

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EDUCATION COMMITTEE

Wednesday and Thursday, October 31-November 1, 2001
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Dwight Cook, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Dwight Cook, Tim Flakoll, Layton Freborg, Jerome Kelsh, David O'Connell; Representatives Larry Bellew, James Boehm, Lois Delmore, Howard Grumbo, C. B. Haas, Lyle Hanson, Kathy Hawken, Bob Hunskor, Dennis E. Johnson, RaeAnn G. Kelsch, Lisa Meier, David Monson, Phillip Mueller, Darrell D. Nottestad, Laurel Thoreson

Members absent: Senators Terry M. Wanzek; Representatives Thomas T. Brusegaard, Dorvan Solberg

Others present: See Appendix A

At the request of Chairman Cook, Mr. Tom Decker, Director of School District Finance and Organization, Department of Public Instruction, presented testimony regarding demographics of school districts. He distributed a document entitled *The Changing Demographics of Education*. The document is on file in the Legislative Council office.

Mr. Decker said the fundamental problem is the declining number of students in this state's public schools. He said in 2000 the population of North Dakota was 642,000. He said the country's heartland lost the greatest number of people in this decade.

In response to a question from Representative Delmore, Mr. Decker said virtually all of North Dakota, including the reservations, is seeing some reduction in family size. He said Cass County has three colleges that draw people who are age 18 and older.

Mr. Decker said in 1960, 36.8 percent of the cities in North Dakota had fewer than 200 people. He said in 2000, 51.6 percent of the cities had fewer than 200 people. He said today 54 percent of North Dakota's population lives in urban areas. He said 25 counties had fewer than 25 births in 2000.

Mr. Decker said in 2000, 105 school districts had fewer than 100 students in high school. He said there are 222 school districts in the state and in 1979-80 there were 337 districts.

In response to a question from Senator J. Kelsh, Mr. Decker said the current home education law was enacted in 1993. He said we have gone from having no children educated at home to having just over 1,000 children educated at home. He said there are over 105,000 students in the state. He said private

school enrollment has pretty much mirrored the decline in the public schools and private schools now enroll approximately 7,500 students.

In response to a question from Representative Thoreson, Mr. Decker said the Legislative Assembly has not identified what constitutes a small but necessary school. He said there are only two to three schools that would have to remain open because of isolation factors.

Mr. Decker said the Department of Public Instruction predicts that in 12 to 14 years, there will be only 91,000 students in school in North Dakota. He said that includes public, private, and home-educated students. He said the prediction assumes that there will be no outmigration and that birthrates will remain at the current rate of 7,635.

Mr. Decker said since 1994 the state has experienced a decline of 13,433 students in public schools. He said the Department of Public Instruction's projections have been on the low side. He said the decline has been greater than the Department of Public Instruction had anticipated.

Mr. Decker said student-teacher ratios have gone from 13.11 per teacher in 1997 to 11.54 per teacher in 2001. He said districts need to be at a minimum staffing level even when their student numbers decline. He said districts reach a point at which they cannot get rid of any more personnel.

In response to a question from Representative Delmore, Mr. Decker said the student-teacher ratio involves the number of certificated personnel employed by a district divided by the number of students. Representative Delmore said we need to see a more detailed breakdown of the student-teacher ratios.

In response to a question from Representative Nottestad, Mr. Decker said the declining enrollment we are facing is beginning to hit us very heavily. He said there is no end in sight. He said in the 1990s, 27 of North Dakota's counties lost in excess of 40 percent of their 20- to 34-year-old population. He said unless there is immigration of the childbearing age group, the decline in students will continue.

In response to a question from Representative Thoreson, Mr. Decker said he sees some indication of a changed perspective from the North Dakota School Boards Association. He said there is concern in the

other organizations, but it is difficult to read. He said he has found that many of the small school districts do not even know what they are missing. He said there is a huge difference across North Dakota regarding what is available to students. He said the capability of some school districts to deal with the constitutional requirement of a free uniform education is slipping away.

In response to a question from Representative Mueller, Mr. Decker said our school districts have gotten into a lot of collaborative efforts. He said some are beginning to recognize that there are services they cannot provide. He said some districts are taking the initiative to seek the services while other districts are not and their students are not receiving the same educational opportunities.

In response to a question from Representative Delmore, Mr. Decker said there is a real opportunity to pursue the regional service concept.

