

2009 SENATE EDUCATION

SB 2290

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2290

Senate Education Committee

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Hearing Date: January 28, 2009

Recorder Job Number: 7988

Committee Clerk Signature

Minutes:

Chairman Freborg opened the hearing on SB 2290. All members were present.

Senator Krebsbach introduced the bill. She introduced the bill at the request of a dissolved school district that joined the Minot School District. They were required to set aside dollars to be held by the county auditor in case of an unemployment claim against the dissolved district.

Since all employees of the dissolved district were hired by the Minot School District, there was no potential for unemployment claims. The money is required under current law to be held for 2 ½ years. This bill would change that requirement to 1 year.

Rich Solberg, former superintendent and principal at Bell Public School, testified in favor of the bill. As of July 1 his school joined the Minot School District through the process of dissolution. He is now an elementary principal. He is also a former state representative. Since a couple of sessions ago, when graded elementary districts were almost dissolved, Bell School decided to be proactive and carve out their best deal. They made a very good decision. The teachers are happy, the kids are involved in a high powered school system. Their school district had \$172,000 left after dissolution. They were repeatedly told by Tom Deckert at public meetings that money would go back to the tax payers of the Bell School district. They did not know about the section of code that requires money to be set aside for unemployment obligations.

They thought that after 2 ½ years that money would go back to the citizens that paid it in the first place. They did not see any risk since Minot promised every employee , 27 full and part times, would be hired. Three days ago he learned this money will not be returned to the tax payers. Instead it will go to the Minot School District. That is a problem with this section of the law. It has been awhile since this area of code has been reviewed and it deserves to be looked at again. He doesn't see this bill going anywhere written this way. Job Service will probably explain this more thoroughly.

Senator Freborg asked the amount of money being held by the auditor.

Rich Solberg said Job Service thought their obligation could be \$210,000, based on the number of employees. The district did not have that much so the auditor is holding \$172,000.

Senator Taylor confirmed that if, after 2 ½ years , there are no unemployment claims, those funds will be spread amongst the entire Minot School District.

Rich Solberg said that is correct.

Senator Taylor said we don't know how to get this back to Bell tax payers at this time.

Rich Solberg said it would be very complicated to do it in the middle of a session. It needs to be studied and tightened up. SCR 4030 calls for review of this section of code.

Senator Lee asked if Bell is the exception. Might some other dissolving districts have unemployment claims?

Rich Solberg said for example Eureka, another district bordering Minot, has 8 kids, 2 employees and they are a moneyed district. They will have money returned to the tax payers less the amount set aside for potential unemployment claims. South Prairie and Nedrose are other big graded elementaries outside of Minot and they have considerable resources. Most

school districts dissolve when they are out of money or children. Bell School chose to dissolve to help their students.

Senator Bakke asked how the change from 2 ½ years to 1 year will help.

Rich Solberg said it won't address their problem. This was a good thought but it won't help.

Senator Freborg said it might not be as unfair as it seems. The patrons of the receiving district are required to pay the debt of a dissolving district.

Rich Solberg said that is true. In their case, they had no debt. They had a nice running system. Minot got a good school. Their students went to high school in Minot. They fell into the Minot pay system which was more than Bell's.

Senator Taylor asked about the mill levy.

Rich Solberg said three years ago it was 230, last year it went down to 206, Minot is at 205, it could go to 240 or 260 if funding is not changed. Bell did not have the businesses that Nedrose and South Prairie have but Bell has a better school.

Darren Brostrom, Job Service North Dakota Unemployment Insurance Director for Job Service North Dakota appeared in a neutral position to provide information.

Senator Bakke asked the statute of limitations on unemployment benefits.

Darren Brostrom said you can apply at any time, there is no statute of limitations. They look at a base period of wages and that is why the 2 ½ years was originally put in place because the liability can extend up to 2 ½ years.

Senator Freborg asked what happens in the case where a dissolving district doesn't have enough money to cover their unemployment obligations.

Darren Brostrom said the receiving district would receive any further obligations beyond what the dissolving district put away. It could be spread out amongst several districts, based on the land.

Senator Freborg said the land follows the student.

Darren Brostrom said he is not aware of the exact process.

Senator Freborg said he is trying to make the point that the receiving district could have an obligation of covering all that unemployment in the case where the teachers are not hired by the receiving district..

Darren Brostrom said that is correct.

Senator Bakke asked how many dissolving districts have had unemployment claims filed – has it been extensive?

Darren Brostrom said it is very common for unemployment claims to be filed when a school district dissolves, whether or not they are hired by the receiving district. People come and go from jobs all the time. It may be the full intent of the receiving district to continue the employment of that individual but there may be other circumstances that result in their termination or their leaving which could be qualifying for unemployment and in those cases, the liability falls to the employer who paid those wages.

Senator Bakke said if the length of time were changed to 1 year, would it be a problem.

Darren Brostrom said they are neutral on this bill. A change to one year creates some computer issues but they could make it work.

Senator Freborg said if 1 year were not enough to cover the obligations would it shift to the receiving district.

Darren Brostrom said yes and it could be multiple districts which causes a problem with their computer systems.

Chairman Freborg closed the hearing on SB 2290.

Senator Flakoll moved a Do Not Pass on SB 2290, seconded by Senator Lee.

Senator Freborg said for as long as he has been here, this is the first problem anyone has

brought before the legislature an issue with this law. Without this law, you would be saddling the receiving district(s) with this obligation and that gets to be cumbersome.

Senator Flakoll said that is his concern. How would it be divided.

Senator Freborg said it is divided according to the percentage of land they receive. The land follows the students. The students have a choice and can go to any neighboring district. The land follows them.

Senator Lee said the real issue is the Bell tax payers getting the money, not the length of time the auditor holds the funds.

Senator Taylor asked if the Bell district had \$500,000, they would have paid \$210,00 for unemployment obligations and the balance would have gone back to the Bell tax payers?

Senator Freborg said yes.

The motion passed 5 – 0 . Senator Flakoll will carry the bill.

REPORT OF STANDING COMMITTEE

SB 2290: Education Committee (Sen. Freborg, Chairman) recommends DO NOT PASS
(5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2290 was placed on the
Eleventh order on the calendar.