

STATUS REPORT ON FOUNDATION AID AND OTHER PAYMENTS TO SCHOOL DISTRICTS

This memorandum provides the following information for the 1997-99 biennium:

- A summary of the appropriations for foundation aid and other payments (special education, supplemental, technology reimbursement, and state tuition fund).
- Estimated and actual per student foundation aid and tuition fund payments and weighted student units for the first year of the biennium.
- Original and revised estimated per student foundation aid and tuition fund payments and weighted student units for the second year of the biennium.
- Status of appropriations for foundation aid, special education, supplemental payments, technology reimbursement payments, payments for limited English proficient students, and distributions from the state tuition fund.

APPROPRIATIONS FOR FOUNDATION AID AND OTHER PAYMENTS

The 1995 and 1997 Legislative Assemblies appropriated the following amounts for foundation aid and other payments to school districts:

| | 1997-99 Biennium Appropriation | 1995-97 Biennium Appropriation | Increase (Decrease) |
|--|-----------------------------------|-----------------------------------|------------------------|
| Foundation aid | | | |
| Statutory per student payments | \$501,886,540 | \$456,415,232 | \$45,471,308 |
| Less mill deduct and excess fund balance deduct | 72,298,601 | 59,909,197 | 12,389,404 |
| General fund per student payments | \$429,587,939 ¹ | \$396,506,035 | \$33,081,904 |
| Transportation payments | 36,768,320 | 36,000,798 ² | 767,522 |
| Total foundation aid general fund appropriation | \$466,356,259 | \$432,506,833 ² | \$33,849,426 |
| Other payments - General fund | | | |
| Special education | \$40,550,000 | \$36,850,000 | \$3,700,000 |
| Supplemental payments | 3,100,000 | 2,225,000 | 875,000 |
| Technology reimbursement payments | 5,000,000 | 0 | 5,000,000 |
| Total other general fund payments | \$48,650,000 | \$39,075,000 | \$9,575,000 |
| Total foundation aid and other general fund payments | \$515,006,259 | \$471,581,833 | \$43,424,426 |
| Other payments - Other funds | | | |
| Tuition fund distributions | \$49,273,144 | \$46,017,000 | \$3,256,144 |
| Total foundation aid and other payments | \$564,279,403 | \$517,598,833 | \$46,680,570 |

¹Section 11 of 1997 House Bill No. 1013 provided that up to \$300,000 of the amount appropriated for foundation aid must be used by the Department of Public Instruction to provide payments to school districts for educating students with limited English proficiency, pursuant to North Dakota Century Code Section 15-40.1-07.7.

²The 1995 Legislative Assembly appropriated \$880,000 from special funds for transportation payments, which is included in the amount shown.

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

The legislative appropriation was estimated to provide total per student foundation aid and tuition fund payments of \$2,158 the first year of the 1997-99 biennium and \$2,236 the second year. The estimates made during the 1997 legislative session, the actual payments for the first year of the biennium, and the current estimates for the second year of the biennium are as follows:

| | Legislative Estimate | Actual 1997-98 and Current Estimate 1998-99 | Actual/Current Estimate Increase (Decrease) From Legislative Estimate |
|----------------------------|----------------------|--|---|
| 1997-98 | | | |
| Per student payments | \$1,954 | \$1,954 | \$0 |
| Tuition fund distributions | 204 | 216 | 12 |
| Total payments | \$2,158 | \$2,170 | \$12 |
| Weighted student units | 125,691 | 123,791 | (1,900) |
| 1998-99 | | | |
| Per student payments | \$2,032 | \$2,032 | \$0 |

| | | | |
|----------------------------|---------|---------|---------|
| Tuition fund distributions | 204 | 216 | 12 |
| Total payments | \$2,236 | \$2,248 | \$12 |
| Weighted student units | 125,585 | 121,967 | (3,618) |

Weighted student units are calculated based on a weighting factor, which is specified in statute for each size category of school multiplied by the school district enrollment or average daily membership (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 on the basis of the current year's enrollment or the previous year's ADM, whichever is greater. This formula protects districts against fluctuating payments based on temporary enrollment declines and also slows the reduction in foundation aid for districts with continuous enrollment declines.

In addition to declining enrollment, other factors, such as students moving from small rural districts (which are provided a higher weighting factor) to larger urban districts (which are provided a lower weighting factor) also contribute to the decline in weighted student units. A factor which contributed during the 1997-99 biennium to weighted student units being less than estimated is the allowance which was included in the 1997-99 biennium foundation aid appropriation for nonpublic schools that may become eligible to receive foundation aid payments. The allowance included 788 units, or \$1.5 million, for the 1997-98 school year and 792 units, or \$1.6 million, for the 1998-99 school year. These schools could become eligible to receive foundation aid if they become subject to the control of a public school district or if they become eligible under the provisions of Section 15-40.2-11. Section 15-40.2-11 allows a school board to contract with a federal school for the education of public school district students. Sections 15-40.1-07 and 15-40.1-08 allow the payment of foundation aid to a public school district for students educated in a federal school, pursuant to Section 15-40.2-11.

