

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

EDUCATION FUNDING COMMITTEE

Wednesday, September 11, 2013
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Tim Flakoll, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Tim Flakoll, Howard C. Anderson, Jr., Joan Heckaman, Richard Marcellais, Nicole Poolman, Donald Schaible; Representatives Mark A. Dosch, Jessica Haak, Patrick Hatlestad, Bob Hunsakor, Jerry Kelsh, Ben Koppelman, Lisa Meier, David Monson, Mike Nathe, Karen M. Rohr, David S. Rust, Mark Sanford, John Wall

Others present: Representative Jim Schmidt, member of the Legislative Management, was also in attendance. See [Appendix A](#) for additional persons present.

Committee Counsel reviewed the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#).

EDUCATION FUNDING STUDY

Committee Counsel presented a background memorandum entitled [Funding of Elementary and Secondary Education - State and Local Responsibility](#).

Chairman Flakoll distributed a copy ([Appendix B](#)) of North Dakota Century Code Section 15.1-27-03. He said this is the statute that defines what expenses are not to be included in the determination of a district's cost of education.

Chairman Flakoll distributed three questionnaires ([Appendix C](#)) and asked that the committee members indicate their preferences for the use of state dollars in meeting various categories of school expenditures. He said the responses would be tabulated and presented to the committee at the next meeting.

At the request of Chairman Flakoll, Dr. Allan R. Odden, Picus Odden and Associates, presented testimony ([Appendix D](#)) regarding North Dakota's school funding system.

Dr. Odden said he believes that North Dakota is the only state to have stayed its lawsuit and addressed the issues in a very ambitious and aggressive manner. He said North Dakota is in much better shape because it took that option and should be very proud of the progress it has made with respect to school finance equity and adequacy. He said now North Dakota needs to move the conversation away from the monetary aspects of education and turn to issues of student performance.

Dr. Odden said North Dakota began its legislative reform issues during the 2007 legislative session. He said between 2009 and today, the Legislative Assembly basically adopted the Picus recommendations and supported the recommendations with substantial funding and property tax relief. He said the history is quite stellar. Now, he said, it appears there is a desire to ensure that the dollars get translated into instructional strategies that are more likely to produce higher levels of student learning and reduce achievement gaps. He said the \$7,394 inflation-adjusted figure already includes a lot of things that people say they would like to see in the formula.

Dr. Odden said adequacy is what it costs to educate students to college and career ready standards. He said one mechanism to get to college and career readiness is through adoption of the Common Core Standards. He said a lot of people do not view the word "adequacy" as one that sets an ambitious goal. However, he said, in education finance, "adequacy" means sufficient funding to allow districts to dramatically improve student performance.

Dr. Odden said when he worked with the Commission on Education Improvement in 2007-08, they discussed having sufficient resources to double student performance on state tests using the old proficiency standards. He said they looked at schools across the country that met that goal. He said the \$7,394 figure was the cost of the resources that the districts need to achieve that goal. He said whereas with the old proficiency standards we spoke about doubling student performance, now we speak about adequacy as the resources needed to produce significant increases in student performance.

Dr. Odden said there have been four approaches to defining an adequate spending level. He said one is a cost-function approach. He said that often results in very high dollar recommendations because it assumes no restructuring and no different way of doing business. He said he does not believe that this method has ever been used to put a dollar figure into a state aid formula.

Dr. Odden said the professional judgment model asks educators what they believe needs to be done to improve student learning. He said this too results in a fairly large dollar figure. He said this model often results in a recommendation that class sizes be significantly smaller than he would recommend. He said when Picus and Associates have come up with their dollar recommendations, they often run their proposal by such groups, but require that the groups utilize evidence to justify any changes that they might suggest.

Dr. Odden said another method that was popular initially involves an analysis of successful school districts, i.e., districts that meet the performance targets. He said then one looks at how much those districts spend per student and assumes that if District A and District B can reach the goals at a certain expenditure level, District C should be able to as well. He said the problem with this approach is that the districts that tend to meet the performance targets in most states also tend to be modestly sized rural districts. He said they are anchored in towns that are about 50,000 in size and have a fairly homogeneous population. He said such districts are equal in size to North Dakota's largest districts. He said people had difficulty figuring out what adjustments would need to be made for districts that featured different criteria.

