

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### EDUCATION COMMITTEE

Wednesday, March 31, 2004  
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 Cook, Robert S. Erbele, Tim Flakoll, Gary A. Lee, Constance Triplett; Representatives Merle Boucher, Lois Delmore, Pat Galvin, C. B. Haas, Lyle Hanson, Kathy Hawken, Gil Herbel, Bob Hunsakor, Dennis Johnson, RaeAnn G. Kelsch, Lisa Meier, Phillip Mueller, Jon O. Nelson, Mike Norland, Margaret Sitte, Clark Williams

**Members absent:** Representatives Thomas Brusegaard and David Monson

**Others present:** See Appendix A

**It was moved by Senator Cook, seconded by Senator Lee, and carried on a voice vote that the minutes of the previous meeting be approved.**

#### TEACHER COMPENSATION

Chairman Freborg called on Dr. David Larson, Department of Public Instruction (DPI), who presented testimony regarding teacher compensation claims. He distributed a document showing the teacher claims that have already been filed. The document is attached as Appendix B.

Dr. Larson said the system has been automated as far as possible. He said the document he distributed shows a list of claims that have been processed. He said Belcourt has not yet submitted a claim for reimbursement. He said claims have been filed on behalf of 8,616.48 full-time equivalent (FTE) teachers. He said 8,364.24 are full-time teachers and 254.24 are first-year teachers. He said the total claim amount for this year is \$25,346,960. Last year at this time, he said, claims had been filed for 8,808.37 FTE teachers. He said those claims amounted to \$25,691,303. He said this year there are 189.89 fewer FTE claims and a reduction in payments of \$344,343. He said Belcourt's outstanding claims should cover 65 to 70 FTE teachers. He said there are sufficient funds in the appropriation for teacher compensation to sustain the reimbursement during the second year of the biennium.

Dr. Larson said to date DPI has not received any notices from school boards stating that they have insufficient fiscal resources to meet the 70 percent new money requirement for teacher compensation

payments. He said DPI has had inquiries about the provision.

In response to a question from Senator Freborg, Dr. Larson said he has heard on the news that North Dakota still ranks 50th with respect to teacher compensation.

#### DATA COLLECTION AND REPORTING

Dr. Larson presented testimony regarding the performance-based data management initiative (PBDMI). He distributed a document entitled *PBDMI - US Department of Ed.* The document is attached as Appendix C.

Dr. Larson said the performance-based data management initiative is a collaborative effort between the United States Department of Education and 50 states plus Puerto Rico and the District of Columbia. He said the purpose is to improve the timeliness and quality of federal education data and information from the school level, school district level, and state agency level.

Dr. Larson said the program has been in existence for one year and DPI has already had one site visit and participated in two pilot projects. He said another site visit is scheduled for April 13-15, 2004. He said a contractor and a United States Department of Education team will meet with DPI personnel and discuss data elements. He said the new system has to be tested against current data to make certain that the system will be valid. He said once it is in place, the system will produce the education data exchange network. He said the state will provide data to a warehouse and the federal government will have the capacity to transfer and analyze the data regarding educational programs.

Dr. Larson said the pilot governing this will include all federal program data requirements. The data will be in 29 basic files and will be broken down into 70 separate files for transmission. He said if the United States Department of Education has a school district address from a directory file, it will not have to request that same address for other files. He said this capacity will affect how information is collected and reported.

Dr. Larson said knowledge management is a set of practices that enables entities such as the states and the federal government to collect information and

share what they know. He said people not systems manage knowledge. He said in North Dakota knowledge management will impact both the technology culture and the information culture. He said our leaders need information for decisionmaking purposes and we need the technology to bring the information together while easing the reporting burden on districts. At the same time, he said, it will enhance accountability.

Dr. Larson said local school districts report to a specific unit, which in turn brings the information into a state report and that report is forwarded to the federal level. Using knowledge management, he said, there will be a single transmission from the local school district. He said the state will have access to the information and then forward it to the United States Department of Education.

Dr. Larson said the performance-based data management initiative will increase the focus on outcomes and accountability rather than processes and compliance. He said the initiative will streamline federal education data collections, improve data accuracy, and provide for the effective and efficient management of data. He said there are 163 federal programs that will have access to this data repository.

Dr. Larson said, however, there are some roadblocks that need to be overcome. He said local, state, and federal entities still focus on compliance because that is what the laws require. He said the United States Department of Education is determining which laws are creating interference. He said the goal is to streamline dates and processes. He said there is a great deal of redundancy in the way data is currently collected. He said if one agency collects birth dates by month-day-year and another by day-month-year, there will be a problem bringing the data together. He said the United States Department of Education is attempting to standardize the data.

Dr. Larson said some school district officials view data collection as irrelevant to their work. He said he has certainly seen that in his efforts to collect teacher compensation data. He said as the federal government streamlines its data collection, he expects that school district officials will view state level data collection as redundant and burdensome, unless the data is aligned with the federal collection requirements. He said DPI will have to ask for legislation to streamline state requirements. He said if DPI is required by federal law to do a child count on September 19, and there is a state law requiring that a child count be done on September 18, a separate collection process is required. He said it is therefore incumbent upon DPI to closely examine how it collects data.

Dr. Larson said schools and school districts will have to be responsible for the quality of any data submitted. He said DPI will have the responsibility for cleaning, auditing, summarizing, and transmitting the data.

Dr. Larson said the United States Department of Education was unable to indicate how many reporting efforts or requirements would be removed. He said the United States Department of Education is not concerned with how many reports it actually has, but rather with what information is needed for people to do their jobs.

In response to a question from Representative Haas, Dr. Larson said the intent is to use electronic data collection only. He said realistically, until the system is in place, there may still be some separate nonelectronic data collection.

In response to a question from Representative Delmore, Dr. Larson said he anticipates that school and school district officials will see a significant reduction in data collection and reporting requirements. He said initially it may be painful at the local level. He said as paper begins to go away, jobs may be changed and systems may be reengineered.

Representative Boucher said the object of collecting data should be increased educational opportunities for our students, not just who is out there and why and where.

In response to a question from Representative Boucher, Dr. Larson said the intent of this process is to change the focus from compliance to performance, i.e., how well are the students doing. He said he does not believe that people will see initially how this goal will be achieved, but it will happen. He said as we accumulate testing data and a whole host of other information, we will need a system within which it can be managed and utilized.

Representative Boucher said parents are getting impatient and they want to know that the data collection is serving to improve education and the performance of their students.

