

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

EDUCATION FUNDING COMMITTEE

Tuesday and Wednesday, January 28-29, 2014
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Tim Flakoll, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Tim Flakoll, Howard C. Anderson, Jr., Joan Heckaman, Richard Marcellais, Donald Schaible; Representatives Jessica Haak, Patrick Hatlestad, Bob Hunsakor, Jerry Kelsh, Ben Koppelman, Lisa Meier, David Monson, Mike Nathe, Karen M. Rohr, Mark Sanford

Members absent: Senator Nicole Poolman; Representatives Mark A. Dosch, David S. Rust, John Wall

Others present: Representative Jim Schmidt, member of the Legislative Management, was also in attendance. See [Appendix A](#) for additional persons present.

It was moved by Representative Monson, seconded by Senator Heckaman, and carried on a voice vote that the minutes of the October 28, 2013, meeting be approved as distributed.

FUNDING OF K-12 EDUCATION IN NORTH DAKOTA

At the request of Chairman Flakoll, Mr. Jerry Coleman, Director of School Finance, Department of Public Instruction, presented testimony regarding the origination of the current statutory payment per weighted student unit. Mr. Coleman said in early 2006, there was an agreement to stay litigation related to education funding, provided the Legislative Assembly appropriated at least an additional \$60 million for K-12 education and approved a resolution adopting the North Dakota Commission on Education Improvement as a vehicle for proposing improvements to the system of delivering and financing public elementary and secondary education. He said the commission recommended many of the provisions in 2007 Senate Bill No. 2200. He said the bill consolidated education dollars that had been assigned to a variety of previously existing funding categories and established new weighting factors that reflected the added costs of providing education to certain categories of students and the added costs of providing various statutorily mandated services. In addition, he said, the legislation factored in the variable costs of providing services and programs in small, medium, and large school districts. He said, thereafter, the focus was placed on ensuring an adequate level of educational resources for all students so that the students could perform at levels considered to be adequate for entry into college or the workplace.

Mr. Coleman said during the interim preceding the 2009 legislative session, the Commission on Education Improvement contracted with Lawrence O. Picus and Associates to identify the resources necessary for an adequate education. He said 2009 House Bill No. 1400 contained many of the recommendations. He said the Picus study resulted in a recommendation of \$7,293 per student as a funding level. He said that was to have provided resources adequate to achieving acceptable levels of student performance.

Mr. Coleman said, at the same time that the Legislative Assembly was focusing on the adequate funding of K-12 education, it was also addressing the call for property tax relief. He said, in the 2007 legislative session, income tax credits were used as a way to provide property tax relief. However, he said, various difficulties were encountered in administering the program and it was ultimately concluded that income taxation was not an appropriate vehicle for the provision of property tax relief. He said the 2009 and 2011 legislative sessions embodied the Governor's conceptualization for providing property tax relief through statewide school district mill levy reductions. Again, he said, there were significant concerns about the overall effectiveness of the mill levy reduction grant program as a mechanism for property tax relief.

Mr. Coleman said, in 2012, voters were given the opportunity to consider an initiated measure that would have prohibited the Legislative Assembly and all political subdivisions from levying a tax on the assessed value of real or personal property. He said the measure was rejected by 76.54 percent of those voting. He said the concept of property tax relief and how best to provide it remains contentious.

Mr. Coleman said, during the 2013 legislative session, an integrated funding package was recommended by the Governor and enacted by the Legislative Assembly. He said the package provided both an adequate level of education funding and significant property tax relief. He said the new legislation allows the state to determine the base level of support per student and takes into account 75 percent of revenues received locally in lieu of property taxes. He said it is the state's obligation to fund the difference between the amount raised locally and the stated adequate amount.

Mr. Coleman said the 2013 legislation reduced the reliance on local property taxes as a means of funding education. He said state revenues are now supporting 80 percent of the cost of education.

Mr. Coleman said the adequate payment amount of \$7,293 per student, as recommended in the 2008 Picus report, was multiplied by an inflationary increase of 3.2 percent per year to arrive at the base payment of \$8,810 for the first year of the 2013-15 biennium and \$9,092 for the second year of the biennium.

In response to a question from Representative Nathe, Mr. Coleman said in order to determine the base level funding for the 2013 legislative effort, individuals looked at the consumer price index for a number of measures and began with a 2 percent increase. He said, when the executive budget was developed, it was clear that an inflationary factor of 3.2 percent could be used.

At the request of Chairman Flakoll, Dr. Allan Odden, Principal Partner, Lawrence O. Picus and Associates, presented testimony regarding the funding of K-12 education in North Dakota. Dr. Odden submitted the first draft of a report entitled *Recalibrating North Dakota's Per Pupil Number for its School Foundation Program - First Draft* ([Appendix B](#)).

Dr. Odden presented a copy of his PowerPoint slides entitled *Recalibrating North Dakota's Per Pupil Foundation Figure: Part 1* ([Appendix C](#)). He later submitted a revised version of the aforementioned PowerPoint slides ([Appendix D](#)) for inclusion in the record.

Dr. Odden said all figures in his report should be viewed as preliminary. He said there are a lot of details constituting the \$7,293 figure and the \$8,810 figure. He said those details are generally known to those who were involved with the Commission on Education Improvement, but not necessarily known to others who did not follow the commission that closely. He said he has found that there is some misalignment between how education funding dollars are used locally and what was anticipated in the Picus funding model. He said the model is based on increasing student performance. He said if the dollars in the model are not used as prescribed in the model, one is not likely to see the types of anticipated increases in student performance.

Dr. Odden said North Dakota's definition of adequacy is a base of financial support that is adequate to allow school districts to provide a quality education, regardless of where a student lives, or how much taxable valuation is available to the local school district. He said "adequate" and "quality" both need to be defined. He said the initial assumption is that, on average, \$8,810 per student provides an adequate base. He said at the time of the initial Picus report in 2008, the suggested dollar figure would have provided the resources to double student performance in five years. He said, today, we talk about significantly increasing student performance. He said, now, adequacy is really the ability to meet a proficiency level for purposes of college or career ready standards.

Dr. Odden said the original recommendation of \$7,293 per student was inflated by 3.2 percent each year. He said one of the dilemmas is that the 3.2 percent inflationary figure is above any other official inflationary figure.

Dr. Odden said his funding model includes a strategy for student improvement.

Dr. Odden said one of the key elements in school improvement is talent. He said one needs to meet the challenge of recruiting and supporting effective teachers and principals. He said another element involves high-quality curriculum and instructional materials. He said, generally, in order to achieve college or career readiness, there needs to be changes in the curriculum, as it is taught locally. Fortunately, he said, there are sufficient dollars in the funding model to allow that to happen.

Dr. Odden said the funding model also includes sufficient dollars for professional development. Right now, he said, only some of those professional development opportunities are being purchased with the dollars made available to school districts. He said the funding model assumes that the school districts and the regional education associations would provide good professional development. He said the consensus around the country is that in order to shift from where we are currently to a college or career ready standard, a lot of good quality professional development will be required.

Dr. Odden said the funding model includes a lot of extra help for students who are struggling and who require a second or third dose of instruction. He said the at-risk student count is triggered by free or reduced lunch numbers.

Dr. Odden said in order to move the student achievement needle, there is also a need to ensure that teachers work collaboratively using student data. He said there is a need to improve instructional practices and identify the most effective instructional practices. He said it is necessary to place an expectation among teachers that once effective strategies have been identified, those strategies will be used by everyone.

Dr. Odden said schools that move the student improvement needle study their own data. He said that means they need access, usually online access, to both the state assessments and short-term test results.

Dr. Odden said boosting student performance is also contingent upon schools setting very high goals for themselves. He said these goals have to be more than just stretch goals. He said even if the high goals are not met, by virtue of trying to achieve them, a school tends to attain a higher level than it would have had it aimed strictly for a stretch goal.