Dr. Odden said the fourth approach is an evidence-based method. He said that is the one with which Dr. Picus and he have been associated. He said it is a way to get increased performance out of a state funding system. He said it takes change on the part of schools and school districts. He said this funding model covers core academics, electives, career education, teacher professional development, instructional materials and technology, high-quality teachers and leaders, and students' personal and social skills. He said it is also sufficient to address accountability pressures, whether they stem from adequate yearly progress (AYP) or other state measurements. He said it is more than just a funding model.

Dr. Odden said, today, more of the core and expensive pieces of the model are backed by randomized controlled trial research. He said, 10 years ago, there was decent research but very few randomized controlled trials. He said people did not know for certain that a particular "thing" worked. He said this can now be demonstrated.

Dr. Odden said he believes there are 10 steps common to moving the student achievement needle. He said the first is a needs assessment. He said this involves looking at student data to determine what performance is like in a given school. He said this assessment is done by teachers. He said the teachers figure out what needs to be done and thereby acquire ownership of the effort.

Dr. Odden said the second step is to set high goals--well beyond those of AYP. He said when functioning under the old performance standards, the goal was often to double student performance on state assessments. He said the college and career readiness standards set the bar much higher and therefore the proficiency percentages are lower. He said the goals are ambitious.

Dr. Odden said the third is often the adoption of new curriculum programs that are much more ambitious and which over time they define better instructional practices. He said they often come up with a body of instructional practices through collaborative teamwork. He said they also expect all teachers to use that which they have found to work. He said it is also important to have time during the day when teachers can get together and work on curriculum instruction issues using student data.

Dr. Odden said another aspect of raising student achievement comes in the form of instructional coaches. He said this is a position that is being created across the country. He said they are full-time school-based employees. However, he said, they do not necessarily serve as instructional coaches for the full day.

Dr. Odden said successful schools use their instructional time effectively. He said this generally means a specified number of minutes without interruption. He said it may also mean the provision of extra help during free periods, rather than the provision of additional electives. He said there are a lot of extra help strategies available. He said they include one-on-one tutoring, which is in their model but a little shy in the North Dakota weighting system. He said this presumes one-on-one tutoring for students in the bottom third, who have real academic and learning challenges, and small group tutoring, often by a trained professional aide, for other students. He said there is also some before school, after school, and even Saturday extra help. He said this is referred to as "extended- day" academic help and may be combined with "summer" extra help. He said no matter how good the instruction is, there will always be some struggling students. He said the more students that a school has from economically disadvantaged backgrounds, the more likely it is to have struggling students. He said an array of strategies are therefore needed.

Dr. Odden said successful schools also use professional learning communities. He said this means that teachers have high expectations for the students and for themselves. He said they make effective instructional strategies public, and they take responsibility for the results. He said the test of whether their efforts work are the scores on student assessments.

Dr. Odden said the final element involves taking advantage of external expertise. He said districts that have actually improved student performance did not dream up their methods of providing education. He said the staff is reading the research, going to conferences, and visiting schools that have been successful to see what they tried. He said they do not do it alone.

Dr. Odden said improving student achievement is very doable by regular, ordinary people. He said it does not take superstars. He said the big challenge for North Dakota is how to translate the research and the examples and scale them up across the state so that all districts will do well and that the trend in student performance is clearly upward.

Dr. Odden said the next portion of his presentation deals with what is in the evidence-based model and what is in the North Dakota funding model. He said we start with core teachers. He said these are the elementary teachers and the mathematics, science, history, social science, and language teachers in high school.