Chairman Cook called on Mr. Stephen Smith, National Conference of State Legislatures, who said he tracks finance formulas and litigation in the 50 states.

Chairman Cook called on Mr. John Myers who said he is a partner with the Denver consulting firm of Augenblick & Myers, Inc. He said they have been working with state policymakers for the last 18 years. He said they have been involved in the Kentucky Reform Act, as well as the response to court cases in Ohio and in other states. He said he spent seven years at the National Conference of State Legislatures and then eight years in his present position at Augenblick & Myers, Inc. He said he also served in the Kansas House of Representatives.

Mr. Myers distributed a document entitled *K-12 Education in North Dakota*. The document is on file in the Legislative Council office. He said what we are seeing in North Dakota is the same as what other states in the middle of the country are experiencing. He said the bottom line is that North Dakota has a problem. He said South Dakota has fewer districts than North Dakota, but Nebraska still has 604 operating school districts.

Mr. Myers said western Wyoming does not have very many school sites. He said Utah has only 40 school districts. He said the districts are geographically large and they have large numbers of students per school site. He said most of the states in the middle of the country have dramatically fewer students than states located elsewhere.

Mr. Myers said educational equity is not present in North Dakota because of area, size, distance, and governance. He said the state should be concerned about a school district when student performance is not meeting expectations, when the district is not efficient given a comparison with similar districts, and when educational equity is not present. He said Kansas began by identifying high-cost and low-performance districts.

Mr. Myers said local decisions regarding reorganization do not work unless there is some outside impetus to direct it. He said while the discussions are going on, students are not able to avail themselves of educational quality and educational offerings. He said in Kansas they suggested emergency dissolution to move the boundaries of districts that are in a real world of hurt. He said other districts that were not quite in this emergency category were told to do some studies with their neighbors. He said if the districts did not participate in serious boundary change discussions, they would be placed in the emergency dissolution category. Otherwise, he said, they would be left alone.

In response to a question from Representative Hawken, Mr. Myers said the districts they looked at varied in size from 58 to 3,200 students. He said the largest district was in the Kansas City area. He said the district was a high-cost district and its student performance was low. He said most of the districts they looked at in Kansas were rural.

In response to a question from Representative Thoreson, Mr. Myers said they looked at declining enrollment and asked the districts to project their enrollments for the next five years. He said they also looked at a series of state standardized tests.

He said when people talk about small and efficient schools, they are talking about 200 to 300 students in elementary and high school, not the small rural schools we actually have. He said there is always a concern about a school's involvement in its local community. He said that involvement does not always exist.

In response to a question from Representative Haas, Mr. Myers said the criteria for the emergency dissolution was based on declining enrollment plus low performance on the part of students. He said each school in Kansas that had fewer than 80 students actually fitted the category for emergency dissolution. He said that number might be different in North Dakota.

Chairman Cook called on Mr. Smith who said school finance litigation has for the last 30 years revolved around equity. He said the heavy reliance on local contributions made the system inequitable. He said today the spending on education is more uniform, but the question is whether the spending is enough. He said in Vermont there are still equity lawsuits, but in the rest of the country the trend is toward adequacy.

Mr. Smith said many states have put standards and accountability requirements into place. He said prior to that one could not really say whether thorough and efficient systems were being provided. He said in the 1970s there was a lot of activity around equity, but in the 1980s only two plaintiffs won their lawsuits. He said in the 1990s there has been a lot more success based on the adequacy argument. He said the trend is to allow for local supplementation with the

requirement that all students be funded at least at a minimum level.

Mr. Smith said another aspect of education finance is the revenue structure and whether or not that is sufficient. He said Vermont tried to implement a statewide property tax. He said Vermont also has a recapture provision whereby the wealthier districts are taxed and the money is passed on to less wealthy districts.

In response to a question from Representative Haas, Mr. Smith said the issue of capital outlay deals with both the manner of distribution and the source of the capital outlay.

Mr. Smith said appellate courts across the country are now likely to require that states provide some rational basis for the amount they spend on the education of students.

Mr. Myers said theoretically, in a pure equity system, the state and the local contribution should be the same percentage, regardless of whether the funding is for special education, school construction, per student payments, etc.

At the request of Chairman Cook, Mr. Jerry Coleman, Assistant Director, School Finance and Organization, Department of Public Instruction, presented testimony regarding the cost of education in North Dakota. He distributed a handout entitled *Cost of Education per Student and per Resident in North Dakota*. The document is attached as Appendix B.

