

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

EDUCATION FUNDING COMMITTEE

Monday, October 28, 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, Donald Schaible; Representatives Jessica Haak, Bob Hunsakor, Jerry Kelsh, Ben Koppelman, Lisa Meier, David Monson, Mike Nathe, Karen M. Rohr, David S. Rust, Mark Sanford, John Wall

Members absent: Representatives Mark A. Dosch and Patrick Hatlestad and Senator Nicole Poolman

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

It was moved by Representative Nathe, seconded by Representative Kelsh, and carried on a voice vote that the minutes of the September 11, 2013, meeting be approved as distributed.

At the request of Chairman Flakoll, Representative Nathe reviewed the items that Dr. Allan R. Odden, Picus Odden and Associates, has been asked to address. He said Dr. Odden was asked to provide an objective assessment of the state's education funding method. Specifically, he said, Dr. Odden was asked what is the extent to which the services that were contemplated in the 2008 Picus report are actually being delivered by the school districts of the state? Is the per student payment of \$8,810 an appropriate amount given the services that are actually being delivered by the school districts and if it is not an appropriate amount, at what level should the payments be set? Are there adjustments that need to be made to the existing weighting factors, as set forth in the North Dakota Century Code, in order to better reflect the cost of providing the services listed.

Chairman Flakoll said those questions were approved by the Legislative Management.

OIL IMPACT DOLLARS PAYABLE TO SCHOOL DISTRICTS

At the request of Chairman Flakoll, Mr. Gerry C. Fisher, Administrator, Energy Infrastructure and Impact Office, Department of Trust Lands, presented testimony ([Appendix B](#)) regarding oil impact dollars payable to school districts. Mr. Fisher said the Energy Infrastructure and Impact Office is a division within the office of the Commissioner of University and School Lands. He said the Board of University and School Lands has the authority to make the energy impact awards and to distribute infrastructure and impact grants from oil and gas impact grant funds. He said the grant program is for oil and gas-impacted political subdivisions. He said "impacted" means the political subdivision has actual or anticipated extraordinary expenditures caused by energy development and associated growth. He said \$239.3 million is available for energy impact grants during the 2013-15 biennium.

Mr. Fisher said the Legislative Assembly provided that the energy impact grants must include \$5 million for new oil and gas development counties, \$60 million for airports, \$4 million for higher education, \$3 million for dust control projects, \$7 million for county sheriffs' offices, \$7 million for emergency medical services, \$3.5 million for fire protection districts, and \$14 million for hub cities. He said, of that \$14 million, Williston was to receive \$2 million, Dickinson was to receive \$7 million, and Minot was to receive \$5 million. He said that leaves \$135.8 million for nonspecific awards.

In response to a question from Representative Sanford, Mr. Fisher said the basis for the distribution to hub cities was set forth in a legislative intent section. He said he does not know how the specific amounts were determined.

Mr. Fisher said, to date, school districts have received \$6.8 million. He said another \$5.7 million has been allocated for this fiscal year. He said another \$12.5 million has been designated for K-12 school districts in the following fiscal year.

In response to a question from Senator Flakoll, Mr. Fisher said advisory committees are used to assist in almost every grant round. He said they are made up of individuals representing the entities that would actually be receiving the dollars. He said the Board of University and School Lands appoints the advisory committee members.

Mr. Fisher said the grant criteria include whether the need is necessitated by growth or by damage due to oil and gas activity, whether the need is related to public safety, whether the need is related to housing infrastructure, whether there is a demonstration of financial need and local commitment to support the project, whether the project has achievability, and whether the project would contribute to the sustenance of economic development.

Mr. Fisher said 2013-15 grant awards to school districts have been used for housing, security, portable classrooms, classroom remodeling, and playground safety. He said his office is currently working on guidelines and requirements for the higher education grant round, which is scheduled to occur during December 2013 or January 2014. He said \$4 million has been allocated for that.

Mr. Fisher said all of the awards are listed on the Department of Trust Land's website.

