

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/10/2019**

Bill/Resolution No.: HB 1370

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$61,400			
<b>Appropriations</b>			\$61,400			

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>		\$61,400	
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1370 reduces the amount of tuition deducted from the foundation aid formula for tuition received for a non resident student for which the state has not entered into a cross border agreement.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Tuition revenue received by school districts for non resident students would be exempt from being deducted in the foundation aid formula payment.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

In 2017-18 school districts reported \$41,000 of tuition received from out of state. \$30,700 of this revenue was deducted from the foundation aid formula. HB 1370, the \$30,700 would no longer be deducted from the formula and increase the integrated formula payment line, increase the expenditures by 61,400 for the biennium.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Adam Tescher

**Agency:** Department of Public Instruction

**Telephone:** 7013283291

**Date Prepared:** 01/15/2019

**2019 HOUSE EDUCATION COMMITTEE**

**HB 1370**

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Education Committee**  
Coteau Room, State Capitol

HB 1370  
1/22/2019  
31163

- Subcommittee  
 Conference Committee

Committee Clerk: Bev Monroe

**Explanation or reason for introduction of bill/resolution:**  
Relating to state foundation aid payments to school districts

**Minutes:**

See Attachment 1, 2, 3

**Vice Chairman Cynthia Schreiber-Beck:** Opened the hearing on HB 1370.

**Rep. Richard Holman:** (See Attachment 1) (00:35-7:00)

**Paula Suda, Superintendent, Hillsboro Public Schools:** (See Attachment 2) (8:30-11:00)

**Rep. Pat D. Heinert:** You said that Hillsboro charged the Minnesota students \$6,200?

**Paula Suda:** Yes, that was our previous agreement for years before when our students were going to Halstad. We paid them \$6,200 for educating our students and when it came back the other way we stayed with that amount.

**Rep. Pat D. Heinert:** Is that agreement being adjusted at any given time in the near future?

**Paula Suda:** We met every year and so this year we have no agreement. The students that are coming from Minnesota had to find a residence. They had to have some type of residence if they wanted to come to Hillsboro School. Many either had to go to Ada or found some type of residence to come to our school. I'm not saying it's a permanent residence.

**Vice Chairman Cynthia Schreiber-Beck:** Any additional questions from the committee? Any additional testimony in support of HB 1370?

**Aimee Copas, NDCEL:** (See Attachment 3) (13:20-17:45)

**Rep. Pat D. Heinert:** The disparity is caused by the fact of that we are only collecting \$6,200 in tuition, is it not?

**Aimee Copas:** There are two disparities there. One could be that we are not getting a 96-46 from the state so we are deducting that at 75%, so she would be working on about \$2,500.

Still a disparity. Where the difference lies is often times we have tuition within the state and if I live in Grand Forks and my child is going to school in Grafton, we receive a foundation aid payment and there may also be some tuition that goes back and forth between districts for whatever reason. In those tuition scenarios, when we are swapping children in-state, that is when the state takes back 75%. In this particular scenario, which is an out-of-state, we cannot count them in our regular ADM back to the state to ask them for a foundation aid payment. It is just the state being able to take Minnesota tuition and keep it. The same scenario could play out on the Montana side and that district is trying to function less. I would recommend that we try to get as close as we can to the per pupil payment in negotiations, but that is between the two school districts. This would not count for the ND/SD side, because we already have a contract in place where we keep track of the students we swap and at the end of the year it is figured out with who had more.

**Vice Chairman Cynthia Schreiber-Beck:** Additional questions?

**Rep. Brandy Pyle:** When we have the agreement with South Dakota, are there any issues between the school districts? Are they level?

**Aimee Copas:** (19:00) To my knowledge they are pretty even.

**Vice Chairman Cynthia Schreiber-Beck:** Additional questions? That is a good point, that there is already an agreement. There are some issues coming from a school in my district, so I don't know how it will be resolved, but there has been discussion.

**Aimee Copas:** When Jeff Fastnacht was in Ellendale, he said it worked relatively well. The Frederick School District was just a bit south. I think a lot of things boil down to being gentleman's agreements. When we are pretty close, we make it work.