Dr. Odden said the model includes a student-teacher ratio of 15 to 1 in grades K-3 and 25 to 1 in grades 4-12. He said that averages about 18 students in a classroom. He said the model also accounts for elective teachers. He said the thought is that all schools can offer a full and robust liberal arts education, including music, art, physical education, language electives, etc. He said after one calculates the number of core teachers, one adds another 20 percent for middle schools and 33 percent for the high schools. He said if a high school is providing several language classes of 10 to 12 students, the model does not support that. He said if a high school is providing advanced placement (AP) classes for 10 to 12 students, the model does not support that. He said the model supports the provision of languages but not the provision of an array of languages with very small student numbers. He said that is a state legislative funding decision.

Dr. Odden said because there will always be struggling students, the model provides for tutors. He said the number of tutors is triggered by the number of free or reduced lunch students. He said this is based on an at-risk student-tutor ratio of 100 to 1. He said there is an extended-day ratio based on two hours at the end of a day for groups of 15 students. He said the research assumption is that only half the students who are eligible will take advantage of an extended-day program. He said summer school is also staffed at 15 to 1. He said these resources can be used in a variety of ways. He said licensed teachers might be used in the extended-day programs for the academic work, but paraprofessionals might be used for the nonacademic work. He said school districts are given flexibility with respect to how the resources should be used.

Dr. Odden said the funding model also accounts for extra student support, such as guidance counselors and social workers, based on the number of students eligible for free or reduced lunches. He said this was done on the assumption that students from lower-income families tend to come with more problems and a district might need

some nonacademic support such as counseling, social work, family outreach, case management, etc. He said there are also some additional resources for students learning English. He said this too is based on one position for every 100 students learning English.

Dr. Odden said there are resources for technical education, special education, and gifted and talented education. He said the North Dakota plan did not address career and technical education and sanctioned what the state was doing for special education. He said, with respect to gifted and talented programs, most of the service strategies have very little cost. He said they tend not to be very popular. He said gifted and talented students often are able to learn multiple years' worth of content in one year. He said teachers tend not to like that approach. He said another option is grade skipping and that too is a no-cost strategy.

Dr. Odden said the North Dakota model is very robust with respect to an ongoing professional development program. He said the model includes sufficient funding for one full-time equivalent (FTE) instructional coach per 200 students. He said there is also money in the model for professional trainers. He said this could be used during the summer or during the school year. He said it is preferable to conduct the training during summer institutes and then follow it up during the school year. He said \$100 per student is built into the model. He said this can be used for district or central office-based trainers or for outside trainers. He said for a 400-student school, that amounts to \$40,000 for professional development.

Dr. Odden said the model had recommended at least 10 student-free days for professional development. He said those are above the 175 instructional days currently in statute. He said he believes that when the North Dakota model was costed out, it included the 10 days. He said the extra 10 days are in the \$7,394 inflation-adjusted figure. He said one of the issues is whether the districts have rolled in 10 days for professional development. He said his guess is that probably did not happen. He said that is why it is important for everybody to learn what is in the funding model. He said this is referencing a total of 10 days of professional development. He said if people are saying they need more money for professional development, they need to realize that the \$8,810 includes the 10 days. He said while he does not want to say it is more than enough, it is a lot.

Dr. Odden said the model includes funding for guidance counselors at the rate of one per elementary school and one per 250 students in middle schools and high schools.

Dr. Odden said the model includes \$250 per student for technology. He said this is not for things such as wide area networks and outside school wiring. He said this is for computers, servers, printers, software, spyware, security-ware, some courseware, and some inside-the-school management that comes with some programs. He said this is an operating expense, not a capital expense, because it needs to be refreshed. He said the \$8,810 per student figure includes the \$250. He said even though the cost of computers has come down, the cost of software has gone up. So, he said, he believes it is still a fairly accurate figure.

Dr. Odden said instructional materials are organized around a six-year adoption period. He said the per student payment includes \$165 to \$200 per student for instructional materials. He said this also includes some equipment such as laboratory equipment and formative assessments.

Dr. Odden said with respect to teacher compensation, the model that was developed in 2007 was based on the average teacher compensation at the time. He said if the model is to be recalibrated, one could price the salary level from 2007 and use an inflator or one could use the actual salary figures from 2012-13. He said the latter will probably be higher. He said a lot of the money that has gone into K-12 funding has been directed toward higher teacher salaries. He said they have found that when money goes out in a block grant with no strings attached, such as requiring that the districts actually hire instructional coaches, far fewer instructional coaches are hired than the model proposed. He said the money is used for other things.