In response to a question from Senator Flakoll, Mr. Fisher said, typically, the requests for housing dollars have been geared toward the construction of new structures. He said a grant could certainly be used to purchase existing structures and then make such accommodations available to employees at an affordable rate. He said the dollars could also be used to subsidize the cost of housing.

In response to a question from Representative Nathe, Mr. Fisher said K-12 education grants that were not approved dealt for the most part with information technology. He said information technology and computer software can be outdated fairly quickly and therefore it would not be a good long-term investment. He said computer laboratory remodeling was rejected as were some projects located on the edge of the oil production area, rather than in the heart of it. He said some of the grant applications were construction-related and, because there is a construction loan program, those requests were not funded.

In response to a question from Representative Sanford, Mr. Fisher said the taxable valuations have gone up but the local capacity does not seem to change a great deal. He said the applicants must still demonstrate a need.

Representative Nathe said the Killdeer School District was awarded money in a grant round. He said the district has a 25 percent ending fund balance.

In response to a question from Representative Nathe, Mr. Fisher said the grant award committee uses a district's ending fund balance in the scoring process. He said the committee can determine whether the ending fund balance should be weighed more or less heavily.

Representative Nathe said the Belfield School District asked for a \$28,000 grant. He said that district has an ending fund balance of \$1.2 million. He said it appears that the Belfield School District could utilize \$28,000 of its own resources and thereby leave that amount for another district that is truly impacted.

Senator Flakoll said he hopes that these funds are not used to match school safety grants.

In response to a question from Representative Hunskor, Mr. Fisher said in some cases grants were given for portable classrooms. He said, in other instances, grants were given to remodel existing classrooms in order to accommodate more students. He said the two are provided for separately.

Representative Nathe said the Alexander School District received a \$55,000 grant. He said that district has an 86 percent ending fund balance. He said the Bowman School District received a grant of \$256,000. He said that district has an ending fund balance of 30 percent. He said that amounts to \$2.1 million. He said that money could have been set aside for a district that truly needs it. He said this district is "rat-holing" money and then receiving grants in the amount of \$256,000. He said that is just wrong.

In response to a question from Representative Sanford, Mr. Fisher said because the school construction loan program exists, it is hoped that those funds would be used before dollars are sought from the oil impact grant program. He said we do not want to see dual programs getting funding for the same thing.

Representative Rust said, because of the change in 2013 House Bill No. 1358, there are about eight school districts that are going to go from a 35 percent "take" of oil and gas production taxes to 5 percent. He said that is a significant hit in the first year of the biennium. He said assume that last year a school district received \$1.5 million

in oil and gas production taxes. He said, this year, there must be a subtraction of 75 percent of that \$1.5 million. He said although it balances out thereafter, that initial loss is never recouped.

SCHOOL CONSTRUCTION LOANS

At the request of Chairman Flakoll, Mr. Robert Marthaller, Assistant Superintendent, Department of Public Instruction, presented testimony ([Appendix C](#)) regarding school construction loans. Mr. Marthaller said about \$19 million is still available from the coal development trust fund. He said there is \$31 million in outstanding loans from that fund. He said about \$28 million has already been funded from the strategic investment and improvements fund and about \$74 million is left to be committed. He said dollars remaining as of December 2014 can be redirected for medical facility infrastructure loans.

In response to a question from Senator Flakoll, Mr. Marthaller said the Superintendent of Public Instruction, the Board of University and School Lands, and representatives of the Bank of North Dakota will meet on October 31, 2013, to discuss what will happen if the requests for dollars exceed the amount available. He said access to loan dollars is established chronologically, based on the date of approval.

In response to a question from Senator Flakoll, Mr. Marthaller said the other issue has to do with how long the dollars can remain committed. He said this issue occurs when a district seeks dollars based on a bond vote that is to happen at some point in the future. He said he does not know how long the funds can be committed.

In response to a question from Representative Monson, Mr. Marthaller said the committee might want to look at raising the \$100,000 threshold for departmental approval. He said one cannot build much for \$100,000 in today's market.

In response to a question from Senator Flakoll, Mr. Marthaller said, over the years, there have been very few projects that the Department of Public Instruction has not approved.