**Vice Chairman Cynthia Schreiber-Beck:** Continue with those in support. Any in opposition or neutral testimony?

**Rep. Brandy Pyle:** Mr. Tescher, can you explain some of the other situations? Do we have a lot of issues with the Montana border? What is the agreement with the South Dakota border? You said it's pretty neutral and then could you possibly explain what is going on in Wahpeton.

**Vice Chairman Cynthia Schreiber-Beck:** It's actually the school in Fairmount, ND, which is pretty much a border school.

**Adam Tescher, DPI:** (21:45) I'll explain the two agreements. We have a tuition section in Century Code (15.1-29 or 30). I'll discuss how our South Dakota cross border agreement works. When there are kids exchanging with South Dakota, we pay for the students that that school educates. If there is a South Dakota student who attends a North Dakota school district, we are going to pay that North Dakota district our foundation aid payment. If there is a North Dakota student that attends a South Dakota school district, we do not make any payment to that school district. At the end of the year, we count up all students who went from North Dakota to South Dakota and North Dakota to South Dakota. In my past experience, we have only had one year where we've actually had more students come to

North Dakota. At the end of the year, there are more North Dakota students going to South Dakota. We have to write South Dakota a check and that check has varied anywhere from \$20K - \$90K based on that net out number of students. We are going to net the two totals and pay them. There is only one payment. That cost is then allocated across the North Dakota school districts that sent more students to South Dakota than they received. It is a variable cost, depending on the net out. Sometimes the cost per student can be \$500-1,000 a student – I've seen it as high as \$4,000 – 4,500 a student. That North Dakota district is not getting any foundation aid for those students going to South Dakota but they are responsible for that bill. We have pulled back the foundation aid payment, usually in February/March time frame where we work with South Dakota and get all numbers aligned. In any other cross border tuition agreement (Minnesota and Montana), we are going to pay for ND students who are residents of ND. We will not pay for students who are Montana or Minnesota residents. It is then up to the local school district to negotiate those costs. There are some limitations in law (NDCC 15.1-29) of how much they need to collect and have that aligned by the per pupil payment. I will need to verify that. (25:00)

**Vice Chairman Cynthia Schreiber-Beck:** Any additional questions?

**Rep. Pat D. Heinert:** What dollar amount is used per student with South Dakota agreement?

**Adam Tescher:** When the payments are made for the North Dakota students attending a South Dakota school, it is the state aid payment they receive that we net out. A school district should never be above the \$5,500 – 6,000 per student. We also net it out. That is going to lower the bill for the other districts that are sending students to South Dakota. (26:00)

**Vice Chairman Cynthia Schreiber-Beck:** Any further neutral testimony? The hearing on HB 1370 is closed.

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Education Committee**  
Coteau A Room, State Capitol

HB1370  
1/30/2019  
31750

- Subcommittee  
 Conference Committee

Committee Clerk Bev Monroe by Marjorie Conley

## **Explanation or reason for introduction of bill/resolution:**

Relating to state foundation aid payments to school districts

## **Minutes:**

**Chairman Owens:** Opened the meeting on HB 1370. I asked the sponsor of this bill to put it in so that we could have a hearing on this bill. We were already aware of the situation in Hillsboro, along with a couple other tuition problems around the state and we are working on a formula. It is still being worked on. The sponsor knows that is still being sent to have a hearing so we could get the facts of the situation. But this is not the real bill that we will intend to fix. Tuition issue is a bigger issue.

**Rep. D. Johnson:** Made a motion for a **Do Not Pass**.

**Rep. M. Johnson:** Seconded the motion.

**Chairman Owens:** This is a real issue for Hillsboro.

**Roll Call Vote Yes 12 No 1 Absent 1**

**Rep. Guggisberg** is the **Carrier**.

Date: 1-30-19  
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1370**

House Education \_\_\_\_\_ Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

- Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar  
 Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Rep. D. Johnson Seconded By Rep. M. Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman M. Owens	✓		Rep. Guggisberg	✓	
V. Chair. Schreiber-Beck	✓		Rep. Hager		✓
Rep. Heinert	✓				
Rep. Hoverson	A				
Rep. D. Johnson	✓				
Rep. M. Johnson	✓				
Rep. Johnston	✓				
Rep. Longmuir	✓				
Rep. Marschall	✓				
Rep. Pyle	✓				
Rep. Strinden	✓				
Rep. Zubke	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep. R. Guggisberg

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1370: Education Committee (Rep. Owens, Chairman)** recommends **DO NOT PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1370 was placed on the Eleventh order on the calendar.