In response to a question from Representative Nathe, Dr. Odden said it probably would not be effective to require reporting regarding all the assumed uses of money. He said traditional reporting systems generally do not go that far. He said he would suggest putting strings on instructional coach dollars and tutors. He said case studies in other states showed that the dollars were not being used for bad things, but they were also not being used for the intended purpose. He said the dilemma is if the dollars went into higher salaries, rather than into tutors, how does one now get more tutors. He said there is no easy solution.

Representative Monson said if school districts are to provide 10 days of professional development, teachers should not be allowed to use such learning opportunities to advance on the salary schedule. He said this will require school districts to set up the professional development, as opposed to letting teachers self-direct or self-select their professional development.

In response to a question from Representative Monson, Dr. Odden said we are now starting to touch on issues of accountability, restricted uses for the money, etc. He said the formula provides for 10 days of professional development. He said the additional teacher salaries for those extra 10 days were factored into the inflation-adjusted \$7,394. He said he does not recommend that teachers move across the salary scale based on district-required training. He said that is different from a teacher getting a master's degree in the area of licensure. He said we know that teachers who obtain master's degrees produce more student learning than teachers who do not have graduate degrees. He said this all ties back to which instructional strategies work. He said they need to be a part of a teacher evaluation system and the professional development requirements. He said because the money has already been built into the per student amount, he would suggest that district-provided professional development not be used for movement on the salary schedule.

In response to a question from Representative Sanford, Dr. Odden said the dollar figures that are assigned to the different purposes are very well known in Wyoming, in part because they have been involved with this type of formula for a long time. He said most other states have done what North Dakota has done, which was to come up with a number. He said, often, what is included in that number becomes lost. He said it would be useful for everybody to know what is in there. He said when he referenced \$250 for technology, that figure has also been inflated as part of the \$8,810. He said this interim is the time to have a discussion about what the dollar figure was intended to include.

Senator Flakoll said, given North Dakota's formula, one could take something like the \$250 for technology and place that in the list of weighting factors. That way, he said, school districts would receive the money only if they provided that for which it was intended.

Representative Koppelman said the \$8,810 per student is based on the number of students and reflects what it will cost to educate those students. He said he wonders if, in order for the formula to work, it needs to be based on the number of students in seats during the current school year and not the number that were in seats during the previous school year.

Dr. Odden said he is a proponent of the declining enrollment cushion. He said when the number of students in a district declines, it is difficult for the district to reduce expenditures at the same rate. Therefore, he said, it makes sense to keep a cushion in the formula. He said when enrollment settles out, the formula numbers do too. He said that is a reasonable approach. He said if a school district is experiencing heavy enrollment gains, it makes sense to have a mechanism to help. He said if the growth is more modest, such as in the 2 to 3 percent range, the marginal costs are less than the average costs. He said because the formula is based on average cost, a district should be able to accommodate the costs associated with modest growth. He said if the growth is significant, it makes sense to address that through another mechanism, such as that selected by North Dakota.

Representative Hunsakor said every classroom is different and each classroom teacher probably knows what is best in terms of getting the most out of the teacher's students. He said Dr. Odden has suggested 10 steps to increasing student achievement and he has suggested 10 days of professional development. However, he said, the teachers wonder when they will be allowed to "just teach."

In response to a question from Representative Hunsakor, Dr. Odden said in the context of college and career ready standards and Common Core Standards, teachers have said they want more professional development because the expectations are much more ambitious. He said he has heard much less of the "let us just teach" comments and much more of the "give us access to good professional development" comments. He said he has heard a lot of criticism regarding traditional professional development. He said bad professional development is a waste of time and money. He said good professional development is needed. He said if teachers are in a high-performing school or are moving the student achievement needle, and do not have a student achievement gap, there might be the option to accept a "let us just teach" attitude. However, he said, he would be

inclined to look at how the school is doing. He said if all is going well, he would be interested in doing a case study to see what is being done. He said, often when the phrase "just let me teach" is used, it is coming from teachers who do not want to engage in collaborative work and their performance is not that great.

