

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EDUCATION COMMITTEE

Monday, December 1, 2003
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, Thomas Brusegaard, Lois Delmore, Pat Galvin, C. B. Haas, Lyle Hanson, Gil Herbel, Bob Hunsakor, Dennis Johnson, Lisa Meier, David Monson, Phillip Mueller, Jon O. Nelson, Mike Norland, Margaret Sitte, Clark Williams

Members absent: Representatives Kathy Hawken, RaeAnn G. Kelsch

Others present: See Appendix A

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

Chairman Freborg welcomed Senator Triplett to the committee.

WEIGHTING FACTORS

Chairman Freborg said the meeting would consist of a discussion of the various components of elementary and secondary education finance in this state. He opened the floor to discussion of weighting factors.

Representative Monson said, with respect to the weighting factors, he has always wondered how one can apply a weighting factor of less than 1.0 to a student. He said he hopes that the weighting factors come out fairly for most school districts.

Representative Williams said he wonders how many school districts ended up with less revenue per student and how many ended up with more revenue per student as a result of actions taken by the 58th Legislative Assembly.

Representative Mueller said we need to have a breakdown of student enrollment which is based on declining enrollment and a breakdown that is not based on declining enrollment.

Representative Boucher said we seem to believe it is the small schools that are impacted the hardest. He said that is not accurate. He said the schools that suffered equally are the larger Class B schools and the smaller Class A schools. He said we know we need to address declining enrollment. However, he said, it is not always the small schools and the

inefficient schools that are losing money. He said we know that a large number of schools will receive less money as a result of the 2003 legislative session.

Representative Monson said we have used weighting factors based on the actual cost of education per group. He said the only scientific basis that we have for assigning weighting factors is the cost of education. He said that is the best we have been able to do so far.

Representative Herbel said he wonders what would happen if the weighting factors were eliminated from the formula.

In response to a question from Senator Freborg, Mr. Tom Decker, Director, Finance and Organization, Department of Public Instruction (DPI), said whether to eliminate the weighting factors is a very complex issue. He said there are many aspects to equity. He said the weighting factors are based on cost history. He said the most frequent discussion we have is whether the groups should be changed. He said if we do away with all of the weighting factors, we will have to compensate in some other fashion for the disparities in school size.

Representative Williams said he wonders whether the current mill levy deduct increases or decreases equity.

Mr. Decker said the current mill levy deduct does not equalize to the level that it needs to. He said one of the things that could be done is to do away with the mill deduct and require a minimum levy. He said the other problem is there are large amounts of money outside of the formula.

Senator Freborg said the vast majority of other states control their property taxes. He said the states collect the taxes and then redistribute them.

Representative Haas said during the 2003 legislative session the weighting factors were adjusted so we would be at 100 percent of the five-year average cost of education per category. He said it will be interesting to see how that affects the various school districts. He said if a district has low taxable valuation per student, its ability to raise funds and alter its five-year average cost becomes more difficult.

Representative Monson said he wonders if there would be merit to looking at a 7- or 10-year average cost of education.

Mr. Decker said five years is a reasonable period of time over which to spread the cost. He said we may want to look at the categories within the cost weighting system. He said he does not believe that cost weighting by itself is a problem. He said the law defines what can be included in the cost of education and that provides a fair look at incurred costs.

Mr. Decker said a district that has an unlimited taxing ability tends to pull up the cost of the group but that affects just the group and not every district across the board. He said the Legislative Assembly could introduce artificiality into the groups to address districts that are significantly over or under the group average.

Senator Flakoll said he wonders whether districts share information regarding efficiencies and inefficiencies.

Mr. Decker said DPI does not routinely distribute such information. However, he said, anyone can take the annual publication *Finance Facts* and make that determination. He said some districts that expend more per student have operational settings that call for greater expenditures.

Representative Mueller said he wonders whether school districts allocate funding based in whole or in part on the weighting factors. He said he wonders if the expenditures are self-fulfilling.

Mr. Decker said each school district builds its budget based on its own expenditure philosophies and operational needs.

EQUALIZATION FACTOR

Chairman Freborg opened the floor for discussion of the equalization factor.