**2019 TESTIMONY**

**HB 1370**

Mr. Mark Owens, Chair, ND House Education Committee.

Mr. Chairman and Members of the House Education Committee.

The purpose of this amendment to the Public School Foundation Aid funding bill is to correct an unintended consequence of the funding formula as it applies to the impact of a funding formula reduction for schools that receive tuition for non-ND resident students.

This came to my attention when the Norman Co. MN West High School I Halstad MN decided to close and combine with Norman Co. East in Ada, MN. Several students attending school in Halstad chose to attend the closer school in Hillsboro, ND and form a tuition agreement with the Hillsboro school district. A line in the funding formula calculation requires a 75% reduction in payment for each non-resident student. Because the students are not ND residents, the school receives no foundation payment for those non state resident students.

Here's an example.

The current funding formula calculation

To show you the complexity of the funding formula I have the worksheet for the Devils Lake School District. Look at line 31 on the worksheet. Contribution from other local revenue.

Then look at line 33 on page 2 to see the calculation of amount to be reduced. 75%.

This includes the reporting of tuition received.

Here's the problem.

This was set up to deal with school districts such as those in air base schools (Minot and Grand Forks) and Tribal schools that receive funding from other sources, such as the federal government. These students are residents of North Dakota and because of that, the school receives foundation aid North Dakota for each student. The logic behind the Federal payments to these schools is that Tribal schools and air base schools do not have significant property tax backing the students. Traditionally, property tax has been a significant source of school funding.

Out of state students are then asked to also pay tuition but different from those who are residents in Tribal schools or air base schools, they do not generate a ND foundation aid payment. The purpose of the 75% deduction is to avoid paying a school district twice for the same student.

The unintended consequence of this that there is a deduction of money from the foundation aid payment even though there has not been a state payment for that student. This amendment to the funding legislation corrects this for that specific situation.

Mr. Adam Tescher with the Department Public Instruction found three schools that reported tuition income from out-of-state students. This legislation will remove the penalty of reduced funding for those situations where the school district does not receive foundation aid for those students.

Here's a simplified example. For a fictional school district, assume a ND payment of 10 thousand dollars for each student. If the school has 100 students the payment could be 1 million dollars from state aid. However, if ten of those students are out-of-state, there is no North Dakota payment for those students meaning that the school receives payment for only 90 students or

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900 thousand dollars. The ten non-ND students pay tuition. If the school receives tuition of 10 thousand dollars for each of those students, the school must report the receipt of 100 thousand dollars from tuition for those students.

Here's the problem. The current worksheet and current law, removes 75% of the 100 thousand dollars or \$75,000 from the foundation aid payment even though the state has not paid any foundation aid for those students.

The intent of the law as written is to make sure that there is not a double payment of foundation aid or support for students in schools that generate other support, such as from the federal government. Out-of-state students, such as those in North Border, Drayton or Hillsboro do not generate a ND foundation aid payment, hence the law as written places an undue penalty for schools who choose to accept tuition support students from out of state students.

Mr. Adam Tescher is here to further explain.

I also have asked Ms. Paula Suda, superintendent of the Hillsboro school to comment on her specific situation.

Thank You for your time. I will answer any questions.

Rep. Rick Holman, ND District 20

# North Dakota K-12 School Funding Formula

In 2013, the state implemented a K-12 funding formula tied to the cost of providing an adequate education and funded it with a combination of state and local taxes. Local property tax levy authority was decreased significantly with statewide taxes making up the difference. Statewide taxes are now funding approximately 75% of the cost of education.

The local share is 60 mills on taxable valuation and 75%-100% of other local in-lieu of property tax revenue. The state funds the remainder up to the adequate amount.