In response to a question from Senator Flakoll, Mr. Marthaller said the interest rates for school construction loans range from 4 to 1 percent.

In response to a question from Senator Flakoll, Mr. Marthaller said the Department of Public Instruction does not do any onsite inspection of school districts. He said the districts are to secure appropriate professional personnel, such as architects and engineers, to participate in their construction efforts.

SCHOOL DISTRICT ENDING FUND BALANCES

At the request of Chairman Flakoll, Mr. Jerry Coleman, Director, School Finance and Organization, Department of Public Instruction, presented testimony ([Appendix D](#)) regarding school district ending fund balances. Mr. Coleman said school districts are allowed to have seven funds. He said the data for the 2012-13 school year is not yet finalized and is still being reviewed for any anomalies.

SCHOOL DISTRICT RAPID ENROLLMENT GROWTH GRANTS

At the request of Chairman Flakoll, Mr. Coleman presented testimony ([Appendix E](#)) regarding school district rapid enrollment growth grants. He said the data is not yet finalized. He said 2013 House Bill No. 1261 provided \$13.6 million in rapid enrollment growth grants. He said, in order to be eligible for a rapid enrollment growth grant, the number of students in a school district's September 10 enrollment report must exceed the number of students in average daily membership by at least 20 and that increase must be at least equal to 4 percent. He said he believes the data will show that there has been an increase of approximately 2,200 students statewide. He said, last year, an increase of 2,400 students was expected. He said the actual increase was approximately 3,400.

DATES OF AVAILABILITY FOR DOLLARS PAYABLE TO SCHOOL DISTRICTS

At the request of Chairman Flakoll, Mr. Coleman presented testimony ([Appendix F](#)) regarding the dates of availability for local, state, and federal dollars payable to school districts. He said most federal dollars are sent to school districts in the form of a reimbursement. He said school districts can request their special education and title reimbursement dollars at any time. He said he is not certain about the process for obtaining impact aid and Bureau of Indian Education (BIE) dollars.

Mr. Coleman said state dollars go out on a statutorily required distribution schedule. He said the August, September, and October payments are made on the basis of departmental estimates. He said, by November, school districts will have received 60 percent of the funding to which they are entitled. He said the remaining dollars are paid out equally over the ensuing five months. He said if the state and local share is roughly 50/50,

districts need to have a 13 percent ending fund balance to meet their financial needs. He said when the state share increases, even to 70 percent, school districts would need only a 3 percent ending fund balance.

In response to a question from Representative Kelsh, Mr. Coleman said the ending fund balance percentages are averages. He said some school districts might have unique circumstances.

In response to a question from Representative Rust, Mr. Coleman said students who are receiving early childhood special education services are included in the average daily membership count because they generate per student payments. He said the average daily membership count is compared to the number of students enrolled in the school district on September 10.

In response to a question from Senator Flakoll, Mr. Coleman said, in January 2015, the Legislative Assembly could establish modified criteria for rapid enrollment growth determinations and make those applicable to the 2013-15 biennium.

In response to a question from Representative Nathe, Mr. Coleman said the state has never determined an appropriate percentage for an ending fund balance.

In response to a question from Representative Rust, Mr. Coleman said it was the intent of the Legislative Assembly that 75 percent of the oil and gas tax dollars received by school districts would be accounted for within the formula. He said the statute that allowed the State Treasurer to withhold a school district's oil and gas tax revenues in order to pay the district's mortgage did not alter the legislative intent.

Representative Rust said he does not believe that representatives from northwest North Dakota had that same opinion.

In response to a question from Representative Nathe, Mr. Coleman said the final numbers for property tax collections should be available in early January.

Representative Monson said he wondered if the current statute with respect to ending fund balances causes a use it or lose it mentality that results in unnecessary spending in order to be under the 45 percent cap.

Mr. Coleman said there are only a very few school districts that lose dollars because they bump up against the statutory ending fund balance cap. He said a few small school districts manage their resources to accommodate the 45 percent cap. He said if the cap was lowered, some school districts that currently maintain a higher ending fund balance might engage in unnecessary spending to get under a new cap.

