

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EDUCATION FINANCE COMMITTEE

Tuesday, April 25, 2000
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Layton Freborg, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Layton Freborg, Dwight C. Cook, Jerome Kelsh, Rolland W. Redlin; Representatives James Boehm, Lois Delmore, Rachael Disrud, David Drovda, Howard Grumbo, C. B. Haas, Lyle Hanson, Kathy Hawken, Dennis E. Johnson, RaeAnn G. Kelsch, Deb Lundgren, Bob Stefanowicz

Members absent: Representatives Thomas T. Brusegaard, Jack Dalrymple, Ralph Metcalf, Robert E. Nowatzki, Laurel Thoreson

Others present: See Appendix A

It was moved by Representative Kelsch, seconded by Representative Disrud, and carried on a voice vote that the minutes of the previous meeting be approved.

REMEDIAL COURSES

At the request of Chairman Freborg, Dr. Michel Hillman, Vice Chancellor for Academic Affairs, North Dakota University System (NDUS), presented testimony regarding remedial courses offered at North Dakota public institutions of higher education. He distributed a document entitled *NDUS Developmental Course Report Summary Fall 1999*. The document is attached as Appendix B.

Dr. Hillman said most of the remedial courses offered at North Dakota public institutions of higher education are in the areas of English and mathematics. He said the document shows how students were placed in each section. He said some placements are based on the courses that are and are not taken by students in high school. He said placement test scores, American College Testing (ACT) scores, and self-referrals complete the list of reasons that students might be in remedial classes. He said self-referrals are often made by nontraditional students. He said an older student might have taken the requisite algebra course a number of years ago. He said the remedial course serves as a refresher.

Dr. Hillman distributed a document entitled *NDUS Developmental Course Report Summary Fall 1999**. The document is attached as Appendix C. He said this document features updated data based on the end of the semester. He said the remedial courses having numbers under 100 cannot be used by students to meet graduation requirements.

Dr. Hillman distributed a document entitled *NDUS Developmental Course Report Summary Spring 2000*. The document is attached as Appendix D. He said this document includes the spring 2000 data. He said the number of students in remedial courses declined dramatically. He said there were only 1,115 students enrolled in 89 remedial courses this spring.

Dr. Hillman distributed a document entitled *North Dakota University System *Students Attending System Campuses From ND High Schools Sorted by Size of School District*. The document is attached as Appendix E. He said the North Dakota University System personnel suppressed any information regarding high schools that graduated less than five students.

Dr. Hillman said each campus determines its placement in remedial courses. He said some campuses found that by providing assistance early, they can increase their retention and graduation rates. He said Bismarck State College actually has as many or more remedial college students as North Dakota State University. He said Bismarck State College takes students with an ACT subtest score of 21 in English and places those students in the remedial courses. He said on the other campuses those students would not be considered candidates for a remedial course.

Dr. Hillman said Bismarck High School is listed as having 51.9 percent of its college level students in remedial classes. He said many of these students are in the English language remedial course at Bismarck State College.

Dr. Hillman said the number of students not meeting the ACT core requirements is really pretty low. He said most of the students coming to the North Dakota University System meet the core subject requirements.

In response to a question from Representative Stefanowicz, Dr. Hillman said there is a national definition of core subjects. He said that definition includes four English courses, three mathematics courses, and two social studies courses. He said ACT recommends the core. He said the State Board of Higher Education has further modified ACT's recommended core. He said the State Board of Higher Education views its core as a college preparatory core. He said North Dakota requires the mathematics component be an algebra course or some other higher level mathematics course.

In response to a question from Representative Hawken, Dr. Hillman said when the State Board of Higher Education adopted the new admission requirements, it departed from the ACT requirements. He said the board decided that high school students should be encouraged to take college preparatory courses. He said the board does not have specific ACT score requirements. He said a student that does not meet the State Board of Higher Education requirements might have his or her ACT scores considered for admission.

In response to a question from Representative Delmore, Dr. Hillman said remedial education is very widespread--very pervasive in higher education. He said 65 percent of the students at Rutgers University are in remedial courses.

Chairman Freborg said perhaps we would be better off taking the money we spend for remedial education and giving it to kindergarten through grade 12 so there would not be as much need for remedial education.

Dr. Hillman said the need for remedial courses does not go away. He said there is a national debate as to how the issue should be addressed.

