

September 2000

STATUS REPORT ON FOUNDATION AID AND OTHER MAJOR GRANTS TO SCHOOL DISTRICTS

This memorandum provides the following information for the 1999-2001 biennium:

- Appropriations to the Department of Public Instruction for foundation aid and other major grants to school districts.
- Original and revised estimates for per student payments and weighted student units for the first and second years of the biennium.
- Status of appropriations for foundation aid, special education aid, supplemental payments, Educational Telecommunications Council grants, payments distributed on the basis of average daily membership (ADM), payments for declining enrollment, distributions from the state tuition fund, payments for limited English proficient students, reorganization bonus payments, and contingent distributions.

1999-2001 BIENNIUM APPROPRIATION FOR FOUNDATION AID AND OTHER MAJOR GRANTS

The 1999 Legislative Assembly appropriated the following amounts for foundation aid and other major grants to be distributed to school districts during the 1999-2001 biennium:

	1999-2001 Biennium Appropriation	1997-99 Biennium Appropriation	1999-2001 Biennium Increase (Decrease)
Foundation aid			
Statutory per student payments	\$520,678,909	\$501,586,540	\$19,092,369
Less mill deduct and excess fund balance deduct	78,072,650	72,298,601	5,774,049
General fund per student payments	\$442,606,259	\$429,287,939	\$13,318,320
Limited English proficiency payments	400,000	300,000	100,000
Transportation payments	36,000,000	36,768,320	(768,320)
Total foundation aid - General fund	\$479,006,259	\$466,356,259	\$12,650,000
Other major grants - General fund			
Special education	\$46,600,000	\$40,550,000	\$6,050,000
Supplemental payments	3,100,000	3,100,000	0
ADM payments	2,500,000	0	2,500,000
Declining enrollment payments	1,000,000	0	1,000,000
Educational Telecommunications Council grants	6,000,000	6,000,000	
Total other major grants - General fund	\$59,200,000	\$49,650,000	\$9,550,000
Total foundation aid and other major general fund grants	\$538,206,259	\$516,006,259	\$22,200,000
Other major grants - Other funds			
Tuition fund distributions	\$53,528,217	\$49,273,144	\$4,255,073
Total foundation aid and other payments	\$591,734,476	\$565,279,403	\$26,455,073

PER STUDENT FOUNDATION AID AND TUITION FUND PAYMENTS AND WEIGHTED STUDENT UNITS

The number of weighted student units is calculated based on a weighting factor, specified in statute for each size category of school, multiplied by school district enrollment or ADM. North Dakota Century Code (NDCC) Section 15-40.1-09 defines "average daily membership" as the total days all students in a given school are in attendance, including certain holidays, divided by 180 days. This section provides that weighted student units must be calculated using either the current year's enrollment or the previous year's ADM, whichever is greater. Consequently, the

foundation aid formula provides a mechanism to protect districts against fluctuating payments based on temporary enrollment declines and also slows the reduction in foundation aid for districts with continuous enrollment declines.

The legislative appropriations for per student foundation aid and tuition fund payments and the current estimates for the first and second years of the 1999-2001 biennium are as follows:

	Legislative Appropriation	Current Estimate	Current Estimate Increase (Decrease) From Legislative Appropriation	Current Estimate Percentage Increase (Decrease) From Legislative Appropriation
1999-2000				
Per student payments	\$2,145	\$2,145	\$0	0.0%
Tuition fund distributions	220	248	28	12.7%
Total payments	\$2,365	\$2,393	\$28	1.2%
Weighted student units	119,430	118,831	(599)	(0.5%)
2000-01				
Per student payments	\$2,230	\$2,230	\$0	0.0%
Tuition fund distributions	220	250	30	13.6%
Total payments	\$2,450	\$2,480	\$30	1.2%
Weighted student units	117,718	117,718	0	0.0%