In response to a question from Senator J. Kelsh, Mr. Coleman said the medium-size high schools tend to operate fuller classrooms than their smaller counterparts and they have lower salaries than the larger districts. He said 67 percent of Grand Forks teachers have master's degrees. He said those individuals have been teaching for many years and receive salaries that are on the high end of the scale.

Mr. Coleman distributed a document entitled *School Finance Facts at a Glance*. It is attached as Appendix C. He said as the student count goes down, the cost of education per student goes up.

In response to a question from Senator O'Connell, Mr. Coleman said approximately 2,200 students participate in the open enrollment program.

In response to a question from Senator Cook, Mr. Coleman said it takes approximately \$794 million per year from all sources to educate the students of this state.

At the request of Chairman Cook, Mr. Stephen Hiebert, Research Analyst, Department of Public Instruction, presented testimony regarding the availability of courses for high school students. He distributed a document entitled *Average Number of Unique High School Courses Offered by Foundation Aid Category*. The document is on file in the Legislative Council office.

In response to a question from Representative Nottestad, Mr. Decker said a couple of years ago higher education presented the interim Education Finance Committee information regarding

2,300 students taking remedial courses. He said we do not have the ability to track a student as the student progresses from kindergarten through grade 12 and to the higher education system.

In response to a question from Representative Delmore, Mr. Decker said 17 North Dakota high schools provide advanced placement coursework. Mr. Hiebert said the course code numberings are very consistent between the districts.

In response to a question from Senator Cook, Mr. Decker said the pattern of movement we are seeing goes from smaller schools to larger schools. He said that is even the case in open enrollment.

In response to a question from Senator Freborg, Mr. Decker said what a school district can offer is a function of enrollment. He said the more students a district has, the more courses the district can offer. He said the smaller school districts do not have the teachers to provide the extra courses.

Mr. Myers said the course-offering discussion is taking place in other states as well. He said it has changed because of cyber-schools or distance learning. He said when he went to schools in Kansas, he found schools were reporting that they could offer courses via long-distance technology. He said they often lacked the equipment necessary to actually offer the courses. He said with respect to long-distance learning, we also need to know the level of student performance and the level of student learning. He said we need to define the optimal size school and school district for student performance. He said one can set standards for course offerings and one can raise those standards. He said Florida found that the students who took honors courses did not need as much remediation at the college level. He said in Florida they offered additional state reimbursement for each student who took honors courses.

In response to a question from Senator Cook, Mr. Smith said in California a lawsuit is underway because of course offerings. He said the claim is that the lack of uniformity in course offerings is unconstitutional.

In response to a question from Senator O'Connell, Mr. Smith said some states have brought panels together to determine what is an appropriate education in terms of size and course offerings.

In response to a question from Representative R. Kelsch, Mr. Smith said the shortfall with such an approach is that the experts may know a lot about their particular area, but they may not understand the dynamics in rural districts.

In response to a question from Representative R. Kelsch, Mr. Smith said remedial courses can be used to generate income for higher education institutions. He said in Florida the community colleges offer an admission test. If a student does not pass the admission test, the student must take remedial courses. He said high school exit exams could

accomplish the same purpose and then the remedial work could be done at the high school.

In response to a question from Representative Hawken, Mr. Smith said another trend is toward virtual high schools. He said there are a lot of questions regarding who will fund such schools and how students will be counted.

In response to a question from Senator J. Kelsh, Mr. Smith said an accountability system could be developed which tracks students from the size of school they attended.

Ms. Jean Newborg, Testing Coordinator, Department of Public Instruction, presented testimony regarding the performance of North Dakota students. She distributed a document entitled *Sources of Test Data*. The document is on file in the Legislative Council office. She said students who have taken the core courses generally score higher on the American College Testing (ACT) program.

In response to a question from Representative Delmore, Ms. Anita Decker, Director, School District Approval and Accreditation, Department of Public Instruction, said the North Dakota Century Code identifies what must be offered by schools. She said it does not identify what must be taken by students.

In response to a question from Representative Hunskor, Ms. Newborg said the ACT is taken by college-bound students.

In response to a question from Representative Delmore, Ms. Newborg said if a student is in alternative education, the student is not counted as a dropout for purposes of graduation rate computations.