Representative Nelson said he understood that the 140-mill minimum levy was not going to be punitive. He said there are school districts that will not be able to reach 140 mills by next year and will consequently incur a financial impact.

In response to a question from Senator Freborg, Mr. Jerry Coleman, Division of Finance and Organization, Department of Public Instruction, said the taxable valuation of school districts should be available by the middle of December 2003. He said the amount by which a district's state aid will be reduced is the amount by which the district's levy is under 140 mills times its taxable valuation. He said the dollars go into a pool to be used for supplemental payments.

Senator Freborg said it was not the legislative intent to require every district to reach this as a minimum levy. He said it was an attempt to equalize the disparities per student.

Representative Monson said a district must levy 140 mills or it loses state payments. He said if a district does not have to raise its levies to 140 mills, that means the district has some extra income or money. He said the people of a district look at it as their money.

Representative Mueller said the problem we have is that state law prevents districts from reaching 140 mills by virtue of the annual 18 percent increase cap. In addition, he said, he understood that school districts were to be given two years to reach the 140-mill level, rather than only one year.

Representative Haas said we could eliminate the 140-mill levy and simply require a deduct of 180 mills.

Representative Nelson said not every school district is able to generate the revenue that would be lost by virtue of the fact that it was levying fewer than 140 mills. He said some school districts that are gaining land because of dissolutions and school districts that are multicounty are incurring difficulties in generating such lost revenue. He said as more consolidations take place more school districts will have difficulty with this provision.

Mr. Coleman said the 140-mill deduct will be applied in the second year of the biennium. He said school districts will have the time to deal with their budgets. He said the difference will be the source of the money.

Representative Williams said we have a year to see the impact of the 2003 legislation. He said if we see how the revenue impacts school districts, we will be able to see where changes need to be made. He said there is a concern the state is putting greater emphasis on property taxes to fund local services.

Senator Freborg said we should also look at whether the 2003 changes are having an impact on equity.

SUPPLEMENTAL PAYMENTS

In response to a question from Senator Freborg, Mr. Coleman said the 58th Legislative Assembly imputed value to county revenues, tuition payments, and federal unrestricted revenue. He said school districts need to meet eligibility qualifications set forth in the law, including valuation and expenditure levels. He said the Legislative Assembly appropriated \$5 million for supplemental equity payments.

Representative Haas said if the Legislative Assembly is going to fully fund districts through supplemental equity, it would need to appropriate another \$5 million to \$6 million.

Mr. Coleman said about 40 school districts presently receive supplemental payments.

Representative Boucher said he wonders if there are records indicating which districts are at, above, or below the statewide averages. He said we also need to know how much disparity is created by local decisions. He said the Legislative Assembly and the local decisionmakers need to work hand in hand.

Mr. Decker said the restricted federal range ratio measures revenue available to school districts. He said to arrive at the ratio, one must rank-order all school districts on a revenue per student basis, then eliminate the top and bottom 5 percent. He said the remaining districts should be within 1.25 percent of

the top and bottom in that remaining group. He said the federal range ratio is a measure of equity which is recognized nationally and is a standard used to determine federal contributions. He said North Dakota is at 1.6, not 1.25.

Mr. Decker said other states and courts have moved away from funding equity and toward results-based adequacy. He said the question is whether a state distributes its dollars in a way that allows all school districts to provide an adequate education. He said the federal range ratio is now a starting point, not an ending point.

In response to a question from Representative Sitte, Mr. Decker said the goal is to meet the educational needs of the state's students, not to distribute the dollars equally.

TEACHER COMPENSATION PAYMENTS

Representative Haas said the definition of a first-year teacher and the reassignment of teachers for purposes of receiving reimbursement are local matters.

Senator Cook said the only way school districts receive their reimbursement under this section is if they agree to use that money for teacher compensation.

Senator Flakoll said he wonders how many full-time equivalent positions were reimbursed during the current versus the previous school year.

ANNUAL MINIMUM TEACHER SALARIES

Representative Herbel said he wonders if all school districts now meet the minimum required salary levels.

Mr. Decker said he is unaware of any district that has not met this level.