Representative Nathe said if the ending fund balance cap were to be lowered, he would prefer that any districts having to "spend down" their dollars do so for property tax relief and not for new buildings or other similar things.

In response to a question from Senator Flakoll, Mr. Coleman said it would be safe to say that those districts having a 45 percent ending fund balance generally have a lower mill levy than districts that maintain a 15 percent ending fund balance.

Representative Kelsh said he would hate to see the Legislative Assembly enact an ending fund balance cap that is too low. He said every school district is different. He said he hopes that the various education interest groups would encourage their members not to maintain an ending fund balance that is deemed to be too high in the eyes of their taxpayers.

In response to a question from Representative Rust, Mr. Coleman said most districts used to be at a cash balance low in December, just prior to when their property tax collections were deposited.

Chairman Flakoll said as the state picks up a greater portion of the education costs, a district's cashflow becomes less of an issue.

Chairman Flakoll said during the legislative session, a number of good bills had damage done to them because some legislators were not comfortable with the ending fund balances maintained by school districts. He said the appropriation bills for school safety and rapid enrollment growth were compromised because of the \$200 million plus in ending fund balances maintained by school districts. He said, in 1999, the Legislative Assembly added \$36 million new dollars for K-12 education. He said when the legislators returned in 2001, they found that school district ending fund balances had increased by \$12 million. He said he was bothered by that increase.

Representative Nathe said some school districts are sporting large ending fund balances and then increasing their budgets by double digits. He said he believes that a balance can be found between what school districts actually need and what is responsible from a taxpayer perspective.

STATEWIDE LONGITUDINAL DATA SYSTEM

At the request of Chairman Flakoll, Mr. Tracy A. Korsmo, Statewide Longitudinal Data System Program Manager, Information Technology Department, presented [testimony](#) regarding the statewide longitudinal data system (SLDS). He said the SLDS originated with the Governor's Commission on Education Improvement and the Department of Commerce efforts in workforce development. Later, he said, state fiscal stabilization funds from the American Recovery and Reinvestment Act required that an SLDS be built with linkages to K-12, Pre-K, higher education, and workforce development. He said, by December 2013, there will be required reporting of high school graduation rates, credit accumulation, and graduates requiring remediation. He said this was estimated to be a \$12 million project.

Mr. Korsmo said, currently, the K-12 and Job Service North Dakota grants are transitioning to state funding. He said the SLDS is maintained by the Information Technology Department (ITD). He said K-12 data includes attendance, courses, grades, teacher assignments to students, enrollments, assessments, and program participation. He said the SLDS is a large system comprised of a higher education data warehouse, a K-12 data warehouse, and a workforce data warehouse from Job Service North Dakota.

Mr. Korsmo said the K-12 portion of the SLDS pulls data from PowerSchool on a nightly basis. He said some of the information will go to the e-transcript system, which provides electronic transcripts for K-12 students seeking admission to North Dakota institutions of higher education. He said the systems pulls data from assessment vendors monthly and sometimes weekly. He said the districts enter data sharing agreements with the vendors and authorize ITD to do so as well. He said data is pulled from the SLDS for the Department of Public Instruction's mandatory state and federal reporting requirements.

Mr. Korsmo said the SLDS is required to follow state and federal laws regarding security and confidentiality with respect to student education records.

In response to a question from Representative Sanford, Mr. Korsmo said all the states are struggling to get at unemployment insurance wage data. He said that is the only way states have of finding employment information on an individual. He said the United States Department of Labor finally said that it is not federal law that addresses the sharing of data but state laws. He said North Dakota state laws preclude the sharing of information among entities that are not public. He said opportunities to use the data in tribal community efforts or other programs outside the public arena are restricted.

Representative Rust said, with the introduction of Common Core Standards, people are concerned about data mining, including how much is actually being done and what safeguards are built into the activity.

Mr. Korsmo said there is no data mining from the SLDS. He said the only data collection that there is with the SLDS is the automated collections that are pulled from PowerSchool on a nightly basis. He said data does not move out of the SLDS.