In response to a question from Representative Haas, Dr. Hillman said competition at the university level is probably a good thing. He said it is part of the North Dakota philosophy to make education accessible to students. He said the two-year campuses are basically an open entree to the four-year campuses.

In response to a question from Representative Hawken, Dr. Hillman said many of the students with disabilities are in the regular sections. He said they may, however, receive special assistance.

In response to a question from Senator Cook, Dr. Hillman said last session the North Dakota University System stated the cost for remedial courses is calculated according to the instructor's salary and the time it takes to conduct the course.

In response to a question from Senator Freborg, Dr. Hillman said remedial education is a complicated problem. He said a large number of the students taking remedial courses are individuals who, as high school students, did not know what they wanted to be when they grew up. He said as a result these students did not take the challenging courses in high school. He said some students just do not have the ability to excel in the higher level courses. He said the North Dakota University System has had good communication from and cooperation with the Superintendent of Public Instruction and interested groups.

Dr. Hillman said the more educated a person is, the more successful that person is likely to be from a financial perspective. He said those who take remedial courses include students from very poor backgrounds. He said those students recognize that remedial education is their path to a better life.

In response to a question from Representative Kelsch, Dr. Hillman said he does not believe that the

North Dakota University System is trying to delay students' graduation for monetary purposes. He said more students are working during their college careers and probably are not taking full loads. He said if a campus makes a student jump through an inappropriate series of hoops, the student will not stay on the campus. He said students are very demanding consumers.

In response to a question from Representative Hanson, Dr. Hillman said about 60 percent of North Dakota high school graduates go on to higher education.

In response to a question from Representative Stefonowicz, Dr. Hillman said when he looked at the data he did not see a consistent pattern regarding the size of high schools from which remedial students graduated.

Dr. Hillman distributed a document entitled *Colleges and Universities Offering Remedial Services, by Type and Control of Institution: 1987-88 to 1997-98*. He said the document contains historical data. The document is attached as Appendix F.

ENDING FUND (INTERIM FUND) BALANCES

Chairman Freborg called on Dr. Richard Ott, Executive Director, North Dakota School Boards Association, who presented testimony regarding school district ending fund balances. Dr. Ott distributed a topical outline, which is attached as Appendix G. He said sometimes it is easy to forget how issues affect the students who are our responsibility. He said public school districts are creatures of the Legislative Assembly. He said what school districts can and cannot do is governed by statute.

Dr. Ott said each school district in this state is unique, and the reasons and causes for their ending fund balances are equally unique. He said there is no problem with ending fund balances. He said the superintendents and business managers have done a marvelous job of anticipating not only the ensuing year but also the next 5 and 10 years.

Dr. Ott said this fund has been called the carryover fund, the ending fund balance, and the interim fund, among other things. He said it is the surplus money that is left over at the end of a school year and carried over to the start of the next year. Historically, he said, political subdivisions have had erratic financial patterns. Consequently, he said, they were given the authority to carry over some operating funds. He said the law allows a school district to keep 75 percent of its current annual appropriation for all purposes other than debt retirement purposes and appropriations financed from bond sources plus \$20,000. He said if a school district exceeds the statutorily allowable amount, it is penalized. He said such a school district is not allowed to receive any state money. He said there really are not many districts in that position.

Dr. Ott said the North Dakota School Boards Association recommends school districts maintain adequate reserves so they can remain debt free. He said the North Dakota School Boards Association also recommends the ending fund balances become a part of a district's budget.

Dr. Ott said the state is, by law, obligated to pay 10 percent of its obligation each month from July through April. He said the state is, however, participating at a level that is less than 45 percent. Consequently, he said, each district receives 4.5 percent of the state's annual obligation each month from July through April. He said this is a problem if the district expends 8.3 percent of its annual obligation each of those 10 months. He said it is not until January or February that the districts begin seeing local tax dollars.

Dr. Ott said the Bismarck School District began the school year with \$6 million in its ending fund balance. He said by December 1999 it had less than \$400,000 in the fund. Thereafter, he said, the local property taxes began to come in.

Chairman Freborg called on Mr. Mark Lemer, Business Manager, West Fargo School District, who presented testimony regarding ending fund balances. Mr. Lemer's testimony is attached as Appendix H. He said there are many reasons to maintain an ending fund balance. He said an ending fund balance allows a district to maintain programs and staff when state revenues do not meet anticipated levels of funding. He said it allows a district to set aside dollars over time to fund a major project. He said it provides dollars for needed repairs to school buildings and equipment, and it provides cash flow.

