

2013 HOUSE EDUCATION

HB 1237

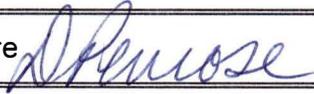
2013 HOUSE STANDING COMMITTEE MINUTES

House Education Committee
Pioneer Room, State Capitol

HB 1237
January 22, 2013
17843

Conference Committee

Committee Clerk Signature



Minutes:

Ch. Nathe: We will open the hearing on HB 1237.

Rep. B. Koppelman: Sponsor, support (attached #1).

Rep. Rust: It is my understanding that this bill essentially returns back to what was done prior to the 2007 legislative session; when equity was addressed. We decided to exclusively use the previous year's ADM. Is that correct.

Rep. B. Koppelman: I'm not sure if it was the 2007 session or not. I was thinking it was the 2005 session, but regardless, I think your premise is correct. When equity was dealt with, this was a way to make it more equitable.

Ch. Nathe: What does this bill do that the current rapid enrollment program doesn't do.

Rep. B. Koppelman: The current rapid enrollment program which I believe expires at the end of this biennium had a 7% box, where if you grew by at least 7% and I believe 25 children, then you could qualify for additional monies. That money you qualified for was based on simple ADM, did not have the factor of school district size, special education needs, ELL, etc. It was a supplementary payment to help bridge that gap. The fiscal note is reflected over four years, but really it's a one year effect that we are catching up a year, so that we're on current enrollment rather than last year's enrollment, and that one year cost is \$18-19 million dollars, according to the fiscal note. The other piece is that it helps any growing district, not those that have to fit in that 25 kids and 7% box.

Rep. Wall: How does this differ from the Governor's proposed education funding bill.

Rep. B. Koppelman: The main difference is the Governor's is kind of an extension of what we had but it created a second tier box, if I understand correctly it was in the original legislation last session which they pay 1/2 of a simple ADM per school districts that grow between 3.5 and 7% and grow by at least 20 kids, and keeps the 7% box for those that grow by 7% and 25 kids.

Rep. Rust: According to Jerry Coleman, he stated that there are 52 school districts that gained 1,799 this year; 21 school districts gained 950, between 4-7%; 43 gained 1,141, between 0-4%; and only 62 districts lost students with a total of 476 students. Is it time for us to consider going to a "pay go" which is pay for the students that are there now, instead of last year's ADM. Is it time for us to go, those students are in the year, and they need to be educated. When West Fargo came to the legislature and said that they had 400 new students and we gave them 0.00, 400 new students need to be educated. I can't imagine that when they come into a system, even though they are kind of disbursed all over, that it doesn't create some pains for the school district and people. Is it time to go to a pay as you go, paying for the students that are here now.

Rep. B. Koppelman: This bill would bring us to a "pay as you go", with a caveat that those 490 students under that scenario, would still be paid that following year to the district because it's sort of the greater of two numbers for those declining districts. Those who aren't growing would get last year's enrollment. That only buys them a one year buffer and then those kids are off the rolls because they are always chasing a previous year. I don't have an opinion for the committee on whether or not it's time to do away with that entirely, and not have that safety net. Certainly this bill does have the safety net.

Ch. Nathe: Thank you. Further testimony in support.

Mark Lemer, Business Manager, West Fargo School District: Support (see attached #2).

Ch. Nathe: You stated that districts need stability with state funding to make appropriate budgetary decisions. Are you saying that the current grant process does not give you that.

Mark Lemer: It does not, because we don't know if we are going to make that threshold or not. Going into this year, our budget was based on the assumption that we'd have 420 new students. We did not count on having any dollars from the rapid enrollment grant program, because that wasn't enough to get us to 7%. Turns out we had the largest growth in our district's history this year, and we did qualify. So it wasn't part of our budget planning initially, how we have the funds available to us. When I'm talking stability, it's not that the dollars aren't there, but whether or not you are going to qualify for them, and take that into consideration when you're doing things like negotiating with your staff, or planning to hire teachers.

Ch. Nathe: Prior to the rapid enrollment that we've had in the past, when you did increase by 50 or 60 students, walk me through what you did then.

Mark Lemer: For us this year, we knew we were growing to go. We had anticipated 420 students so we built our budget on the basis that we would have to staff for that many students. We didn't count on another 155 students above that. We had our budget set, our revenues were all locked in. We ended up hiring additional teachers for those additional students and we did it basically without any additional

resources. That put us in a situation where we had to increase our deficit. We are currently deficit spending; we have a planned deficit because of all the buildings that we're opening. Every building that we're opening is kind of a hit to our budget. In addition to all the classrooms, you're hiring principals, librarians, heating and lighting a building that didn't exist before. So all of those things were a part of our plan but when you have additional growth above that, there's no relief. I would argue that under the provisions of this bill, when those additional students show up, above and beyond what you planned for, the resources show up with them in that same year, rather than one year behind.

Ch. Nathe: When you build a budget, do you build in expected growth going forward, and now obviously you are exceeding that planned growth.

Mark Lemer: Yes.

Ch. Nathe: So if this bill were to pass, it would basically pay you if you got one new student or a 1,000 new students.

Mark Lemer: Correct.

Rep. J. Kelsh: When you talked about the phantom students, were you referring to the 400 that Rep. Rust talked about, or were you referring to the weighted students that would be added.

Mark Lemer: I'm talking about students that currently don't exist, we're paying for those students in the year they show up. So they're not part of the count right now. That term could also be used to refer to the students that we're paying for who are no longer in the system because of declining enrollment. Under the provisions of this bill, both are being paid for. Districts with declining enrollments are covered as they are currently. Districts with increasing enrollments are covered as well.