At the request of Chairman Cook, Ms. Julie Schepp, Academic Affairs Associate and Director of Research, North Dakota University System office, presented testimony regarding remedial course descriptions. She distributed a document entitled *Course Descriptions*. The document is on file in the Legislative Council office.

In response to a question from Representative Delmore, Ms. Schepp said the students in the remedial courses include students who graduated from high school in North Dakota as well as students who hailed from other states. She said the campuses require students to take placement tests and they require that students achieve a specific test score. If the students do not meet such a score, they have to take the remedial courses.

In response to a question from Representative Monson, Ms. Schepp said they do not track the percentage of students from a given school size who actually go to college.

Mr. Myers said the costs per student vary from district to district in large part because of district size. He said the highest valuation per student is in the school districts with the least number of students and the general fund levies in such districts tend to be the lowest. He said this is not appropriate if equity is the goal. He said if the formula were equitable, the state

share should be larger in places of lower wealth. He said larger districts tend to spend more on instruction and less on administration.

Ms. Decker presented testimony regarding school district personnel. She distributed a document entitled *ND School Administrators Reported by Foundation Aid Category and Credential Type*. The document is attached as Appendix D. She said she is seeing an increase in the number of individuals who are holding positions with less than the full credential. She said the shortages of fully qualified personnel are seen more dramatically in the rural school districts.

In response to a question from Representative Monson, Ms. Decker said vocational education teachers do not have to have baccalaureate degrees.

Mr. Wayne Kutzer, State Director, Vocational and Technical Education, said the vocational education teachers go through some methodology and classroom organization courses to help them in their teaching assignments. Mr. Kutzer said the individuals need to have four years of experience in their field prior to teaching students.

Ms. Decker distributed a document entitled *Dual Credit Enrollment Fall Semester 1999*. The document is attached as Appendix E. She distributed another document entitled *Dual Credit Enrollment Spring Semester 1999*. The document is attached as Appendix F. She said the total enrollment for dual credit courses was 652 students in the fall of 1999 and 792 students in the spring of 1999. She said students are looking at dual credit courses as a way of expanding their curriculum.

In response to a question from Senator O'Connell, Ms. Decker said Lake Region State College has made dual credit courses one of their marketing efforts.

In response to a question from Senator J. Kelsh, Ms. Decker said each college determines on its own whether or not it will participate in dual credit courses. She said the tribal and private colleges do not report their participation in the dual credit program.

In response to a question from Senator Cook, Ms. Decker said larger schools already have enriched curricula so the need for students to seek additional courses is not as great.

At the request of Chairman Cook, Mr. Kutzer presented testimony regarding the delivery of vocational and technical education in North Dakota. He distributed a document entitled *Delivery of Vocational Technical Education in North Dakota*. The document is attached as Appendix G. He said there are six area vocational and technology centers which are located in Devils Lake, Jamestown, Wahpeton, Grafton, Valley City, and Oakes. He said there is encouragement for schools to share instructors and to share in transporting students to other schools for vocational and technical education classes. He said in schools having more than 550 students, the average number of vocational and technical education courses is 11.1.

He said in schools having a student population of 150 to 549, the average number of vocational and technical education courses is 4.4. He said if a school is not participating in an area vocational technology center, the number of its vocational and technical education offerings drops considerably.

In response to a question from Senator Cook, Mr. Kutzer said there are quite a few schools in the 0 to 75 category that do not offer their students the opportunity to take vocational and technical education courses.

At the request of Chairman Cook, Ms. Fay Kopp, Deputy Executive Director, North Dakota Retirement and Investment Office, presented testimony regarding the retirement of school district personnel. She distributed a document entitled *Teachers' Fund for Retirement Trends and Projections*. The document is on file in the Legislative Council office. She said in 1999-2000, 208 teachers left the classroom because of retirement and 410 left for reasons other than retirement. She said of the 11,193 Teachers' Fund for Retirement (TFFR) members, 512 were previously eligible for retirement and 245 became newly eligible in 2001-02. She said, put another way, 757 members are currently eligible to retire. She said in the last 10 years about 700 teachers have been able to retire each year. She said historically only about 30 percent of those eligible to retire each year actually do retire. She said about 200 teachers become eligible to retire each year. She said in the coming years over 400 teachers will become eligible to retire each year. She said financial considerations usually play the largest role in teachers' decisions regarding retirement.