In response to a question from Representative Rust, Mr. Korsmo said there is a lot of confusion about the Common Core Standards. He said Common Core is an assessment. He said it does not require any data from the SLDS. He said they need to be very transparent with respect to the data that they collect on students, how it is used, and by whom. He said they are working on policies and procedures that will be on their site for the public. He said the SLDS is designed to inform teachers about the students that are assigned to them and give them historical education information, so that they can better tailor their teaching methods to the individual students. He said they do not collect family data on students. He said the only socio-economic indicator that they use in the SLDS is free or reduced lunches.

Mr. Korsmo said they have assessment level data, enrollment data, and grade level data on students. He said the power with the SLDS comes when they start to look at workforce development programs, workforce training programs, and employment. He said they can take student outcomes and join that with their workforce development programs, their outcomes with employment, and their reenrollment back in workforce development programs, and get a holistic view with respect to how our citizens are being educated and employed.

In response to a question from Representative Rohr, Mr. Korsmo said the SLDS is governed by the contributing agencies. He said the SLDS cannot give out data simply because it might want to do so. He said it would need authorization from those who own the data. He said that would be from the Superintendent of Public Instruction

and all the other agency heads who run the SLDS. He said the assurances are in state and federal law. He said the best thing they can do is to transparently make public what information is being collected and how it is used. He said the information is today being used as an instructional tool for school administrators and teachers. He said individuals are conducting studies on the data for the benefit of the students. He said an example of this is the study of postsecondary remediation and trying to determine whether a student will need remediation.

Mr. Korsmo said other states are beginning to ask why they do not show parents and students what they have in the SLDS. He said parents and students could run their own reports.

In response to a question from Representative Meier, Mr. Korsmo said, under the SLDS, a school district administrator can see all the information pertaining to his or her district. He said a school administrator can see all the information pertaining to teachers and students in his or her school. He said a teacher can see all the information pertaining to the students assigned to that teacher. He said there are e-transcript counselors who can see high school level transcript data. He said university registrars see the transcript data too.

Mr. Korsmo said regional education associations (REAs) have access to some data. However, he said, their access does not allow them to see individual student data or teacher level data. He said a school district administrator could authorize the REA to access such data. He said the Department of Public Instruction is not even accessing the SLDS today. He said it is just pulling out state and federal required reporting data.

In response to a question from Representative Meier, Mr. Korsmo said a school district superintendent contacts EduTech and requests that certain individuals or groups of individuals be given access to certain data. He said all access to their data is controlled by the school district administrator.

In response to a question from Representative Rohr, Mr. Korsmo said policies are being finalized with respect to the conditions under which data is used and repercussions in the case of misuse. He said many of those conditions will be the same as those currently found in the Family Educational Rights and Privacy Act (FERPA).

In response to a question from Senator Flakoll, Mr. Korsmo said they are currently looking at reauthenticating teachers at the beginning of each school year, in order to ensure that only authorized individuals have access.

Mr. Korsmo said FERPA does authorize the redisclosure of information between educational entities for purposes of program performance evaluations. He said the North Dakota University System has now authorized school districts to receive data regarding individually identifiable students who took remediation. He said those have become the high school feedback reports.

In response to a question from Senator Marcellais, Mr. Korsmo said the SLDS has been trying to work with BIE for approximately four years. He said the local BIE schools are very excited about being part of the SLDS. He said even some of the tribal community colleges would like to participate. However, he said, the BIE does not want to authorize the SLDS to access and pull its data.

In response to a question from Senator Marcellais, Mr. Korsmo said the BIE requires its schools to use a different data system. He said the schools are stuck with two mandates to use student information systems. He said they have to use Infinite Campus for reporting to the BIE. He said there is no avenue for the schools to get that data to the SLDS. He said SLDS has constructed data sharing agreements for the BIE school districts. However, he said, the schools have been unable to sign the agreements because they require BIE authorization.

In response to a question from Representative Meier, Mr. Korsmo said the SLDS is a lifelong system. He said there is about \$4 million in rollover state funding and it is expected that most of that will be utilized this biennium. He said, within the next 12 months, ITD will have a better idea of the cost to sustain the SLDS in future years.