Dr. Odden said successful schools tend to adopt new curricula and identify effective instructional practices for their setting. Again, he said, this is done through the collaborative team approach and it comes with the expectation that all teachers buy in to the approach. He said the schools then roll those expectations into professional development and into teacher evaluations.

Dr. Odden said successful schools tend to be committed to data-based decisionmaking. He said the improvement model sets aside approximately \$30 per student to assist in the generation and dissemination of such data.

Dr. Odden said successful schools invest in ongoing professional development. He said there are three parts to this. He said they include instructional coaches, time for upfront training, and the dollars for the coaches. He said all of that was included in the original \$7,293 figure. He said it is also in the \$8,810 figure. He said he expects that the local expenditures for professional development are low. He said it is not believed that districts are setting aside 10 days for professional development, nor are they setting aside the \$100 per student for trainers. He said the funding model includes one instructional coach for every 200 students. He said it is his guess that that is also not being provided to students.

Dr. Odden said successful schools use time effectively and efficiently. He said, in the past, if a middle school were to provide a six-period day, five periods of which were within the regular teacher's contract requirements, one would need an additional 20 percent of teachers to cover the sixth period. He said that provided for a mix of cocurricular and elected classes. He said, in many areas, middle schools now provide for a seven-period day. He said the schools maintain the same number of units. He said that reduces the number of instructional minutes per period and it adds more electives. He said the funding model recommends going back to a six-period day in which teachers teach for five periods and the remaining period is set aside for electives. He said he recognizes that the model in this state might call for seven periods, five of which are set aside for regular instruction. He said this means that a school would need 40 percent more teachers rather than only 20 percent.

Dr. Odden said successful schools provide multiple and timely interventions for struggling students. He said this includes tutors and one-on-one instruction. He said this also includes extending the school year via summer school and special education.

Dr. Odden said creating collaborative groups among teachers is not a money issue. Instead, he said, it is a school organizational issue. He said the funding model provides sufficient student-free time during the course of a regular day so that all teachers can engage in substantial collaborative work. However, he said, the schools have to be organized and the money needs to be used in ways that allow such collaborative efforts to happen.

Dr. Odden said in schools that are successful at boosting student performance, there is a focus on leadership. He said this includes board leadership, superintendent leadership, principal leadership, and even teacher leadership. He said most instructional coaches are teachers and the collaborative groups are generally led by teachers. He said the funding model does not provide additional dollars for teachers who take on such leadership roles.

Dr. Odden said the final strategy found in schools that are able to boost student performance is a real focus on recruiting and retaining top talent. He said especially in states like North Dakota which are growing, there is a tremendous opportunity to boost the teaching ranks with significant talent.

Dr. Odden said his approach is to focus on student performance in the English language arts, mathematics at least up to Algebra II, science, history, and world languages. He said the funding model also includes substantial staffing allocations for music, art, and physical education.

Dr. Odden said his approach involves using prototypical schools and prototypical school districts to get a per student number. He said a prototypical district is made up of four elementary schools having 450 students each, two middle schools having 450 students each, and two high schools having 600 students each.

Dr. Odden said the core class sizes in K-3 are 15 to 1 and in grades 4-12 they are 25 to 1.

In response to a question from Representative Sanford, Dr. Odden said the funding model can accommodate adjustments such as prototypical class sizes. However, he said, the funding model does not provide for an assessment of outcomes based on such adjustments to the prototypical assumptions.

In response to a question from Representative Koppelman, Dr. Odden said there is a randomized controlled study on K-3 class sizes. He said the study contains 30 years of longitudinal data. He said it demonstrates that students in classes of 15 did better than those in classes of 25. He said for the low-income and minority students, the effects were doubled. He said those students did better all the way through their educational experience. He said when one considers the micro-impact data, it appears that the greatest impact happened in kindergarten. He said he cannot surmise what would have happened had the small class sizes been enforced only for kindergarten, as opposed to the additional grades.

Dr. Odden said while there are benefits to reducing class sizes in K-3, there is no hardcore research that justifies a reduction in class size from 25 to 20 for grades 4-12. However, he said, the professional judgment panels feel differently. He said some people prefer smaller class sizes, regardless of whether or not the research indicates increased student performance. He said making such decisions costs money.

Dr. Odden said with respect to electives his funding model accounts for core teachers and 20 percent additional teachers at the elementary level, 20 percent additional teachers at the middle school level, and 33 percent additional teachers at the high school level. He said this allows every elementary teacher to have one student-free period per day. He said he suspects this is not happening across all school districts. However, he said, the funding model provides the dollars for this. He said as for middle schools the model provides for a six-period day during which teachers would teach for five periods and have a student-free period. He said that student-free period would be some combination of individual preparatory time and collaborative team time. He said the increase to 33 percent at the high school level accommodates longer periods or block scheduling. Again, he said, at the high school level there are substantial resources for teacher collaborative time and additional electives.

Dr. Odden said, in many middle schools and high schools, there is provision for a seven-period day during which teachers teach for five periods. He said what that means is rather than applying the formula in a manner that requires 20 percent additional teachers above the core teachers at the middle school level, the school districts are in fact required to employ 40 percent additional teachers. In addition, he said, rather than having to provide an additional 33 percent of teachers at the high school level, the high schools would have to provide an additional 40 percent of teachers.

In response to a question from Representative Sanford, Dr. Odden said he is a proponent of a strong liberal arts curriculum. He said the funding model allows schools and school districts to provide a strong liberal arts curriculum. He said such a curriculum includes art, music, and world languages.

Dr. Odden said if North Dakota wishes to pay for more electives than that provided for in the funding model, it most certainly can do that. He said he would not want to suggest that funding be dedicated toward additional electives at the expense of professional development or other student assistance strategies.

In response to a question from Chairman Flakoll, Dr. Odden said the funding model he is proposing allows students to take all of the courses and electives that they need for high school graduation.

Dr. Odden said the proposed funding model provides one tutor for every 100 at-risk students. He said the funding model also provides for an extended day program at the rate of one full-time equivalent (FTE) staff member for every 125 at-risk students. He said that would provide a two-hour afterschool program, with one hour of that time period devoted to academic assistance. He said the funding model accounts for a summer school program that is less generous than that which is currently in place in North Dakota. He said the funding model's English language learner (ELL) recommendation is also less generous than that which is currently in place in North Dakota.

Dr. Odden said, as a carryover from the 2008 study, tutors are accommodated at the rate of one per 450 elementary students, one per 450 middle school students, and one per 600 high school students. He said the funding model also provides for an additional tutor for every 125 at-risk students.

Dr. Odden said the funding model's assumptions regarding ELL students are not as robust as the factors already in the North Dakota law. However, he said, in most states, the ELL students also tend to be at-risk students and therefore they benefit not only from the ELL staffing that is provided for in the funding model, but also from the at-risk staffing that is provided for in the model.

Representative Monson said even though we account for at-risk student funding needs in a very robust manner, it seems that we should consider doing even more. He said given the incomes in this state and particularly in western North Dakota, many students who by virtue of family income do not qualify for a free or reduced lunch are still at-risk and in need of academic assistance.

In response to a question from Chairman Flakoll, Dr. Odden said almost all states use free or reduced lunch counts to determine the number of at-risk students. He said if a test score is used, what tends to happen is a school starts with low test scores and if the money is used appropriately their test scores increase, thereby making the school ineligible for additional dollars the following year.

Dr. Odden said by putting assistance to at-risk students in the base dollar figure, there is no restriction on how those dollars are used. He said students who may not qualify for free or reduced lunches may also be in need of academic assistance.

Dr. Odden said the formula includes \$25 per student for gifted and talented programs.

Dr. Odden said, with respect to special education, North Dakota uses a leading edge approach to funding. He said the funding is based on a census. He said rather than identifying students as having special needs and funding such identified students, the formula provides a set amount of dollars per student, to be used by the districts as appropriate. In addition, he said, the state fully funds the high-cost students.