Representative Monson said during the 2003 legislative session the Dickinson School District had a lower base salary but paid more benefits.

Mr. Decker said some school districts were bothered that they were paying both portions of teachers' retirement and then being told to meet this minimum salary level as well.

Representative Williams said he wonders whether districts that had been paying both portions of teachers' retirement opted not to continue doing so because of the higher salary requirement.

Senator Flakoll said he wonders if some districts opted to classify individuals as part time in two positions rather than meet the statutory minimum requirements.

Representative Boucher said he wonders if the minimum salary requirement is causing compression of higher salary levels.

Mr. Decker said that is an issue that gets resolved in the negotiation process and not information that DPI receives.

VOCATIONAL EDUCATION

In response to a question from Senator Freborg, Mr. Wayne Kutzer, Director and Executive Officer, Board for Career and Technical Education, said enrollment for career and technical education has remained stable in terms of real numbers. He said there has been a decline in student numbers state-wide. He said offerings have increased through interactive video by about 25 percent this year.

In response to a question from Senator Cook as to whether school districts are transferring additional dollars from career and technical education to areas in which they are being judged under the No Child Left Behind Act, Mr. Kutzer said the concern is out there, but he is not aware of any actual attempts to make such choices. He said every school district in the state recognizes there is a need for career and technical education. He said the No Child Left Behind Act has the same impact on career and technical education as it has on music, arts, and other electives.

Mr. Kutzer said the career and technical education centers offer school districts cost-sharing opportunities. He said during the mid-1970s there were discussions about having school districts work together to provide career and technical education. He said the real challenge was the difficulty in amassing enough students to make it work. He said in the eastern part of the state it is easier to accumulate student numbers within a 30-mile radius.

Mr. Kutzer said the No Child Left Behind Act allows for the alternate certification of teachers. He said we are in the second year of a transition-to-teaching grant.

In response to a question from Representative Williams, Mr. Kutzer said career and technical education centers are reimbursed at the rate of 38 percent versus 24 percent for high school programs. He said when more than one school district gets together, there are resources that can be shared and better utilized. He said the biggest deterrent to participation in career and technical education centers is cost. He said another significant deterrent is distance. He said all of the area career and technical education centers are designed for juniors and seniors. He said that way students' free periods can be used to accommodate travel time.

In response to a question from Representative Monson, Mr. Kutzer said state money has not been appropriated for equipment in the last 15 years. He said technical education is the exception. He said technical education is reimbursed at 40 percent on an apportioned basis. He said there is no reimbursement on the salary side. He said family and consumer science receives a 9 percent salary reimbursement.

Representative Sitte said there are about 27 career and vocational education options available through the Division of Independent Study.

JOINT POWERS AGREEMENTS

In response to a question from Senator Freborg, Mr. Decker said joint powers agreements are functioning in Dickinson, Minot, and Devils Lake. He said another is getting started in the Bismarck area. He said the Bismarck joint powers agreement encompasses about 25 school districts. He said he is unaware of any additional joint powers agreements being started in other areas of the state. He said the \$50,000 incentive provided by the 58th Legislative Assembly is insignificant in the decision of districts to form joint powers agreements. He said the existing joint powers agreements are seeing the value of collective function.

In response to a question from Senator Freborg, Mr. Decker said Dickinson and Devils Lake are qualified for the reimbursement provided by the 58th Legislative Assembly. He said he does not know about the Bismarck joint powers agreement.

Representative Boucher said it appears that the joint powers agreements are now centered around large school districts. He said it appears they are coming together for certain benefits but still trying to maintain their own autonomy. He said he wonders if there is any movement toward consolidation or cooperation by the joint powers agreements. He said he wonders if we are moving and creating informal, loosely bound efforts rather than committed efforts geared toward reorganization with an ultimate goal of creating a more efficient educational delivery structure.

Mr. Decker said joint powers agreements are not and should not be thought of as future consolidation efforts. He said Bismarck belongs to the Missouri River joint powers agreement, as do a lot of other districts. He said the Bismarck School District needs certain kinds of services they cannot justify having by themselves. He said examples include data interpretation, teacher development, and curriculum specialists. He said there are many services that can be shared, such as substitute teacher pools. He said he does not believe that joint powers agreements will have the effect of delaying consolidation. He said when the opportunities arise to share administrators, the joint powers agreements are in a position to provide that, too.