FOUNDATION AID

The mill deduct factor for both years of the 1999-2001 biennium is 32 mills. Pursuant to NDCC Section 15-40.1-06, the mill deduct factor is multiplied by the latest available net assessed and equalized property valuation of each district, and that amount is subtracted from the foundation aid, tuition apportionment, special education aid, and transportation aid payments to which a district is otherwise entitled. The statewide taxable valuation used for distributing foundation aid payments for the first year of the biennium was \$1.19 billion, which resulted in a mill deduct of \$38.1 million, the same as the amount used during the 1999 legislative session to calculate the appropriation. For the second year of the biennium, the actual statewide taxable valuation to be used for distributing foundation aid payments is \$1.23 billion, \$4.6 million less than the amount used to calculate the foundation aid appropriation. Consequently, the mill deduct for the second year of the 1999-2001 biennium will be \$148,010 less than anticipated, resulting in a corresponding increase in the general fund cost to distribute foundation aid payments at the level specified in statute.

North Dakota Century Code Section 15-40.1-06 provides that in addition to the mill deduct amount, the Department of Public Instruction must deduct from foundation aid, tuition apportionment, special education aid, and transportation aid the amount of a school district's unobligated general fund balance which is in excess of 75 percent of the school district's expenditures, plus an additional \$20,000. The estimated excess fund balance deduct used to calculate the foundation aid appropriation was \$200,000 for each year of the biennium. The actual amount deducted during the first year of the biennium was \$362,193, resulting in a \$162,193 decrease in the general fund cost to distribute foundation aid payments at the level specified in statute. The estimated excess fund balance deduct for the second year of the biennium remains unchanged at \$200,000.

The following schedule shows foundation aid expenditures, as budgeted and as currently estimated, for each year of the 1999-2001 biennium:

FOUNDATION AID PROGRAM - 1999-2001 BIENNIUM							
	1999-2001 Biennium Appropriation	1999-2000 Fiscal Year Budgeted Expenditures	1999-2000 Fiscal Year Current Estimate of Expenditures	1999-2000 Fiscal Year Current Estimate (Over) Under Budget	2000-01 Fiscal Year Current Estimate of Expenditures	1999-2001 Biennium Estimated Payments	1999-2001 Biennium Estimated Remaining Balance
Statutory per student payments	\$520,678,909	\$257,135,026	\$256,424,893	\$710,133	\$263,395,873	\$519,820,766	\$858,143 ¹
Less deducts	78,072,650	38,274,828	38,437,021	(162,193)	39,649,812	78,086,833	(14,183) ²
General fund per student payments	\$442,606,259	\$218,860,198	\$217,987,872	\$872,326	\$223,746,061	\$441,733,933	\$872,326

	1999-2001 Biennium Appropriation	1999-2000 Fiscal Year Budgeted Expenditures	1999-2000 Fiscal Year Current Estimate of Expenditures	1999-2000 Fiscal Year Current Estimate (Over) Under Budget	2000-01 Fiscal Year Current Estimate of Expenditures	1999-2001 Biennium Estimated Payments	1999-2001 Biennium Estimated Remaining Balance
Limited English proficiency payments	400,000	200,000	216,284	(16,284)	183,716	400,000	0
Transportation payments	36,000,000	18,000,000	17,706,903	293,097	18,000,000	35,706,903	293,097 ³
Total foundation aid - General fund	\$479,006,259	\$237,060,198	\$235,911,059	\$1,149,139	\$241,929,777	\$477,840,836	\$1,165,423 ⁴

¹ The variance is primarily attributable to the actual number of students being less than estimated. For the 1999-2000 school year, weighted student units, the basis used to distribute foundation aid payments, were 599 students or .5 percent less than estimated.

² The variance is attributable to the net effect of the excess fund balance deduct being more than estimated for the first year of the biennium and the mill deduct being less than estimated for the second year. The excess fund balance deduct for the first year of the biennium was \$362,193, \$162,193 more than originally estimated, resulting in a corresponding decrease in the cost to distribute the statutory foundation aid payments for that year. The mill deduct for the second year of the biennium will be approximately \$148,000 less than the amount used to calculate the foundation aid appropriation resulting in a corresponding increase in the general fund cost to make the foundation aid payments for that year.

³ The variance is primarily attributable to the actual number of students being less than estimated.