Dr. Larson said DPI is working with TetraData to collect and amass the performance data that is now being generated. He said school district officials can already look at their performance data and use it to enhance the performance of their students and schools. He said the education data exchange network will allow for that process on a much grander scale.

In response to a question from Representative Mueller, Dr. Larson said the streamlining of information is a United States Department of Education initiative that dovetails with the No Child Left Behind Act and with the federal Paperwork Reduction Act of 1996. In addition, he said, the federal initiative is compatible with Office of Management and Budget (OMB) requirements to reduce collections. He said 49 states, the District of Columbia, and Puerto Rico are participants. He said the State of South Carolina has opted to participate at a minimal level and now regrets that decision because it has been left behind. He said to date the impact on DPI has been minimal and the impact on our school districts has been nonexistent.

In response to a question from Representative Mueller, Dr. Larson said he believes this will reduce school district data collection and reporting.

In response to a question from Senator Triplett, Dr. Larson said the Federal Educational Rights and Privacy Act protects the privacy of children and families. He said DPI has been using an electronic system for over five years. He said there is a password and identification requirement that allows only select individuals to access the information. He said the information will be at only one server located in the Information Technology Department.

In response to a question from Senator Triplett, Dr. Larson said DPI has for some time been receiving information regarding suspensions, expulsions, violent attacks, etc. He said DPI receives data but no names.

In response to a question from Representative Sitte, Dr. Larson said each state receives \$50,000 per year to participate in the pilot data collection program. He said part of the data is being submitted in a common core format. He said that is being formatted into another transmission process and additional data is being added from other formats. He said recently a test was completed using seven files. He said DPI supplies whatever data it can and the \$50,000 serves to offset any costs that may be incurred by DPI.

In response to a question from Senator Flakoll, Dr. Larson said no part of the \$50,000 goes down to the local level. He said the money is used for development costs. He said school districts already provide the information. He said this project is slowly reducing the volume of information and the fashion in which it is submitted. He said the reports are already required in order to receive federal funding. He said if a district would elect not to provide the reports, it would most likely not receive federal funds for the respective program.

Dr. Larson said DPI staff are reviewing, consolidating, and eliminating redundant and irrelevant paper data collections. He said they are trying to figure out how to reduce things like names and addresses that need to be filled in over and over again. He said in May 2003 DPI had 393 forms. He said in March 2004 DPI had 242 forms. He said this is a reduction of 38 percent.

Dr. Larson said large districts are putting together electronic files and sending them in one shot. He said smaller districts are already filling out forms online. He said with the increased computer capability comes the reality that one cannot manage as one did even five years ago. He said DPI is expecting an added responsibility for training and for increased customer service. He said DPI will also have increased auditing functions. He said it is necessary to ensure that the data is clean, otherwise it will be of no value in the decisionmaking process.

Dr. Larson said this process will produce greater accountability at the local level. He said there will be

far less opportunity for data to be changed, altered, or manipulated. He said there will be more cross-checking and auditing against different reports.

In response to a question from Senator Freborg, Dr. Larson said the number of forms was reduced simply by asking why we are getting the information. He said often DPI was able to compress information that logically goes together. He said DPI was able to reduce demographic information requirements.

In response to a question from Representative Delmore, Dr. Larson said this program is a federal initiative being carried out by DPI. He said the response from the field has been unanimous gratefulness for cutting down the number of forms and reports. He said the field appreciates electronic reporting. He said forms pop up with the names and addresses of board members from the previous year. He said only changes need to be entered. He said in the old paper days all of the same information needed to be filled in again and again.

In response to a question from Representative Delmore, Dr. Larson said it is not his role to question the merits of various programs. He said what he does is look at the various programs' legal requirements. He said if a federal Act requires A, B, and C, and DPI also requests D, we ask why we are collecting D if that is not a part of the statutory requirement. He said if there is no valid reason for collecting D; it is eliminated from the form.

In response to a question from Representative Hunskor, Dr. Larson said DPI is very streamlined now. He said a minimum number of staff are handling programs as compared to other states. He said he anticipates that DPI staff will have to provide more auditing, site visits, and assistance to local districts. He said quality data requires a certain level of staff support. He said the staff reduction has already happened. He said he does not anticipate a significant drop in staff at the state level.

In response to a question from Representative Meier, Dr. Larson said he is the only DPI staff member who is working on the data collection. He said, however, everyone on the DPI staff is participating in data consolidation and reduction efforts within their own programs.

## **TEACHER COMPENSATION**

In response to a question from Representative Kelsch, Dr. Larson said as the last biennium concluded, the staff position dedicated to the evaluation of teacher salaries was eliminated. He said at this time DPI does not calculate information regarding the average teacher salaries, the high-paying districts, and the low-paying districts. He said the information is available for retrieval on the DPI web site.

In response to a question from Representative Kelsch, Dr. Larson said it would require an FTE position to provide the compensation information in the future.

In response to a question from Senator Flakoll, Mr. Tom Decker, Director, School Finance and Organization, Department of Public Instruction, said the funding that was provided in the 2001 legislative session for the data collection was discontinued in the 2003 legislative session. He said DPI's appropriation was also cut significantly. He said DPI had to make decisions about what it could and could not provide.

Senator Flakoll said there are multiple things that the Legislative Assembly would like DPI to provide. He said when the Legislative Assembly block granted transportation, it should have reduced some of the detailed reporting for which DPI was previously responsible. He said Dr. Larson already indicated that DPI has reduced reporting forms by 39 percent. He said one would think that such things would allow DPI to provide this committee with the teacher compensation information. He said he is frustrated that we do not have the data we want. He said it is hard to measure advances in teacher compensation without such data. He said if he has to call the Fargo Public School District to get the teacher compensation data, why should the Fargo Public School District have to report the data to DPI. He said the data is of no use if DPI will not compile it.

In response to a question from Senator Flakoll, Mr. Decker said before 2001 there was no teacher salary data reporting system at DPI. He said Dr. Larson was in charge of the program for its first two years. He said now DPI is required to make teacher compensation reimbursements but is not given an FTE position to collect the data. He said the data collection and reporting puts added burdens on other staff members. He said since the Legislative Assembly eliminated the funding, DPI elected not to continue the position. He said if the Legislative Assembly wants the teacher compensation data and finds it useful, it can be compiled provided there is monetary assistance. He said DPI's budget was cut by nearly \$1 million in the 2003 legislative session. He said DPI had to make some choices.

In response to a question from Senator Freborg, Mr. Decker said prior to 2001 DPI relied on teacher salary data from sources such as the North Dakota Education Association. He said if DPI has the resources, it can verify or back up that data.