Mr. Decker said McClusky, Goodrich, Drake, and Anamoose were discussing consolidation but that discussion has stopped. He said North Dakota is not making progress on consolidation. He said we have 211 operating districts out of 213 and over 100 districts now have fewer than 100 students. He said the administrative costs in those districts are approaching \$1,000 per student per year.

Senator Flakoll said the benefits of joint powers agreements are recognized in smaller school districts. He said even larger school districts can benefit by using joint powers agreements for activities such as reducing their insurance rates.

In response to a question from Representative Nelson, Mr. Coleman said DPI anticipates a reserve of approximately 1 percent.

Representative Nelson said the 58th Legislative Assembly provided that the joint powers agreement funding come out of the contingent payments.

NONOPERATING DISTRICTS

In response to a question from Senator Freborg, Mr. Decker said the two Air Force bases are permanent nonoperating districts. He said relatively few districts choose to be nonoperating. He said it costs more for a district to pay the full cost of sending its students to another district than it does to dissolve. He said the districts that choose to be nonoperating for a year tend to be those that have a lot of taxable wealth.

Mr. Decker said North Dakota Century Code Section 15.1-27-33 allows a district to be nonoperating for three years. He said a district needs to commit to not ever reopening its school. He said the state aid that the district receives is the flat level and it must pay the full cost of education for every student that resides in the district. He said the Butte School District has done this in the past. He said the Mantador School District is looking at this now. He said school districts could not even consider this unless they have a high valuation per student.

Mr. Decker said many districts like Mantador already have a significant number of students open enrolled or otherwise attending other districts. He said under this section the board would have to pay the full cost of education regardless of whether the students are open enrolled and regardless of whether they are elementary or high school. He said if a district is a low tax district, it will be able to maintain that low tax rate for three more years.

Representative Williams said Mantador has the option of reorganizing or becoming nonoperating.

Mr. Decker said Mantador could become nonoperating for one year and pay tuition or it could become nonoperating for three years and pay the full cost of education. He said it could also dissolve.

GENERAL DISCUSSION

Representative Nelson said this is exactly the problem that some districts are being faced with after the third year. He said Butte is one that was parceled out. He said Velva took in 160 sections of land in the dissolution. He said prior to that they were over the 140 mills. He said now with all the extra land, the district bumps up against the 140-mill levy. He said he thought such anomalies should be addressed with time within which the board could make the transition to 140 mills.

Mr. Decker said the districts that received land from Butte knew for some time how much land they would get. He said they had the time to make arrangements. He said the Butte School District

suffers from good fortune. He said the district received a lot of land--a lot of taxable value--and very few students. He said that means the district needs less money from the state.

Representative Nelson said if there is a bar in the statutes, most school districts will hover right around that tax level. He said numbers such as valuations are hard to pinpoint. He said the valuations are not available until mid-December. However, he said, school boards have to make decisions regarding their mill levies in October. He said the boards are trying to practice fiscal responsibility. He said we give nonoperating districts three years. He said that is what we should be looking at when we add components to the funding formula. He said this would enable school districts to be fiscally responsible over a longer period of time.

Mr. Decker said if there is anything DPI can do to help districts plan for the level of valuations, DPI will be glad to do that.

Representative Williams said he believes all property should be part of an operating district. He said we are also on a trend in which we are becoming overly reliant on property taxes and spending fewer state dollars on education.

Mr. Decker said the percentage of dollars that come from state sources versus local sources has declined since the 1980s. He said when one looks around the country, North Dakota property taxes are not deemed to be as high as those of other states.

Representative Monson said he wonders if we are reaching equity by going to a higher mill deduct.

Mr. Decker said having a minimum floor on a mill levy is preferable to having a number of districts levying much lower levels. He said only a small number of districts and a small number of students are affected by the 140-mill deduct.

Senator Freborg said the districts that are at 30 mills or 140 mills should not be complaining about property taxes. He said we have districts that are at 320 mills.