⁴ The appropriation was calculated based on an anticipated decline of 1,712 weighted student units between the first and second year of the biennium. Although the actual number of students was .5 percent less than estimated for the first year of the biennium, the original estimate for the number of students for the second year has not been revised. If the actual number of students for the 2000-01 school year is less than anticipated, costs for foundation aid and transportation payments will be reduced and the remaining balance will increase accordingly. Any remaining balance will be distributed pursuant to 1999 Senate Bill Nos. 2162 and 2441. (See the sections entitled **Reorganization Bonus Payments** and **Foundation Aid - Contingent Distributions**.)

SPECIAL EDUCATION

The 1999 Legislative Assembly provided a general fund appropriation of \$46.6 million for special education payments to be distributed as follows, pursuant to Section 5 of 1999 Senate Bill No. 2013:

- \$11.5 million to reimburse school districts for special education contract costs above the amount for which districts are liable. This section also provides that the \$11.5 million must be distributed \$5.5 million the first year of the biennium and \$6 million the second year. Any of the \$11.5 million not used for regular contract reimbursements must be distributed to districts to proportionally reduce special education costs.
- \$400,000 to reimburse school districts for gifted and talented programs.
- \$34.7 million distributed on the basis of student ADM, pursuant to NDCC Section 15-40.1-07.6.

Special education ADM payments for 1999-2000 were \$156 per student as anticipated. The department estimates payments for the second year of the biennium will be \$159 per student, unchanged from the amount originally estimated. The following schedule shows, for the period July 1, 1999, to June 30, 2000, a comparison of actual and budgeted special education expenditures:

SPECIAL EDUCATION COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH JUNE 30, 2000				
	1999-2001 Biennium Appropriation	Budgeted Expenditures Through 6/30/00	Actual Expenditures Through 6/30/00	Actual Expenditures (Over) Under Budgeted Amounts
Contract costs	\$11,500,000	\$5,500,000	\$5,499,725	\$275
Gifted and talented programs	400,000	200,000	200,000	0
Payments on the basis of ADM	34,700,000	17,350,000	17,246,570	103,430 ¹
Total special education payments	\$46,600,000	\$23,050,000	\$22,946,295	\$103,705

¹ The variance is attributable to the actual number of students being less than anticipated.

SUPPLEMENTAL PAYMENTS

The 1999 Legislative Assembly provided a general fund appropriation of \$3.1 million to the Department of Public Instruction for supplemental payments to school districts. North Dakota Century Code Section 15-40.1-07.8 provides a formula for the distribution of supplemental payments to school districts that are below the statewide average taxable valuation per student and below the statewide average educational expenditure per student. The following schedule shows, for the period July 1, 1999, to June 30, 2000, a comparison of actual and budgeted expenditures for supplemental payments:

SUPPLEMENTAL PAYMENTS				
COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH JUNE 30, 2000				
	1999-2001 Biennium Appropriation	Budgeted Expenditures Through 6/30/00	Actual Expenditures Through 6/30/00	Actual Expenditures (Over) Under Budgeted Amounts
Supplemental payments	\$3,100,000	\$1,504,389	\$1,504,388	\$1

Fiscal year 2001 payments are estimated to be approximately \$1,175,000, which is approximately \$420,000 less than the remaining appropriated amount of \$1,595,612. The formula provided in NDCC Section 15-40.1-07.8 calculates a specific payment amount for each district that qualifies and does not provide a mechanism to distribute any appropriated funds remaining unspent after the formula distributions. If a district does not meet the two eligibility criteria (below the state average in taxable valuation per student and below the state average in educational expenditures per student), that district does not receive a supplemental payment. In the previous three fiscal years, the Grand Forks district qualified for payments of \$336,000 to \$412,000 per year. However, due to educational expenditures per student being in excess of the state average, the Grand Forks district is not among the 36 school districts that qualify for 2000-01 school year payments, contributing to the estimated undistributed balance in the supplemental payment appropriation.