In response to a question from Representative Kelsch, Mr. Decker said we are back to where we were before the 2001 legislative session with respect to data collection.

In response to a question from Representative Kelsch, Mr. Decker said the teacher compensation issue has two parts. He said the first part is the effort required to reliably determine teacher compensation reimbursement payments for school districts. He said the second part involves the provision of a massive amount of data by which salaries can be compared across districts. He said this data collection and

processing requires a great deal of time and effort and DPI does not have the personnel.

In response to a question from Senator Flakoll, Mr. Decker said if the Legislative Assembly believes it is still important for DPI to collect, analyze, and report teacher compensation data, then it needs some help to do that. He said if such information is deemed not necessary or valuable, then perhaps the schools should be told not to report the data.

Representative Williams said during the past two legislative sessions teacher compensation has been considered a priority. He said it still is. He said the data is important in the legislative decisionmaking process. He said he realizes that DPI had to prioritize its efforts in the areas of data collection and analysis. However, he said, it is disturbing that DPI is not going to provide this information in the future. He said it is not good business to rely on North Dakota Education Association for that information. He said he would prefer that it come from DPI. He said it is a priority. He said we need that information in order to make the right decisions.

Mr. Decker said DPI believes that the teacher compensation data is very important too. He said DPI was enthusiastic about the teacher compensation data collection process when it was first put in place and DPI believes that it should be continued. He said legislators should be using good clean data that is collected and provided by DPI to make their critical decisions. He said DPI's budget has been cut every session for multiple sessions and decisions regarding resource allocation are becoming extremely difficult. He said when the line item for the teacher compensation FTE was removed entirely, DPI took that as an indication of its lack of importance to the Legislative Assembly.

In response to a question from Representative Williams, Dr. Larson said three years ago the Legislative Assembly appropriated \$200,000 for the teacher compensation FTE. He said part of that amount went to systems development. He said it took approximately \$30,000 to develop the automated information collection system. He said the process is still there. He said that information is still coming to DPI. He said the information consists of two parts. He said the first part addresses the amount needed to reimburse school districts for teacher compensation increases. He said the second part involves the collection of salary and compensation data applicable to every licensed person in kindergarten through grade 12 education in this state. He said the 2003 Legislative Assembly minimized the reporting requirements regarding teacher compensation.

In response to a question from Representative Williams, Dr. Larson said the teacher compensation data collection was a full-time effort. He said putting together the type of information that the legislators received after the 2001 legislative session takes time.

He said people manage knowledge. He said systems do not manage knowledge.

Representative Williams said legislators are not going to be able to act based on where people think we are or where they read we are with respect to a national ranking. He said legislators need to know the information by district. He said they need to know in which areas compensation lags. He said they need the compensation data in order to act responsibly with respect to teacher compensation.

### **DATA ENVELOPMENT ANALYSIS**

Chairman Freborg called on Dr. Kendall Nygaard, Chairman, Department of Computer Science, North Dakota State University, for testimony regarding the school district transportation data envelopment analysis. Dr. Nygaard said data envelopment analysis amounts to an efficiency analysis for school district transportation with the goal of developing a quantitative foundation for a school transportation funding formula that rewards efficiency and recognizes differences in site characteristics among school districts. He said there are certain transportation decisions that are under the control of management. He said there are certain school district characteristics that are outside the control of management. He said we need to explicitly account for both.

Dr. Nygaard said efficiency is the process of converting input or resources such as money into output or goods and services. He said in order to improve it is necessary to have a measure of efficiency, determine the sources of inefficiency, and provide information with respect to how inefficiency might be reduced.

Dr. Nygaard said data envelopment analysis is a time-honored methodology for measuring efficiency. He said data envelopment analysis has a dominant element of fairness in assessing efficiency. He said the input and output are weighted according to their importance. He said the data envelopment analysis procedure in assessing efficiency gives every unit in the analysis the benefit of the doubt. He said the weights can be varied to allow for differences between the districts.

Dr. Nygaard said he is in the process of evaluating the 2003-04 data. He said the principal data source is DPI. He said the road network data comes from the North Dakota Department of Transportation geographic information system web site. He said the geographic information system maps provide information regarding the usable road network within individual school districts by type of road category.

Dr. Nygaard said the number of rides per student has a significant degree of variation throughout the state, as does the cost per student ride. He said there is some geographical influence or correlation on the cost per student ride. He said the middle range of the cost per student ride is \$3 to \$7.

In response to a question from Representative Nelson, Dr. Nygaard said student density, usable road network, and the actual location of the schools within a district all impact the cost per student ride. He said money spent to support school transportation is broken down into capital costs such as bus purchases, vehicle maintenance, and variable costs associated with the miles driven, i.e., gasoline prices.

Dr. Nygaard said under the data envelopment analysis proposed transportation plans operated by districts must meet certain minimum quality standards. He said maximum ride time must not be exceeded, average ride time must not be exceeded, and equipment must be up to date and meet standards.

Dr. Nygaard said for each district the data envelopment analysis provides a mathematical optimization model identifying the set of weights that maximizes the efficiency measure for the district while holding all other districts to a measure that does not exceed a score of 100 percent efficiency.

Dr. Nygaard said the data envelopment analysis allows for output regarding rural and city rides per year for regular education, special education, and vocational education, as well as average ride times for both.

Dr. Nygaard said site characteristics are those factors that influence transportation but are outside the control of school district management. He said the data envelopment analysis efficiency measures must be adjusted to account for these characteristics. He said site characteristics include geographical size or land area, availability and density of usable roads by type (pavement, gravel, etc.), student density, prevailing salaries for labor, and the number of students who need transportation.

In response to a question from Representative Herbel, Dr. Nygaard said the data envelopment analysis is based on actual student rides, not on potential student rides. He said roads are broken down into three types--paved, gravel, and others. He said the "others" category includes graded and drained roads, trails, and unimproved roads.

Dr. Nygaard said multiple linear regression is a technique to find the "best fit" linear function to a set of data points. He said each data point has values that correspond to several independent variables. He said he is trying to determine how to properly account for the site characteristics that are outside of management control. He said he is trying to sort out which of the site characteristics really matter. He said statistical methods such as stepwise regression are used to determine which of the independent variables are most significant in predicting efficiency. He said the end result is there will be a set of site characteristics that really matter and need to be accounted for with respect to the various school districts.

Dr. Nygaard said the State of North Carolina has been using the data envelopment analysis to fund transportation for a number of years.