Ch. Nathe: What the rub. I think there comes a point where the community or board is responsible for a certain number of increase in students and then above that, the State would then step in. This bill is going to take over right from the get go. So I understand that you want to get paid for every student that comes through the door, but there does come a time when the school district or community must be responsibility for some increase in their schools.

Mark Lemer: I recognize that, and have talked directly with the Governor about his provisions of rapid enrollment growth and talked about this bill. The question becomes one of "what is that threshold" and how do you account for situations, like what happened in Williston and their school district's perspective this year. They missed it by 3 kids. They had significant growth, but they didn't hit this artificial target. So if the threshold is low enough or it allows a growing district to easily step over it, so that you know whether you're in or you're out, if you are going to make it, then it becomes less of an issue. When the threshold becomes relatively high, for us, 517 kids this year without any additional support, then the 518th kicked in additional support. You would never expect a brand new school district that grew

out of nothing in the middle of the state, with 517 kids, you wouldn't say to that district, educate those 517 kids for this first year, we'll help you next year. The threshold is the issue; that 1, 2 or a dozen, or even 50 students growth for us really isn't a big issue.

Ch. Nathe: Unfortunately, there comes a point where you have to draw the line, and if you miss it by 1 or 2 it hurts.

Rep. Meier: When you talk about deficit spending, what type of dollar amount are you talking about in the West Fargo district.

Mark Lemer: This year our deficit is about \$1 million. We have a planned deficit; our deficit is continuing at that level for the foreseeable future because we are opening new schools every year between now and 2015.

Rep. Meier: How many additional educators did you have to hire then with the additional amount of students.

Mark Lemer: Above the 420 that we planned. We had to hire 8 classroom teachers for that number and then along with that are some incremental for physical education, music, art, but just those 8 alone would have cost us about half a million dollars.

Ch. Nathe: You had a huge increase of 500 and some students, what percentage was that from your previous year.

Mark Lemer: We were just under 8%.

Ch. Nathe: So under the Governor's proposed plan you would qualify.

Mark Lemer: Yes, this year we did qualify. We're actually not anticipating growing at this same level in the future. This actually got to be very problematic for us in terms of finding seats for that many students. But we would likely qualify under the Governor's funding proposal, we would likely qualify in the 2nd tier of funding in a typical year of growth for us. We likely wouldn't ever maintain that highest 7% tier going forward.

Rep. B. Koppelman: Do you think that the system that is proposed, outside of this bill, whether it's what we had last time or what is proposed for this time, do you think that percentages are more problematic and if you were to create a threshold like Ch. Nathe is suggesting, would that be more equitable if it were a number of kids.

Mark Lemer: In my conversations with Gov. I specifically asked that he look at something other than just a percentage based threshold. That he look at a firm number as well. You have a firm number on the low end, but you don't have a firm number on the high end. If it said if you grow by 100 students or more you qualify even if that's only 2.5%. Then you're larger districts actually have a better basis under which to budget, because likely they will be able to make that threshold.

Every year you get bigger, that 7% number also gets bigger. Now that we've grown by 575 students, next year, 518 won't be our qualifier; it will be a larger number than that.

Ch. Nathe: The extraordinary growth that you have, I can see the State stepping in, when you grow 50-100 students and you said that you could probably handle that with your current budget.

Mark Lemer: Yes.

Ch. Nathe: Why then get paid from 1 to 100 student increase. You're asking to be paid for every student above this number. Why not again set a threshold.

Mark Lemer: The basis of this measure is to allow every school district to participate in enrollment growth. Speaking just on behalf of our school district, if there were 50 to 100 student threshold, that wouldn't be a deal breaker. The idea is, though, to get growing districts an opportunity to qualify. I believe the current measures are a little too high, the bar is too high.

Rep. Wall: In a typical year, do you normally gain or lose students during the course of the school year and if you lose students, does average daily attendance reflect that and you remit those monies. How does that work.

Mark Lemer: Our school district, for the most recent past, has actually grown even from fall to spring. By the time we do our average daily membership counts in the spring, we have more students than we started the year with. When I look back more historically, that wasn't the case. We would have started with more students in the fall, and over the course of the year would have lost some and would have had a lower number in ADM than fall enrollment. The provisions of this bill, as it was introduced, make that adjustment. If we were paid for more students than we actually retained during the course of the year, those dollars would then be subtracted away from a future payment.

Rep. J. Kelsh: If you hadn't gotten quite to the threshold, you would still have had the \$2.3 million expense plus the \$1 million you had. Did you have enough local mill levies left to be able to make that up at some point. How would you have handled that type of deficit. You said you had a million dollar deficit now, if you had a \$3 million deficit, would you have enough mills so that you would have gone to the pot and got more money.

Mark Lemer: The West Fargo School District is currently levying at the max, so we have no additional mill levy authority, granted directly by the legislature. We would have to go to our public for a vote to increase our current mill levy.

Ch. Nathe: Thank you. Further testimony in support of HB 1237.

Doug Johnson, Executive Director of the ND Council of Educational Leaders: Support. Our representative assembly met this past September and took a stand

where we believe we need to provide the per student funding based on the greater of the fall enrollment or the preceding year's ADM, either one of those two. That's our position at this time.

Ch. Nathe: Thank you. Further testimony in support.

Viola LaFontaine, Superintendent for the Williston School District #1: Support. #3

Rep. Meier: What is your average class size.

Viola LaFontaine: K-2nd we try to keep it between 20-22 students; 3-6 grade we try to keep it at 25; middle school and high school are much larger. Our middle school was built in 2004, and it was actually built for declining enrollment so we've actually added on 8 modular classrooms to our middle school as well, so we could reduce some of the class size. Last year we had up to 35 students in some of our middle school classrooms.