Dr. Odden said North Dakota has been increasing its base payment and the factor for the census-based special education payment has been generating additional dollars. He said the formula already provides one teacher and one teacher's aide for every 150 students. He said that was in the \$7,398 figure and in the \$8,810 figure. He said what this means is that North Dakota has doubled the financial resources for special education in its current funding system. He said special education is funded not only through the base of \$8,810 but also by virtue of the special education factor. He said this leads to the conclusion that special education is amply funded in the current system.

In response to a question from Chairman Flakoll, Dr. Odden said because special education funding is both in the formula base and in the formula factor, it would be difficult for someone to argue that the state of North Dakota is underfunding special education.

Dr. Odden said the funding model is based on one guidance counselor for every 250 students at the middle school and high school levels. He said the funding model is more robust than that which North Dakota currently provides.

Dr. Odden said, since the 2008 Picus report, the funding model has been revised to include one nurse for every 750 students. He said the model also provides for additional student support personnel at the rate of one FTE position for every 125 students receiving free or reduced lunch. He said the position could include family outreach, family liaisons, social workers, and more guidance counselors.

Dr. Odden said there is also money for in-school technology. He said this means computers for students, iPads, servers, printers, and software.

Dr. Odden said the base of \$7,293 as set forth in the 2008 Picus report included \$200 for student activities at the elementary and middle school levels and \$250 per student at the high school level. He said the same amount is in the \$8,810 base and it will be up to the legislators to decide whether or not they want to keep those dollars in the base.

Chairman Flakoll said some of the discussion moving forward will have to do with those items that should be in the base and those items that will be paid for or reimbursed only if school districts provide the services. He said the difficulty is that certain things were funded in the formula and those things are not occurring at all or not occurring at the level that legislators had assumed they would be.

Dr. Odden said, with respect to professional development days, both the 2008 Picus report and the draft being presented today include dollars for a total of 10 professional development days.

In response to a question from Chairman Flakoll, Dr. Odden said the most productive use of professional development days comes when those days are scheduled during the summer. In addition, he said, the best results come when the 10 professional development days are consecutive. He said, in effect, 10 professional development days allow a district to offer two solid weeks of professional development to its teachers. He said, if the professional development is offered during the summer, it is important then to follow up the efforts during the school year with instructional coaching so that teachers can get help implementing that which they have learned. He said he is a strong proponent of providing professional development on consecutive days in the summer and not spreading out single-day efforts during the school year. He said, similarly, he does not support late starts or early release time because that cuts into student instructional time. He said that is why professional development days are funded in a manner that allows for the expansion of the school year.

Dr. Odden said there is a lot of pushback from school districts regarding the recommended use of professional development days. He said school districts do not like to be told how they should use the professional development days.

Dr. Odden said, interestingly enough, the reluctance to expand the teachers' work year for professional development purposes comes at a time when there is a recognition that teachers need a lot more professional development as a result of the new standards.

Dr. Odden said, in order to make the professional development days worthwhile, it is necessary not only to make the days a part of the school calendar, but also to require that the school districts use those days effectively.

In response to a question from Representative Nathe, Dr. Odden said it would be preferable to allow the districts to select the time for their intensive training. He said some find it more convenient or effective to schedule that training prior to the school year and others prefer to have it immediately following the conclusion of the school year. He said it is not necessary for the state to mandate the time for training.

In response to a question from Representative Koppelman, Dr. Odden said the formula includes \$100 per student to pay for the training. He said this is separate and apart from the actual days of training. He said this might go toward outside trainers or central office professional development staff or contracts with regional education associations, etc. He said, in a district of 2,000 students, \$200,000 is set aside for professional development. He said this is intended to be for ongoing systemic professional development. He said it could address growth issues and diversity. He said it could address issues pertaining to college or career ready standards. He said it could address issues pertaining to ELL students.

In response to a question from Chairman Flakoll, Dr. Odden said the resources for training amount to \$20 million per biennium. He said that is already accounted for in the \$8,810 figure.

Dr. Odden said in his reports he refers to "tutors." However, he said, it is his understanding that the common term in North Dakota is "instructional strategists." He said the intent is to reference individuals who are employed to assist struggling students. He said this individual is distinguished from an instructional coach, who works with teachers.

Dr. Odden said the 0.6 factor in the current law for summer school is applied just to the high school level. He said his recommendation is that it be applied to all at-risk students.

Dr. Odden said, with respect to gifted and talented students, North Dakota currently provides \$800,000. He said both the \$7,293 figure and the \$8,810 figure include \$25 per regular student, with the intent that the amount raised be used for gifted programming. He said, often, especially in smaller school districts, the best use of the money is to provide professional development to teachers so that they understand various strategies that can be used to assist gifted students.

Dr. Odden said the funding model includes resources for substitute teachers at the ratio of 5 percent of all teacher and instructional facilitator positions. He said this provides approximately 10 days per teacher on a 192-day school calendar. He said this may be more generous than many districts require. However, he said, there may be other parts in the funding formula that are less generous and therefore it all balances out.

Dr. Odden said, with respect to student support, the funding model includes one FTE nurse position for every 750 students, one guidance counselor for every 450 elementary school students, and one guidance counselor for

every 250 high school students. In addition, he said, the formula provides one professional student support position for every 125 at-risk students, which are defined as those on free or reduced lunch programs. He said the model funds more than the state of North Dakota currently requires.

Dr. Odden said the model provides one FTE supervisory aide for every 225 elementary and middle school students and one FTE supervisory aide for every 200 high school students. He said, except for the area of special education, his funding model does not include instructional aides.

Dr. Odden said his funding model includes one librarian for every 450 elementary and middle school students and one librarian for every 600 high school students. He said not all school districts require a full-time librarian. He said some have turned this into a paraprofessional position and use the additional resources for technology support.

Dr. Odden said the funding model provides one principal for every 450 elementary and middle school students and one principal for every 600 high school students. He said it also includes one assistant principal position for every 900 middle school students and every 600 high school students. In essence, he said, this is a half-time position in the elementary and middle schools and a full-time position at the high school level. He said these principal and assistant principal positions are in addition to instructional coaches. He said that is a significant amount of leadership per school.

Dr. Odden said secretarial staff is included at the rate of two FTE positions for every 450 elementary and middle school students and three FTE positions for every 600 high school students.

Dr. Odden said technology and equipment is funded at the rate of \$250 per student. He said this was the figure that was included in the \$7,293 amount. He said he has not updated that figure. He said it is sufficient to ensure at least one computer for every two students. He said it is also sufficient to ensure servers, printers, and supercomputers in high-tech labs. He said it also includes printer paper and all kinds of software. He said the formula also includes \$170 per elementary and middle school student and \$205 per high school student for instructional materials. He said this includes library texts and electronic services, textbooks and consumables, and formative, short-cycle assessments.

Dr. Odden said the 2008 Picus report contained funding for central office administration. He said the funding is based on the number of FTE positions generated and the salary and benefit levels for those positions. He said the estimate for a central office is \$625 per student. He said this includes a superintendent, a business manager, a director of human resources, an assistant superintendent for instruction, a director of student services, a director of technology, a director of special education, a director of assessment and evaluation, and a director of operations and maintenance. He said the model also includes funding for necessary support staff.

Dr. Odden said with respect to operations and maintenance, the 2008 Picus report did not generate a specific dollar amount for operations and maintenance but instead relied on the average amount spent. He said, since that time, a funding model for operations and maintenance has been developed. He said the calculation for North Dakota is an amount equal to \$757 per student. However, he said, it appears that the actual amount expended for operations and maintenance is \$1,167 per student. He said he does not at this point know why the discrepancy is so great. He said the number is not intended to account for major repairs. He said it is possible that some of those repairs were added in by the school districts. He said, for purposes of estimating the costs at this point, he used the \$1,167 figure. He said he does need to determine why there is such a significant difference between the actual number and the number proposed by the model. He said it could be everything from excessively high costs for small schools to higher costs for electricity and heating.