Ms. Kopp said we have a lot of administrators who are eligible to retire as well. She said 3,550 TFFR members are eligible to retire during the next decade. She said during this past decade, the number of retirements was 2,150. She said, among other things, the retirements will affect TFFR. She said if teachers begin to retire at a greater or lesser rate, changes may need to be made to the TFFR's actuarial assumptions.

In response to a question from Representative Nottestad, Ms. Kopp said early retirement incentives generally appeal to individuals who are already eligible to retire.

In response to a question from Senator O'Connell, Ms. Kopp said \$1,075 is the average benefit going out to retired teachers. She said the benefits actually range from around \$100 to over \$3,000. She said at one time college professors and administrators were in the fund.

Mr. Myers said the declining number of students and retiring teachers is happening in rural areas all over, not just in North Dakota. He said historically we have paid teachers based on their education and their years of service or extracurricular activities. He said paying teachers for their knowledge and skills and

ultimately on how good a job they do is one alternate approach. He said another approach is to provide additional benefits to nationally board-certified teachers. He said the question is to what degree should the state be responsible. He said the payment of teachers is a local decision, not a state decision. He said it is the state role to look at the overall funding plan. He said North Carolina has done a lot in this area and in thinking about how to use teachers and personnel differently. He said innovation is generally lacking beyond a discussion of student-teacher ratios and whether or not grades 4 and 5 could be taught by the same teacher in the same room.

In response to a question from Senator O'Connell, Mr. Myers said states like North Carolina and places like Clark County, Nevada, which includes the Las Vegas area, have actively recruited teachers. He said signing bonuses are used, as are arrangements to pay off teachers' college loans.

In response to a question from Representative Nottestad, Mr. Myers said minimum salaries are on the books in a number of states, even though the trend is away from minimum salaries. He said philosophically this is a matter of differentiating the proper role of the state.

Mr. Myers said if you are holding the districts responsible and accountable for what they do and how they do it, you should not have to get to the issue of teacher salaries. He said the school districts will have to pay to get the people who can deliver and meet the requirements.

In response to a question from Representative Hanson, Mr. Myers said states such as South Carolina have salary schedules built into the foundation formula. He said it is just indicative of how much the state is going to pay. He said it is not indicative of how much a district actually pays its teachers.

In response to a question from Representative Delmore, Mr. Myers said the cost of putting technology in on a per machine basis has come down dramatically, yet the support and professional development costs have driven up the overall expenditures for technology. He said we have a lot of machines, but we have not seen a lot of changes in teaching as a result. He said the teacher training colleges are not providing instruction in how to teach using technology and the districts are not delivering much professional development in this area.

Mr. Smith said a lot of university systems have pretty decent technology available to them. He said instead of creating a new system from the ground up, the schools need to be able to build on the existing infrastructure. He said the true efficiencies are in the sharing.

Mr. Myers said technology may be changing the way we think of using personnel, but it is not being used to reduce the cost or to expand courses, especially in rural areas.

In response to a question from Senator Cook, Mr. Myers said the knowledge skills based pay concept as applied in Douglas County and in the Cincinnati school system is making progress, but it is very slow. He said the concept is much more attractive to younger teachers rather than more experienced ones, but the reality is the unions will be very strongly opposed to this concept.

Mr. Decker distributed a document entitled *Statewide Strategic Transportation Plan*. The document is attached as Appendix H. He said there has been a concern for a long time about nonconforming vans. He said North Dakota school districts also have 360 standby vehicles. He said they are being kept in case there is a breakdown. He said that is a large number of standby vehicles for 222 school districts. He said transportation needs to be provided if we expect anyone to live in rural North Dakota. However, he said, the current transportation reimbursement system does not reward efficiency in transportation. He said big buses running empty or passing each other on the road are symptoms of the current system.

In response to a question from Senator Cook, Mr. Decker said there is no constitutional requirement to provide transportation. He said most districts in this state have reorganized and thereby picked up a reorganization obligation. He said the law was changed so that school districts can put to a vote the issue of whether or not they need to provide transportation. He said to date no school district has done that.

Mr. Smith said Wyoming provides 100 percent of a district's actual cost of transportation the preceding year. He said the problem is that that does nothing to encourage efficiency. He said South Dakota considers transportation to be within the basic support program and leaves it to the local school districts. He said the problem is it does not take into account the burdens placed on districts depending on their location.