The schools for which the foundation aid allowance of approximately \$3.1 million was made have been determined by Attorney General's opinion to be tribally controlled or private schools, not federal schools, and therefore not eligible to qualify for foundation aid payments through a contract arrangement with a school district. The department anticipates that during the 1997-99 biennium the schools for which the allowance was made will not become eligible to receive foundation aid payments, and consequently, the related \$3.1 million foundation aid allowance will not be distributed.

FOUNDATION AID STATUS - 1997-99 BIENNIUM

The schedule attached as Appendix A shows the biennial appropriation for foundation aid, the amount of the appropriation allocated to the first year of the 1997-99 biennium, the actual expenditures for the first year of the biennium, and the current estimate of expenditures for the second year of the biennium. The estimated end of biennium undistributed balance of \$11.5 million is primarily the result of fewer than anticipated weighted student units.

The mill deduct factor for both years of the 1997-99 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, and transportation aid payments to which a district is otherwise entitled. The statewide taxable valuation for the first year of the biennium was \$1.107 billion, which resulted in a mill deduct of \$35.4 million, the same as the amount used to calculate the appropriation. For the second year of the biennium, the statewide taxable valuation used to calculate foundation aid payments will be \$1.149 billion, approximately \$3 million more than previously estimated. Consequently, the mill deduct for the second year of the 1997-99 biennium will be approximately \$100,000 more than the amount used to calculate the foundation aid appropriation resulting in a corresponding general fund savings.

Section 15-40.1-06 provides that the Department of Public Instruction must also deduct from foundation aid, transportation aid, special education aid, and tuition apportionment the amount that the unobligated general fund balance of a school district on the preceding June 30 is in excess of 75 percent of the school district's actual expenditures, plus an additional \$20,000. The estimated excess fund balance deduct used to calculate the foundation aid appropriation was \$100,000 for each year of the biennium. The excess fund balance deduct is now estimated to be approximately \$200,000 for each year of the biennium, resulting in a corresponding general fund savings.

SPECIAL EDUCATION

The 1997 Legislative Assembly appropriated \$40.55 million for special education payments to be distributed as follows, pursuant to Section 4 of 1997 House Bill No. 1013:

- \$10 million to reimburse school districts or special education units for special education contract costs in excess of 2.5 times the state average cost of education and for boarding care costs.
- \$400,000 to reimburse school districts or special education units for gifted and talented programs.
- The remaining amount (\$30.15 million) distributed on the basis of student ADM, pursuant to Section 15-40.1-07.6.

Special education ADM payments were estimated to be \$128 per student the first year of the biennium and \$134 the second year. Actual payments for 1997-98 were \$128 per student, as anticipated. The department estimates that the payment for the second year of the biennium will be \$134 per student as originally estimated. See attached Appendix B for the actual amount through June 30, 1998, and the estimated amount for the second year of the biennium that the Department of Public Instruction will distribute to school districts as reimbursement for special education.

SUPPLEMENTAL PAYMENTS

The 1997 Legislative Assembly appropriated \$3.1 million to the Department of Public Instruction for supplemental payments to school districts. House Bill No. 1393, codified as NDCC 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 expenditure per student. See attached Appendix B for the actual amount through June 30, 1998, and the estimated amount for the second year of the biennium that the Department of Public Instruction will distribute to school districts for supplemental payments.

TECHNOLOGY REIMBURSEMENT PAYMENTS

The 1997 Legislative Assembly appropriated \$5 million to the Department of Public Instruction for technology reimbursement payments to school districts. Section 6 of 1997 House Bill No. 1013 provides that the Educational Telecommunications Council will distribute technology reimbursement payments and that districts are eligible to receive reimbursement for technology-related expenditures incurred after July 1, 1996, and before June 30, 1999. The maximum amount a district is eligible to receive is a proportionate share of the \$5 million appropriation, based on the district's student ADM compared to the total state student ADM. See attached Appendix B for the actual amount through June 30, 1998, and the estimated amount for the second year of the biennium that the Department of Public Instruction will distribute to school districts as reimbursement for technology-related expenditures.

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). See attached Appendix B for the actual amount through June 30, 1998, and the estimated amount for the second year of the biennium that the Department of Public Instruction will distribute to school districts from the state tuition fund.

PAYMENTS FOR LIMITED ENGLISH PROFICIENT STUDENTS

Section 11 of 1997 House Bill No. 1013 provides that up to \$300,000 of the amount appropriated for foundation aid must be used by the Department of Public Instruction to provide grants to school districts educating limited English proficient students. North Dakota Century Code Section 15-40.1-07.7 provides that the grants will be \$300 per limited English proficient student and provides criteria for identifying limited English proficient students. See attached Appendix B for the actual amount through June 30, 1998, and the estimated amount for the second year of the biennium that the Department of Public Instruction will distribute to school districts for educational costs related to limited English proficient students.