Dr. Odden said when he calculated benefits in 2008, the 26 percent figure was used for both certified and classified staff. He said there was some uneasiness with the percentage. He said it was assumed to be too low at least for the classified staff. He said when you add up health benefits and pension benefits, 26 percent of a classified salary is too low. He said, in the current funding model, it was decided to use 26 percent for licensed staff and 50 percent for classified staff.

Dr. Odden said between 2008 and now, North Dakota added 2 percent to the local cost of teacher or classified benefits. He said this is not picked up in the 26 percent. Therefore, he said, the 26 percent should be increased at least to 28 percent. He said it should be increased another 2 percent for estimates involving the 2015-16 year.

Dr. Odden said a family health plan costs approximately \$12,000 to \$13,000. He said a single health plan costs approximately \$6,000 to \$7,000. He said, if one assumes that the cost of an average health care policy is \$9,000, on a \$45,000 salary, that is a 20 percent benefit rate. He said if health care constitutes 20 percent, and the actual

pension constitutes another 12.5 percent, and FICA and Medicare account for 7.65 percent, and unemployment and disability total another 2.5 percent approximately, the benefits are in the 42 to 43 percent range. He said the current funding model does not accommodate benefits at that level. He said the problem is that if you do not include benefits at that level, the cost either gets passed on to the individual employee or the district is put in the position of having to find those resources elsewhere.

Dr. Odden said, in other states, he has found that more money than the formula accounts for actually goes into teacher salaries. He said, he expected that in putting together the North Dakota formula, the use of actual salaries would increase the \$8,810 figure by a substantial amount. He said, when the actual salaries were considered, what they found was that they had been raised a little bit above inflation but they had not been raised exorbitantly. He said three estimates were used in determining the salaries for purposes of the model. He said the first estimate was the actual 2012-13 salaries. He said the second involved taking the 2006-07 salaries and inflating them by the consumer price index, which averaged 2 percent per year over the last 6 years. He said that was a little more than a 12 percent increase. He said the third option was to use the 3.2 percent inflationary rate that North Dakota had applied to the per student figure.

Dr. Odden said, right now, many school districts are experiencing increased enrollment and with that increase in enrollment comes additional teacher hirings. In addition, he said, many of the districts are still negotiating salaries, and because of the economic climate in North Dakota, those salaries are reflecting 8, 10, 12, or 16 percent biennial increases. He said, at some point, the teacher salaries are going to increase in a percentage greater than the rate of inflation.

Dr. Odden said, because North Dakota has many small districts with fewer than 3,900 students, he also computed a per student figure for a prototypical district half that size--i.e., with 1,950 students. He said there are also small district adjustments for districts with 390, 195, and 97.5 students.

Dr. Odden said, using actual salaries, the per student figure came out to \$8,529. He said if he used the 2 percent inflationary figure, the appropriate per student dollar amount would be lower--\$8,191. He said if the 3.2 percent inflationary figure is used, the per student payment comes out to \$8,624. He said, at this point, the model is below the \$8,810 figure. He said, if adjustments are made for instructional materials and similar things, potentially, the dollar figure could be increased by approximately \$100. He said that would get one to \$8,775.

Dr. Odden said one reason the model numbers are lower than what North Dakota actually used is because North Dakota applied an inflationary number to everything. He said not all factors increased by that excess inflationary amount. He said, when he ran the simulation with a 42 percent benefit rate, that provided a number in excess of the \$8,810.

Dr. Odden said, ultimately, the final number will be affected by decisions made with respect to the benefit rates, with respect to whether student activities should be included in the cost, with respect to staffing ratios at the middle school level, etc.

Chairman Flakoll said from the time period of the first Picus report until now, the number of FTE teachers has increased from 7,747 to 8,383. He said that is an 8.2 percent increase.

In response to a question from Representative Kelsh, Dr. Odden said the 26 percent figure for purposes of benefits is low.

In response to a question from Representative Sanford, Dr. Odden said it might be worthwhile to look at regional salary differences. He said the way this is usually done involves looking not at educator salaries but at salaries for positions requiring comparable responsibility and educational background. He said there is a standard technique to determine if there are large regional differences in salaries that could be addressed in the formula.

In response to a question from Representative Monson, Dr. Odden said if this winter is colder than normal, thereby resulting in higher than normal heating costs for school districts, the Legislative Assembly might want to consider ways to provide extra resources but in a manner that does not involve a permanent line on the funding formula.

In response to a question from Representative Nathe, Dr. Odden said a district's wealth does not enter into the formula. However, he said, when the state of Wyoming redid its education formula, it found that some districts had ending fund balances in excess of 50 percent. He said the Wyoming Legislature decided that if districts did not need the money, then the money did not need to be in the formula.

Chairman Flakoll said it will be up to the committee to provide input and direction regarding the handling of benefits in the formula, changes in the weighting factors, the manner in which the maintenance and operations of school districts should be funded, and a variety of issues pertaining to professional development, including how instructional coaches are to be selected and the number of professional development days that are to be recommended. He said the committee will also look at how school districts are using the money that they receive.

With the permission of Chairman Flakoll, Mr. Marlyn Vatne, Acting Superintendent, Powers Lake Public School District, presented testimony regarding the funding of K-12 education. He said the Powers Lake Public School District was hit with a reduction in its oil and gas money when the allocation was changed from 35 percent to 5 percent. He said the district was hit when its previous year's oil and gas money was imputed at the higher rate. He said the district was hit because its mill levy was low and it received only 92 mills of property tax buydown, not 125 mills. He said the district was anticipating approximately \$1 million and did not receive this amount. He said Divide County, Burke, Central, and Bowbells are in the same boat. He said the student numbers in the Powers Lake Public School District are increasing and the district had hoped to use some of its oil and gas dollars to pay for a portion of new construction costs. He said the Legislative Assembly was generous in going to a base of \$8,810. However, he said, when the Legislative Assembly takes money away from a small district, it is pretty significant to the district.

Mr. Vatne said it would be helpful if the Legislative Assembly would prioritize education and address education needs early in the session, as opposed to waiting until the waning hours of the session.

In response to a question from Chairman Flakoll, Mr. Vatne said, prior to the 2013 session, the amount of oil and gas money that went back to the county was 35 percent, with a cap of \$5 million. He said in the final hours of the 2013 legislative session, that amount was reduced from 35 percent to 5 percent. He said the cap was removed. He said, in time, not having the cap could very well result in the districts receiving the same amount of money as they received under the previous legislation. However, he said, that will not happen in this biennium. He said the Powers Lake Public School District lost on both ends. He said the district lost because there was a reduction in the dollars when the percentage was changed from 35 percent to 5 percent and the district lost because the amount that it received last year in oil and gas dollars was now imputed at 75 percent.

In response to a question from Chairman Flakoll, Mr. Vatne said, in the previous year, the district received approximately \$640,000 in oil and gas revenues. He said, this year, the district is projected to receive \$150,000.

With the permission of Chairman Flakoll, Mr. Tom Nitschke, Superintendent, Kulm Public School District, presented testimony regarding the funding of K-12 education. He said the funding model presented by Dr. Odden is a good one for North Dakota. He said the Legislative Assembly should be careful about wanting to eliminate electives. He said career and technical education is very important, particularly in rural North Dakota, where the jobs tend to be those of electricians, plumbers, and carpenters. He said people in the trades tend to make better incomes in rural North Dakota than those in the professions.

Mr. Nitschke said he is concerned about the prototypical classroom used in the model. He said the model uses a prototypical classroom of 25 students. He said, in Kulm, there are approximately 10 students per classroom.