Dr. Ott said West Fargo is not the only district that has to borrow money during the year. He said Grafton and Lisbon are in the same situation. He said North Dakota school districts have an average ending fund balance of 21.7 percent. He said we need to look at the ending fund balances at the end of December.

Dr. Ott said the Tioga School District has a pretty healthy ending fund balance. He said Tioga is a little different because of the oil industry. He said Tioga had 609 students in 1981-82 and 381 in 1998-99. He said by 2003-04 Tioga will have only 256 students. He said he does not understand why saving for a rainy day is a problematic concept. He said Tioga is planning for a time when its enrollment will drop and the district will not have sufficient foundation aid to provide educational services to its constituents.

Dr. Ott said Earl, Horse Creek, Tioga, Dickinson, and Williston School Districts, among others, get significant amounts of oil money.

Chairman Freborg called on Ms. Darlene Mitchell, Business Manager, Billings County School District, who presented testimony regarding the ending fund balance of Billings County School District. Her testimony is attached as Appendix I.

In response to a question from Representative Hanson, Ms. Mitchell said her district has no general fund mill levy. She said it does, however, levy about 30 mills for high school tuition.

Dr. Ott said a lot of the school districts that have shared in the oil revenue also have very low or no property taxes. He said we talk a lot about easing the property tax burden, and these districts have managed to do that through their interim fund balances. He said there is also the "Ft. Yates" factor.

Chairman Freborg called on Ms. Gloria Wilkinson, Superintendent, Fort Yates School District, who presented testimony regarding the ending fund balance of the Fort Yates School District. She said the Fort Yates School District is located on the Standing Rock Sioux Reservation. She distributed a document showing the school district's ending fund balances. The document is attached as Appendix J.

Ms. Wilkinson said the Fort Yates School District maintained an ending fund balance in 1998-99 of \$1,635,899. She said untimely federal impact aid payments during the past four years leave school districts such as hers not knowing how much they will receive or when they will receive it. She said federal impact aid payments are often years late. She said sometimes the district is asked to return overpayments. She said at least 40 percent of the students in the Fort Yates School District are federal students. She said the Fort Yates School District makes a reasonable tax effort.

Ms. Wilkinson said the Fort Yates School District will use its ending fund balance for educational purposes. She said the district needs a kindergarten through grade 12 school. She said its population is increasing. She said the school district's buildings have roofs that are leaking. She said the Fort Yates School District has a low tax base and no bonding capacity. She said impact aid is considered to be outside of a school district's aid formula.

Dr. Ott said the Larimore School District indicated that one of the reasons that district has a large ending fund balance is because it does not think it can get a bond issue of sufficient size.

Chairman Freborg called on Representative Rod Froelich, who presented testimony regarding the ending fund balance of the Fort Yates School District. He said in his county less than half the land is taxable. He said the interim Education Finance Committee should look at property taxes and property values. He said there is a vast difference in values between eastern and western North Dakota. He said the committee should also look at what a school district is paying its teachers. He said in examining ending fund balances we need to look at 10 to 20 years of balances.

In response to a question from Representative Hanson, Representative Froelich said there is a very complex school system on the Standing Rock Sioux

Reservation. He said there are two high schools and three elementary schools.

In response to a question from Representative Delmore, Representative Froelich said the schools in the Fort Yates School District are in deplorable condition. He said the people in that district do not know how much, if any, money they can get from other sources to build new schools.

In response to a question from Representative Disrud, Ms. Wilkinson said impact aid and Bureau of Indian Affairs money are from different types of programs. She said impact aid is for federal students--students who live on federal land, including Indian land. She said there are public schools on reservation land. She said children of military personnel are counted for purposes of impact aid because they are temporary. She said the Fort Yates school is a public school, not a Bureau of Indian Affairs school. She said the Standing Rock grant school is a tribally operated school, and it is funded through the Bureau of Indian Affairs.

Dr. Ott said federal funding comes in very erratically. He said most of it comes in after the spending is complete. He said it comes in as a reimbursement. He said the Edgeley School District indicated that it keeps almost a third of its budget in its ending fund balance because that is what its auditor recommended. He said the larger the dollar amount of a school district's budget, the larger the ending fund balance should be. He said he recommends a minimum of 10 percent and a maximum of 33 percent ending fund balance. He said the middle ground is where we are as a state--21.7 percent. He said the state average has been increasing from 18.32 percent in 1993-94 to 21.7 percent in 1998-99. He said if a school district has money to put aside, it can make money for the district as opposed to borrowing money and incurring interest expenditures.