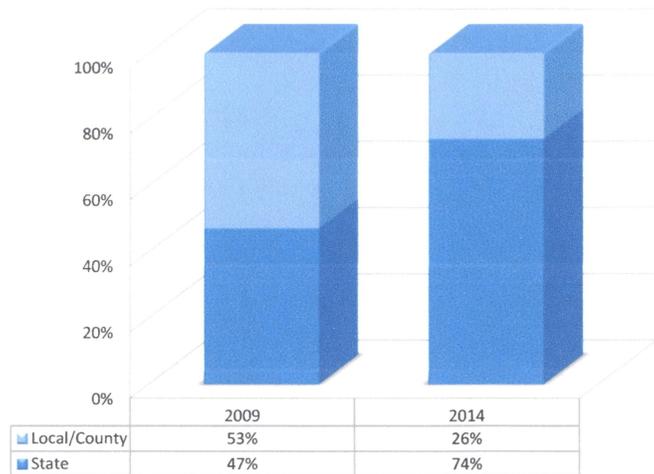
The formula is student driven and uses various weights to account for the increased costs associated with school district size and serving students with special needs. A base per student funding rate is set by the legislature designed to generate the resources necessary to educate students to state standards. In addition, there are transitional adjustments included to minimize budget impacts that inevitably occur when making major changes.

In the end, North Dakota's K-12 funding formula provides a base of financial support per student sufficient to provide an adequate education by school districts, regardless of where the student lives or what the taxable valuation is of the district.

The Legislature, through the interim Education Funding Committee, contracted with Picus-Odden and Associates to conduct a recalibration study to confirm the adequacy of that base level of support.

The consultants use an evidenced – based (EB) model to determine the resources necessary to educate students to college and career ready proficiency. Included in the model are all of the components necessary to meet the standards. This includes core staffing, administration, operations, professional development, technology and instruction materials. Their report was presented to the Interim Education Funding Committee in June, 2014. The report can be found in the meeting minutes at <http://www.legis.nd.gov/assembly/63-2013/interim/15-5088-03000-meeting-minutes.pdf?20141016152129>.

Shift in State and Local General Fund Sources



## K-12 School Funding Formula

Part One: Calculate Base Funding Amount		Example
	Student Membership (ADM)	300
+	Other Program Weighted ADM	30
=	Weighted ADM	330
x	School District Size Factor	1.13
=	Weighted Student Units	373
x	Per Student Rate	9,092
=	Total Formula Amount	3,391,316
+/-	Transition Adjustments	-
=	Total Adjusted Formula Amount	3,391,316
Part Two: Determine State Aid Payment		
Local Share	60 mills times taxable valuation	600,000
	75%-100% of other local in-lieu revenue	60,000
State Share	Difference is State Aid Payment	2,731,316



# STATE AID TO SCHOOLS PAYMENT WORKSHEET

North Dakota Department of Public Instruction  
Office of School Finance and Organization

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District Name Devlis Lake 1	County District Number 36-001	Payment Month January	School Year 2017-18
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### A. STATE AID FORMULA:

Student membership includes regular school year average daily membership (ADM). ADM for students attending school in Montana and Minnesota (NDCC 15.1-29.01), South Dakota students attending school in North Dakota (NDCC 15.1-29-02.1) under cross border attendance agreements, and students in private or out-of-state placements for purposes other than education (NDCC 15.1-29-14) are also included.

#### Student Membership

- 1 Pk Special Education
- 2 Kindergarten
- 3 Grade 1-6
- 4 Grade 7-8
- 5 Grade 9-12
- 6 Alternate High School
- 7 Total Average Daily Membership (ADM)

ADM	Weighting Factor	Weighted ADM
24.37	1.000	24.37
154.14	1.000	154.14
797.28	1.000	797.28
248.80	1.000	248.80
463.93	1.000	463.93
25.19	1.000	25.19
		1,713.71

#### Other Program Membership

- 8 Alt High School (from line 6)
- 9 Special Ed ADM (from line 7)
- 10 PK Special Ed ADM (from line 1)
- 11 Regional Educational Association (if member from line 7)
- 12 ELL Level 1
- 13 ELL Level 2
- 14 ELL Level 3
- 15 At Risk
- 16 Home-Education (district supervised)
- 17 Alt Middle School
- Summer Programs
- 18 Summer School
- 19 Special Ed ESY

25.19	0.250	6.30
1,713.71	0.082	140.52
24.37	0.170	4.14
1,713.71	0.002	3.43
1.00	0.400	0.40
0.00	0.280	0.00
1.95	0.070	0.14
894.56	0.025	22.36
0.00	0.200	0.00
5.59	0.150	0.84
29.63	0.600	17.78
0.14	1.000	0.14