Mr. Nitschke said, this year, the patrons of the Kulm Public School District received a true 25 percent decrease in their taxes. However, he said, he is concerned that the current formula does not allow for as large a property tax decrease as he would like. For instance, he said, given the valuation increases seen in the district, he could levy less than 60 mills. However, he said, he is dealing with a 60-mill state deduct. He said if the valuation goes up again next year, he might need to levy only 50 mills. He said, with the 12 percent cap, he might never regain the mills he once had. He said he understands the need for the 12 percent cap. He said perhaps it should be altered to provide that if a district is not at its maximum levy amount, it is not subject to the 12 percent cap.

Senator Schaible said the mill levy might not be increasing but, if the valuation of property increases, the taxes are in fact going up. He said if we would talk about taxation in dollars rather than in mills, the problem described by Mr. Nitschke would disappear.

Chairman Flakoll said, under the current formula, if a district's property values went down, the state would still make the district whole up to \$8,810 this year or \$9,092 the next year.

Chairman Flakoll said the Kulm Public School District has an ending fund balance of \$814,000.

Mr. Nitschke said with respect to an ending fund balance, 20 percent in a large district versus 20 percent in a small district are very different scenarios.

In response to a question from Representative Nathe, Mr. Nitschke said the district's ending fund balance is 41 percent. He said, while that appears to be a little bit high, he has always thought that money in the bank was a good thing.

Representative Nathe said the school district is sitting on taxpayer money. He said, from a school district perspective, they believe they may need the money down the road. However, he said, taxpayers are talking to their legislators about relief from taxes now.

With the permission of Chairman Flakoll, Dr. David Flowers, Superintendent, West Fargo Public School District, presented testimony about the funding of K-12 education. He said we have all learned about the discrepancy between what is in the funding formula and what is actually being done in the school districts. He said the West Fargo Public School District currently offers four days of professional development. He said those four days are distributed throughout the school year. He said that does not come close to meeting the professional development needs of the district, especially given the changes in educational delivery that are being necessitated.

Dr. Flowers said he would love to have some professional development days in the summer and some immediately before school starts. However, he said, he would not want the Legislative Assembly to tie school district hands with respect to when those days have to be scheduled. He said school districts need opportunities for teachers to become aware of the new practices. He said school districts need to have teachers understand what the new practices look like. He said school districts need to provide opportunities for teachers to practice the new methodologies and then receive feedback. He said a lot of progress can be made through coaching and through time working with the professional learning community.

In response to a question from Chairman Flakoll, Dr. Flowers said there was nothing in the North Dakota Century Code or in Department of Public Instruction rules that required school districts to offer additional professional development days. He said requiring teachers to be at school for two more days would be a negotiation issue, unless there is some incentive provided by the Legislative Assembly.

In response to a question from Chairman Flakoll, Dr. Flowers said the West Fargo Public School District surveys its teachers to determine what was done well and what they did not find helpful when they have professional development opportunities.

With the permission of Chairman Flakoll, Mr. Mark Lemer, Business Manager, West Fargo Public School District, provided testimony regarding the funding of K-12 education. He said North Dakota has a long history of how it has staffed its schools and how it has paid its teachers. He said Dr. Odden is focusing on a prototypical model. He said North Dakota school districts are not at a point where they can wipe the slate clean and adopt the prototypical model wholesale.

Mr. Lemer said Dr. Odden's funding formula uses a prototypical number for operations and maintenance. He said some districts are well above that number and others are well below that number. He said imagine for a moment that there are two school buildings of roughly equal size. He said one building houses 400 students and the other building houses 125 students. He said it does not cost less to operate one than the other. However, he said, for purposes of distributing dollars, the individual costs are disparate. Likewise, he said, the prototypical average teacher salary used by Dr. Odden is approximately \$13,000 less than the average salary in the West Fargo Public School District. He said, while a district can move toward a different model, it cannot do so in a manner similar to flipping a switch.

In response to a question from Representative Koppelman, Mr. Lemer said, if it is assumed that the state will adopt the Odden funding model with the intent of moving school districts toward it, the Legislative Assembly will have to realize that the goal either needs to be closer to the reality as it exists in school districts today or the Legislative Assembly will have to provide assistance to get school districts from where they are to the stated goal. He said the more prescriptive a formula becomes, the greater the amount of assistance that school districts will require in order to meet the goal.

In response to a question from Chairman Flakoll, Mr. Lemer said there was never any discussion about what school districts were expected to do in order to receive their education funding payment.

In response to a question from Chairman Flakoll, Mr. Lemer said the West Fargo Public School District's latest salary increase was 3 percent and 5 percent. He said there were different numbers for licensed and nonlicensed staff.

Representative Nathe said if the state is paying the bill for things like professional development, the state has the right to dictate how those dollars are to be used and when they are to be used.

Chairman Flakoll said, as Dr. Odden's study moves forward, it will be necessary to focus on benefits, weighting factors, professional development, maintenance and operations, and how state money is being used by the school districts.

Representative Nathe said he would like to see what the funding model looks like if school activities are removed.

Chairman Flakoll said he would like to see an option under which mentoring is pulled out of the formula and accounted for through a weighting factor.

Representative Sanford said we have a model that is based on school and student improvement. He said not everyone apparently knew how the dollars were to be used. He said the dollars are currently being used in a variety of ways. He said he would like to hear some suggestions for how we could transition from where the school districts are today back to a model dedicated and devoted to school and student improvement.

In response to a question from Chairman Flakoll, Dr. Odden said one of the measurements with respect to whether or not the financial investments are paying off is authentic improvement in the national assessment of educational progress (NAEP) scores. He said NAEP scores appear to be an accepted form of measurement. He said, even if state test scores go up, people get concerned unless their NAEP scores go up too. He said some people say NAEP is not a very good indicator of educational improvement because we do not take it seriously in our school districts. He said that may be so, but NAEP is what is used.

Dr. Odden said determining whether or not state investments are paying off can be accomplished by looking at state assessments and particularly whether there has been an increase in the number of students reaching proficient levels. He said, sometimes, states say that their proficiency ratings are quite high on the state assessments. He said such states should look at their NAEP tests. He said if a state has an 85 percent proficiency rating on its own assessment and only a 35 percent proficiency rating on the NAEP, then the state should look at the number of its students scoring in the advanced category.

Dr. Odden said some states argue that their test scores are flat because their students are more diverse. He said that assumes that students in such categories are not expected to learn. He said the funding formula includes substantial resources for struggling kids, in order that the school districts can provide the assistance that those students need.

Dr. Odden said it is not his role to tell policymakers whether or not the progress of their state is sufficient. However, he said, there are numerous ways that policymakers can look at test scores and determine whether satisfactory progress is being made in their state.

Dr. Odden said the Legislative Assembly can legitimately say that, given the money it is putting into education, it expects student growth. He said the Legislative Assembly can legitimately set targets. He said one of the things that is missing is performance pressure from the state. He said, given the amount of money that is being expended, the state should be explicit with respect to its expectations of school districts.

Dr. Odden said North Dakota thinks of itself as a local control state. He said most states are to some extent local control. He said sometimes it is difficult for the Legislative Assembly to be explicit about what it expects from its local school districts.

At the request of Chairman Flakoll, Ms. Kirsten Baesler, Superintendent of Public Instruction, presented testimony regarding the funding of K-12 education. She said she values the fact that the concept of school improvement is at the root of this conversation. She said that is what all of our conversations should be about. She said this is a very complex issue with a lot of moving parts.

Ms. Baesler said, in her role as State Superintendent, she tries to look at the big picture. She said it is very important that, as discussions continue with respect to the funding of education, educators be involved. She said it is important that legislators know how individual policy decisions will impact schools, school districts, and the students of North Dakota.