Dr. Odden said collaborative instruction is new. He said we are under a performance culture and the way teachers do their work has changed. He said if a school's performance is not high or is not at least going up, he would be reluctant to accept that a "just let me teach" approach is what is needed.

In response to a question from Representative Hunsakor, Dr. Odden said the formula includes 10 days for professional development. He said the collaborative time is part of their ongoing planning for instruction. He said it is not just going to sessions but planning together and developing lessons and curriculum units that will actually be used in the classroom.

Dr. Odden said he believes that the 2007 recommendation did not include a raise in teacher salaries, but it did include the 10 days for professional development. He said the model included site-based administration such as principals, secretaries, and a central office. He said they rolled over operations and maintenance. He said they merely took what districts were spending for that and incorporated the amount. He said there is now a model-driven calculation for operations and maintenance costs.

Dr. Odden said the dollar figures that are derived using his formula come in about 4 percent above the national average. He said, overall, this supports the assertion that this was an adequate funding level. He said it exceeds current costs in many states and is lower than that of the high-spending states, most of which are in the Northeast. He said \$7,394 was the estimate for North Dakota in 2007. He said North Dakota has continued to put in dollars each biennium and is no longer in the lower-spending group of states.

In response to a question from Senator Heckaman, Dr. Odden said the Title I money and other federal education dollars are over and above what the formula suggests. He said if there is a reduction in federal dollars due to sequestration, the formula does not make up the difference. He said the original formula was \$7,394 per student plus all federal dollars.

Senator Heckaman said if school districts lose federal dollars due to sequestration, they need to replace it somehow and from somewhere.

Dr. Odden said North Dakota's factor for at-risk students is fairly low. He said if the state were to enhance those weights, it would provide some offset to the federal sequestration cuts.

In response to a question from Representative Kelsh, Dr. Odden said the \$8,810 is the base. He said when local dollars, federal dollars, and state categorical dollars are added, North Dakota is supporting education in the range of \$12,000 to \$14,000 per student. He said North Dakota used to be below the national average in spending per student. Now, he said, North Dakota is above the national average. He said not many states have base funding at this level.

Senator Flakoll said the \$8,810 includes the local share. He said the \$8,810 is not the actual payment that goes out to school districts. He said that would be much higher because of the weighting factors.

Dr. Odden said the formula also includes \$250 per student for activities such as clubs and sports. He said that was the national average at the time. He said that still appears to be relevant today, at least for the larger districts. He said some of the smaller districts end up spending more than that per student in order to run some sports programs.

Dr. Odden said the question before this committee is whether the base figure is still appropriate. He said the committee may wish to take a look at all of the elements to determine an answer. He said that is the financial end of the study. He said there are also programmatic issues. He said the mission for North Dakota is to turn its education dollars into instructional programs that boost student learning. He said North Dakota has a set of college and career ready goals. He said North Dakota will need to determine what is the most effective way to ensure that graduating students are ready for college and careers.

Dr. Odden said one aspect about which legislators need to be cognizant is the local pressure when it comes to spending dollars. He said the public likes small classes. He said that eats up dollars and restricts a district's autonomy. He said electives are another issue. He said often half of the courses offered in high schools are electives. He said we have goals of college and career readiness in mathematics, English language arts, and science. Yet some studies show that we are spending \$35 per student for cheerleading class and only \$7 per student for algebra and English. He said automatic pay increases are also an issue to the tune of 3 or 4 percent. He said if there is a 6 percent increase in a district's budget and an 8 percent increase in costs, the district will end up cutting programs. He said professional development, instructional coaches, and tutoring students all increase student learning. He said the prior-mentioned expenditures do not. He said if people do not have their antennae up, school districts can end up spending more money for the same educational system. He said it is not easy for state legislators to figure out how to address local spending within a system that still favors local control.