Dr. Ott said Spiritwood, Bowline Butte, Billings County, and Earl School Districts are the only districts that did not receive state funding because their ending balances were in excess of statutory limits.

Dr. Ott said the Legislative Assembly should not lose sight of parental choice. He said the parents could do something about the size of their ending fund balances if they so wished. He said they are trying to keep their school districts viable for as long as they possibly can.

Dr. Ott said people might wonder why school districts do not pay higher teacher salaries. He said teacher salaries are a recurring expense. He said the ending fund balances are not recurring.

Dr. Ott said only one school district has had any contact from its legislators about this matter. He said the interim funds in this state are not out of line.

In response to a question from Representative Drovdal, Dr. Ott said he does not know what impact the Forest Service plan might have on the ending fund

balances of the districts that currently have the highest ending fund balances.

In response to a question from Representative Delmore, Dr. Ott said he did not do any research on the relationship between the ending fund balances and the level of teacher salaries.

In response to a question from Senator Cook, Dr. Ott said the Tuttle and Pettibone School Districts are separated by a third district. He said state law precludes them from consolidating because they are not contiguous. He said a large ending fund balance could hinder the consolidation of districts.

In response to a question from Senator Kelsh, Dr. Ott said he does not know what the solution is to finding and retaining teachers.

Representative Kelsch said the districts about which Dr. Ott spoke today were those with predictable ending fund balances--oil, Indian reservations, and West Fargo. She said the Legislative Assembly is not critical of the ending fund balances. She said the members are curious about the ending fund balances. She said she is not trying to take the money away. She said she applauds the districts for being frugal. She said this issue came up in the House Education Committee during the legislative session. She said the issue came up because of low teacher salaries.

Senator Kelsh said some school districts are losing some of their ending fund balances. He said the committee should be finding out what is happening in those districts.

Senator Redlin said perhaps the state should pay a larger percentage of the money owed to school districts during the months of October through December to balance out the problem school districts are having with cash flow.

Chairman Freborg asked Dr. Ott to return at the next meeting of the interim Education Finance Committee. He said the committee would appreciate it if Dr. Ott would focus on the 37 districts the committee had identified for him by letter and present information showing the districts' mill levies, teacher salaries, and construction needs, in relation to their ending fund balances.

SPECIAL EDUCATION

At the request of Chairman Freborg, Mr. Robert Rutten, Director of Special Education, Department of Public Instruction, presented testimony regarding special education. He distributed a document entitled *Special Education Finance for North Dakota Schools*. The document is attached as Appendix K.

Mr. Rutten said during the 1998-99 school year, 13,181 students were identified as needing special education services. He said this amounted to 10.8 percent of all North Dakota students. He said 11.5 percent of total education expenditures are attributable to special education. He said the children who receive special education services are those who are autistic, deaf, deaf-blind, emotionally

disturbed, hearing impaired, mentally retarded, visually impaired, orthopedically impaired, and learning disabled, as well as those who have speech impairments, traumatic brain injuries, noncategorical delays, or other health impairments.

Mr. Rutten said the noncategorical delay designation has been a pilot project involving students through age 6. He said this designation applies to students who clearly need assistance. However, he said, for a variety of reasons, such a student might not yet have received a label designating a specific disability.

In response to a question from Representative Kelsch, Mr. Rutten said the noncategorical delay designation is based on an evaluation that pinpoints certain difficulties a student might have, but the difficulties have not yet been given a specific label. He said we often have labeled students in a particular way so that the students can receive services. He said those labels might, however, not be accurate. He said sometimes it is difficult to pinpoint the actual cause of a student's difficulties until the student is older.

Mr. Rutten said 62.3 percent of special education funding comes from local sources, 28.1 percent comes from the state, and 9.6 percent comes from the federal government. He said special education funding is a two-part system. He said special education moneys get distributed on the basis of average daily membership and extraordinary costs. He said average daily membership funding is designed to provide supplemental support to school districts. The intent is to assist school districts with the additional costs incurred in providing educational services to students with disabilities. He said the extraordinary cost funding is designed to provide supplemental support to school districts for very high cost cases, i.e., individual students who require high-intensity services. He said this is also referred to as the student contract system.