Ms. Baesler said North Dakota schools and school districts have many opportunities to continue to improve. She said we learn so much about educational improvement as we move forward. She said the research changes

almost monthly. She said she has seen tremendous changes since the 2008 Picus study. She said, at that time, education was working very closely with the Department of Commerce. She said, at that time, North Dakota was facing a declining population and the Department of Commerce was looking to K-12 education to determine how the state could attract business and industry. Now, she said, seven years later, there is rapid enrollment growth all across the state.

Ms. Baesler said she does not think it would be appropriate to discuss a model of education without including career and technical education. She said, in this state, the two main industries are agriculture and energy. She said it would be a disservice to our students not to include career and technical education in the discussions about the future of education.

Ms. Baesler said the fact of the matter is that we have a very good education system in North Dakota. However, she said, based on the ACT, less than 24 percent of our students are college ready. She said approximately 70 percent of our jobs will require some sort of college-level certification. She said it is important that we talk about outputs and what we are getting as a return on our investments.

Ms. Baesler said the Smarter Balanced assessment will be piloted in some of the school districts during the spring of 2014. She said, by April 2015, there will be full implementation of the new state assessment. She said the Smarter Balanced assessment has formative and summative assessments available. She said the Northwest Evaluation Association (NWEA) assessment and the ACT are being changed to accommodate the new expectations. She said, while it will be difficult to compare apples to apples, our state longitudinal data system is robust and the comparisons will be done.

Ms. Baesler said, with the Smarter Balanced assessment, there will be a dip in test scores. She said the first reason for the dip in test scores is that the bar has been raised. She said the second reason is that anytime there is a new tool such as a new assessment, one's proficiency and efficiency go down.

Ms. Baesler said there needs to be a focus on student improvement and on school improvement. She said our best is not yet good enough.

In response to a question from Senator Heckaman, Dr. Odden said he did not suggest that certain students be eliminated from proficiency testing. However, he said, if a school district is claiming that its test scores are flat as a result of a certain group of students, that district should look at its test results in a manner that excludes those referenced students. He said doing so will provide information in an accurate manner.

Senator Heckaman said a district cannot decide that it will not test certain students or that it will not include those test scores in the results that it submits.

Chairman Flakoll said Dr. Odden is suggesting that the data can be used as a diagnostic tool to determine where challenges exist.

In response to a question from Representative Hunskor, Ms. Baesler said she is aware of the Texas decision not to include Algebra II as a required subject in high school. She said the challenges of a Class B school are enormous. She said there are students at both ends of the spectrum. She said those schools have smaller staffs and fewer opportunities for electives. She said that is why it is important that we as a state continue to have conversations about when and where students are learning mathematics concepts. She said we can talk about whether or not geometry concepts are learned in a construction class or whether science and mathematics concepts are learned in a computer class. She said a recent Oregon study concluded that science and mathematics can be learned within the confines of elective classes.

In response to a question from Representative Kelsh, Representative Nathe said the ACT collects a great deal more student data than does the state.

In response to a question from Representative Sanford, Dr. Odden said he does not anticipate a school district having sufficient grounds to question the state's financial commitment to school district equity, as has been done in the past. He said we have a robust funding system, as well as a per student figure that is adequate, and a local property tax deduct. He said we also have weights for specific issues. He said the formula is short, sweet, and straightforward.

In response to a question from Representative Kelsh, Dr. Odden said there is evidence to support a class size of 15 in K-3. He said, in the other grades, the research has been negligible. He said it is suggested that the determination with respect to an appropriate class size should be left to the local school boards. He said the

Legislative Assembly can indicate that it wishes to see student improvement. He said, if down the road there is no student improvement and if it appears that the class sizes in a district are too large, then the Legislative Assembly could go in and mandate smaller class sizes.

In response to a question from Representative Koppelman, Dr. Odden said the state of Arkansas requires recalibration every two years. He said the state of Wyoming requires recalibration every five years. He said it is worthwhile to go back and take a look at how a state is doing financially and how school districts are doing with things like class size, professional development, student performance, etc.

In response to a question from Chairman Flakoll, Dr. Odden said, when we look at educational success in other countries, we find a great deal of emphasis on collaborative teacher work. He said, while many of those countries have larger class sizes, they also have their teachers spending a great deal more time working together and perfecting lesson plans. He said the trick is to ensure that the teachers are actually spending time in collaborative work, as opposed to using the time simply not teaching.

Dr. Odden said another common theme found in successful educational programs on the international scene is the selection of teachers. He said many of the successful countries only allow those in the top 25 percent to enter teacher training programs. He said, if our schools of education admitted students in the same fashion that our schools of medicine did, we would have the best teachers and the opportunity to handle them differently. He said the United States literally recruits its teachers from everywhere and that results in more ineffective teachers in the system.

Dr. Odden said, to date, we have not explored the use of technology from the perspective of getting more out of the blended learning model. However, he said, it would be appropriate to look at a model such as the Rocketship Education program out of Palo Alto. He said students in that program spend approximately half of their time receiving instruction from teachers and approximately half receiving instruction from computers. He said he is not yet suggesting a shift to that model. However, he said, he is suggesting that there be some experimentation with that concept. He said technology will remain with us.

In response to a question from Chairman Flakoll, Dr. Odden said, currently, only 24 percent of North Dakota students are college or career ready. He said the higher wage jobs are going to require performance at a much higher level. He said North Dakota is going to have to do a much better job of preparing its students if those students are going to have a chance to fill those positions. He said the reality is that we do not discriminate in our purchasing habits. He said as a people we do not really care where a product is made.

Dr. Odden said the Program for International Student Assessment (PISA) measures 15-year-old students' reading, mathematics, and science literacy. He said he does not believe that the participating countries discriminate among their students in order to increase their test scores. He said the reality is that North Dakota students are going to be competing against the students from other countries for the jobs of the future. He said North Dakota needs to ensure that its students receive the very best education and it needs to benchmark that education to world-class standards.

Chairman Flakoll recessed the meeting and reconvened the committee at 9:00 a.m. on Wednesday, January 29, 2014.

Chairman Flakoll asked that the first draft of the Picus report, as presented to the committee yesterday, be sent to the North Dakota Council of Educational Leaders, with the intent that it be distributed to the organization's members. He said he is very disappointed that school administrators did not know of the Legislative Assembly's expectations when they sent out education dollars. He said the administrators' lack of awareness damages the trust between the Legislative Assembly and the administrators. He said the Legislative Assembly had placed trust in the school districts in order to provide them with some flexibility. However, he said, perhaps the Legislative Assembly erred in that decision. He said it is very difficult for legislators who are involved in education to go to their colleagues and champion the need for additional dollars, if the intended purposes are not carried out. He said, from the beginning, it was the intent of the Commission on Education Improvement to place the dollars into those areas where they would be most likely to increase student performance.

Representative Nathe said he too was disappointed that the funding provided to school districts was not used for the intended purpose. He said that simply underscores the need for this committee to clearly articulate its strategy for core funding. He said it is important that the standard to be set is readily comprehensible and clearly indicative of how state dollars are to be used, what programs are being funded with those dollars, and the manner in which accountability is to be determined.

Senator Heckaman said, right now, she sides with the administrators. She said the Legislative Assembly did not put into statute the purposes for which the money was to be spent. She said she really appreciated the presentation by Dr. Odden. She said it allowed the entire committee to get to the same point of understanding the funding model.

Chairman Flakoll said he anticipates that, in the future, a much tighter reign will be placed on the dollars and how they are expended, because of trust.

ALTERNATIVE MIDDLE SCHOOL MODELS IN NORTH DAKOTA

At the request of Chairman Flakoll, Dr. Stacy K. Duffield, Associate Professor, School of Education, North Dakota State University, presented testimony ([Appendix E](#)) regarding alternative middle school models in North Dakota. She distributed a report entitled *Alternative Middle School Models in North Dakota: An Overview* ([Appendix F](#)).