In response to a question from Senator Flakoll, Mr. Decker said some states have tried to put VCRs in buses and to run educational videos for the students while they are traveling.

At the request of Chairman Cook, Mr. Decker presented additional testimony regarding declining enrollment. He distributed a document entitled *ND Public School Enrollment Projections by County*. The document is attached as Appendix I. He said the projections estimate a 12.1 percent drop in kindergarten through grade 6 enrollment between 2001 and 2006 and an 11.7 percent drop in enrollment in grades 7 through 12.

Mr. Decker distributed a document entitled *ND Public K-12 Enrollment by County and Its Largest District (2000-2001)*. The document is attached as Appendix J.

In response to a question from Representative R. Kelsch, Mr. Decker said Burleigh County is a

glaring example of unnecessary school districts. He said the Bismarck Public School District enrolls 10,738 of the students in Burleigh County. He said this amounts to 97.56 percent of the students. He said the remaining 2.4 percent or 262 students are educated in nine additional districts. He said other than Bismarck, Wing is the only kindergarten through grade 12 district in the county. He said the other eight districts are all kindergarten through grade 8. He said in Morton County three of the eight school districts are kindergarten through grade 8.

Mr. Decker distributed a document entitled *ND Administrator, Teacher, and Support Staff FTEs and District Enrollments (2000-2001)*. The document is attached as Appendix K. He said the document shows certificated personnel below the level of an administrator, divided by the number of students.

Mr. Decker said there is a lot of difference between North Dakota school districts in their ability to provide services. He said for a long time if districts had a limited ability to provide services, they would supplement their ability by working together with other districts.

Mr. Decker said the state has 31 special education units. He said some are single-district units and some consist of as many as 23 school districts. He said Souris Valley and Lonetree will soon combine into a 33-district unit. He said some districts or units have as few as 41 students. He said other districts such as Souris Valley provide services to 1,926 special education students. He said because special education is a federal mandate, it covers every district.

Mr. Decker said the area vocational and technology centers serve only 26 districts. He said federal vocational funds available through Carl Perkins grants are obtained by using cooperative ventures consisting of multiple districts. He said school districts have to cooperate in order to reach the required minimum level of \$15,000. He said there are currently 34 such cooperatives.

Mr. Decker said in the area of telecommunications, there are nine consortia that range in size from single districts to 25 districts. He said these tend not to be long-term arrangements.

Mr. Decker said Title II Dwight D. Eisenhower Cooperatives are available for professional development. He said the districts have to qualify for \$10,000, and because many districts cannot qualify, they have to cooperate with other districts.

Mr. Decker said there are very few cooperatives engaging in class-size reduction efforts. He said Title IV Safe and Drug Free Schools money is also accessed through cooperative efforts. He said there are 10 teacher learning centers. However, he said, a good many districts are not part of a teacher learning center.

Mr. Decker said groups of districts are developing joint powers agreements that would pull the districts into comprehensive service districts. He said this would be on top of all the other collaborative efforts

that are out there. He said if we have a requirement to provide a uniform system of education, that may not be a reality if left to a district-by-district basis.

In response to a question from Representative Nottestad, Mr. Decker said there are real issues about the effective use of money. He said under a collaborative venture a pretty effective program can be put together. He said some smaller districts may not be able to accomplish the same thing on their own.

Mr. Myers said 29 states now have regional education service agencies. He said in states that have countywide school districts, there is less reason to have such agencies because the larger districts deliver the services. He said Colorado, like North Dakota, also has this random putting together of cooperative entities for various purposes. He said Iowa has coterminous boundaries for just about every function. He said a school district in Iowa then goes to the same region for all its needed services, regardless of whether that is special education or technology support. He said it is a way to save money. He said regional service agencies are growing and are beginning to bring some uniformity to the service delivery system.

Mr. Decker said if we went to county school districts, the student enrollment would range from 35 to 19,000, and there would still be districts that do not have the number of students necessary to provide the services.

Mr. Decker distributed a bill draft relating to the establishment of regional service units. He said the language attempts to bring some rationale to multiple cooperative arrangements. He said this would enable a predictable set of lines within which a district could go for all of its services. He said the districts are spending the money now. He said the difference is that no coordinated system of delivery presently exists.