Mr. Rutten said the extraordinary cost funding is an insurance-like system for school districts. He said districts apply for reimbursement when the costs of educating a student with moderate to severe disabilities exceeds a specific amount. He said this is like an insurance deductible. He said, effective with the 1999-2000 school year, districts are responsible for 2.5 times the average cost of educating a student plus 20 percent of any remaining costs.

Mr. Rutten said there are five categories that qualify for extraordinary funding--the placement of a student within the student's district of residence; the placement of a student outside the student's school district of residence, but within the student's multidistrict special education unit; the placement of a student outside the student's multidistrict special education unit, but within the state; the placement of a student in a private facility within or outside the state; and the placement of a student by an agency.

Mr. Rutten said the state portion of regular education is 43 percent versus 28 percent for special education. He said he would like to see this gap closed by about one-third.

Mr. Rutten said North Dakota has been awarded a state improvement grant for special education. He said this is a competitive grant that pays \$500,000 per year for the next five years. He said the focus of the grant is to ensure that necessary personnel are available to provide services for students with disabilities and there are preservice and professional development systems that will build the capacity of the regular education system, special education system, and educational administration to ensure quality education for all students in the least restrictive environment.

In response to a question from Representative Stefonowicz, Mr. Rutten said he knows of no case in which a school district is experiencing dire financial straits because of the new 20 percent expectation.

Chairman Freborg called on Mr. Ralph Messmer, Department of Public Instruction, who said a few school districts with students at the Anne Carlsen Center are experiencing fairly high resulting expenses.

Representative Hawken said about three sessions ago the law was changed to allow special education funding to be distributed according to an average daily membership basis. She said special education could bankrupt any school district in this state. She said we need to determine how we as a state are going to help our local school districts bear the ever-increasing costs of special education. She said over 50 percent of the costs incurred are a result of agency placements. She said a school district has no say over these placements. She said with the present system the average daily membership distribution of special education dollars makes no sense.

Mr. Rutten said the distribution of special education dollars according to average daily membership was seen as a more proportionate funding system for special education. He said prior to this change there were some real winners and losers.

Representative Hawken said the problem with distributing special education dollars according to average daily membership is that every school district receives the money, regardless of the costs it has incurred and even regardless of whether or not it has any special needs students.

Mr. Rutten distributed a document entitled *State Special Education Funding Report 1998-99*. The document is attached as Appendix L.

Mr. Messmer said the additional dollars put into special education by the Legislative Assembly help to fund the costs incurred by school districts. He said the Bismarck School District had 9.2 percent of the special needs children and it received 8.36 percent of the special education dollars.

Representative Hawken said we need to know how many students are in each unit, what types of

services the students are receiving, and how much money each unit is receiving. She said it would also be interesting to see how much of a district's general fund budget is going toward funding its special education program.

In response to a question from Representative Kelsch, Mr. Rutten said the cost continuum varies significantly. He said a child who has a mild disability and requires minimum services would not exceed the \$156 distributed this year as per student special education payments or average daily membership payments. He said on the other end of the spectrum a student contract might cost a school district \$50,000 to \$60,000 per year.

In response to a question from Senator Cook, Mr. Rutten said nationally the percent of special education students is 11.3 percent. He said in this state the percent of special education students fluctuates between 10 and 12 percent.

In response to a question from Representative Haas, Mr. Rutten said North Dakota is slightly below the national average with respect to its number of students with disabilities.

Mr. Rutten distributed a document entitled *State Special Education Funding 1998-99*. The document is attached as Appendix M. He said this document provides a district breakdown and shows which school districts are taking which kinds of special education students.

STANDARDS AND ASSESSMENTS

At the request of Chairman Freborg, committee counsel summarized a bill draft relating to the adoption of state academic content standards. She said the bill draft begins by requiring that the Superintendent of Public Instruction develop state academic content standards applicable to grades 4, 8, and 12 for all core subject areas. She said by the beginning of the 2002-03 school year, each school district and each nonpublic school seeking accreditation will, as part of the accreditation process, have to have adopted academic content standards applicable to grades 4, 8, and 12 in the areas of mathematics, English language arts, science, and social studies. She said a district or a school is given the option of adopting the state academic standards, adopting other academic content standards, or even developing its own. She said the only condition is that the academic content standards have to be at least as rigorous as the state standards.

Committee counsel said the bill draft phases in the adoption of other academic content standards. She said for the 2003-04 school year, health, the arts, physical education, world languages, and technology were added to the list. She said a district or a school has the option to adopt the state academic standards, to select other academic standards, or to develop its own.