Dr. Nygaard said the steps in the process include using the data envelopment analysis to determine unadjusted efficiency scores, performing regression analysis using site characteristics, adjusting output levels using expected efficiency scores, performing a second data envelopment analysis with original input and adjusted output to determine adjusted efficiency scores, performing regressions analysis to ensure that final efficiency scores are independent of site characteristics, and using the final efficiency scores in determining the funding formula.

Dr. Nygaard said if there is a figure for the total transportation appropriation, the data envelopment analysis will allow people to determine the total cost of transportation expenditures for a district divided by the number of rides provided, i.e., the cost per ride. He said then an efficiency score can be applied and multiplied by the projected number of rides. Finally, he said, the total appropriation is divided according to the efficiency scores. He said in North Carolina if a district was falling short of efficiency, it could take advantage of incentives that were built into the formula. He said it would also be possible to pay districts at their established level of efficiency and let them determine how best to use that money.

In response to a question from Representative Williams, Dr. Nygaard said he has worked with DPI on development of the survey that went out to school districts and on ensuring the accuracy of the data. He said he will be able to rank school districts according to their relative efficiencies and to suggest ways in which school districts can increase their efficiencies.

In response to a question from Senator Cook, Dr. Nygaard said he needs to have a fairly accurate accounting of student rides within a given year. He said the data envelopment analysis is a highly data-driven approach. He said to an extent school districts validate each other. He said if one district looks highly efficient compared to other similarly situated districts, he would expect the other districts to challenge the validity of the data.

In response to a question from Senator Cook, Dr. Nygaard said accuracy of the data is important. He said anytime one gets into a data-driven analysis like the data envelopment analysis, there are probably people who will fudge their data to look better. He said whether or not they get away with it is not within his purview as a scientist. He said the validation of the data is going to have to come from some other source.

In response to a question from Senator Triplett, Dr. Nygaard said the data has to come from the districts and every district is going to have to respond with detailed data. He said the data will then have to be validated. He said there will obviously be some costs associated with maintaining the system.

In response to a question from Senator Lee, Dr. Nygaard said once the infrastructure to run the model is in place, the data envelopment analysis could be run with a new configuration, such as after a reorganization. He said the data can also be used to run some "what if" scenarios, e.g., if two districts were to merge, the data envelopment analysis could be used to estimate their potential transportation efficiencies.

Representative Sitte said she wonders if the data envelopment analysis could be used to measure the efficiency of learning in this state. She said perhaps we could use cost per student as an input and then use the average fourth grade reading score, the average eighth grade mathematics score, and the average graduate ACT scores as output. She said then we would be able to develop an efficiency formula for school districts and build incentives for the districts to become more efficient.

Dr. Nygaard said such a proposal is clearly beyond the scope of the current project. However, he said, the data envelopment analysis has been applied to efficiency in many private and public sector domains. He said it has been used very successfully in medical delivery systems such as hospitals for analyzing the different services they deliver. He said he would expect that there would be some potential to use the data envelopment analysis in the manner proposed by Representative Sitte.

In response to a question from Representative Mueller, Dr. Nygaard said the data envelopment analysis could potentially be used to look at some sort of centralized purchasing system for buses. He said there might also be some suggestions for when investments in new schoolbuses should be made as opposed to maintaining the old fleet. He said North Carolina has a much more centralized system for the purchase of schoolbuses. He said he does not believe he has a solid way to incorporate special education and vocational education transportation, as those vary significantly from district to district. He said one can end up with a relatively expensive transportation component to serve a relatively small number of students. He said there is no reason why those components could not be explicitly included but, because of the variation that is possible between otherwise comparable districts, he said he is not certain how the data envelopment analysis could be applied to special education and vocational education transportation.

Mr. Decker said it is very important that we maintain transportation in rural districts and that we maintain a transportation payment system for those districts. He said the system should reflect the relative cost of providing transportation. He said we are already having trouble maintaining population in rural North Dakota and not paying for transportation would be an added detriment. He said DPI is communicating with administrators by means of regional

meetings. He said draft legislation to authorize the use of the data envelopment analysis as the basis for a school district transportation payment is expected at the next meeting. He said there are large differences in the per student cost of providing transportation. He said the cost differences are not all related to differences in geography, the number of students riding, or the network of roads available. He said over the years districts have made their own decisions regarding transportation. He said some decisions have cost districts money and others have not. He said if we use the data envelopment analysis to fund a transportation system, there will be some disparity with respect to what districts will get paid and need to get paid. He said if the differences are too great, we may need to provide a phase-in period for the formula.

Mr. Decker said we count on school districts to provide us with a wide variety of data for decision-making and payment purposes. He said we have no choice but to assume that the districts are honest with respect to providing the necessary data. He said we probably could build in some verification and some penalty provisions. He said there are two joint powers agreements in the state and in both cases the joint purchase of schoolbuses is under consideration. He said a payment system based on the data envelopment analysis would encourage districts to look more closely at arrangements available under joint powers agreements.

Chairman Freborg called on Mr. Jerry Coleman, Department of Public Instruction, who presented testimony regarding transportation payments to school districts. Mr. Coleman distributed a document entitled *Transportation Routes 2003-04*. The document is attached as Appendix D. He said the statutes used to provide separate rates for family transportation, rural transportation, and in-city transportation. In the interest of consolidating paperwork, he said, all of the reporting is now done on a route basis. He said DPI collects the number of routes and asks that school districts identify each route as extended year, family, in-city, rural, special education, vocational education, or other. He said followup calls are made to school districts if the data looks unusual or potentially inaccurate. He said DPI also now asks for maximum ride time per student.

In response to a question from Senator Flakoll, Mr. Coleman said Wimbledon-Courtenay identified three family rides with an average of 70 miles per run at a maximum ride time of 45 minutes. He said there is a question regarding the validity of the data, particularly with respect to the average time that it takes to complete a 70 mile run.

Representative Nelson said perhaps we do not need to have districts provide such detailed information if the transportation is just block granted. He said if we leave districts alone, they will find the efficiencies without any help. He said there are numbers that are added to maximize transportation payments. He said

if we allow school districts to go forward and find efficiencies they will do so. He said school districts obviously need the transportation payments. He said perhaps DPI staff time could be spent more constructively on teacher compensation reports rather than on transportation reports.

Mr. Coleman said transportation data is being collected this year to support the data envelopment analysis study and to answer the routine questions that come from policymaking bodies regarding the scope of transportation in this state.

In response to a question from Representative Nelson, Mr. Coleman said DPI assumes that school districts report honestly and accurately. He said if something looks out of place, DPI staff makes an inquiry. He said he would hope that reports are not being padded for reimbursement purposes.