In response to a question from Representative Delmore, Mr. Decker said the Minot Public School District currently cooperates with the three kindergarten through grade 8 districts around it. He said there is an ease with which multiple districts can sit down and level the playing field with respect to services. He said the other key issue is that the big districts need to be in these units. He said the range of services available in the larger school districts can be made available to the other districts in a unit. He said we need to be sharing the expertise of the larger districts with the smaller school districts in the unit.

In response to a question from Representative Hawken, Mr. Decker said what is possible politically and what is ideal in terms of leveling the playing field may not be the same thing. He said we are at risk of a lawsuit on the issues of equity, adequacy, and capital construction. He said the consolidation approach has been tried for years. He said it carries too much emotional baggage to move forward. He said this would leave districts in place but make the

services available to them. He said it would provide a consistent regular set of boundaries within which districts can work.

In response to a question from Representative R. Kelsch, Mr. Decker said if we put in place the regional service unit concept and give the unit clear authority to provide a certain set of services, and if we allow districts to purchase from the unit any other services they need, there would not be the urgency to reduce the number of districts. He said the existing districts would be able to obtain services they could not otherwise provide through the regional service unit.

In response to a question from Representative Monson, Mr. Decker said regional service units have an inherent flexibility that allows them to meet the changing demographics of their areas.

In response to a question from Senator Cook, Mr. Decker said as joint powers agreements begin to be used more and more by school districts, we are going to find that because they are totally voluntary, there still will not be uniformity with respect to areas such as special education and vocational education. He said the configuration of school districts participating in joint powers agreements will probably look like the mishmash of cooperative units we currently have. He said he does not think we have another 10 to 12 years to deal with equity and adequacy disparities.

In response to a question from Senator J. Kelsh, Mr. Decker said, to a very significant degree, we are spending the money now. He said we are funding 31 special education units, a variety of vocational education efforts, and a host of single purpose cooperatives. He said as we move forward we are going to be spending more money on education in North Dakota anyway. He said we had a near miss with a lawsuit in the mid-1990s. He said we need to decide how we are going to support education.

In response to a question from Representative Mueller, Mr. Decker said he has been to all the joint powers discussions that have been going on around the state. He said he has talked to the participating school districts about the multiple services they would find of use. He said with respect to the special education directors, they are concerned about their turf if they go from 31 special education units to 6 or 8 regional units.

Senator Cook said only a few years ago the state of North Dakota spent \$1.2 billion per biennium to educate 118,000 students. He said today we are spending over \$1.4 billion to educate only 105,000 students. He said the question we need to consider is how long will that trend continue. He said we need to ask ourselves whether we have some responsibility as policymakers to look at how we are spending the dollars. He said proposals such as regional service units might offer some opportunities

for school districts to provide better services and perhaps save some money at the same time.

Representative R. Kelsch said we need to get more details as to what a regional service unit plan would look like. She said we should compare that against a plan that features 50 to 75 school districts in the state. She said she also wants to receive a report regarding the Internet and technological capabilities of our schools.

Representative Hawken said we need to look at what services would be required for everyone under the regional service unit plan.

Senator J. Kelsh said we need to look at the costs and cost-savings under both the regional service unit plan and under a plan that results in 50 to 75 school districts.

Mr. Smith said throughout the nation local funding constitutes about 45 percent of the total education funding. He said state funding is at approximately 48 percent of the total education funding. He said there are ways to take into account the wealth of a school district. He said Connecticut factors in the per capita income of a district and compares it against the per capita income of the wealthiest district in the state. He said if a school district is at the 90th percentile compared to the wealthiest district, the district's property tax valuation is reduced by 10 percent for purposes of the formula. He said one can cap property taxes at a percentage of an individual's income.

Mr. Smith said student needs can be weighted in the formula. He said sparsity or cost-of-living adjustments can be factored into the formula.

Mr. Myers distributed a document entitled *Resources: Adequacy*. The document is attached as Appendix L. He said when spending per student is adjusted for regional cost-of-living differences, North Dakota ranks slightly above the national average.

Mr. Myers said the state's role should be to specify performance standards, measure whether they are being accomplished, and hold students, teachers, schools, and school districts accountable for results. He said policymakers need to develop a rational way to link performance to spending.

Mr. Myers said the ability to address the adequacy issue will improve as more information becomes available about student performance and about school and school district spending.

In response to a question from Senator O'Connell, Mr. Myers said one of the pursuits should be a finance plan that determines what is an absolute base of expenditures. He said we need equal access to local resources of equal value.