Committee counsel said the first part of the bill draft involves the development of the academic standards and the adoption of the standards. She said the next step in the progression involves having the districts and schools take the academic content standards and assimilate them in their day-to-day teachings. She said, consequently, Section 3 of the bill draft requires each school district and nonpublic school seeking accreditation to adopt or develop curricula for grades 4, 8, and 12, which are aligned to the academic content standards. She said Phase I would be required for the 2002-03 school year and would involve mathematics and English language arts. She said Phase II would be required for the 2003-04 school year and would involve science and social studies. She said Phase III would be required for the 2004-05 school year and would involve health, art, physical education, world languages, and technology.

At the request of Chairman Freborg, committee counsel summarized a bill draft relating to the adoption of state academic content standards and student assessments. She said the first three sections of this bill draft are the same as those of the first bill draft. She said Section 4 requires that the Superintendent of Public Instruction develop and make available student assessments for English language arts and mathematics. She said these assessments are to be applicable to grades 4, 8, and 12. She said the purpose of the assessments is to measure student knowledge and assist in determining whether schools are meeting the academic expectations set forth in their improvement plans.

Committee counsel said beginning with the 2002-03 school year, each school district and nonpublic school seeking accreditation will, as part of the accreditation process, be expected to have an assessment plan in place. She said the Superintendent of Public Instruction is responsible for collecting and disaggregating reports on student performance. She said each school district and nonpublic school seeking accreditation is responsible for publishing the results of their student assessments.

Chairman Freborg called on Mr. Greg Gallagher, Department of Public Instruction, who said the ideas in these bill drafts date back to 1997. He said they stem from discussions regarding what should be done with the next round of accreditation standards. He said these concepts have been shared with numerous teachers and administrators as well as with various interest groups throughout the state.

Mr. Gallagher said the law is written in the background of accreditation, not approval. He said an approved school must have licensed teachers and a core curriculum, and it must follow basic safety procedures. He said accreditation is the process by which a school's quality is validated.

Mr. Gallagher said the process of accreditation is voluntary. Consequently, he said, the way these bills

are drafted, as an accreditation step, schools may willingly assume an interest in validating their quality through the use of standards.

Mr. Gallagher said without standards it becomes difficult to know what happens between high school and college. He said we need to ask ourselves why remedial courses are required. He said today there is no accepted standard that dictates what a high school student should know and be able to do once that student enters college.

Mr. Gallagher said in the second draft, the issue of assessment was introduced. He said, without assessment, we will not know how students and districts are doing. Again, he said, districts would be asked to put forth their assessment plans.

Mr. Gallagher said school districts can adopt the state standards, adopt other standards, or even develop their own standards. He said there are districts that are presently developing their own standards. He said the efforts of the standards committees will be shared over the Internet.

Mr. Gallagher said curriculum is a local concern, not a concern of the state. He said school districts are being asked to make their efforts available on the Internet.

Mr. Gallagher said the state has created assessments in English language arts and mathematics. He said the state has already put about \$3 million into the creation of standards. He said the standards are voluntary. He said the state will soon be making a whole host of standards-referenced test items available to school districts. He said the districts can adopt or adapt these. He said all are created by teachers in this state.

Mr. Gallagher said current law merely names the areas that need to be taught and success is measured by the amount of time a student has spent in his or her seat. He said what we really need to do is to define, in broad terms, what a student should know and be able to do. He said the accreditation process maintains the voluntary nature of standards and assessments. He said school districts can choose to participate or choose not to participate.

In response to a question from Senator Freborg, Mr. Gallagher said overall there is an acceptance of the notion that standards are a worthwhile thing. He said there is also a question as to what these bill drafts will mean. He said the bill drafts allow school districts to create their own plans. He said the bill drafts have been well-received.

In response to a question from Representative Delmore, Mr. Gallagher said if a district remains unaccredited for a period of time, a financial penalty is attached.

In response to a question from Representative Delmore, Mr. Gallagher said the two bill drafts are laid out in a phased approach. He said a school district is required to adopt, adapt, or develop its own standards for only four grade levels. He said standards are

absolutely meaningless unless they are driven into the curriculum. He said if a district is financially constrained, it can always adopt what another district has done and then, over time, make the product its own through modification.

In response to a question from Representative Delmore, Mr. Gallagher said the Superintendent of Public Instruction does not collect data regarding the number of school districts that currently have adopted content standards. He said much of the cost incurred by the early districts has been covered by GOALS 2000 dollars. He said the next group of districts do not have to cut their own paths. He said they can use the quality products already created by other school districts in this state.