In response to a question from Representative Nathe, Mr. Korsmo said the trainers in the field are covering what teachers can do if the current data indicates issues exist. He said teachers will be able to look at assessment results over the years. He said the data will indicate that there is a problem. He said the teachers will have to be trained in terms of what to do about that which the data is pointing out.

In response to a question from Representative Rohr, Mr. Korsmo said every state is trying to determine how long data should be kept and at what point the personal data should be removed because it is no longer of any value. He said some of the data sharing agreements have been done in 10-year increments.

Representative Monson said this is a wonderful tool, but it could also be very dangerous. He said he wonders if this type of detailed data is really necessary.

Representative Rust said everything that can be used for something good can also be used for something that is not so good. He said he wonders if this information can be accessed through a court order.

In response to a question from Representative Kelsh, Mr. Korsmo said the nonpublic schools want access to the SLDS and have implemented PowerSchool in order to do so.

In response to a question from Representative Monson, Mr. Korsmo said there is not an opt-out feature in the system. He said FERPA regulations allow the collection of this data.

In response to a question from Representative Rohr, Mr. Korsmo said the teacher-student linkage is there. He said the local school district should be looking at student outcomes with respect to individual teachers.

At the request of Chairman Flakoll, Ms. Kirsten Baesler, Superintendent, Department of Public Instruction, presented testimony regarding the SLDS. Ms. Baesler said there is a lot of confusion about the SLDS, the new state assessment, and the Common Core or College and Career Ready Standards. She said the SLDS is not new and it is not being driven by the Common Core Standards, the College and Career Ready Standards, or the new state assessment. She said the new state assessment is just one input into the SLDS.

Ms. Baesler said the SLDS is something that the state of North Dakota authorized. She said we required our schools to participate in the SLDS so that we would have the necessary data to examine how our investments were being returned. She said it is important to know whether our administrators and teachers are preparing students who are ready for college or careers.

Ms. Baesler distributed a document ([Appendix G](#)) showing the data required by the Smarter Balanced assessment system and the ACT. She said the Smarter Balanced assessment system will require a unique student identification number, as well as a student's race, gender, grade level, the name of the school attended by the student, and the student's eligibility for English Language Learner, special education, and Title services. She said if a school district wants to drill down into individual student data, the district will have to request that a student's name be attached to the data. She said that is not required by the Common Core Standards or the new state assessment.

Ms. Baesler said PowerSchool is another piece of data that goes into the SLDS. She said that is separate from the state assessment. She said there are many inputs in the record of a K-12 student. She said the state assessment is only one piece of the student's record.

Ms. Baesler said all 11th grade students in the state are now required to take the ACT. She said Appendix G also contains the information that the ACT collects. She said we have much more control over the state assessments. She said one of the reasons she chose Smarter Balanced as the state assessment is because data requirements were determined by the states that were members of the consortium. She said when and if that ever changes will be up to North Dakota as a governing state member. She said the state has no control over the information that ACT requires.

In response to a question from Senator Flakoll, Ms. Baesler said Mr. Robert G. Bauer is the state assessment coordinator and the K-12 lead on the governing board. She said Mr. Ryan Townsend is the Director of the department's Academic Standards Unit.

In response to a question from Senator Flakoll, Ms. Baesler said EduTech, which is a group under ITD, has hired Dr. Cory Steiner to help teachers utilize the data. She said, in the very near future, there will be a requirement that student academic data be used in the evaluation of principals and teachers. She said how significant that data will be in the evaluations will be decided at the local level.

In response to a question from Representative Nathe, Ms. Baesler said the Department of Public Instruction does not govern the evaluation of school district superintendents. She said that is a school board responsibility. However, she said, the school boards will be able to use the data in evaluating their administrators, if they elect to do so.

In response to a question from Representative Rust, Ms. Baesler said there is no parental opt-out provision with respect to the data collections.

In response to a question from Representative Rohr, Ms. Baesler said Dr. Steiner was hired to help identify the problem and then determine instructional strategies to correct the problem.