Mr. Decker said the low tax levy is preventing things from happening in many districts. He said it is driving the decisionmaking for education in ways that do not provide equity and in ways about which the Legislative Assembly should be concerned.

Representative Mueller said there are some real problems with depending on property taxes as we do. He said reliance on property taxes assumes that because one owns property, one is able to pay taxes. He said until we are able to figure out how we can become less reliant on property taxes or make them a little more fair, we are going to continue discussing this issue.

Senator Flakoll said he wonders if a district can pay two half-time teachers rather than one full-time teacher and beat the system.

Dr. David Larson, Management Information Systems, Department of Public Instruction, said

districts can reduce all full-time equivalent positions to .99 and not have to pay the minimum salary level.

Dr. Larson said the Legislative Assembly did not provide funding for a staff person to manage the \$53 million appropriated to teacher compensation and he has been reassigned to another position. He said the last district, Twin Buttes, reported its teacher compensation claim last Friday. He said the report was due on September 15. He said approximately 105 districts had not completed the report the week before October 1, the date of the first payment. He said some districts have superintendents who are computer literate and work with computers every day. He said other districts have superintendents who prepare certain reports on the computer and then do nothing on the computers until the next year. He said they tend to have a large learning curve.

Representative Boucher said school districts budget a certain number of dollars for salaries. He said if the bottom salary category requires more of those dollars, he wants to know what is happening to the upper categories. He said he wonders if the schools are in fact paying less for teachers who have higher education levels and experience.

Dr. Larson said he has not done that type of analysis. He said he has seen a real disparity in the payment of teachers who have advanced degrees. He said he has heard teachers say there is no need to pursue a master's degree because they will not be paid for that activity.

Representative Sitte said there are two schools of thought on the compression issue. She said Jennifer Montgomery, a former North Dakota teacher of the year, actually advocates for compression. She said some believe compression is a way to attract and keep young teachers in the state. She said some believe the steps should address teaching quality, as opposed to merit pay. She said we need to question whether one is a better teacher after 25 years than after 10 years.

Dr. Larson said he has not done any research on the long-term effects of such a concept.

Representative Monson said we could talk a long time about what we could and should do. He said one of the things we need to look at is what we can do within the present formula to make certain that we do not have the courts take over our education funding system.

Representative Sitte said money does not mean that student learning will take place. She said we need information regarding what would be achieved under a results-based funding system.

Senator Cook said any concern about which teaching trends are being followed and which teacher continuing education opportunities should be made available are local decisions. He said we depend on the local school boards to make a lot of decisions. He said short of micromanaging there is not much that we can do at the state level.

Representative Mueller said every new thing that we do in this country is an experiment. He said we are always looking for a better way. He said it would be in error to suggest that research and experimentation is not appropriate.

Representative Boucher said we need to define equity and adequacy. He said he has heard a thousand and one definitions of both. He said we realize that we need change. He said we should not fool ourselves by thinking that what we do in the next one to two legislative sessions will work over the next 20 to 30 years. He said we have experienced demographic changes and educational changes that demand an open-ended strategy. He said we are going to have population shifts, taxation issues, and fiscal shifts that will require us to revisit how we fund education. He said we need to develop a strategy that will allow us to fund education equitably and adequately.

Representative Boucher said there are many differing opinions regarding the use of property taxes. He said we need to look at incentives for school districts to develop efficiencies. He said he hopes during the course of this committee's work ideas will be put on the table and examined. He said he hopes we do not walk away from certain issues because they might elicit negative feedback.

Senator Freborg said what we do in one legislative session might not be appropriate in 10 years. He said during every legislative session amendments are enacted. He said because of changing times there is no one perfect fix.

Senator Cook said we should all agree the one way to solve our inequities in the existing formula is to raise our mill deduct. He said we also know this creates winners and losers. He said the whole issue surrounding equity is some are paying more than they should and there are those that are not paying enough. He said we made a small step during the last legislative session and we went in the right direction.

Senator Flakoll said equity is sometimes looked at in terms of what it does for me. He said one of the things we should look at is the local contribution per resident. He said we know many people think they pay too much, but we do not know how much each is paying.