In response to a question from Senator Flakoll, Mr. Coleman said the transportation category known as "other" is left undefined but would include things such as cooperatives, which he said just did not fit into the remaining categories.

Mr. Coleman distributed a document entitled *School District Transportation Expenditure History*. It is attached as Appendix E. He said the document includes a summary of the number of students transported, cost of transportation, and state funding for transportation. He said 43,249 students were transported in 2003. He said these numbers do not include extracurricular transportation.

In response to a question from Representative Herbel, Mr. Coleman said in 1995 there were about 118,000 students in public schools. He said even though the student count has declined by 20 percent, the number of students transported declined by only 8 percent. He said he expects that in-city ridership increased during that period.

In response to a question from Representative Herbel, Mr. Decker said for years we have been making transportation payments on a far less rational basis than the data envelopment analysis. He said this will be a more rational and fair system.

## TEACHER COMPENSATION

Chairman Freborg called on Dr. Wayne Sanstead, Superintendent of Public Instruction, who said he had a staff meeting over the lunch hour and DPI will find the time and readjust priorities in order to provide the teacher compensation data that the committee believes is necessary. He said his staff will do the best they can to clean the data and analyze the information. He said Mr. Decker has agreed to cover the levels of service and to talk about the cost factors that will be entailed. He said he believes that providing the Legislative Assembly with the information it needs is DPI's first responsibility.

In response to a question from Senator Flakoll, Dr. Sanstead said the compensation information will be provided as soon as possible.

In response to a question from Representative Mueller, Dr. Sanstead said the computer program is still available. He said the time commitment comes from the cleaning and analyzing of the information.

In response to a question from Representative Nelson, Dr. Sanstead said the changing of the reporting fields in 2003 caused some difficulty with the information gathering process.

Mr. Decker said there are 212 pages of this year's compensation data on the DPI web site. He said DPI can produce minimum and maximum salaries with relatively little effort. However, he said, the problem is that the fields from last year and this year are not the same. He said any comparison between last year's and this year's data will require manipulation. He said DPI needs to know specifically what the committee wants. He said it sounds as if the committee wants to have Dr. Larson available on a full-time basis to provide answers to whatever inquiries are made regarding data comparisons. He said the data does not get there by itself. He said even with the reduced fields, the data still needs to be cleaned and analyzed. He said that will require a .50 FTE position in DPI.

Representative Sitte said she has the *North Dakota Administrative and Instructional Personnel Data for Public Schools 2003-04*. She said on Table 15 it states that the average teacher salary was \$35,441.

Mr. Decker said DPI has collected total salary information for a long time. He said the teacher compensation data is broken down into much finer detail and in a manner that allows for comparisons in ways that the MIS02 data does not.

Chairman Freborg called on Mr. Doug McCrory, Director, Management Information Systems, Department of Public Instruction, who said if the committee wants to continue with the full level of information that it received last year, including all the cleansing of data, it would take a .50 FTE position. He said that would require \$50,000 a year, including salary and benefits. He said if the committee wants a lower level of information, that would reduce the workload and the compensation requirements. He said those are the figures that he came up with over the lunch hour. He said he could present more detailed information to the committee at its next meeting.

Chairman Freborg said the committee would like to have a presentation regarding how much it would cost to produce the information it wants and to maintain that information into the future.

Representative Hawken said there are approximately 8,000 teachers in the state. She said what she has heard is that once the information is entered, all that needs to be done is to change the information from what it was the previous year. She said there is no need to know all of the information that was presented last year. She said there is a need to know the minimum and maximum salaries for a district. She said even at that we are still not going to know

whether a district has a high number of degreed people or whether that district puts more on the base. She said we are never going to have it perfect. She said the committee needs to determine what information it wants and in turn relay that to DPI. She said perhaps the individual committee members want or need different things. She said it seems that once the information is placed into the system all that needs to happen is the changing of the information and that should not take a full-time position.

Mr. McCrory said DPI is relying on school districts and employing only the minimal level of validation provided by computers. He said last year much of Dr. Larson's time was devoted to cleaning up, auditing, and validating the data as well as correcting input errors.

In response to a question from Representative Nelson, Mr. McCrory said it took Dr. Larson approximately three months to validate and cleanse the data. He said Dr. Larson worked with the schools as the data was submitted. He said he compared the data to Education Standards and Practices Board data and validated it. He said while having fewer cells should appear to generate less work, the reality is that having changed the cells, the ability to compare last year's and this year's data was removed. He said it would be similar to comparing apples and oranges because the fields have changed.

Representative Delmore said last year's report had much more information than was needed or wanted and it was very cumbersome for districts. She said she believes the same data could be compared and it should be easier to pull out because of the fewer cells.

Mr. McCrory said that is true so long as the field definitions for the specific cells has not changed. He said if two cells have been combined into one, then comparisons can still be made.

Senator Flakoll said he would like to see the minimum and maximum salaries, average salaries, benefits, and total compensation, both for each district and for the state. He said that way he can compare the total compensation in a school district from one year to another. He said the data is also needed for negotiation purposes. He said the total compensation per contract is also interesting.

## **SCHOOL DISTRICT DEMOGRAPHICS**

Mr. Decker presented testimony regarding demographic changes. He distributed a document entitled *North Dakota School District Enrollment Projections*. The document is on file in the Legislative Council office. He said the eight largest districts enroll 50 percent of the students and the remaining 205 districts enroll the other 50 percent of all students. He said while even the eight largest districts are declining in enrollment, it is at a slower rate than the smaller districts.

Mr. Decker said the best of all possible worlds would give us 89,980 students in 2014. He said that means no transfers and no dropouts. He said a more accurate figure uses the cohort survival projections and anticipates 81,531 students in 2014. He said a greater percentage of change is likely in smaller school districts. He said if one or two families move in or out of a small district, the resultant percentage change is significant. He said DPI's projections have been very accurate over the last several years.

In response to a question from Senator Freborg, Mr. Decker said there is now a higher level of belief regarding the demographics than there was only a short time ago. He said during the 2003 legislative session, a bill was enacted which required school districts to engage in long-term planning. He said that bill forced school districts to take some long, hard looks at the facts and at their demographics.

In response to a question from Representative Kelsch, Mr. Decker said the numbers regarding Grand Forks indicate a student decline as well. He said it is possible that as development occurs in the larger cities, families with children might be attracted. He said although we are seeing a lot of building growth, we are also seeing decreasing family sizes.