Ms. Baesler said the Smarter Balanced Consortium will keep all student data secure in accordance with the assessment industry's best practices, which were based on the banking industry's best practices.

Senator Flakoll distributed a document entitled *Number of North Dakota students, by year, who have a 24 ACT composite score or higher* ([Appendix H](#)). He said students are now taking the more difficult courses and we are seeing increased GPAs at the college level.

COMMITTEE DISCUSSION

Senator Flakoll distributed the results of two committee surveys he conducted regarding the prioritization of school district expenditures ([Appendix I](#)). He said the question for the committee is whether there is a desire to add or delete funding for any particular items.

Representative Koppelman said a large portion of the things in the funding priority listed are provided for through local general fund dollars. He said if we are going to do a new study and arrive at a cost of education, will the dollar amount to be determined--i.e., the \$8,810 or its adjusted equivalent--reflect the total cost of education less the districts' 60 mill equivalent, or is the figure supposed to be the cost of education, exclusive of all the fringes, less the districts' 60 mill equivalent. He said, under the new funding formula, we appear to be saying that this is the total ball of wax and that the districts must pay their share out of their 60 mills. He said if we start making a ton of exclusions out of that, we are defeating this new funding formula.

Chairman Flakoll said at least one member of this committee would be in favor of state dollars for capital construction, even though, historically, the state has not participated in that. He said he is viewing this as the desired base dollar amount for the prototypical student, preweighting factors. He said we have also asked the consultants to look at our current weighting factors and determine whether they are reflective of the actual costs involved in providing the designated services. He said we need to determine what is in the base cost of education.

Representative Koppelman said some of the component parts that seemed to be considered lesser priorities, such as building renovations, carpet replacement, Advanced Placement classes, utilities, and student activities, need to be dealt with even in the most conservative-spending districts. He said the money for those items will come out of the school district's general fund. He said his question is whether the \$8,810 is the total cost of education, exclusive of capital improvements, for purposes of subtracting out the state's share or are we going to play a parallel rail game in which we say here is the real cost of education and here is the cost that the state recognizes.

Chairman Flakoll said the 2008 Picus report recommended that school and school district maintenance and operations funding be included at a rate of \$600 per student. He said this does go to the point of a holistic approach.

Representative Nathe said the cost to provide an adequate education, as determined in the 2008 Picus report, was \$7,293. He said the \$8,810 is that number adjusted for inflation. He said we need to determine what we should keep in and what we should take out. He said that would be our baseline funding. He said if Picus determines that it costs \$10,500 to educate a student, that does not mean that the state will pay \$10,500. He said the state will determine which items within the \$10,500 it will pay for as its share of education funding. He said the rest will be made up by local contributions.

Chairman Flakoll said part of what we will be looking at is the extent to which school districts are actually providing the services that were included as part of Picus's recommended funding amount. He said one example is mentoring. He said dollars were provided for mentoring. However, he said, based upon what is being heard, it appears that those dollars were not spent for that purpose in all cases. He said we may need to look at using weighting factors for better accountability.

In response to a question from Representative Rust, Chairman Flakoll said the definition of what constitutes the cost of education is a reporting mechanism. School districts can fund other items, but it does not go into the calculation of the cost of education.

Representative Sanford said some of the dollar figures used by Picus are probably not appropriate for weighting factors. He said substitute teachers and utilities are examples.

Chairman Flakoll said for every dollar that goes into base funding, 18 cents goes to weighting factors.

In response to a question from Senator Flakoll, Mr. Coleman said right now early childhood services are reported under community services and not included in the cost of education. He said arrangements would have to be made to segregate the program costs even further.

Representative Koppelman said he believes that early childhood education costs ought to be accounted for separately so that there is a true understanding of the entire costs of operating the program, and not just the costs of the early childhood teacher and a paraeducator.

Senator Schaible said the state has determined that it is going to fund education based on class sizes, coaches, tutors, guidance counselors, etc. He said this is the state's burden. He said not every district is providing all of this and that is a matter of local control. He said if districts want to do something in addition, they can through local control set their priorities for spending their dollars. He said he likes the criteria set forth in the Picus report. He said the criteria amounts to a delineation of what exactly is being funded. He said if there are other services that a district elects to provide, beyond those in the Picus report, that is a local decision and should be addressed with local funding.