Rep. B. Koppelman: With the proposals out there beside this proposal, with either proposal, do you think that a threshold of a number of students would be helpful rather than a percentage, particularly for districts that have a tough time trying to reach that percentage.

Viola LaFontaine: Yes, I do. In western ND, I attend my NW School Leaders meetings and our REA meetings and I'm with other superintendents from small schools and last year we met the rapid growth and of course, each year that increase becomes harder to meet. We expected greater enrollment this year and it just didn't happen. In talking with fellow superintendents from the smaller schools, I feel their pain. Last year, the number had to be 25 students and they had 23. This year, now that we didn't meet our growth by 3 students, I understand where they are coming from. Smaller school districts have to provide desks, chairs and a teacher for 23 students, yes I would say a certain increase is helping all the schools in ND.

Ch. Nathe: I toured the oil patch, and at that time, you were talking about enrollment. Why the disparity between what was estimated and what reality was.

Viola LaFontaine: We had been looking at the housing market, and no one could really tell me what we could use for a number for increased enrollment. We looked at the housing market. We looked at how many single family homes were coming available, and we said more than likely, in every single family home we would have at least 1.5 children. We looked at the apartments, which were like 700 new apartments coming on line, and we said maybe it would be 1 in every 4th apartment. We also looked at the campers that were coming in because we have many children that are staying in campers with their families. So we said 1 in every 5th camper would have 1.5 children. We found that many of the apartment buildings were leased or used by the oil companies, so that the apartments have more male workers staying together. The same thing kind of happened with the single family homes, they were purchased by the oil companies and are being used for housing. We are finding that until there is more stability and affordable housing, that the oil workers are not bringing their

families like we anticipated. So then we continually have enrollment weekly. We continue to have children being enrolled with families that come in for maybe not oil patch work, but looking for work because they have been without work for years.

Ch. Nathe: Thank you. Further testimony in support.

Kayla Pulvermacher, ND Education Association: Support. ND is a diverse state and we have school districts that are both rapidly growing and districts that are declining. We feel this bill would help both kinds of districts.

Ch. Nathe: Thank you. Further testimony in support.

Scott Halvorson, Bismarck Public School Board: Support. I know that we did not reach the threshold this year. We had anticipated a 250 increase but got over 400 kids. Our numbers have been revised, we're anticipating about 350-400 from now until 2017 an increase of students each year. Right now, we have kids being educated under stairwells, which is not a good situation. Our taxpayers in Bismarck have been wonderful; they approved 2 new elementary schools and 1 new high school by over 85%. Our superintendent isn't here because she is dealing with some very contentious boundary issues. They have come to us with numerous requests for new Aids, Teachers, staffing. It gets very difficult, and we didn't reach the threshold. But with 450 new students and also have to budget in special needs children and the services they require. The BSB did not send me here to testimony but we have discussed this and we are in support of this bill. The new schools are going to be built and they are already full. We have 37 portables which to me, is not a way to educate kids. One of our goals was to eliminate those, we can't.

Ch. Nathe: After being on the redistricting committee with Rep. Rep. J. Kelsh, I can feel Ms. Uselman's pain. Just walk me through the budgeting. You said Bismarck School Board, you had planned on 250 student growth, and it was over 400.

Scott Halvorson: Yes.

Ch. Nathe: So when you built the budget you built the 250 into the budget.

Scott Halvorson: Yes, for our staffing, etc. We start submitting our budgets in February. For example, I would assume that all administrators, teachers and all the committees are getting together, right now doing their class scheduling for what they need next year, and it will be probably the end of February when we see our first budget proposals; based on what we expect next year. We have to lock that in. Of course, the budgets have to be approved; formal approval is in September, but when you're dealing with teacher contracts, etc. you budget. It's tough to go backwards, but we don't see ourselves going backward, but it is very difficult because they are more than teachers too.

Ch. Nathe: So the cost of those 250 was covered, you were scrambling to cover the difference.

Scott Halvorson: Yes.

Rep. Meier: What was the number of portables that Bismarck has added for this current school year.

Scott Halvorson: We look for other space first, because setting up portables is not something you can do in a month or two. We weren't able to set up portables this year, but next year we're looking at probably 4 or 5 more portables.

Rep. Meier: In looking for extra space, could you explain to the committee what Bismarck is doing for extra space.

Scott Halvorson: Right now, we are renting from Corpus Christi right now for more space. We haven't rented any more space because we really feel we are trying to keep within our school buildings as much as possible. Sunrise Elementary School is the newest elementary school that was built and opened 2 years ago. We build the core: the core is the gymnasium, library, the core areas you can't expand on. But you build it to a certain point, say for 500 students and maybe your classroom capacity is only 450 or 400. So now we can add on classrooms. We've decided, as a Board, to possibly add on to Sunrise. That school has the capability of up to 4-6 new classrooms. That will help. We are looking at selling some land that we own that's not going to be conducive to building new schools. We are all for expansion. We want to sell the land and hopefully expand in another area. We're trying to put District dollars and local dollars to really alleviate the growing numbers of kids. The problem is when you get into the per student payment to then operate. I would assume that is what the state looks at.

Ch. Nathe: Per student payment will be another bill.

Rep. J. Kelsh: How many times have you had to go to the people, or how many dollars have you had to raise, or mills in the last couple of years to meet the obligations of your school district.