Dr. Duffield said she is accompanied by Mr. Larry Napoleon, Jr. She said grants had been set aside for the use of alternative middle schools during the 2011-12 biennium. She said 17 schools from 13 districts were approved by the Superintendent of Public Instruction to receive funding. She said the funding worked out to approximately \$600 per student served in an alternative middle school program.

Mr. Napoleon said students who lack academic readiness or are chronically in trouble for behavior issues are at high risk for dropping out of school. He said individuals who drop out of school are more likely to become involved with the criminal justice system. He said such individuals also earn less over a lifetime than their peers who stay in school.

Mr. Napoleon said alternative middle schools are potentially one way to address the needs of students who have not been successful in the traditional school setting.

Dr. Duffield said alternative middle school programs typically target students who are at-risk. She said a definition of at-risk can include being at-risk for dropping out of school, truancy, academic failure, having social and peer issues, being involved in violence, being involved in crime, and having emotional and behavioral issues. She said many alternative middle school programs are closely linked with the criminal justice system and even funded through it.

Dr. Duffield said alternative middle school programs provide not only content-focused instruction, but also skills related to personal development. She said this is done so that the behavioral issues can be addressed and not stand in the way of academic success.

Dr. Duffield said, whereas alternative high schools often have their own building and their own space off campus, most alternative middle schools tend to be a school within a school. She said the programs tend to have a room or a portion of a building set aside, while still providing their students access to the regular middle school programs, as appropriate. She said some of the larger districts had their own locations and others had cooperative programs with providers such as Youthworks.

Mr. Napoleon said, with the exception of one program that focused on academic readiness, the programs tended to focus on students who were on the fringes, primarily because of behavioral concerns. He said many of those students had academic issues that resulted from their behavioral problems. He said the alternative middle school programs focused on social preparedness, academic preparedness, and behavioral modifications. He said, in almost every case, there was a team consisting of social workers, administrators, and educators, who met to review the case file of every student recommended for admission to the alternative middle school. He said that team then looked at everything that had been tried prior to the point of considering placement in an alternative middle school. He said, if there was a consensus among the team that a student needed an alternative setting, the student was then admitted to the alternative middle school. He said the admission was also contingent upon a meeting with the student and the student's parent, an explanation of the program and its expectations, and consent ultimately being given by both the student and the parent.

Mr. Napoleon said the curriculum in most of the alternative middle schools actually mirrored that of the regular school setting. He said what was different in the alternative middle school was the focus on behavioral strategies and social skills. He said, of course, the alternative middle school provided a smaller and more insulated setting than the regular middle school program.

Mr. Napoleon said most of the alternative middle school models used a checkpoint system. He said once the student was able to meet all of the requirements, the student would be considered eligible to return to the regular middle school setting.

Dr. Duffield said, even though the state set aside \$600 per student, if a district was serving 10 students, the state allotment was only \$6,000. She said that was not even sufficient to pay for a paraprofessional. She said the districts that were committed to the alternative middle school model had to support the model with significant local resources.

Dr. Duffield said the study resulted in five conclusions and recommendations. She said the first was that alternative middle school educators should document the processes that are used in the alternative programs. She said it is important to keep written records of interventions, practices, and procedures, in order to identify those that have been effective and those that have been ineffective.

Dr. Duffield said, second, it is important to maintain the student's record of achievement and behavior modifications while in the program, in order to understand the impact of the program.

Dr. Duffield said, third, it is important to track the students after they leave the alternative middle school programs, especially from the perspective of persistence in school, truancy, and academic performance.

Dr. Duffield said a fourth recommendation would be to broaden the service mission of alternative high school programs in order to fill the gap between the middle school and high school alternative programs. She said often students stay in the alternative middle school program until the conclusion of grade 8 and then find that they are not eligible to attend the high school alternative program because they have not yet turned 16.

Mr. Napoleon said the fifth and final recommendation is that there be an increased amount of funding from both the state and the local levels, in order to effectively cover the costs of operating an alternative program.

Chairman Flakoll said the funding that was provided through a factor of .15, will sunset on Tuesday, June 30, 2015. He said one reason that the report was given today was so that the committee could determine whether this is an expenditure that should be continued beyond that date.

In response to a question from Representative Rohr, Dr. Duffield said there are a certain number of students who do not have the ability to be successful in the regular middle school setting. She said their issues did not necessarily surface in the third grade where an elementary counselor might have intervened.

In response to a question from Representative Sanford, Dr. Duffield said her research has shown that schools offering alternative middle school programs generally undergo significant reviews of a student, including past interventions, in order to determine whether the student should appropriately be admitted to an alternative middle school.

In response to a question from Representative Meier, Mr. Napoleon said the amount of time that a student spends in an alternative middle school program is dependent upon the individual needs of that student.

Dr. Duffield said the legislation provided funding on the condition that the student was being served at least 15 hours per week.

In response to a question from Chairman Flakoll, Dr. Flowers said the West Fargo Public School District already had such a program in place. However, he said, the funding was a welcome addition.

In response to a question from Chairman Flakoll, Dr. Flowers said, presently, the West Fargo Public School District serves 10 students in an alternative middle school setting. He said, should the program expand, the district would want to ensure that it is not over-identifying students who have academic or behavioral issues, in order to have them removed from the regular classroom. He said sometimes such students are disruptive to the learning environment. However, he said, one cannot give up on them too soon. He said one has to allow the middle school model and the teaming to work. He said he would not anticipate expanding the program much beyond perhaps 5 or 10 additional students.

In response to a question from Chairman Flakoll, Dr. Flowers said the success of the program is evidenced in students who are staying in school, acquiring the necessary social skills, and keeping up with their academic requirements.

In response to a question from Representative Rohr, Dr. Duffield said, in conducting the study of alternative middle school programs in North Dakota, parents were not interviewed.

In response to a question from Chairman Flakoll, Dr. Duffield said alternative middle school programs try to avoid duplicating services offered through special education. She said if a student is being served through special education, that student would not be served through the middle school model. She said this program is for those students who tended to fall between the cracks. She said those students may not have qualified for a special education program focusing on an emotional disability. However, she said, they still had behavioral issues that needed to be addressed.

Chairman Flakoll said, as he looked at the list of schools that were offering alternative middle school programs, it appeared that several of them had capacity issues. He said he was wondering if the capacity issues impacted decisionmaking regarding the alternative middle school programming that was offered.

Dr. Duffield said the Williston Public School District did have a space issue. She said it was addressed by the purchase of a portable classroom.

Mr. Napoleon said the most frequently articulated challenge had to do with personnel resources and financial resources.

Representative Sanford said the current law already accommodates tutors for a certain number of students. He said he is wondering if the alternative middle school weighting factor duplicates money already put aside for tutors.

Chairman Flakoll said the committee may need to look at equivalencies in much the same manner that previous legislation allowed counselors to serve as career advisors. He said school districts do not get paid unless they can demonstrate that they provided an alternative middle school program that met the requirements of the law.

Representative Sanford said he has always appreciated the fact that, in the middle school concept, teachers as a team collaborate to ensure that students receive the support they need to succeed.

With the permission of Chairman Flakoll, Dr. Viola LaFontaine, Superintendent, Williston Public School District, said, from her perspective the more skills, tools, and success that the district could give its students, the better off those students would be and the fewer social issues and problems those students would have. She said staff at the Williston Public School District identified up to 80 students that could have benefited from the program. She said, in the end, they selected those students most in need of the assistance. She said the students in the program participated during their study hall and during their elective time and focused very strongly on their reading skills.

Representative Sanford said he questions whether the money should be maintained as a separate program or simply placed into the overall school funding scheme. He said alternative middle school is not a separate program, it is a strategy for assisting students with various needs.