In response to a question from Representative Nathe, Dr. Odden said smaller districts can address their professional development needs through the use of regional education associations and through online offerings.

Representative Sanford said effective outcomes from professional development are derived from the intensity that an individual brings to the effort and the followup to which an individual commits. He said he wonders if the pressure to meet higher standards and higher student performance levels has become a motivator.

Dr. Odden said professional development requires pushing, pressure, and support. He said professional development without instructional coaching does not result in instructional changes.

In response to a question from Representative Rohr, Dr. Odden said the field is mixed with respect to the training of teachers. He said we need to ask whether schools of education are teaching students to teach reading and mathematics and to function collaboratively. He said some institutions have not been producing very effective teachers. He said Illinois closed 80 percent of the administrator training programs. He said a lot were not very good and others just produced principals. He said the teachers would move up on the salary scale, not function as principals, and not become better teachers. He said the best teacher training program will still only produce a good rookie.

He said the questions facing North Dakota are whether the funding system is still adequate or whether the funding amount is too high or too low and whether the dollars are being used effectively.

In response to a question from Senator Heckaman, Dr. Odden said they highly recommend an early childhood education program. He said the research is strong that early childhood education programs have long-term effects. He said most states are not required to provide early childhood education programs. He said many states are starting to provide good comprehensive programs.

In response to a question from Senator Schaible, Dr. Odden said 35 to 40 states are working on comprehensive evaluation systems for teachers and principals. He said there are numerous systems that could be tweaked and used to fit North Dakota.

In response to a question from Senator Schaible, Dr. Odden said every state will need to communicate with its citizens regarding what to expect when the new assessments come out and the scores are lower.

In response to a question from Representative Rohr, Dr. Odden said the evaluation of instructional practices involves a lot of data. He said the issue is who scores it. He said sometimes the principal scores it. He said if he is a mathematics teacher by training, he might not be in the best position to evaluate a teacher of poetry. He said sometimes the scores can be established using the Internet. Other times, he said, it is peers and teacher-leaders that are involved. He said sometimes the collective bargaining laws of a state prohibit teachers from performing administrative tasks. He said who does the scoring is not as important as whether it is done validly and accurately. He said equally important to teachers is feedback. He said if, on a scale of 1 to 5, a teacher is a 2.5, that teacher needs to find out how to become a 3.0. He said the teachers need to know the rubrics and be able to look at and understand the data.

Dr. Odden said some school districts are suggesting that they need to tailor the professional development to the evaluation system. He said there is no research indicating that will work. He said the evaluation system and the

professional development system do not need to be completely integrated. He said professional development needs to be ongoing and independent and an evaluation system needs to assess performance in relation to what one is trying to have students learn. He said they do not need to be directly linked. He said there should, however, be an effort to make the evaluation system as robust as possible but at the lowest cost level. He said some states are having multiple individuals observe and score teachers. He said a much less expensive way is to send videos electronically and have experts score them.

In response to a question from Senator Flakoll, Dr. Odden said states tend to place strings on categorical programs or assign weights so that districts receive money only if they provide the services. He said these issues come to the forefront when the money for education goes up but the performance of students does not.

In response to a question from Representative Nathe, Dr. Odden said there have been a few adjustments to the formula since it was laid out in 2007. He said some states have looked at including money for school nurses. He said perhaps the formula needs to increase the at-risk factor. He said the biggest unknown would be how the formula addresses teacher salaries. He said teacher salaries have probably gone up faster than the \$7,394 plus a 3.2 percent inflationary figure. He also said the salaries do not reflect the 10 days of professional development. He said he would recommend proposing two options and then allowing the Legislative Assembly to select the one deemed more appropriate for North Dakota. He said if teacher salaries have gone up faster than the inflationary figure, school districts did not purchase other goods and services as contemplated by the model. He said one should also look at spending for technology. He said that figure might not have had to be adjusted for inflation. He said electronic versions for instructional materials are now being discounted. He said that figure should be looked at as well. He said he has done inflationary reviews in three states and always come up with a figure that was lower than what the legislature adopted.