#### Isolated School District

- 20 > 275 sq miles and < 100 ADM
- 21 > 600 sq miles and < 50 ADM

0.00	0.100	0.00
0.00	1.100	0.00

- 22 Total Weighted Average Daily Membership (Add Lines 7 through 21)
- 23 School District Size Weighting Factor
- 24 Total Weighted Student Units
- 25 Per Student Payment Rate
- 26 Total Formula Payment

1,909.76
1.0000
1,909.76
9,646.00
18,421,544.96

#### Formula Adjustments

- 27 Transition Maximum Adjustment (from line 65)
- 28 Transition Minimum Adjustment (from line 70)
- 29 Total Adjusted Formula Amount (total lines 26, 27 and 28)
- 30 Contribution from Property Tax (from line 45)
- 31 Contribution from Other Local Revenue (from line 39)
- 32 State Aid Payment (line 29 minus lines 30 and 31)

22,369,610.91	0.00
17,256,556.98	0.00
18,421,544.96	
2,302,947.54	
238,633.09	
15,879,964.33	

#### State School Aid Summary

- 1 State Aid Formula Payment (from line 32)
- 2 Transportation (from line 61)
- 3 State Child Placement
- 4 Special Education Contracts - Agency
- 5 Special Education Contracts - School Placed
- 6 Special Education - Boarding
- 7 Special Education - Gifted and Talented

Entitlement	EFB Offset	Net Entitlement
15,879,964.33	-	15,879,964.33
507,708.18	-	507,708.18
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
16,387,672.51	-	16,387,672.51

Excess Fund Balance Offset (from line 49)

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**B. CONTRIBUTION FROM OTHER LOCAL REVENUE**

	Total Revenue	Percent	
33 1300 Tuition	77,517.73	75%	58,138.30
34 2999 County	-	75%	-
35 US Flood	-	75%	-
36 Electric Generation, Distribution and Transmission Tax	38,012.12	75%	28,509.09
37 Mobile Home and Other In-Lieu Taxes	65,526.42	100%	65,526.42
38 Telecommunications	86,459.28	100%	86,459.28
39 Contribution from Other Local Revenue			238,633.09

**C. CONTRIBUTION FROM PROPERTY TAX**

40 District Taxable Valuation		38,382,459.00
41 Contribution Mill Rate		60.00
42 Contribution from Property Tax (line 40 times line 41 divided by 1000)		2,302,947.54
43 Minimum Local Effort Adjustment (NDCC 15.1-27-04.2)	-	-
44 Maximum Contribution Increase Adjustment (NDCC 15.1-27-04.1.4.a.)	2,403,555.17	-
45 Adjusted Contribution from Property Tax (total lines 42, 43 and 44)		2,302,947.54

**D. EXCESS FUND BALANCE OFFSET**

46 General Fund Ending Balance	2,835,434.84
47 General Fund Expenditures	21,455,814.32
48 35% of General Fund Expenditures + \$50,000	7,559,535.01
49 Excess Fund Balance Offset (line 46 minus line 48, if less than zero enter zero)	-

**E. TRANSPORTATION WORKSHEET**

Transportation Statistics	Rate	Miles	Rides	Total
50 Small Bus Miles	0.520	-		-
51 Large Bus Miles	1.110	307,558.0		341,389.38
52 Rural Rides	0.300		290,284	87,085.20
53 Small In-City Miles	0.520	-		-
54 Large In-City Miles	1.110	9,780.0		10,855.80
55 In-City Rides	0.300		227,926	68,377.80
56 Family - To School	0.250	-		-
57 Family - To Bus	0.250	-		-
58 Not Reimbursable	-			-
59 Total Transportation Reimbursement				507,708.18
60 Reimbursement Cap --- 90% of transportation expenditures				785,994.67
61 Block Grant Total (lesser of 90% cap or total)				507,708.18

**F. BASELINE FUNDING - MINIMUM AND MAXIMUM PAYMENTS**

62 Baseline Funding (2012-13 State Aid Formula Payment, MLRG, GF levies and 75%-100% In-lieu)	15,083,069.83
63 Baseline Weighted Student Units (2012-13)	1,802.76
64 Baseline Funding Rate	\$8,366.65

Adjustment for Maximum

	Baseline Funding Rate	Maximum Percent	Weighted Student Units	
65 Maximum Increase Amount	\$8,366.65	140%	1,909.76	22,369,610.91

