

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EDUCATION FINANCE COMMITTEE

Wednesday, July 14, 1999
Pioneer 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, Thomas T. Brusegaard, Rachael Disrud, Howard Grumbo, Lyle Hanson, RaeAnn G. Kelsch, Deb Lundgren, Ralph Metcalf, Bob Stefonowicz, Laurel Thoreson

Members absent: Representatives Jack Dalrymple, Lois Delmore, David Drovdal, C. B. Haas, Kathy Hawken, Dennis E. Johnson, Robert E. Nowatzki

Others present: See Appendix A

At the request of Chairman Freborg, Mr. John D. Olsrud, Director, Legislative Council, presented a summary of the Legislative Council's supplementary rules of operation and procedure.

Chairman Freborg welcomed the committee members. He said the committee will address the delivery of elementary and secondary education in the next 5, 10, and 20 years; academic standards and assessments; accreditation standards; and the method of funding special education.

Chairman Freborg said Representative Kelsch will serve as the vice chairman of the committee.

With the permission of Chairman Freborg, Superintendent of Public Instruction Dr. Wayne Sanstead said he was pleased to see that the committee will attempt to address pertinent topics, especially those involving academic standards and assessments.

At the request of Chairman Freborg, committee counsel presented a background memorandum entitled *Educational Equity and Future Educational Delivery*.

Chairman Freborg called on Mr. Tom Decker, Director, School Finance and Organization, Department of Public Instruction, who presented testimony regarding updated state demographics. Mr. Decker distributed a document entitled *North Dakota School Enrollment Projections by County*. The document is attached as Appendix B.

Mr. Decker said outmigration is expected to continue at a high level and possibly even increase. He said the continuing and deepening agricultural crisis is in part responsible for the continued outmigration.

In response to a question from Senator Freborg, Mr. Decker said these latest numbers are being presented for the first time to this committee.

In response to a question from Senator Kelsh, Mr. Decker said this year's school census will give Department of Public Instruction staff an opportunity to compare the results and projections. He said we know there is a changing relationship between the number of students and general population counts. He said smaller families and an aging population contribute to the changing relationship.

In response to a question from Representative Stefonowicz, Mr. Decker said Department of Public Instruction staff have been subject to criticism for their inability to accurately predict student enrollment. He said accuracy is reduced the longer one extends current trends.

Mr. Decker said there are two groups of school districts which are actively involved in pursuing school district reorganization under 1999 Senate Bill No. 2441. He said several other groups are exploring their options under the bill. He said two of the districts considering reorganization have one student entering the first grade.

Mr. Decker said the nonoperating option made available under 1999 Senate Bill No. 2162 is being pursued by some small school districts. He said unfortunately the costs would be in the \$7,000 to \$8,000 range per student. He said each of the district's enrollment is around 50. He said if one district were to close and send its students to the other, the per student payment received by the state would not cover the cost of education payable to the receiving district. He said if one school board governs an area, decisions regarding the number of necessary facilities will be made.

Mr. Decker said Department of Public Instruction staff are beginning to apply the new statutory language regarding school construction approval. He said the current process for school districts to initiate new school construction or renovation projects is problematic. He said a decision is often made to build or remodel and, thereafter, there is discussion about how to pay for it. He said it would work much better if school districts would engage in realistic future planning without raising expectations regarding new or remodeled facilities.

With the permission of Chairman Freborg, Mr. Mel Olson, Director, State Board for Vocational and Technical Education, said demographics are extremely important. He said we need to maintain quality education while schools are being closed and reorganized. He said we need to find a way to motivate and better prepare all of our students. He said we need to seriously look at the teacher shortage issue. He said it is getting to be a very significant problem for many school districts.

At the request of Chairman Freborg, Mr. Rick Clayburgh, Tax Commissioner, presented testimony regarding the fiscal impact of 1999 agricultural activity. He said it is far too early in this agricultural season to have an idea of the impact that inundated acreage and nonplanted acreage will have on the state and local economies.

Mr. Clayburgh distributed a document entitled *Major State Taxes - Agriculture Sector*. The document is attached as Appendix C. He said unlike the 1980s we have low unemployment, and it is much easier for a second income to enter the family financial picture. He said numbers are also skewed when industries such as dairy product manufacturers check the agriculture box on their tax returns.

Mr. Clayburgh said the oil sector is being monitored. He said there has been a decrease in retail sales taxes paid by family farmers since 1996. He said even though there has been a drop in family farm income, the agricultural sector has still been making retail purchases.

Mr. Clayburgh said it is far too early to make determinations regarding what is occurring in the 1999 growing season. He said the only factor that had not been taken into account in their forecasting was unplanted acreage. He said government assistance will impact on how heavily the unplanted acreage affects our economy.