Scott Halvorson: Because of the valuation going up, and some new numbers came out with health care; we are self-directed health plan, we were able to give back a couple of mills. We're also trying to reach that threshold of 110 mills. I believe that we are at 121 or 122 mills. We're trying to get down to the threshold. But in taxable valuation, of course, we know that the property taxes haven't gone down. We did get \$85.5 million bond issue that they approved by 85%. We have the unlimited mill levy, but we've been probably pretty good about not meeting it. I think we rank 8th in the state in terms of mill levies. I think the Bismarck School Board, as I believe all ND school boards have been very prudent in the management of their funds. You try to carry a 10% balance and you keep cutting into that carryover and that gets to be an issue too.

Ch. Nathe: Was the taxable valuation high enough to cover the first 250 students you had budgeted for.

Scott Halvorson: I believe so, yes.

Ch. Nathe: Thank you. Further testimony in support of HB 1237. Testimony in opposition.

Rep. Meier: Is it possible to have Jerry Coleman from DPI testify.

Ch. Nathe: Jerry, can you explain the \$38.3 million fiscal note on HB 1237.

Jerry Coleman: The fiscal note, I based it off of our current school year funding model. It's as if we had implemented the provisions of this bill, this particular year, so the bill itself had asked you to take a look at the current fall enrollment and compare that to the previous year's average ADM and to make an adjustment in the formula for that. The language in the bill says apply all pertinent provisions, chapter 15.1-27, that's the school funding formula. When I made the comparison, I used K-12, fall enrollment only, that's the official count as of September 10th; the same count we use for the rapid enrollment grants. I excluded the preschool, because generally that's an overstated count in the fall. They list all the preschool kids and often times they don't generate ADM because they aren't getting enough services, they might just be getting reading help. I took the latitude to exclude those. Then I applied a weighting factor percentage to that number. As I worded it here, the actual difference was 3347 students; that's the difference between the K-12 and a comparable K-12 ADM count the previous year. When you apply that test, the higher of those two years, it turned into 4110, and then after the weighting then it was 4810 would be the additional weighted student units and then just that times the payment rate of \$3980 for this current school year. If we implemented this year, it would add a cost of about \$19 million, just for that, and then I just doubled it for the biennium. Naturally anything on the fiscal note is going to be tied directly to the changes in enrollment, either up or down, and the changes in the school funding formula. ADM is used in our equity calculations in the formula. I did not do any consideration of what impact that might have. If you add students to the equity count that will make school districts look poorer, so it would have an impact if that was the intent. My interpretation of pertinent would be just comparing the number of students and then applying the weighting factors that exist in the current formula.

Ch. Nathe: Do you have any information as far as this past biennium, as far as what this bill would cost down the road, if it passes, starting in 2015-17.

Jerry Coleman: It would probably be close to what the fiscal note says. It just depends on where you're at. If we back up to the last year we implemented this, it is a program that was in law before, so in 2006 I took a look back to see how many additional weighted units were added to the formula and budgeting for that and the number was 3250 each year. That was in a period of declining enrollment back then. Now we're going higher up. The downside is that it has a pretty hefty fiscal note. As you heard from the people that testified, it would certainly get money out to school districts at a time that they need it, and also because it effectively is paying the higher of two years, those that are declining enrollment then have a one year buffer to react to it.

Ch. Nathe: This would be for every school that has an increase, no matter how small it is.

Jerry Coleman: That is correct. There is a subsequent adjustment of that fall enrollment to what actual ADM turns out to be.

Ch. Nathe: Thank you. We will close the hearing on HB 1237.

2013 HOUSE STANDING COMMITTEE MINUTES

House Education Committee
Pioneer Room, State Capitol

HB 1237
February 11, 2013
18795

Conference Committee



MINUTES FOR HB 1237 STARTED ON RECORDING AT 16:00 ON JOB 18795

Chairman Nathe: Committee let's take out HB 1237. Mr. Koppelman's Rapid Enrollment bill we heard awhile back. We passed the Rapid Enrollment bill 1216, the governors for 17 million dollars had different levels. This bill will pay the districts from any increase from student one. The fiscal note is 38.3. The Rapid Enrollment will be going to appropriations. That will be worked over as we stated in the committee discussions.

Rep. Meier: Are you ready for a motion, I would move a do pass on HB 1237.

Chairman Nathe: We do pass from Rep. Meier, second from Rep. Koppelman. Discussion?

Rep. Kelsh: Not up to snuff on 1319 any longer after all the amendments are prepared and we haven't seen them or heard about them. Is rapid enrollment being addressed in 1319?

Chairman Nathe: That is a separate bill, 1216 that we passed out of here earlier.

Rep. Kelsh: I'm talking about in 1319 because there is a hold harmless both ways.

Chairman Nathe: Those things are all being addressed.

Rep. Rust: This would add additional dollars to the amount of money that be for education. The rapid enrollment bill that we passed earlier is not a part of 1319, it is a stand-alone at this point and time.

Rep. Meier: One thing I like about HB 1237 it adequately addresses rapid enrollment rather than using a percentage.

Rep. Johnson: The difference between the two bills is 17 million and 30 some million. I oppose this one seeing we have one passed and we know it is going to change at the end of session in the Senate or conference committee. If we incorporate some of Rep. Koppelman's into this bill, rather than have two bills.

Rep. Kelsh: Does 1319 adequately take care of this issue or doesn't it?

Rep. Rust: The dollars in 1319 do not include rapid enrollment or this bill so an answer to that question is one of those two or neither would be in addition spending to what's in 1319.

Chairman Nathe: Rep. Kelsh , it doesn't include it because the original bill the governor had had the rapid enrollment bill in the bill. It was one of the six sections I asked to be pulled out cause I felt it should stand on its own merit and have its own discussion. The governor had that in the original bill for his rapid enrollment piece and we pulled that out.