EDUCATIONAL TELECOMMUNICATIONS COUNCIL GRANTS

The 1999 Legislative Assembly provided a general fund appropriation of \$6 million to the Department of Public Instruction for grants to be distributed by the Educational Telecommunications Council for technology or teacher professional development-related expenditures, pursuant to Section 6 of 1999 Senate Bill No. 2013. The maximum amount a district is eligible to receive is a proportionate share of the \$6 million appropriation based on the student ADM in the district compared to the total statewide student ADM. The minimum grant amount is \$5,000. The following schedule shows, for the period July 1, 1999, to June 30, 2000, a comparison of actual and budgeted expenditures for Educational Telecommunications Council grants:

EDUCATIONAL TELECOMMUNICATIONS COUNCIL GRANTS				
COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH JUNE 30, 2000				
	1999-2001 Biennium Appropriation	Budgeted Expenditures Through 6/30/00	Actual Expenditures Through 6/30/00	Actual Expenditures (Over) Under Budgeted Amounts
Educational Telecommunications Council grants	\$6,000,000	\$6,000,000	\$5,239,736	\$760,264 ¹

¹ The variance is attributable to an unanticipated delay in grant requests from school districts. The department had anticipated that all school districts would request their allotted share of the funds by December 31, 1999.

AVERAGE DAILY MEMBERSHIP AND DECLINING ENROLLMENT PAYMENTS

Section 14 of 1999 Senate Bill No. 2162 provides a general fund appropriation of \$3.5 million for providing payments to school districts as follows:

- \$1,750,000 distributed during the first year of the biennium on the basis of ADM.
- \$1 million distributed during the first year of the biennium to assist school districts with declining enrollment.
- \$750,000 distributed during the second year of the biennium on the basis of ADM.

In addition, this section provides for the distribution of an additional \$1 million on the basis of ADM and an additional \$1 million to assist school districts with declining enrollment if the moneys are available from any unspent

funds appropriated by the 1999 Legislative Assembly for foundation aid. (See the section entitled **Foundation Aid - Contingent Distributions.**)

The following schedule shows, for the period July 1, 1999, to June 30, 2000, a comparison of actual and budgeted expenditures for ADM and declining enrollment payments, pursuant to 1999 Senate Bill No. 2162:

AVERAGE DAILY MEMBERSHIP AND DECLINING ENROLLMENT PAYMENTS COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH JUNE 30, 2000				
	1999-2001 Biennium Appropriation	Budgeted Expenditures Through 6/30/00	Actual Expenditures Through 6/30/00	Actual Expenditures (Over) Under Budgeted Amounts
ADM payments	\$2,500,000	\$1,750,000	\$1,749,251	\$749
Declining enrollment payments	\$1,000,000	\$1,000,000	\$1,000,000	\$0

TUITION FUND DISTRIBUTIONS

The state tuition fund consists of the net proceeds from all fines for violation of state laws, leasing of school lands, and the interest income from the state common schools trust fund, pursuant to NDCC Section 15-44-01. Section 15-44-03 directs the Office of Management and Budget, on or before the third Monday in February, April, August, October, and December of each year, to certify to the Superintendent of Public Instruction the amount of the state tuition fund. The Superintendent of Public Instruction apportions the money in the fund among the school districts in the state in proportion to the number of school-age children residing in each district (census units).

The following schedule shows, for the period July 1, 1999, to June 30, 2000, a comparison of actual and budgeted state tuition fund distributions:

STATE TUITION FUND COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH JUNE 30, 2000				
	1999-2001 Biennium Appropriation	Budgeted Expenditures Through 6/30/00	Actual Expenditures Through 6/30/00	Actual Expenditures (Over) Under Budgeted Amounts
State tuition fund distributions	\$53,528,217	\$26,658,673	\$28,460,818	(\$1,802,145) ¹

¹ The variance is primarily attributable to an increase in revenue from fines for violation of state laws.