In response to a question from Representative Mueller, Mr. Decker said asking school districts to discuss early on what their futures look like would be helpful. He said these discussions have had a serious impact on the planning process.

Mr. Decker distributed a document entitled *ND HS Enrollments (2003-2004)*. The document is attached as Appendix F. He said many school districts will have to look at regional efforts such as joint powers agreements to get the services they need. He said there are relatively few school district reorganization discussions underway.

In response to a question from Senator Lee, Mr. Decker said joint powers agreements are very effective. He said the Roughrider joint powers agreement in southwestern North Dakota is now considering development of a comprehensive regional transportation system that would include school systems. He said approximately 25 districts in the Jamestown and Valley City area are pursuing a joint powers agreement.

In response to a question from Representative Herbel, Mr. Decker said the Valley City Public School District and the St. Thomas Public School District both show growth that is unexpected. He said he would suspect that the data should be examined for accuracy and reliability.

In response to a question from Representative Kelsch, Mr. Decker said the oldest joint powers agreement was entered into three years ago. He said the data showing the impact of joint powers agreements in classrooms are not yet available.

Representative Kelsch said she is concerned that joint powers agreements are precluding some consolidations that perhaps need to happen.

Mr. Decker said joint powers agreements were designed to provide services, not to encourage school district reorganization. He said curriculum mapping and staff development are services that joint powers agreements can provide.

Chairman Freborg called on Ms. Bev Nielson, North Dakota School Boards Association, who presented testimony regarding long-term planning by school boards. Ms. Nielson distributed a document entitled *School Board Required to Prepare Long-Range Plans*. The document is attached as Appendix G. She said when completed the document includes demographic data that school boards can use and share with their communities. She said it includes enrollment projections and history; general fund revenues, expenditures, and balances; expenditures per student; mill levies; and course offerings. She said demographics will cause school districts to have conversations with their neighbors, as will the No Child Left Behind Act, requirements for teachers, and requirements for courses. She said school districts are taking the directive to have community meetings and planning initiatives very seriously. She said school districts can no longer avoid looking at how they are going to meet the new federal and state requirements. She said the districts are trying their best to evaluate themselves and work with their neighbors.

In response to a question from Senator Lee, Ms. Nielson said the long-term planning meetings tend to involve those with a vested interest. However, she said, the statutory requirement is new and she expects that communities will get into the mode of having to hold their planning meetings. She said perhaps that will increase participation.

## **SCHOOL DISTRICT WEIGHTING FACTORS**

At the request of Chairman Freborg, Mr. Coleman presented testimony regarding weighting factors. He distributed a document entitled *Foundation Aid Pupil Weighting Factors - 2004-05 Simulations - Adjust Rate*. The document is attached as Appendix H. He said the weighting factors are built on historical costs. He said at the last meeting of this committee he was asked by a committee member to reconfigure the weighting factors so no student would be counted as less than 1.0. He said the document shows what the weighting factors would look like if no new funding were included and every factor was weighted at least as 1.0. He said if he restated the weighting factors based on their relation to the state average and further provided that no weighting factor category would be less than 1.0, it would require an additional appropriation of \$3.9 million.

Mr. Decker said this is an arbitrary adjustment of the weighting factors. He said it puts additional money into some schools with no rational basis.

### **SUPPLEMENTAL PAYMENTS**

Chairman Freborg called on Mr. Coleman to present testimony regarding supplemental payments. Mr. Coleman distributed a document entitled *NDCC 15.1-27-11 High School Districts - Supplemental Payments*. The document is attached as Appendix I. He said the document shows all of the school districts that at one point or another were eligible for supplemental payments under North Dakota Century Code Section 15.1-27-11. He said this year 45 school districts are eligible to receive supplemental payments, and next year that number will increase to 49.

Mr. Coleman said if a district is levying less than 140 mills, the difference between its levied amount and 140 mills is deducted from its state aid payments. He said almost \$400,000 will be recovered through the 140-mill deduct requirement. He said the school districts that are now receiving a supplemental payment can expect approximately a 15 percent increase in their supplemental payments.

Mr. Coleman said under the current language, a school district either meets the eligibility requirements or it does not. He said there is no gradation for districts that come close.

### **SCHOOL DISTRICT ENDING FUND BALANCES**

Chairman Freborg called on Mr. Coleman to present testimony regarding ending fund balances. He distributed a document entitled *School District Ending Fund Balances - General Fund*. The document is attached as Appendix J. He said next year 26 school districts will be affected by the 50 percent ending fund balance cap. He said at the current level of 75 percent, only nine school districts are affected.

Mr. Coleman handed out a document entitled *School District Ending Fund Balance History*. The document is attached as Appendix K. He said the document shows school district ending fund balances since 1995.

### **ADMINISTRATIVE COST PER STUDENT**

Mr. Coleman distributed a document entitled *School District Administrative Cost Per Student*. The document is attached as Appendix L. He said this information is available in the DPI publication *School Finance Facts*.

In response to a question from Senator Cook, Mr. Coleman said newly hired school district business managers receive assistance from DPI staff and from the school district business managers' organization. He said the Council of Educational Leaders occasionally provides training programs.

### **STUDENT RESIDENCY DETERMINATIONS**

Chairman Freborg called on Mr. Bob Rutten, Director of Special Education, Department of Public Instruction, who presented testimony regarding school district residency determinations. Mr. Rutten's testimony is attached as Appendix M. He said the state reimbursement for the excess educational costs of students placed for noneducational purposes limits the financial responsibility of a student's school district of residence to the state average educational cost per student, which is \$6,105. He said if a student's placement is for a purpose other than "noneducational," North Dakota Century Code Chapter 15.1-32 limits the financial responsibility of the student's district of residence to approximately 2.5 times the state average educational cost per student or \$15,261, plus 20 percent of the remaining cost.

Mr. Rutten said the issues start when students are placed in the foster care system and the family is transient. He said some school districts receive billings for students they have never heard of simply because one of the parents listed an address that was in the school district at the time of placement. He said verification is often very difficult because many transient families use just a mailbox as an address.

Chairman Freborg called on Mr. Mike Ahmann, Special Education Director, Bismarck Public Schools, who presented testimony regarding student residency determinations. Mr. Ahmann's testimony is attached as Appendix N. He said this year 169 students from Bismarck are placed outside the school district for noneducational purposes. He said 49 of those are special education students. He said 122 students from other school districts are placed in Bismarck for noneducational purposes.

Mr. Ahmann said when a placing agency does not notify a school district of a placement, there is no penalty. He said often the tribal court on the Standing Rock Reservation fails to notify school districts of placements. He said often placing agencies fail to notify school districts of subsequent student moves.