Rep. Koppelman: (20:23) Talked about the premise behind the bill. I encourage a do pass.

Rep. Rust: If we pass this bill and pass the other bill where are we?

Chairman Nathe: Both bills would go to appropriations and one will die and I have a good feeling which one it would be.

Rep. Kelsh: Is it no longer in the governor's bill that they get 104% for their two years or 98% if they were losing population?

Chairman Nathe: I think its 104 or 102.

Rep. Rust: What is in the amendment we heard today and approved for coming to this committee is you will figure out this baseline and then there is a minimum of 102 and a maximum of 110 on the per student count. That is one of the hold harmless, in addition to that 102 and 110, that one that works with per pupil. In addition if you're still going to get nailed there is 100% hold harmless as a secondary so you get the same number of dollars on state and local contributions as you do this year and the following year it is 104 and 120. You may not get an increase but you're not going to get a decrease based on state and local dollars.

Rep. Meier: Recommendation we passed one amount already and we pass this bill amount as well.

Rep. Kelsh: I have a do not pass written on it.

Chairman Nathe: No, It's a do pass.

Chairman Nathe: We'll do a roll call vote on HB 1237. We have a motion for a do pass on HB 1237.

Chairman Nathe: 8-3-1 is on recording but the vote was 8-3-2, carrier is Rep. Schatz.

MINUTES FOR HB 1237 STOPPED ON RECORDING AT 29:00 ON JOB 18795

FISCAL NOTE
Requested by Legislative Council
01/15/2013

Bill/Resolution No.: HB 1237

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$38,300,000		\$38,300,000	
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts		\$38,300,000	\$38,300,000
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

House Bill 1237 provides for supplemental payments to school districts whose fall enrollment is higher than the previous June thirtieth average daily membership (ADM) after application of all pertinent provisions of chapter 15.1-27 (the state aid formula).

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The fiscal note is based on data supporting the current school year state school aid payment and the official K-12 fall enrollment count. 3,347 is the difference between K-12 Fall enrollment and the previous June 30 ADM. 4,110 is the higher of K-12 Fall enrollment or the previous June 30 ADM. 4,810 is the estimate for the weighted student units. \$3,980 is the per payment rate for the current school year. \$3,980 per student payment rate times 4,810 weighted student units equals \$19,143,236 for one year. The cost will vary directly with changes in student enrollment and changes to the state school aid formula. For purposes of this note, the biennium cost is projected to be \$38,300,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

No appropriation has been identified for this bill. The Executive Budget has \$17,000,000 designated for rapid enrollment grants.

Name: Jerry Coleman

Agency: Pubic Instruction

Telephone: 701-328-4051

Date Prepared: 01/18/2013

Date: 2/11/13

Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1237

House EDUCATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Amended Rerefer to Appropriations

Do Not Pass Adopt Amendment

Motion Made By Rep. Meier Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Chairman Mike Nathe		✓	Rep. Bob Hunsakor	✓	
Rep. Mike Schatz	✓		Rep. Jerry Kelsh		✓
Rep. Joe Heilman			Rep. Corey Mock	✓	
Rep. Brenda Heller	✓				
Rep. Dennis Johnson		✓			
Rep. Ben Koppelman	✓				
Rep. Lisa Meier	✓				
Rep. Karen Rohr	✓				
Rep. David Rust	✓				
Rep. John Wall					

TOTAL (YES) 8 (NO) 3 (ABSENT) 2

FLOOR ASSIGNMENT Rep. Schatz

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1237: Education Committee (Rep. Nathe, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (8 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). HB 1237 was rereferred to the Appropriations Committee.

2013 HOUSE APPROPRIATIONS

HB 1237

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1237
2/15/13
Job 19068

Conference Committee

Committee Clerk Signature

Meredith Tracholt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 15.1-27 of the North Dakota Century Code, relating to supplemental payments for increased school district enrollment.

Minutes:

You may make reference to "attached testimony."

Rep. Mike Nathe, District 30: Introduced the bill.

Chairman Delzer: Do 1261 and 1237 both look at the same timeframe of trigger points?

Rep. Nathe: The September 10 enrollment report, correct.

Rep. Skarphol: Does it do just the opposite as well? For every student they don't have, they get a deduction?

Rep. Nathe: We did not discuss that.

Rep. Nelson: As I look at how HB 1319 would be implemented, it looks like there is already a rapid enrollment equation figured in. For those schools that aren't increasing enrollment, there doesn't seem to be much in there. Why should we be doubling down for schools with rapid enrollment, when some other schools aren't being addressed at all?

Rep. Nathe: I supported the first rapid enrollment bill, not this one. The committee felt it was in the best interests that we go about this. You're right, 1319 has money built in for schools that are growing.

Chairman Delzer: Further questions? Testimony from the bill sponsor has been handed out, see Attachment 1. There are amendments we'll look at when we work these bills.

Rep. Nathe: In regards to the Fiscal Note, I was told it could go higher. Clarification from DPI may be necessary.

Rep. Skarphol: Adding one student to a school does not necessarily increase the cost to the school. Did your committee discuss what that threshold is?

House Appropriations Committee
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Rep. Nathe: I don't recall any.