Representative Herbel said since his district is involved in the lawsuit he follows funding inequity and its effects very closely. He said when his district can raise only \$4,200 per student while other districts can raise and spend \$16,000 per student, that is not equitable. He said we need to talk about where the money is coming from to address such situations. He said 140 mills when the average is 185 is not a large step. He said a mill deduct increase of two mills per year is not a large step. He said we cannot continue to operate as we have been. He said he expects the courts will tell us that. Coming from an area in which

the Association for Retarded Citizens had significant impact, he believes we need to get off the dime and move further toward equity because if the courts take control of the situation, there will not be enough money to address it.

Representative Monson said he wonders if the committee will recommend just enough to avoid a negative court outcome or if it will look at long-term methods to address each item on the agenda.

Senator Freborg said if the courts intervene in our education funding, not only will there be not enough money, there will be no one who is happy. He said the difficulty is we have taken only small steps. He said the votes have not been there to pass amendments that would move us toward equity. He said we all talk about doing it but we look at how things impact our own districts and if that is negative, we look for alternatives.

Representative Williams said we need to evaluate the impact of the 2003 legislative changes on our school districts. He said we need to see the effects of declining enrollment and we need to look at the local tax efforts. He said we need to do this before we move forward.

Senator Freborg said there were printouts in the last legislative session that showed what would happen if various pieces of legislation were enacted.

Senator Triplett said in order to move to the next level we need to believe that all of the children of the state are our children and that they deserve a good education regardless of where they live. She said she grew up in Renville County and the quality of education she received ended up not benefiting the people of Renville County but rather the people of Grand Forks County. She said education is a statewide issue.

Senator Freborg said we have one school district with 321 mills and one with 127 mills represented on this committee. He said both are trying to educate their children. He said the district that is levying 127 mills does not want to go to even 200 mills. He said he believes that one taxpayer should not be able to get by with paying only 127 mills while another one is paying 321 mills to educate their children. He said at the last legislative session we were able to take at least a small step toward equity.

Mr. Coleman distributed a document entitled *Per Student Payments*, a copy of which is attached as Appendix B. He said the weighting factors, declining enrollment, and the mill deduct, among others, are all factors that impact the amount of money a school district receives each year.

Chairman Freborg asked Mr. Coleman to prepare a document showing the effects of declining enrollment and the effects of the mill deduct. He said we need to see which districts are suffering and from what.

In response to a question from Senator Freborg, Mr. Decker said last year there were 155 superintendents in the state.

Mr. Decker distributed a document entitled *ND Fall 1st Grade Public and Private Enrollment History*, a copy of which is attached as Appendix C. He said there has been a 34 percent decline in first grade enrollment since 1988.

Mr. Decker distributed a document entitled *ND Fall Enrollments by District/System for 2003-2004*, a copy of which is attached as Appendix D. He said the most dramatic differences between the enrollment in grades 1 through 3 and 10 through 12 are found in the large Class B schools.

Senator Freborg said he wants an enrollment printout covering the next 10 years.

Senator Cook said he would support increasing the mill deduct.

Representative Mueller said he disagrees with increasing the mill deduct.

Senator Freborg said are we interested in trying to provide some equity through the mill deduct.

Representative Nelson said perhaps we need to look at broadening the scope of local effort. He said we talk about inequity and property taxes and yet Mr. Decker pointed out that some school districts are spending \$1,000 per student for administration. He said that is inequitable as well. He said last interim we defeated all the proposals regarding a reduction in the number of school districts. He said those discussions need to be pursued. He said we need to find a way for the losers to continue to exist. He said some of the school districts are losing with respect to everything that the Legislative Assembly enacted. He said if they lose much more, they will not be able to exist. He said we cannot limit ourselves as we have in the past. He said we need to look at other forms of wealth and at other ways of achieving efficiencies.

Representative Boucher said we should not be too quick to eliminate any of the topics listed on the agenda. He said he comes from a district that levies 200 mills. He said some of his constituents are not crazy about other districts that can get by with paying only 30 mills.

Representative Boucher said he wants a printout covering administrative costs per student.

Senator Freborg said we looked at administrative costs per student during the 2001-02 interim. He said perhaps we need to look at requiring a minimum number of students per superintendent.