Mr. Ahmann said about 100 children with developmental disabilities are in group homes or at the Anne Carlsen Center.

Mr. Ahmann said North Dakota Century Code Section 14-10-05 provides that no person other than the parents may assume the permanent care and custody of a child unless authorized to do so by an order or decree of a court having jurisdiction, except that a parent, upon giving written notice to the Department of Human Services, may place that person's own child in the home of the child's grandparent, uncle, or aunt for adoption or guardianship by the person receiving the child. He said the child must be considered abandoned if proceedings for the adoption or guardianship of the child are not initiated by a relative within one year following the date of notice of placement. He said the law further provides that no

parent may assign or otherwise transfer the parent's rights or duties with respect to the care and custody of the parent's child. He said this section does not affect the right of the parent to consent in writing to the legal adoption of the parent's child, but the written consent does not operate to transfer any right in the child in the absence of a decree by a court having jurisdiction.

Mr. Ahmann said in the 1932 case of *Anderson v. Breithbarth*, the court ruled that a child may have a residence for school purposes distinct and separate from the domicile of the parent. He said the court went on to point out that this interpretation would not permit any child to come into a school district merely for the purpose of obtaining school privileges. He said since that case was decided, the Family Educational Rights and Privacy Act (20 U.S.C. § 1232g) was passed. He said if a student lives with a relative, Family Educational Rights and Privacy Act prohibits the sharing of any educational information with that student's relatives.

Mr. Ahmann said 84 homeless children are enrolled in the Bismarck Public School District. He said the district is having problems with parents who do not reside in the district and with developmentally disabled students who are placed in group homes, often without the knowledge of school district officials. He said after divorces parents often have joint custody. He said transient parents are hard to track. He said the placement of students with relatives is a significant problem.

Mr. Ahmann said if parental rights are terminated or if the parent leaves the state after placement, the state assumes financial responsibility for the child. He said North Dakota is the only state that assumes such responsibility when the child's parents no longer reside in the state. He said our law is silent when students from other states are placed in foster care in this state.

Mr. Ahmann said determining the appropriate school district of residence for purposes of financial arrangements is a significant concern. He said many students require special education services and this is a burden that is being placed on the taxpayers of a district.

In response to a question from Representative Kelsch, Mr. Ahmann said federal law identifies homelessness as having no permanent residence, i.e., living in a hotel or in a car or living with a friend. He said the Ruth Meiers organization has a waiting list of 35 families.

In response to a question from Representative Williams, Chairman Freborg said the Legislative Council staff should work with Mr. Rutten to draft a bill addressing the issue of student residency determinations and the draft should be presented to the committee for consideration.

## TEACHER COMPENSATION

Chairman Freborg called on Ms. Nancy Sand, Director of Advocacy Programs, North Dakota Education Association, who presented testimony regarding teacher salary data. Ms. Sand distributed a document that is a January 12, 2004, final report presented to the North Dakota Education Association Board of Directors. The document is attached as Appendix O. She said the document provides the minimum salaries available to incoming teachers this coming year. She said the document shows increases following the 2001 legislative session, when teacher compensation legislation was enacted. She said at the end of the 2001 school year, there was a significant increase in base salary. She said most of the school districts put the extra teacher compensation money into their salary schedules, even though they could have put it into their costs or bargained it for benefits. She said in 2003 the Legislative Assembly required school districts that received more in state aid than they had the previous year to use 70 percent of the new money for teacher compensation. She said because of declining enrollment, there were some school districts that did not receive increased funding. She said the Legislative Assembly has never failed to increase funding for education, but because of declining enrollment some school districts do not receive new money.

Ms. Sand said the average salary listed is the figure that the North Dakota Education Association chooses to use. She said that is the one that comes out of the document entitled *Administrative and Instructional Personnel*. She said that is the classroom teacher average salary. She said the North Dakota Education Association uses this figure because it is the earliest one available from DPI. She said it comes from the MIS03 forms.

Ms. Sand said after the 2001 legislative session, a little increase was noted. She said the 2003-04 average salary increase surprised her. She said she thought it would have been less than \$1,500, and she is trying to figure out why it was that high. She said she found out that Fargo bargained the Teachers' Fund for Retirement (TFFR) money back into the salary schedule. She said the base salary increase from Fargo between last year and this year was a huge number. She said Fargo's base salary increase between this year and next year is more normal. She said she believes that what happened in Fargo, given the number of teachers it employs, affected the average base salary numbers.

Ms. Sand said at the time of Measure 6, the North Dakota average salary was at 90 percent of the national average. She said after that funding and revenues changed, and during the 2000-01 school year, North Dakota was at 71.3 percent of the national average. She said when money was dedicated to teacher compensation, North Dakota gained a little on the national average. She said other states have the

same concerns as North Dakota in terms of the teacher shortage and they are also trying to recruit and retain teachers by putting money into compensation.

Ms. Sand said the last page of the handout is a table of contents for a document that is compiled by the North Dakota Education Association, based on a survey given to school district business managers. She said the North Dakota Education Association's selection of benefits includes insurance, TFFR, and any annuity that is not in lieu of insurance such as life insurance or long-term disability. She said it includes a limited number of insurance and benefits that the North Dakota Education Association requests from the districts. She said she is confident that the insurance information is very accurate. She said the average salary information is what they get. She said it takes time to get this information together. She said if the number looks reasonable; she assumes it is accurate. She said if the number does not appear to be accurate; calls must be made for verification.

In response to a question from Representative Hawken, Ms. Sand said her figures show only teacher salaries and not total teacher compensation.

In response to a question from Representative Galvin, Ms. Sand said North Dakota has not moved out of 50th place with respect to teacher salaries.

Representative Galvin said there must be some districts that are not far from the national average. He said that could also mean there are some districts that are well below the national average.

In response to a question from Representative Galvin, Ms. Sand said the national average for 2002-03, using National Education Association figures, was \$45,930. She said the highest national salary report to the North Dakota Education Association for this year was \$45,518. She said that is salary only.

In response to a question from Senator Flakoll, Ms. Sand said the institution of a minimum salary had something to do with the recent increases. She said all of the school districts that were below the statutory minimum salary in 2001-02 raised their minimum salaries. She said the following year not all districts repeated that because they did not have to. She said if a district's base was \$20,000, but the district did not have anyone paid that, the district did not have to raise its base. She said setting a minimum salary made a difference for quite a number of teachers in the state.