Chairman Delzer: Further questions? Thank you.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee
Roughrider Room, State Capitol

HB 1237
2/26/13
Job #19463

Conference Committee

Committee Clerk Signature

Ticky Crabtree

Explanation or reason for introduction of bill/resolution:

"Click here to type reason for introduction of bill/resolution"

Minutes:

Chairman Delzer: The difference between this bill and the prior one, HB 1261, is it would be off of the dollar amounts per student in 1319. The way it sits before us it would be every person immediate; the only different would be the question of they look at the fall to the spring and the next fall if you have change you might have to pay some back. Rep. Koppelman came down with some amendments that said it didn't start until the twenty-fifth student. I think his effort to try to reduce the fiscal note.
Distributed amend .04002.

Rep. Skarphol: With the action we just took, I can't imagine we would want to put two of these forward. And the 20 person threshold in the other bill is logical to me and all 20 of those kids are not going to be in the same grade. It won't have a significant impact on class size until you get beyond that.

Rep. Nelson: I move a Do Not Pass.

Rep. Sanford: Second.

Rep. Monson: We don't need both.

Chairman Delzer: Section B on page 2 tells you how that happens.

3:08

Rep. Kempenich: Can we amend this before we (stops sentence)?

Chairman Delzer: You can amend it if you want. If you want to make a motion, go ahead.

Rep. Kempenich: I was going to propose the amendments so it didn't start at the first student. I make a motion.

Rep. Nelson: I'll rescind my motion.

Chairman Delzer: It is a substitute motion and not a problem. Yours will still be on there if it fails. Substitute motion to amend with 04002 has been offered.

Rep. Thoreson: Second

VOICE VOTE: MOTION CARRIED

Rep. Nelson: I move a Do Not Pass as amended.

Rep. Pollert: Second.

Rep. Wieland: If the regular education formula is adjusted and as I understand it, they are using the population from the end of the year, if that were to be changed, is that messing with equity?

Chairman Delzer: If you changed that to look at the fall enrollment it would make a difference in equity.

Rep. Wieland: Even now that we are talking about full payment in the new method you are looking at \$8000 plus.

Chairman Delzer: You're probably going to have a different number in the fall than in the spring. In the fall it is slightly inflated number compared to the spring number. It could change your equity to some degree.

Rep. Monson: There are a lot of things that can throw the equity off a little bit and generally any rapid enrollment is not going to throw the equity off much because we are dealing some districts that are growing quickly. It might have a little bit of an effect, but to make any huge difference.

Rep. Skarphol: It would seem to me it would keep it equitable, because you would get paid for the students you have, at least to some extent. Maybe the \$3900 referred to in the other bill would be more than what you would normally get on a first student basis depending upon your local contribution versus the state's contribution. Maybe it would be less, but to some extent it would mitigate the inequity issue as well.

Chairman Delzer: Are you asking about this bill in particular, or in general?

Rep. Wieland: I was talking in general of the school formula that exists.

Chairman Delzer: That came about because nobody wanted to pay for the (inaudible) payment.

Rep. Monson: You get paid you just don't get paid until you prove that you've had them in your school. It isn't meant to pay you in advance for all the kids you've got in the fall, because they may not be there in the spring.

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February 26, 2013
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Chairman Delzer: Further discussion?

ROLL CALL VOTE: 17 y 5 n 0 absent

MOTION CARRIED - DO NOT PASS AS AMENDED

Bill Carrier: Rep. Nelson

FISCAL NOTE
Requested by Legislative Council
02/27/2013

Amendment to: HB 1237

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$20,300,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts		\$20,300,000	
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

House Bill 1237 provides for supplemental payments to school districts whose fall enrollment is higher than the previous June thirtieth average daily membership (ADM).

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The fiscal note is based on data supporting the current school year state school aid payment and the official K-12 fall enrollment count. 3,347 is the difference between K-12 Fall enrollment and the previous June 30 ADM. 4,110 is the higher of K-12 Fall enrollment or the previous June 30 ADM. 2,548 is the number of students after subtracting the first 25 students. \$3,980 is the per payment rate for the current school year. \$3,980 per student payment rate times 2,548 students equals \$10,141,040 for one year. The cost will vary directly with changes in student enrollment and changes to the state school aid formula. For purposes of this note, the biennium cost is projected to be \$20,300,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

No appropriation has been identified for this bill. The Executive Budget has \$17,000,000 designated for rapid enrollment grants.

Name: Jerry Coleman

Agency: Pubic Instruction

Telephone: 701-328-4051

Date Prepared: 01/18/2013

FISCAL NOTE
Requested by Legislative Council
01/15/2013

Bill/Resolution No.: HB 1237

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$38,300,000		\$38,300,000	
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts		\$38,300,000	\$38,300,000
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

House Bill 1237 provides for supplemental payments to school districts whose fall enrollment is higher than the previous June thirtieth average daily membership (ADM) after application of all pertinent provisions of chapter 15.1-27 (the state aid formula).

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The fiscal note is based on data supporting the current school year state school aid payment and the official K-12 fall enrollment count. 3,347 is the difference between K-12 Fall enrollment and the previous June 30 ADM. 4,110 is the higher of K-12 Fall enrollment or the previous June 30 ADM. 4,810 is the estimate for the weighted student units. \$3,980 is the per payment rate for the current school year. \$3,980 per student payment rate times 4,810 weighted student units equals \$19,143,236 for one year. The cost will vary directly with changes in student enrollment and changes to the state school aid formula. For purposes of this note, the biennium cost is projected to be \$38,300,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

No appropriation has been identified for this bill. The Executive Budget has \$17,000,000 designated for rapid enrollment grants.

Name: Jerry Coleman

Agency: Pubic Instruction

Telephone: 701-328-4051

Date Prepared: 01/18/2013

YK
2/26/13

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1237

Page 1, line 8, after "increased" insert "by more than twenty-five"

Page 1, line 12, after the underscored period insert "However, a district is not entitled to a supplemental payment under this section for the first twenty-five students reflected in the increased count."