In response to a question from Representative Monson, Dr. Odden said perhaps a temporary construction approach could be considered for real emergencies. He said if rapid enrollment increases continue to happen for the next decade, the Legislative Assembly may want to roll something into the formula. He said if enrollment begins to taper off, categorical or temporary fixes might be appropriate.

Dr. Odden said when Picus and Associates arrived at the \$7,394 figure, they used average teacher salaries. He said this raised a concern with districts spending above the average. He said this can be addressed by using regional statistics such as the Comparable Wage Index, which is prepared by the National Center for Education Statistics. He said this looks at wages for comparable jobs outside of education. He said if those positions require higher salaries, then one could adjust the salary portion of the \$8,810.

In response to a question from Senator Flakoll, Dr. Odden said the school size weighting factor is designed to address higher costs incurred by smaller districts. He said the regional price adjustment addresses comparable wages in different areas. He said because this has been recently updated, there would be a figure for every school district. He said the index uses labor market areas, not necessarily state boundaries.

In response to a question from Representative Monson, Dr. Odden said politically, regional price adjustments can create winners and losers. He said in school equity finance, adjustments are made for differences in student needs by means of weighting factors, and then the numbers are adjusted by these regional price adjustments. He said to be more perfectly equitable, one should have regional price adjustments. However, he said, those areas that will have indices above 1.0 will be the metropolitan areas. He said those are higher-spending areas to begin with and this will provide them with more money than a nonadjusted formula. He said there are about a dozen states that use regional price adjustments. He said not all have decided that this is a good idea.

In response to a question from Representative Rust, Dr. Odden said the districts that have moved the needle in terms of student performance protect their instructional time, particularly with respect to their core subjects.

Representative Rust said as the grades go higher, the number of minutes that students are out of the classroom increases too. He said that results in a reduction in test performance.

Dr. Odden said we know that students who do not attend classes do not learn as much as students who do attend classes.

In response to a question from Representative Nathe, Dr. Odden said the first focus should be on school-level targets such as the percentage of students hitting a proficiency bar. He said this can be compared across the state and an expectation set forth for each school. He said setting annual and perhaps five-year targets will send a signal that results are expected. He said school district results do not resonate as well as individual school results. He recommends that this be done across the curriculum, not just for science and mathematics.

At the request of Chairman Flakoll, Ms. Kirsten Baesler, Superintendent, Department of Public Instruction, presented testimony ([Appendix E](#)) regarding recent activities at the Department of Public Instruction. Ms. Baesler said she does not see an end goal with respect to education. She said this is an ongoing experiment. She said we have made significant improvements in education.

Ms. Baesler distributed an article by Mr. Jamie Vollmer, entitled *Nostesia* ([Appendix F](#))

Ms. Baesler said we need to set high goals for ourselves such as creating successful, happy, and productive citizens. She said in order to achieve that, we need to have all third grade students reading at grade level, we need to see significant improvement in eighth grade mathematics scores, and we need to reach a graduation rate that is above 90 percent. She said North Dakota is at 88 percent. However, she said, certain subgroups are significantly lower than that. She said we need to adopt a new curriculum and identify effective instructional practices. She said we need to move away from bubble testing and rote knowledge and we have to teach our students how to use information. She said we need to teach them how to think.

Ms. Baesler said we also need to commit to data-driven decision making. She said some question whether we are testing our students too much. She said the answer is yes if the data is not used in making instructional decisions. She said if the data is used, however, then frequent testing is appropriate. She said the Legislative Assembly has been supportive of professional development efforts and ongoing school improvement through AdvancED.

At the request of Chairman Flakoll, Mr. Mark Lemer, Business Manager, West Fargo School District, presented testimony ([Appendix G](#)) regarding the content of school budgets. Mr. Lemer said his presentation focuses on the budget of the West Fargo School District. He said it is not intended to be representative of school districts in general.

Mr. Lemer said the West Fargo School District has grown from 6,698 in 2008-09 to an estimated 8,514 in 2013-14. He said all indicators are that its growth will continue into the foreseeable future.