Ms. Sand said she will provide to Mr. Decker information on the minimum on the salary schedule, the actual maximum amount that a teacher with a bachelor's degree could earn on the schedule, a minimum for a beginning teacher with a master's degree, the maximum that a teacher with a master's degree could earn on the schedule, and the salary schedule maximum. She said she will also provide information on longevity pay and benefit information. She said the

average salary and benefit figure is added together and she said the North Dakota Education Association chooses to call that total compensation. She said that is not the total cost to the district, but it is what teachers view as their compensation.

In response to a question from Chairman Freborg, Ms. Sand said these are nine-month salaries not 12-month salaries. She said when the North Dakota Education Association asks for average salaries, they mean the average salaries of the individuals who are covered by the negotiated agreements. She said when compensation reimbursement dollars are distributed, they are distributed to some individuals who may or may not be covered under the negotiated agreements. She said who is going to be covered is a local decision.

In response to a question from Representative Mueller, Ms. Sand said when she added the statewide average salary of \$35,441 to the average calculations that the North Dakota Education Association has for the benefits that they chose to include, they came up with a state average compensation of \$40,378. She said they have 32 districts that exceed that. She said when they asked about health insurance, they included the benefit for a family policy. She said this information is historical and has been compiled for years.

Ms. Sand provided a copy of a document entitled *Analysis of Teacher Salary and Benefit Information in ND Schools for the 2003-04 School Year*. The document is on file in the Legislative Council office.

Ms. Nielson distributed a document entitled *2003-04 Educational Salary Survey*. The document is on file in the Legislative Council office. She said the North Dakota School Boards Association is interested in keeping the salary information simple. She said the North Dakota School Boards Association does not compile its salary schedule to prove or disprove anything, and it is not prepared for the information of legislative committees. She said board members, when they go into negotiations, like to see the range of salaries and where their district ranks.

Ms. Nielson said one needs to ask how many contract days teachers have. She said if one wants to compare salaries, one needs to know how many days employees have to work. She said in some districts it is 193 and in some it is 183. She said that makes a difference in salaries.

Ms. Nielson said the North Dakota School Boards Association asks for salary information on full-time employees only. She said the association does not take a half-time employee's salary and double it. She said that can skew the numbers. She said the association wants to know only what full-time, nine-month teachers make. She said the association also asks what are the minimum and the maximum full-time salaries on the salary schedule. She said a district may not have a teacher at those levels but should it hire an individual during the year, the district will obligate its resources.

Ms. Nielson said next the North Dakota School Boards Association asks what is the maximum dollar value available in the master agreement for a full-time teacher with all benefits. She said TFFR is excluded because that number is available from another source. She said the association knows what percentage of an employee's TFFR is paid by the district. She said some districts also pay Social Security. She said that impacts resources as well. She said this year, the association also asked if any boards utilized signing bonuses.

Ms. Nielson said when one talks about comparing school district salaries, it is important to remember that DPI reports the minimum salary being paid to a teacher. She said if a district does not have a first- or second-year teacher, the district's minimum salary will be whatever it is currently paying its third-year teacher. She said salary schedules are all different. She said some school districts did not hire a first-year teacher because if they had to pay the minimum salary required by statute, they would be obligated to bump their salaries all the way up the schedule. She said one cannot change the base in most salary schedules without bumping everybody up and doing so costs tens of thousands of dollars. She said the minimum base was not funded as the FTE payments were.

Ms. Nielson said the master negotiated agreement in a school district includes salaries but that is just one component. She said the master agreement includes other forms of compensation in addition to insurance and annuities. She said master agreements also include other benefits that are negotiated locally. She said in some districts teachers want three additional personal days. She said that costs money. She said money is needed to pay for substitutes. She said that comes out of money for salaries. She said in other districts teachers want two additional emergency days. She said some want to be able to bank up to 110 sick days. She said that all costs money and it all comes out of what would otherwise go to salaries. She said when the state intervenes in the negotiation process but only on behalf of the teachers and only with regard to salaries, while still requiring the boards to honor all of the other clauses in the negotiated agreements, it leaves districts in the position of paying higher salaries and paying for the other negotiated benefits that had in the past been negotiated in lieu of salaries. She said the only fair way to address salary levels is to have one negotiated master agreement applicable to all school districts. She said then one would not be comparing apples to oranges in 200 plus school districts.

Ms. Nielson said the current teacher compensation legislation bastardizes the negotiation process.

Representative Williams said he wonders if a state teacher's salary would be fair. He said in the Wahpeton system there are an average of 21 students in a class. He said the average teacher

has a classload of 136 students a day. He said in the Fairmont Public School District, the average class size is 6 to 11 students. He said class preparation and correcting tests amounts to a different workload. He said if a state salary schedule were instituted, a teacher in Wahpeton would have the same salary as a teacher in Fairmont.

Ms. Nielson said one cannot compare teacher salaries across various school districts because there are different loads. She said there are also different benefits and different communities with different costs of living. She said it is not fair to institute a state salary schedule.

Representative Williams said the Legislative Assembly set the base salary. He said it is up to the local districts to determine how many steps and lane changes should be in their schedules. He said the larger school districts would be expected to go higher than the smaller districts. He said he does not understand why a minimum salary is a problem.

Ms. Nielson said the problem is that the Legislative Assembly decided on a minimum salary and the boards were left with trying to negotiate changes to their salary schedules. She said teachers wanted the minimum salary and the salary schedule. She said there have been protracted negotiations and some impasses. She said it is not appropriate to have a third party intervene in a two-party negotiation. She said the minimum base salary requirement did bump schedules.

In response to a question from Representative Williams, Ms. Nielson said the teachers always get all of the new state money. She said the minimum salary that was set by the state was not separately funded. She said whether a district received more or less in state aid did not make a difference. She said each district was required to incorporate the minimum base salary into its schedule.

Representative Mueller said he understands the argument that the minimum base salary created a burden for school districts. He said the committee was also given information indicating that the ending fund balance of school districts increased by \$5 million.

Ms. Nielson said rather than looking at ending fund balances, one should look at what a district's unencumbered funds are on December 31. She said districts hold money to get through the first months of a new calendar year. She said districts need money in reserves. She said smaller districts need 40 to 50 percent in reserves to address emergencies. She said larger districts need money to make it through the summer and into the fall.

Representative Hanson said when the Legislative Assembly set the minimum base salary, there were very few school districts that were under that level and those that were had sufficient resources in the bank. He said he does not believe that setting the minimum base salary created a problem.

Chairman Freborg adjourned the meeting at 4:00 p.m.

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L. Anita Thomas  
Committee Counsel

ATTACH:15