Mr. Smith said we are vulnerable from an equity perspective because what the state is providing is nowhere near what the districts are spending.

Mr. Myers said the Iowa regional service agencies example had a strength in that the services were provided from a single source. He said Iowa had 436 school districts and 67 joint superintendencies.

He said they had whole grade and building sharing that was facilitated as a result of the regional service agencies concept. He said the Iowa districts had a way to talk to each other and to look at issues of comparable efficiency. He said the ultimate result was the saving of money.

Mr. Myers said the North Dakota school finance system can build in efficiencies by placing limitations on the amount of money that can be spent for specific purposes. He said school district consolidation would probably result in significant savings for North Dakota school districts. He said North Dakota has a school district governance problem. He said changing the school district governance system has nothing to do with the closure of schools. He said changing the school district governance system does not need to result in the closure of schools.

Mr. Myers said local control used to be defined as whether or not one had control of the mill levy. He said local control should be about how students are taught and about ensuring that learning is taking place.

In response to a question from Representative Haas, Mr. Smith said in order to have a successful school district, one must have a way of measuring student performance. He said performance measures are not needed to develop an education finance formula. However, he said, without performance measures, there is no rational linkage between the dollar amount being spent and the purpose for the expenditure.

In response to a question from Representative Hanson, Mr. Myers said 16 or 17 states limit class size. He said not all of those do it for the entire system. He said they might limit the size in the early grades. He said 22 or 23 to 1 is the traditional student-teacher ratio.

Representative Haas said we need to remind ourselves that discussions regarding a necessarily small school are not synonymous with discussions regarding a necessarily small school district.

Mr. Smith said the Wyoming courts not only found their state's system of funding education to be unconstitutional, they prescribed the solution. He said that is not the ideal way to legislate education funding policy.

Ms. Gloria Lokken, President, North Dakota Education Association, said the North Dakota Education Association is working on issues that are facing the state. She said the North Dakota Education Association participated in the Quality Schools Committee. She said it was the association's intent to survey school districts and determine what are quality markers. She said the North Dakota Education Association has a compensation team to study alternative forms of compensation. She said Iowa did not put into place sufficient funding to make its teacher compensation program viable. She said the North Dakota Education Association is supportive of

mentoring. She said the association is working on school improvement under the school improvement grants. She said the North Dakota Education Association will continue to work with a host of entities to encourage student achievement.

Mr. Kutzer said regionalization was the purpose behind the development of the area vocational technology centers in the early 1970s. He said they are interested in seeing how regionalization can be pursued and used to bring vocational and technical education to students. He said regionalization will only help students gain access to vocational and technical education in the state.

Mr. Mark Fromke, Grand Forks, said he has seen many abandoned schools, homes, storefronts, and towns. He said the world is moving quickly and we need to ensure that our education system is the best it can be. He said he would like to see the rural schools survive, but we need to be able to give the students the education they need for life in the 21st century. He said hopefully we can keep our children in North Dakota, but if we cannot, at least let us give them the education they need to succeed elsewhere and make us proud of them.

Ms. Bev Nielson, North Dakota School Boards Association, said the North Dakota School Boards Association would like to be a part of future discussions regarding the reconfiguration of districts.

Ms. Sandy Clark, North Dakota Farm Bureau, said the North Dakota Farm Bureau is committed to the education of our young people.

Dr. Wayne Sanstead, Superintendent, Department of Public Instruction, said 2001 House Concurrent Resolution No. 3024 called for the congressional

offices in this state to work for the full funding of special education. He said the congressional conference committees are meeting to discuss a large funding increase. He said the amendment would be for \$2.5 billion per year over six years and it would then increase until it reached the 40 percent level.

Mr. Decker distributed a document entitled *Advanced Placement Statistics North Dakota 2000*. It is on file in the Legislative Council office. He said North Dakota has the lowest enrollment of any state in advanced placement courses. He said there are 81 teachers conducting advanced placement classes in 17 subjects at 18 high schools. He said 54 percent of our high schools have fewer than 100 students. He said only one public high school having fewer than 100 students offers advanced placement classes.

Senator J. Kelsh said he has noted a different approach to education in the last couple of days. He said this committee should not hasten the deterioration of rural North Dakota through the closure of schools. He said we cannot forget there is a human and a social element that needs to be taken into account.

Chairman Cook adjourned the meeting at 12:30 p.m.

L. Anita Thomas
Committee Counsel

ATTACH:12