Mr. Lemer said the cost of education per student has risen during that period from \$7,641.09 to \$9,137.28. He said the total cost per student has risen from \$8,441.89 to \$9,987.74.

In response to a question from Representative Nathe, Mr. Lemer said the West Fargo School District is only levying 60 mills, not 67.2. He said, had the board levied the full amount, it would only be able to go up another 8.8 mills before reaching the 70-mill cap authorized by law.

Mr. Lemer said 91.48 percent of the district's budget is dedicated to those elements in the statutorily defined cost of education. He said this includes regular education, special education, career and technical education, federal programs, instructional support services, building administration, general administration, the business office, maintenance, and other support services. He said the remaining 8.52 percent of the district's budget is used to support expenditures that are not included in the statutorily defined cost of education. He said this includes transportation, community services, buildings and land, transfers to other funds, and tuition for students placed outside the district.

In response to a question from Representative Monson, Mr. Lemer said the federal share of the cost of education is an allowable expense under the statutorily defined cost of education.

In response to a question from Representative Nathe, Mr. Lemer said the ending fund balance for the West Fargo School District is approximately 18 percent or around \$16 million. He said the school board is looking at the amount needed in the district's ending fund balance. He said there is a significant shift in the local versus state obligation. He said, in the past, the ending fund balance was relied on to cashflow district expenses until tax

receipts became available. He said that is less of an argument under the current funding model. He said the district does not want to erode its fund balance down to zero, in the event that state resources are delayed or not available.

Representative Nathe said he is concerned about districts having 35 percent or more in their ending fund balances and still raising dollars from their taxpayers. He said we do not want to shortchange districts. However, he said, he does not want districts to sit on a pile of money and continue to ask their taxpayers for more.

Senator Flakoll said districts receive 60 percent of their state share by November 1.

Mr. Lemer said this is also 60 percent of a much larger amount. He said even if 10 percent was the statutory limit for an ending fund balance, that balance would grow every year because of increases in payments and increases in budgets.

Mr. Lemer said 56.99 percent of the West Fargo School District's budget goes to staff salaries. He said benefits for those same staff members account for 24.89 percent. He said by adding those two percentages, one can determine how much of the district's budget is taken up by people. He said 6.49 percent is for purchased services and travel. He said 6.77 percent is for supplies and energy and 2.72 percent is for equipment. He said other expenses account for the remaining 2.14 percent.

In response to a question from Representative Monson, Mr. Lemer said school size needs to be a key part of the discussion regarding the ending fund balance. He said the revenue stream in West Fargo is fairly consistent. He said a district such as Minot, which must rely on federal impact aid as part of its budget, may want to factor in the possibility of federal payments being delayed, in determining an appropriate ending fund balance.

In response to a question from Senator Flakoll, Mr. Lemer said if the ending fund balance for a small district is to be reduced, perhaps the \$20,000 or some other fixed dollar amount needs to be considered.

Senator Flakoll said during the 1999 legislative session, approximately \$36 million was added to K-12 funding. He said when the Legislative Assembly came back in 2001, school district ending fund balances had risen by \$12 million. He said districts had argued that they had all these needs. However, he said, the districts then took a third of the dollars given to them by the state and put them into their respective bank accounts. He said, this past session, as legislators looked at funding requests outside the formula, districts' ending fund balances were taken into account.

In response to a question from Senator Anderson, Mr. Lemer said federal dollars are considered to be part of the cost of education. He said Dr. Odden's model did not include federal dollars in determining the amount of an adequate state payment.

In response to a question from Representative Nathe, Mr. Lemer said the funding increase for the West Fargo School District, as a result of the 2013 legislative session, amounted to approximately \$8 million.

STAFF DIRECTIVES

Chairman Flakoll said at the upcoming meeting, there should be presentations regarding the statewide longitudinal data system; energy impact dollars received by or available to school districts, including school construction loans; ending fund balances; rapid enrollment; and the timing of local, state, and federal payments.

No further business appearing, Chairman Flakoll adjourned the meeting at 4:00 p.m.

L. Anita Thomas
Committee Counsel

ATTACH:7