Representative Nathe said school maintenance, activities funding, and professional development days were ranked rather low by the committee. He said he wonders if we could ask the consultants to provide itemized values so we could determine what should be funded and what perhaps should not be funded.

Representative Monson said this is a one-size-fits-all pot of money. He said he did not use \$200 per elementary student for activities. He said, perhaps, however, he needed more dollars for another area. He said one uses the pot of money to meet one's local needs. He said this is not a reimbursement formula.

Chairman Flakoll said the Park River School District used \$337 per student for activities. He said, sometimes, in a smaller district, there are more students participating in activities. He said, in a district like Bismarck, there may be a lot of students participating in activities, but that number may be a much smaller percentage of the total student population.

Chairman Flakoll said the Picus dollars were calculated for prototypical districts. He said they were not designed to be a reimbursement formula.

In response to a question from Representative Sanford, Mr. Coleman said extended-day programs provide afterschool tutoring for at-risk students.

COMMENTS BY OTHERS

With the permission of Chairman Flakoll, Mr. Mark Lemer, Business Manager, West Fargo School District, said historically the state has used a number of funding methods for K-12 education. He said in the area of rapid enrollment growth, a comparison is being done and the comparison is not using a comparable dataset. He said he encourages the Legislative Assembly to use a comparable set of numbers in determining whether rapid enrollment growth has taken place.

Mr. Lemer said the West Fargo School District was able to get one loan at 1.00 percent and one loan at 1.23 percent. He said those rates have been very beneficial to the district in terms of being able to manage their debtload. He said the district is levying about 55 mills for capital construction. He said any amount that the district can save in long-term interest payments is beneficial to its taxpayers.

Mr. Lemer said, right now, the West Fargo School District qualifies for an 80 percent loan rate for its projects. He said that means the district must come up with 20 percent of the funding in a different form. He said that means general obligation bonds. He said there are costs associated with a bond issuance. He said these include paying for a bond rating, paying for bond counsel, and paying for bond financial services. He said those costs can be significant. He said the district is fine with having to pay the interest rate. However, he said, he wonders if the district could pay that rate to the state and forego the associated fixed costs with issuing bonds.

Mr. Lemer said the Commission on Education Improvement considered the SLDS to be a need in this state. He said its original purpose was to provide legislators with a resource that would help in determining how education dollars should be spent and in particular, how school districts are spending those dollars and whether they are being spent effectively. He said who has access to the data needs to be addressed through policies. However, he said, the original need for and purpose of the SLDS should not be sacrificed.

In response to a question from Senator Flakoll, Mr. Lemer said the district's mathematics scores went the wrong way. He said the district's English language arts scores have been improving. He said he believes that the latter is due to a very intensive professional development effort during the last three years.

In response to a question from Senator Schaible, Mr. Lemer said the West Fargo School District grew by 396 students. He said, last year, the district had 106 students in early childhood special education. He said those students are still with the district. He said when the Department of Public Instruction states that the district grew by 396 students, they are neglecting to count the additional 106 students. He said the Department of Public Instruction is including the 106 students in the district's spring baseline but excluding the students in the fall.

In response to a question from Senator Flakoll, Mr. Lemer said the old formula used to compare fall enrollment to fall enrollment. He said he does not see why the comparison had to be changed to include preschool special education in one count, but not in the other. He said there should be an apples-to-apples comparison.

In response to a question from Senator Flakoll, Mr. Lemer said the West Fargo School District's total general fund budget for the 2013-14 school year is \$82 million. He said the school district will qualify for a rapid enrollment grant. He said if the grant was based on an apples-to-apples comparison, rather than a spring average daily membership versus a fall enrollment count, the school district would receive an additional \$275,000. He said, as a percentage of the district's budget, this amount is not huge.

No further business appearing, Chairman Flakoll adjourned the meeting at 3:00 p.m.

L. Anita Thomas
Committee Counsel

ATTACH:9