In response to a question from Senator Kelsh, Commissioner Clayburgh said the inundated acreage bill is being administered according to a plain reading of its language which, he said, is on track with the legislative intent expressed during the bill's hearings.

In response to a question from Senator Freborg, Commissioner Clayburgh said there has been a lot of discussion about revenue reductions as a result of inundated land. He said property tax is different from other revenues. He said at the local level budgets are built and then the amount of tax dollars needed are spread out among the taxpayers. He said if there is a shortage in the agricultural sector, other taxpayers bear the burden. He said despite tax caps local governments and school districts have the authority to levy the same number of dollars, even if that means going over a cap.

Chairman Freborg called on Mr. Barry Hasti, State Supervisor of Assessments, Tax Department, who said the mill deduct will apply against a lower value of land because of the inundated acreage. He said

when the state per student payments were estimated, the figures were based on an application of 32 mills against a set taxable valuation. He said subsequently there might be a reduction in the per student payment as a result.

In response to a question from Senator Cook, Mr. Hasti said the counties that have the highest number of inundated acres have not yet reported their status to the Tax Commissioner. He said that particular information will not be available until the new year.

In response to a question from Representative Stefonowicz, Mr. Hasti said even though some people are saying that 70 percent of Bottineau County is not seeded, that does not mean the land is inundated acreage. If all that acreage does qualify as inundated land, there will be a sizable shift in tax obligation.

In response to a question from Representative Thoreson, Commissioner Clayburgh said local assessors are now working with the landowners to determine whether acreage qualifies as inundated land. He said local landowners can seek relief from their local boards, from the state board of equalization, and ultimately, seek judicial relief.

At the request of Chairman Freborg, Mr. Jeff Knudson, Administrator, Agricultural Mediation Service, appeared in place of Agriculture Commissioner Roger Johnson and presented Mr. Johnson's testimony regarding the economic and social impact of 1999 agricultural activity. The testimony is attached as Appendix D.

Mr. Knudson said the agricultural crisis is not a factor new to this year. He said a number of disastrous events have occurred over the past three years. He said this year 3.2 million acres or 16 percent of North Dakota's farmland remains unplanted.

In response to a question from Senator Freborg, Mr. Knudson said the Agricultural Mediation Service has seen an increase in people leaving their farms and an increased concern from main street business owners.

In response to a question from Representative Stefonowicz, Mr. Knudson said the Agricultural Mediation Service has worked with about 800 farmers a year for the last five years. He said during that time the percentage of full-time farmers has decreased.

Mr. Decker said declining enrollment and increasing costs are causing irreparable damage to the Class B schools. He said the taxable resources that would allow the Class B schools to remain strong and viable are tied up in other smaller school districts.

In response to a question from Representative Hanson, Mr. Decker said no schools are presently involved in a reorganization process. He said a number of schools are having discussions about the possibilities of beginning to reorganize and are reviewing their options.

In response to a question from Representative Thoreson, Mr. Decker said we have never adequately defined what is a small but necessary school.

At the request of Chairman Freborg, committee counsel presented a background memorandum entitled *Accreditation Standards for Elementary and Secondary Schools*.

At the request of Chairman Freborg, committee counsel presented a background memorandum entitled *Statewide Academic Standards for and Assessments of Students*.

Chairman Freborg called on Mr. Greg Gallagher, Educational Improvement Team Leader, Department of Public Instruction, who presented testimony regarding accreditation and academic standards. Mr. Gallagher's testimony is attached as Appendix E. He also distributed the *North Dakota English Language Arts Curriculum Framework*, the *Title I Performance Standards at Grades 4, 8, and 12 for North Dakota Language Arts Standards and Benchmarks*, and the *North Dakota Fourth Grade Writing Calibration Packet*, all of which are on file in the Legislative Council office.

Mr. Gallagher said a content standard defines what a student should know and be able to do. He said we need to clarify our assumptions about the content of education and to identify our goals regarding what we produce in education.

Mr. Gallagher said it is one thing to define the content of education. He said it is another to clarify what is expected from a performance perspective. He said responsibility for the design and implementation of the content standards development process rests with the Standards, Assessments, Learning, and Teaching (SALT) team.

Mr. Gallagher said how much can be demanded of standards drafters is limited by virtue of the fact that the drafters are classroom teachers and they prefer to spend their time in the classroom. He said to date the drafting efforts have been funded by federal dollars.

Mr. Gallagher said the development of content standards is the single most important activity in clarifying our assumptions and identifying our goals for education. He said although North Dakota demonstrates relatively high student performance when compared to national norms, a wide majority of students in this state perform below expected levels of proficiency. He said norm-referenced tests report only how our students perform against the norm, not against a variety of specific expectations.

