated basis according to the latest average daily membership of each school district.

The Department of Public Instruction did not make any 2007-09 contingent distributions. As of June 30, 2009, none of the funds appropriated for state school aid payments for the 2007-09 biennium or transferred to the state school aid line item remained unspent; therefore, because funding available for special education contracts exceeded actual expenditures for the 2007-09 biennium, the department transferred \$4.3 million from the special education contracts line item to the state school aid line item for use in making 2007-09 state school aid formula payments.