For the first year of the 1999-2001 biennium, tuition fund revenue from the common schools trust fund (consisting of proceeds from leasing school lands and interest income from the state common schools trust fund) increased by 2.5 percent from \$23.2 to \$23.8 million. During that same period, tuition trust fund revenue from fines for violation of state laws increased by 24.4 percent from \$3.8 to \$4.7 million. Consequently, the increase in fiscal year 2000 distributions is primarily attributable to an unanticipated increase in revenue from fines for violation of state laws.

The 1999 Legislative Assembly passed House Bill No. 1475, which provides that 45 percent of the moneys received by the state through the tobacco settlement agreement must be deposited in the common schools trust fund to become a part of the principal of that fund. The deposit of tobacco settlement moneys in the common schools trust fund is not anticipated to result in increased distributions to schools during the 1999-2001 biennium but is anticipated to result in increased distributions of \$1.4 million during the 2001-03 biennium.

PAYMENTS FOR LIMITED ENGLISH PROFICIENT STUDENTS

North Dakota Century Code Section 15-40.1-07.7 provides that school districts are entitled to an additional payment of \$400 per year for each student with limited English proficiency. Section 7 of 1999 Senate Bill No. 2013 provides that up to \$400,000 of the amount appropriated for foundation aid must be used to provide payments for limited English proficient students. The following schedule shows, for the period July 1, 1999, to June 30, 2000, a comparison of actual and budgeted expenditures for payments for limited English proficient students:

PAYMENTS FOR LIMITED ENGLISH PROFICIENT STUDENTS COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES THROUGH JUNE 30, 2000				
	1999-2001 Biennium Appropriation	Budgeted Expenditures Through 6/30/00	Actual Expenditures Through 6/30/00	Actual Expenditures (Over) Under Budgeted Amounts
Limited English proficiency payments	\$400,000	\$200,000	\$216,284	\$16,284 ¹
¹ The variance is attributable to the number of qualifying students being higher than anticipated. Section 7 of 1999 Senate Bill No. 2013 limits to \$400,000 the amount of the foundation aid line item that can be used for payments to school districts for limited English proficient students. Consequently, if the number of qualifying students remains unchanged for the 2000-01 school year, the department will need to reduce the per student payment amount to avoid exceeding the \$400,000 limitation.				

REORGANIZATION BONUS PAYMENTS

Senate Bill No. 2441 (1999) provides that if any of the funds appropriated by the 1999 Legislative Assembly for foundation aid remain unspent after all statutory obligations have been met, the Superintendent of Public Instruction can use up to \$2 million to make reorganization bonus payments to qualifying districts. (Section 14 of 1999 Senate Bill No. 2162 provides that this \$2 million will only be available after \$2 million of unspent foundation aid funds has been distributed as supplemental payments on the basis of ADM and to districts with declining enrollment. (See the section entitled **Foundation Aid - Contingent Distributions.**)

A district qualifies for reorganization bonus payments if it reorganizes with one or more contiguous school districts, if at least one of the reorganizing districts is a high school district, and if the newly reorganized district consists of at least 800 square miles. The reorganization bonus payment is calculated based on the formula provided in Section 1 of Senate Bill No. 2441, which takes into consideration factors such as the number of districts reorganized, the number of square miles in the reorganized district, and the number of students in the reorganized district.

The distribution of these funds is contingent upon foundation aid funds being unspent at the end of the 1999-2001 biennium. Consequently, no distributions have been made.

FOUNDATION AID - CONTINGENT DISTRIBUTIONS

Section 14 of 1999 Senate Bill No. 2162 provides that if any of the funds appropriated by the 1999 Legislative Assembly for foundation aid remain unspent after all statutory obligations have been met, the Superintendent of Public Instruction shall distribute the remaining funds as follows:

1. The first \$1 million as supplemental payments on the basis of ADM.
2. The second \$1 million to assist school districts that have experienced declining enrollment.
3. The next \$2 million to school districts eligible to receive reorganization bonuses pursuant to Senate Bill No. 2441. (See the section entitled **Reorganization Bonus Payments.**)
4. Any remaining amount as supplemental payments on the basis of ADM.

The distribution of these funds is contingent upon foundation aid funds being unspent at the end of the 1999-2001 biennium. Consequently, no distributions have been made.