Mr. Gallagher said the ultimate goal of standards and assessments is the improvement of teaching and learning, not the sanctioning of parties for identified deficiencies.

Mr. Gallagher said despite the hundreds of millions of dollars appropriated by the Legislative Assembly to date, North Dakota has not moved toward any measure of accountability based on student performance. He said accountability and accreditation are linked. He said accreditation is voluntary in this state

and is input-based. He said if a school offers certain educational services, evidences certain curriculum plans, offers certain professional development opportunities, etc., it is an accredited school. He said what is missing is the ability to measure how well a school is doing. He said the only way this is going to be achieved is through the use of comparable content standards and performance assessments.

Mr. Gallagher said with respect to the future all students should be taught to challenging standards. He said the performance of each student should be measured against these standards. He said each school should be accountable for the performance of that school's students. He said all schools should be afforded maximum flexibility to achieve these aims.

Mr. Gallagher said as a state we should clarify our basic assumptions and expectations about education in terms of performance, not inputs. He said we should define our desired content and performance standards and adopt an assessment strategy. He said we should define state and local responsibility regarding accountability to standards. He said we should unify all state and local educational improvement plans within a performance-based accreditation system. He said we should fund all systemic efforts as a state responsibility.

In response to a question from Representative Thoreson, Mr. Gallagher said content standards bring to the system assurances that there will be a comparable challenging content and a comparable expectation. He said each district is responsible for selecting and working with teachers so that the teachers have a clear expectation of what they need to teach.

In response to a question from Senator Cook, Mr. Gallagher said each district would have to establish its own policy on the advancement of students. He said standards and assessments would provide the district and a student's parents with some measurement and some frame of reference with respect to what the child should know.

In response to a question from Representative Kelsch, Mr. Gallagher said the NAEP test reports back at the state level, not at the district level.

In response to a question from Representative Stefonowicz, Mr. Gallagher said in 1996, 33 percent of North Dakota students scored at or above the proficiency level. He said 67 percent did not.

In response to a question from Representative Stefonowicz regarding whether the NAEP performance standards are so far beyond the norm that they are impossible to reach, Mr. Gallagher said the review of what is an appropriate standard is an ongoing democratic process. He said what is an appropriate standard is not the dictate of any one person.

In response to a question from Senator Freborg, Mr. Gallagher said state law authorizes the Superintendent of Public Instruction to supervise the development of content standards and to supervise the development of student assessments.

In response to a question from Senator Cook, Mr. Clarence Bina, Director of Special Projects, Department of Public Instruction, said approximately 15 school districts used the English language arts assessments provided by the Department of Public Instruction last year. He said the department has to charge \$6 per test to accommodate the scoring of such tests. He said the tests are not machine-scored. He said one of the things that standards can do is stop the wasting of classroom and learning time. He said there had been one teacher who spent three weeks on a postal unit. He said the unit consisted of requiring her students to memorize local, state, and national zip codes.

At the request of Chairman Freborg, committee counsel presented a background memorandum entitled *State Funding of Special Education*.

Chairman Freborg called on Dr. Gary Gronberg, Assistant Superintendent for Instructional Support, Department of Public Instruction, who presented testimony regarding the funding of special education in North Dakota. Dr. Gronberg's testimony is attached as Appendix F.

Dr. Gronberg said 10.3 percent of all students receive special education services. He said the expenditure for special education services is approximately 10.3 percent of the total education expenditures. He said the proportion of special education funding sources has stayed roughly the same. He said special education costs rise approximately 5.64 percent annually.

Dr. Gronberg said the per student dollars for special education are tied to the degree of equity inherent in the regular education funding formula. He said special education can only be funded according to students, resources, or costs. He said when the total dollars appropriated are inadequate, it is difficult

to devise a funding mechanism that is perceived as being fair by all parties.

In response to a question from Representative Thoreson, Dr. Gronberg said the percentage differences in state support given to the various special education units are affected by the level of teacher salaries.

In response to a question from Senator Cook, Dr. Gronberg said only a small percentage of the 12,900 special education students are considered high-cost students.

In response to a question from Senator Redlin, Dr. Gronberg said audits are being done of a number of special education units to determine how costs are set and subsequently passed on to school districts using the services.

In response to a question from Representative Brusegaard, Dr. Gronberg said the intensity of special education services has increased. He said as a result of advancements in medical science, many high-needs students who would not have survived 20 years ago are alive and receiving special education services.

Senator Redlin said we spend a lot of money as a state and we need to know what is being taught, how it is being taught, and by whom. He said we need to develop standards and implement them statewide.

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

L. Anita Thomas
Counsel

ATTACH:6