Adjustment for Minimum

	Baseline Funding Rate	Minimum Percent	Weighted Student Units	
66 Minimum Increase Per Student	\$8,366.65	108%	1,909.76	17,256,556.98
67 Baseline Funding (from line 62)				15,083,069.83
68 Minimum Funding Percentage				100%
69 Minimum Funding Amount				15,083,069.83
70 Minimum Increase Amount (greater of line 66 and 69)				17,256,556.98

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1370

Page 4, line 6, after the period insert "Except that for the purposes of this subdivision, in addition to deducting tuition revenue received specifically for the operation of an educational program provided at a residential treatment facility and tuition revenue received for the provision of an adult farm management program as directed in paragraph 3 of subdivision f of subsection 1, the superintendent of public instruction shall reduce the total tuition reported by the school district by the amount of tuition revenue received for the education of students not residing in the state and for which the state has not entered a cross-border education contract"

Page 4, line 6, replace "Before" with "before"

Page 4, line 7, remove ", the"

Page 4, remove lines 8 through 15

Page 4, line 16, remove "contract"

Renumber accordingly

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Mr. Mark Owens, Chair, ND House Education Committee.

Mr. Chairman & Members of the House Education Committee.

I am Paula Suda, Superintendent of Hillsboro Public Schools. I am in support of HB 1370 amending the Public School Foundation Aid funding bill relating to state foundation aid payments to school districts that educate non-ND resident students.

For over 28 years the Hillsboro School District and the neighboring Halstad, MN School District have had numerous families living on the ND border, or within 7-8 miles of the border, and have attended Halstad's School (Norman County West). Hillsboro and NCW have had an agreement that ND students could attend NCW School and then Hillsboro School would claim foundation aid and then Hillsboro would pay NCW for educating them.

Then came 2016-2017 where NCW was experiencing years of declining enrollment. NCW School was going to consolidate with Ada School. The parents on the MN border started looking around at neighboring schools because now their school would be an additional 18 miles away from Halstad, versus 14 miles or less to Hillsboro.

Prior to 2016-2017 Hillsboro never had Minnesota students coming into our district, we just experienced students going to a Minnesota district. We wanted to help our neighbors. We met with parents and they wanted their children to come to Hillsboro. They liked what they saw, Hillsboro was closer to their home, and the parents were working in North Dakota already.

The funding formula interprets Minnesota students as tuition students. School districts get a deduct of 75% of the tuition payment from the agreement that the ND and MN schools have made. Hillsboro School does not receive a North Dakota foundation aid payment for Minnesota students that attend our school. When we had an agreement the formula would deduct 75% of that amount. That meant we educated those students for 25% of the tuition payment paid to our school. Our actual agreement was \$6200 per student, so after the deduct we received \$1550.

We understand that no one is forcing us North Dakota schools to educate Minnesota students. Having these students in our school district are an asset as their families have already invested in our communities by joining our churches, the workforce, and doing business in Hillsboro. North Border and Drayton Schools have similar situations to ours. Your support of HB1370 is needed to allow ND foundation aid payments for out-of-state students so that ND schools can educate these students without any penalty.

Thank you for your time.

Superintendent Paula Suda  
Hillsboro School

Aimee Copas  
NDCEL

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NDCEL

HB 1370 – Testimony in Support – In-Lieu adjustment out of state students not under state tuition agreement

Good morning – I stand before you today representing the North Dakota Council of Educational Leaders in support of HB 1370. In areas in North Dakota where we have border-states, we get into the unique situation where on occasion we take students from another state and educate them in ND.

We have entered into a unique scenario with the students in some instances when a contract is not in place where these students are not paid for in the per-pupil from the ND Foundation Aid formula, AND the tuition that is gleaned from the neighboring state district or parents is then subsequently imputed in the in-lieu formula at 75%.

What does that equate to? A North Dakota school is kindly taking on an out of state student, and when there is no per-pupil payment and the state takes 75% of the tuition they get = very little dollars to educate and a windfall for the state.

The NDCEL Legislative Focus Group studied this issue and agreed that this is an area that needs attention and adjustment to achieve better equity.

Behind me is Superintendent Paula Suda who will share with you specifics about what is being experienced in her community at this time.

NDCEL respectfully recommends a DO pass of HB 1370.