In response to a question from Representative Hawken, Mr. Gallagher said the Superintendent of Public Instruction has put on the Internet the documents that the department has created.

Representative Hawken said perhaps teachers and administrators could look at the materials already on the Internet and let the committee know how they feel about the standards.

In response to a question from Senator Redlin, Mr. Gallagher said the current accreditation requires only some semblance of a curriculum plan. He said there is no quality judgment that is placed on school district plans.

In response to a question from Representative Haas, Mr. Gallagher said the issue behind accreditation is if there is going to be a school in North Dakota, it must be a quality school.

In response to a question from Senator Freborg, Mr. Gallagher said the timeline requirements are realistic. He said even though districts are given six years to phase it in, districts will have to begin their efforts in the near future. He said there will always be some people who think the time requirements are too fast. He said the Superintendent of Public Instruction views the time requirements as a moderate, incremental approach.

Chairman Freborg called on Mr. Max Laird, North Dakota Education Association, who presented testimony regarding the bill drafts on state academic content standards and assessments. Mr. Laird said most teachers feel very strongly that we need to look at quality standards for our students. He said legislators should go back and talk to people in their schools. He said they might also want to ask what it will cost to implement a new standards system and an assessment system. He said student achievement is based upon the quality of the classroom teacher. He said there has to be a link between the classroom teacher and these standards. He said, as a teacher, he may need some help to reach the quality standards contemplated here.

Mr. Laird said this state has been identified as one of three states that have not made great strides in the standards movement. He said our students continue

to achieve at a very high level. He said studies are now showing that classroom teachers in other states are teaching to a test for as long as six weeks. He said we need to know what the assessment is going to be about. He said he supports the concept of high standards for students. However, he said, we need to know what the costs are going to be.

In response to a question from Representative Stefonowicz, Mr. Laird said it is important we have high standards in all the content areas. He said teachers need to know they are teaching what their students need to know. He said other issues might also impact the quality of schools in North Dakota. He said the opportunity to engage in vocational training, alternative education programs, or advanced classes also affects quality. He said organizationally, the North Dakota Education Association still accepts forms of assessments. He said the one piece he has problems with is his belief that he, as a teacher, can still assess students in his classroom. He said he is not sure he needs the school district, the state, or the federal government assessing his students.

Chairman Freborg called on Ms. Bev Nielson, North Dakota School Boards Association, who presented testimony regarding the bill drafts on state academic content standards and assessments. She said the creation of national, state, or local assessments does absolutely nothing to improve student achievement. She said we should want to improve student learning. She said that would involve more than an edict that says we will have standards. She said mandating assessments for accreditation purposes without providing the necessary resources to implement a quality education just sets up the public schools to be once again pointed at for their failures. She said we need the time, the human resources, and the technical resources to implement the changes, including changes in instruction and learning in the classroom. She said we have had school improvement processes for years. She said most school districts struggle now to get enough time and resources for their school improvement processes.

Ms. Nielson said the Superintendent of Public Instruction and the Department of Public Instruction staff need to be the resources for the school districts. She said the resources have to be there to change the way things are being done now. She said if one level of government has the ability to hold another level of government accountable without adequate resources, districts and schools will not be able to meet the standards. She said the North Dakota School Boards Association supports the concept of standards and assessments. However, she said, we need to create a worthwhile scenario. She said we need to know what this will cost local school districts.

Representative Haas said he would like an amendment that would specify the cycle within which the content standards would be revised. He said he

is concerned too much lag time might occur if we do not have a regular revision cycle.

Chairman Freborg asked the Legislative Council staff to prepare this amendment for committee consideration at the next meeting.

Representative Stefonowicz said he is bothered by calling this a voluntary process. He said he also supports requiring requisite modification of standards.

Chairman Freborg said if it is a good system, we should require every school to do it rather than leave it voluntary. He asked the Legislative Council staff to prepare an amendment that would require all schools to participate in the concept. He said the committee will consider the amendment at its next meeting.

INCOME TAX INCREASE

At the request of Chairman Freborg, committee counsel summarized a bill draft relating to an increase in individual income tax rates for the purpose of increasing teacher salaries. She said the bill draft would raise the individual income tax rate from 14 percent of federal income tax liability to 15.6 percent. She said this would create an additional \$21.4 million for distribution to school districts each year of the biennium. She said the money amounts to an extra \$200 per student each year of the biennium. She said a school district could use this money only for the purpose of providing salary increases to teachers.