Senator Freborg said the 140-mill deduct addresses districts that have very low levies and it puts money back into the supplemental payment provision. He said perhaps we should consider increasing that minimum levy. He said these are areas we should talk about during the interim. He said the subject of supplemental payments is another option. He said we could raise supplemental payments and some people would view that as being

less painful. However, he said, the money is still coming out of the same pot. He said the source from which legislators get the money with which to pay for various services does not really matter because the people are going to have to pay it one way or another.

Representative Boucher said we have to consider the total property tax levy, not just that for education. He said many of our political subdivisions collect a significant amount from sales taxes. He said while they might be paying a lot for schools they do not have to pick up as much to cover other services. He said we need to be aware of the total picture.

Representative Williams said in the 1980s the state paid about 61 percent of the cost of education. He said now the state pays in the low 40 percent range.

Senator Freborg said we have given away the sales tax. He said we have made efforts to use income tax to generate property tax relief. He said such a motion would be difficult to pass because it is an election year. He said the DPI study suggests that we need \$200 million more per year.

Representative Williams said every time we raise the deduct and the cost of education goes up, we are basically saying that the local subdivisions will raise their property taxes. He said by not raising taxes at the state level we are still raising taxes indirectly.

Senator Freborg said having passed the 140-mill deduct, it is not accurate to say that we are requiring a tax increase. He said some districts that receive a benefit from the deduct may not have to raise their taxes. He said we are redistributing the tax dollars through the mill deduct.

Representative Williams said there is still something wrong when a fairly large school district like Wahpeton, which has efficiencies in terms of classroom teachers and administrators, still finds itself at the top in terms of mill levies. He said Wahpeton is at the tax cap. He asked what Wahpeton should do to improve teacher salaries.

Senator Cook said even though enrollment is declining, state spending for education has increased significantly. He said we spend \$1.5 billion to educate 100,000 students. He said at some point the taxpayers' effort needs to be thought of as sufficient. He said last interim we looked at consolidation. He said there are inefficiencies. He said there was not the collective will to do anything about it. He said in his county there are significant mill differences on each side of a section line. He said both are local control issues. He said we have a responsibility to find more efficiencies and to speed up school consolidation. He said we also need to find more fairness in the property tax system. He said that unfortunately creates winners and losers. He said perhaps we need to look at improving education with the money that is on the table and not be so fast to ask taxpayers to increase their contributions.

Senator Flakoll said while student numbers are going down teacher numbers are going up. He said that increase alone has resulted in an additional \$50 million expenditure. He said often low mill levy districts are correlated to low teacher salaries.

Representative Monson said he is bothered that students are assigned weighting factors of less than 1.0. He said he wants a printout showing the effects of assigning a factor of at least 1.0 to all students.

Senator Flakoll said he would like to examine how much property in each district is not on the tax rolls.

Representative Galvin said he would like to see what is lost in sales tax exemptions from our surrounding states.

Chairman Freborg said a number of committee members also serve on the Taxation Committee and those issues should be pursued by them.

Representative Monson said he would like to see a printout of supplemental payment amounts if the appropriation were set at \$7 million, \$10 million, and \$15 million. Representative Sitte said she wants to know whether the cost of education has gone up as a result of experimentation, remediation, or failed programs. She said she wants to examine the adequacy of education.

Senator Freborg said he believes no matter what was appropriated it would be spent and we would have this same discussion.

Senator Flakoll said he wants an update on transportation spending and on ending fund balances.

Senator Flakoll said 27 percent of our students need to take remedial classes at the university level and he would like to find out why.

Representative Hanson says there has been an increase in kindergarten through grade 12 costs over the years. He said most of that has been attributed to special education. He said a few years ago students could graduate with 16 credits. He said now the state requires 21 and many schools offer 24 or 25.

Senator Freborg said exceeding the state minimum is a local decision.

Senator Cook said he wants to receive a report from the Education Standards and Practices Board regarding potential changes to the teacher licensing process and the impact of those changes.

Chairman Freborg adjourned the meeting at 3:30 p.m.

L. Anita Thomas
Committee Counsel

ATTACH:4