Page 1, line 14, after "15.1-27" insert ", other than student weighting factors set forth in section 15.1-27-03.1 and school district size weighting factors set forth in section 15.1-27-03.2."

Page 1, line 22, after "difference" insert "less twenty-five students."

Page 1, line 23, replace "difference" with "total"

Page 2, line 5, after "difference" insert "less twenty-five students."

Page 2, line 6, replace "difference" with "total"

Renumber accordingly

Date: 2/26/13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1237**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment

Rerefer to Appropriations Reconsider

Motion Made By Rep. Nelson Seconded By Rep. Sanford

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

substitute motion

Date: 2/26/13
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1237**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number .04002

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Kempenich Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

voice vote carries

Date: 2/26/13
 Roll Call Vote #: 3

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1237**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.6376.04062

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Nelson Seconded By Rep. Pollert

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle		X
Vice Chairman Kempenich		X	Rep. Thoreson	X	
Rep. Bellew		X	Rep. Wieland		X
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande		X	Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 17 No 5

Absent 0

Floor Assignment Rep. Nelson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1237: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (17 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1237 was placed on the Sixth order on the calendar.

Page 1, line 8, after "increased" insert "by more than twenty-five"

Page 1, line 12, after the underscored period insert "However, a district is not entitled to a supplemental payment under this section for the first twenty-five students reflected in the increased count."

Page 1, line 14, after "15.1-27" insert ", other than student weighting factors set forth in section 15.1-27-03.1 and school district size weighting factors set forth in section 15.1-27-03.2."

Page 1, line 22, after "difference" insert "less twenty-five students."

Page 1, line 23, replace "difference" with "total"

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Page 2, line 6, replace "difference" with "total"

Renumber accordingly

2013 TESTIMONY

HB 1237

1.22.2013

Testimony on HB 1237

Mr. Chairman and members of the House Education Committee, I am Rep. Ben Koppelman from District 16 in West Fargo, ND, and am here to testify in favor of HB1237.

The Purpose of HB1237 is to provide equitable funding to all school districts regardless if they are growing or declining in population. This change would ensure that districts are paid on the basis of the number of kids currently learning in their schools while also recognizing the weights that our funding formula assigns based on the additional costs of educating children with special needs and accounting for district size. In addition, there is a built in safety net for districts with declining population, so that they have an opportunity to realign to a smaller student population.

This proposal would provide an estimated payment to districts based on their fall enrollment, and then reconcile that payment against their year-end average daily membership (ADM) report, which is done in June. The funding would still be based on ADM, which establishes full time equivalents, but would pay districts based on the current years enrollment.

If there is a difference in the amount paid based on the fall enrollment and the year-end ADM, then the adjustment will be made along with the next fall's payment.

With the changes to the funding formula in recent years, with changes to help improve equity, and with the property tax relief buy-down program; the state has continued to fund a larger and larger portion of the cost to educate children, and as a result, the local share of education funding has declined.

Recently we have been getting details of the Governor's plan to overhaul the formula with the goal of adequate funding. In the publication Highlights of the 2013 K-12 Education Legislation for Permanent Equity, Adequacy, and Property Tax Reform, which outlines the Governor's education proposal, it states

"The main principle-is that every student in elementary and secondary education in North Dakota should have an established base of financial support behind them necessary to provide a good, solid education"

I could not agree more. In order to provide an adequate education for all children, we must provide funding for all currently enrolled children. We cannot expect those new children to be educated at no cost.

Mr. Chairman and members of the committee, I urge a do-pass recommendation of HB1237. This concludes my testimony and would be happy to answer any questions.

Testimony on HB 1237
Presented to the House Education Committee
By Mark Lemer, Business Manager, West Fargo Schools

1 Mr. Chairman and members of the House Education Committee, my name is Mark
2 Lemer. I am the business manager for the West Fargo School District and I am here today to
3 support the provisions of HB 1237.

4 This bill provides support for growing districts by paying for increases in student
5 enrollment in the year they occur. The current system pays districts on the prior year's average
6 daily membership, which is beneficial to districts with declining enrollment. HB 1237 offers the
7 best of both worlds by allowing declining districts to be paid on the prior year student count
8 and growing district to be paid on the current year's student count, whichever is greater.

9 The legislature has recognized the impacts of increasing enrollment through the
10 adoption of the Rapid Enrollment Grant program during the 2011 legislative session. However,
11 the provisions of HB 1237 improve on the basis of the Rapid Enrollment Grant program in a
12 number of ways. Here are some of the reasons that we believe the current bill is better than
13 the Rapid Enrollment Grant program:

- 14 1) Budget Planning – When a minimum threshold exists that must be met for
15 enrollment growth, a district must have a high degree of certainty with its
16 projections in order to count on those dollars in budget planning processes. For the
17 2012-2013 school year, our school district enrollment projection showed growth of
18 420 students. In order to qualify for the Rapid Enrollment Growth, we needed to
19 grow by 518 students. For us, that meant that 517 students resulted in zero new
20 dollars, but the 518th student was worth \$2,300,000. As it turned out, we grew by

1 an unprecedented 575 students in grades K – 12 and did qualify for the grant.
2 (Coincidentally, the Williston School District needed to grow by 186 students to
3 qualify for the grant, but only grew by 183 students. The 3 students they were short
4 resulted in \$750,000 of lost revenue. During the first year of the program, 3 districts
5 missed qualifying by one student). Districts need stability with State funding to
6 make appropriate budgetary planning decisions.