Representative Hawken said she is bothered by the limitation that the money can be used "only" for teacher salaries. She said economic development dollars are used to attract private businesses. She said we do not have that option with respect to schools.

In response to a question from Senator Kelsh, committee counsel said the bill draft, as written, states that school districts may use the funds only for the purpose of providing salary increases to teachers. She said it does not authorize an expenditure for benefits.

Senator Redlin said we need to increase teacher salaries so we can hire and retain good teachers. He said since so many cities now impose sales taxes, we as a state are precluded from that source of income. He said the income tax zeroes in on those citizens who are able to pay. He said if those in agriculture do not have an income, they will not be faced with this additional burden. He said Minnesota taxes are much higher than ours, and yet they are attracting businesses and teachers.

Senator Redlin said an amendment may be needed to include salaries and benefits.

Senator Kelsh said perhaps we should find out what kind of a raise in corporate income taxes it would take to generate the same dollars we would be raising in personal income taxes under this bill draft.

Chairman Freborg said under this bill draft districts with a very low mill levy would get the same per student money as would a very high taxing district.

Senator Redlin said it should be left up to the individual school boards to distribute the dollars as they see fit. He said he hopes it would not be just a flat increase for each teacher in the district.

Chairman Freborg called on Mr. Laird who said he has a couple of philosophical issues. He said this bill draft is at the right time and at the right place. He said at a career fair in Grand Forks, 67 school districts showed up. He said many of them were from out of state and were offering salaries much in excess of North Dakota salaries. He said we are experiencing an inability to recruit high school students into the teaching profession. He said he would encourage the committee to keep this piece of legislation on the table. He said we need to talk about the local effort and responsibility in terms of the impact it has on staff salaries.

Mr. Laird said we must have high-quality teachers in every classroom. He said the committee members need to go home and ask how the issue of teacher hirings and retention should be approached. He said on page 2, line 21, it would be preferable to refer to licensed teachers. He said the payment mechanism used in the bill draft provides that the money would be distributed before the income tax is collected.

Chairman Freborg called on Ms. Nielson who said if the money is going directly to teachers, it places the collective bargaining process somewhat up in the air. She said if this bill draft is passed, it could affect the amount of foundation aid appropriated by the Legislative Assembly. She said if this bill draft is passed, how much will be siphoned off to other legitimate state needs? She said this would mean school districts might receive even less money, and what money they do receive will be earmarked. She said some teachers might perhaps prefer to take the additional money in benefits rather than salary increases.

Ms. Nielson said if the state truly believes the local districts are not handling their collective bargaining well, then perhaps the teachers should become state employees, and then the state can deal with the salary levels.

Chairman Freborg said there is always the possibility that the Appropriations Committees would take this concept into account when determining the funding for education.

Senator Redlin said staff from the Office of Management and Budget should be invited to discuss

the manner in which state payments are distributed to school districts. He said if the payments were made on a different schedule, it might ease the difficulty faced by school districts.

Senator Kelsh said bill drafts like this have been overly subjected to "what if" questions. He said what if in the next few years schools have to start their years with vacancies in their teaching staff?

Representative Stefonowicz said the reference on page 2, line 21, should be to teacher salaries and related expenses or something like that. He said scaling this back to provide money only for the districts that have high mill levies is not the way to go. He said some of the districts with very low mill levies are in the most dire need of additional money for higher teacher salaries.

Chairman Freborg said under this bill draft school districts that have an ending fund balance in excess of the statutory maximum would also receive money for increased teacher salaries.

Representative Stefonowicz said we cannot solve the whole education finance problem in one bill draft.

Senator Redlin said we should interpret the bill draft broadly and let the local school districts decide how best to expend the moneys they receive under this concept.

OTHER MATTERS

Chairman Freborg asked the Legislative Council staff to work with staff from the Department of Public Instruction to determine what costs would be incurred by the districts if either of the bill drafts on content standards would be implemented.

Senator Cook said the South Dakota Legislature recently considered a bill draft that created new dollars for teacher salaries. He said the bill draft tied the new dollars to ending fund balances. He asked if copies of the bill draft could be obtained and distributed to the committee.

Chairman Freborg adjourned the meeting at 4:30 p.m.

L. Anita Thomas
Committee Counsel

ATTACH:13