- 7 2) As mentioned in the previous section, when there is a minimum threshold, districts
8 may have significant enrollment but still not qualify for the grant. With HB 1237,
9 this is no longer the case. Every increase in enrollment is counted. All districts could
10 qualify, whether they were large or small, rural or urban. There is no longer an
11 artificial minimum to achieve.
- 12 3) The provisions of HB 1237 also include provisions to adjust the payments from one
13 year to the next. If a district receives a Rapid Enrollment Grant, there is no
14 adjustment even if that enrollment is not maintained over the course of the school
15 year. Under the current bill, payments are adjusted in the subsequent year to
16 reflect any increase or decrease in the actual enrollment.

17 One of the criticisms that you may hear about HB 1237 is that the State will be paying
18 for “phantom” students. While I understand that this bill does increase the number of
19 weighted student units that will be included in the Foundation Aid program, I can guarantee
20 you that the 575 additional students in our district do exist. They showed up this fall and
21 required classrooms, teachers, materials and support systems. We opened Freedom

Elementary in August, 2012. That building was at capacity on its first day. Just 12 months earlier, the Freedom elementary site and the surrounding neighborhoods were crop fields.

Our district is rapidly expanding. Between August 2012 and August 2015 we will have opened 3 new elementary schools, 1 middle school and 1 high school. That is 5 buildings in 3 years. With the rapid growth and the number of new schools, it is crucial that we have appropriate financial resources to support the education of every student in our district, beginning with the first day that they arrive in our schools.

Thank you for your time and attention. I would be happy to answer any questions that you may have.

Testimony for House Bill**1237**

Viola LaFontaine

January 22, 2013

I am providing testimony for House Bill 1237 relating to supplemental payments for increased school district enrollment.

My name is Viola LaFontaine, I am the school Superintendent for Williston Public School District # 1, Williston, ND.

I am here today to express my support for HB 1237 which would allow a school district to receive funding for our students in the fall of the school year.

This year, Williston Public School District did not meet the 7% student enrollment increase to qualify for the Rapid Enrollment growth for the state funding. We enrolled 183 more students but we were short 3 students to meet the 7% increase. This cost Williston School District \$720,000.00.

In the past 4 years Williston School District has increased in enrollment over 600 students. We also have many students, as many as 300 last year that come in and out of our schools. Even though the students do not stay with us we still are required by law to provide them with an education including a classroom, books, desk and a teacher.

Williston will not receive any additional funding for the new students we taught this past year. This bill would allow schools to receive funding in the fall of each year to help pay for the services provided to students the year previously, especially if the school does not qualify for rapid growth funding.

Thank you

Viola LaFontaine

2.13.2013

Testimony on HB 1237

Mr. Chairman and members of the House Appropriations Committee, I am Rep. Ben Koppelman from District 16, and am here to testify in favor of HB1237.

The Purpose of HB1237 is to provide equitable funding to all school districts regardless if they are growing or declining in population. This change would ensure that districts are paid on the basis of the number of kids currently learning in their schools while also recognizing the weights that our funding formula assigns based on the additional costs of educating children with special needs and accounting for district size. In addition, there is a built in safety net for districts with declining population, so that they have an opportunity to realign to a smaller student population.

This bill is not a rapid enrollment bill, but rather an enrollment reform bill. It recognizes the truth that there is a cost of educating every student, and that that cost is funded through a partnership between the state and the local school district.

This proposal would provide an *estimated* payment to districts based on their fall enrollment, and then reconcile that payment against their year-end average daily membership (ADM) report, which is done in June. The funding would still be based on ADM, which establishes full time equivalents, but would pay districts based on the current years enrollment. If there is a difference in the amount paid based on the fall enrollment and the year-end ADM, then the adjustment will be made along with the next fall's payment.

With the changes to the funding formula in recent years, with changes to help improve equity, and with the property tax relief buy-down program;

the state has continued to fund a larger and larger portion of the cost to educate children, and as a result, the local share of education funding has declined. Therefore it is increasingly unreasonable to expect the school districts to pay 100% of the cost of educating children for the first year of their education given the diminishing share that is funded by local dollars.

Recently we have been getting details of the Governor's plan to overhaul the formula (HB 1319) with the goal of equitable and adequate funding. In the publication Highlights of the 2013 K-12 Education Legislation for Permanent Equity, Adequacy, and Property Tax Reform, which outlines the Governor's education proposal, it states

"The main principle-is that every student in elementary and secondary education in North Dakota should have an established base of financial support behind them necessary to provide a good, solid education"

Although I am not here to promote HB 1319, I could not agree more with the previous statement. In order to provide an adequate education for all children, we must provide funding for all currently enrolled children. Furthermore, this should be the foundation of any funding formula that uses a per pupil or ADM basis for payments to districts. We cannot expect those new children to be educated at no cost.

This bill comes to you with wide support from the House Education Committee as the most preferred option to deal with enrollment with a vote of 8-3-2 (Reps. Heilman and Wall were also supportive, but were absent for medical reasons the day of the vote). This bill's fiscal note, although sizable, takes into account "catch-up" funding to get us to the current year's enrollment, as well as the funding to continue. It also takes into account a type of worst case scenario by expecting to grow by a record number of students every year without any plateau in growth.

Coming into this biennium, there were two primary concerns that school districts had in regards to student funding, one was enrollment equity, which this bill addresses, the other was a reasonable increase in state aid. This is a prudent solution to enrollment reform regardless of whether we have a new

funding formula (HB 1319), or if we adjust the per pupil payment amount in our current formula.

Mr. Chairman and members of the committee, I urge a do-pass recommendation of HB1237. Thank you for taking time to consider my thoughts.

Rep. Ben Koppelman