STUDENT ENROLLMENT DATA

At the request of Chairman Flakoll, Mr. Coleman presented testimony regarding K-12 student enrollment data. He distributed a document entitled *K-12 Enrollment Data* ([Appendix G](#)). He said it is projected that K-12 enrollment will increase by approximately 3,500 students for each of the next several years. He said even resident births point to an increase. He said resident births over the last several years have been increasing by approximately 200 per year. He said last year the increase was over 800. He said, in 2012, North Dakota had over 10,000 resident births.

Mr. Coleman said for the 2013-14 school year, the K-12 enrollment count is 101,656.

Mr. Coleman said nine school districts educate more than 60 percent of the K-12 students. He said 167 school districts educate the remaining 40 percent of students.

Mr. Coleman said 37 out of the state's 53 counties qualify as frontier counties. He said a frontier county is one that has fewer than 7 persons per square mile. He said the frontier counties averaged a student increase of 1.5 percent, whereas the remaining nonfrontier counties averaged a student increase of 2.7 percent. He said the 19 members of the oil and gas-producing counties experienced a student increase of 5.1 percent. He said the remaining counties averaged a population increase of 1.3 percent.

Mr. Coleman said 21 counties lost students. He said those 21 counties educate roughly 20 percent of the state's students. He said 43 school districts had decreases in student enrollment. He said 50 school districts had increases of more than 5 percent.

In response to a question from Representative Nathe, Mr. Coleman said if the trend of increasing by approximately 3,500 students continues each year, there will be a K-12 student population of approximately 120,000 by the end of the decade. He said a 3 percent growth rate is realistic.

TAXABLE VALUATION AND MILL LEVY DATA

At the request of Chairman Flakoll, Mr. Coleman presented testimony regarding taxable valuation and mill levy data ([Appendix H](#)).

Mr. Coleman said on page six there is a historical chart showing estimated operating revenue generated. He said, in 2013, there was a 14 percent increase in taxable valuation. He said, for 2014, there was a 16 percent increase in taxable valuation. He said the 2013 increase was attributable to agricultural lands. He said the 16 percent increase appears to be related to new properties that are primarily commercial and to pipelines.

In response to a question from Representative Monson, Mr. Coleman said school districts can levy 3 mills for their special reserve fund. He said if, however, the amount in the special reserve fund exceeds the equivalent of 15 mills times a district's taxable valuation, the excess must be transferred to the school district's general fund.

Mr. Coleman said school districts were left with the ability to levy for tuition, judgments, special assessments, their building fund, and sinking and interest levies.

In response to a question from Representative Nathe, Mr. Coleman said one can look at the final schedule in the handout and determine whether school districts provided the requisite tax relief to their patrons. Clearly, he said, the entire amount was not passed through to taxpayers. However, he said, a significant amount was.

Chairman Flakoll said he would like to have the Department of Public Instruction prepare and present a schedule showing the total amount of state dollars received by each district. He said he would like to have that include not only the dollars accounted for through 2013 House Bill No. 1013, but also various and miscellaneous grants from all sources. He said he would like to have the schedule show both the dollars going to the school districts and the dollars per student. He said he would also like to have the schedule show the change in dollars between this biennium and the prior biennium.

K-12 EDUCATIONAL UPDATE

At the request of Chairman Flakoll, Ms. Baesler presented testimony regarding K-12 educational issues. She said before she begins her testimony, she would like to introduce Ms. Chloe Rickards. She said Ms. Rickards wrote her a letter pertaining to the Common Core Standards. She said she thought it would be beneficial for the interim committee to hear directly from Ms. Rickards.

With the permission of Chairman Flakoll, Ms. Chloe Rickards presented testimony regarding the Common Core Standards ([Appendix I](#)). She said she attended an academic magnet program in Montgomery, Alabama. She said the program had very high standards and high expectations for student success. She said when she moved to North Dakota, she found the difference in educational standards to be dramatic. She said she found the North Dakota standards to be much lower than those commonly occurring in her previous school. She said she hopes that the Common Core Standards will help North Dakota offer to its students specialized and advanced courses. She said schools, school districts, and the state of North Dakota should not be afraid to challenge students.

In response to a question from Chairman Flakoll, Ms. Rickards said, to date, she has taken six or seven advanced placement (AP) courses. She said she has also taken several university-level courses. She said last semester she took Calculus II through Minot State University because the Minot High School offerings ended with Calculus I.

In response to a question from Representative Nathe, Ms. Rickards said at the school in Montgomery, Alabama, the students were much more driven than those she has encountered in Minot.

In response to a question from Representative Hunsdor, Ms. Rickards said in the fall of 2014, she will attend Stanford University as a bio-engineering major.

Ms. Baesler distributed a list of the assessments that are required by North Dakota Century Code or by federal law ([Appendix J](#)).

Ms. Baesler distributed a document entitled *ND SLDS FAQ's* ([Appendix K](#)). She said this document contains a brief description of the statewide longitudinal data system (SLDS), its origin, its funding, and the state agencies that constitute the SLDS Committee.

Ms. Baesler distributed a document containing questions and answers about the Common Core Standards ([Appendix L](#)). She said, in North Dakota, potential standards are compared against existing standards. She said, in the case of the Common Core Standards, a team of more than 60 educators reviewed the standards. She said they spent approximately 18 months comparing the previous standards to the Common Core Standards. She said the team concluded that, in most cases, the Common Core Standards were more rigorous than those which were currently in place. She said there seems to be some misunderstanding about the Common Core Standards, SLDS, and the state assessments that have been in place since 2002. She also distributed a document created by Bismarck Public Schools, in response to questions about the Common Core Standards ([Appendix M](#)).

Ms. Baesler distributed a document showing the data requirements of ACT and Smarter Balanced ([Appendix N](#)).

In response to a question from Senator Schaible, Ms. Baesler said while a lot of textbooks claim to be aligned to the Common Core Standards, in reality, very few truly are. She said, just as always, it is up to the school district administration and the board of the school district to ensure that students have access to appropriate curricular material. She said it is their responsibility to ensure that the material aligns not only to the standards but also to the norms and values of the local community. She said some states actually select the textbooks that must be used by their school districts. She said that is not the case in this state.

In response to a question from Representative Nathe, Ms. Baesler said some states have contracted with outside entities to manage their longitudinal data systems. She said North Dakota created its own SLDS in 2007. She said the system is managed by the state. She said the data is collected in PowerSchool and reported to the state through the STARS system. She said that information is then reported to the SLDS. She said the owner of the information is and always will be the generating school district. She said there is no sharing of information without an agreement involving the school district that owns the information.

In response to a question from Representative Nathe, Ms. Baesler said she does not know the constraints placed on ACT data. She said the state of North Dakota has no control over the ACT data.

In response to a question from Representative Hunskor, Ms. Baesler said anytime you institute something new, such as the Common Core Standards, there will be questions and concerns. She said we are trying to fix the airplane as we are flying it. She said the reality is that only 24 percent of our high school graduates are college or career ready. She said we need to do better than that. She said Ms. Rickards pointed out that if standards are set at a high level, students will rise to that level in order to meet the standards. She said the Common Core Standards are not the answer to all of the questions. She said it is, however, a part of the solution. She said she needs to communicate to the people of North Dakota that the way other states conduct business is not reflective of how the state of North Dakota conducts business. She said if there are concerns about the way we do things here in North Dakota, with respect to the Common Core Standards, she would like to talk about those things, evaluate those things, and determine whether any changes are necessary.

In response to a question from Representative Rohr, Ms. Baesler said she understands that legislators are getting questions and that they need to respond to their constituents. She said, if requested, she and Mr. Ryan Townsend, Academic Standards Director, Department of Public Instruction, will come to a community and hold a public forum or a question and answer period.

Representative Sanford said he has always wondered what the authority of a school district is with respect to requiring that struggling students take advantage of opportunities for assistance that are made available to them. He said there seems to be authority within the 180-day school calendar and from approximately 8:00 a.m. to 4:00 p.m. He said, after 4:00 p.m. and after the end of the regular school calendar, a district's authority seems to be more negligible. He said sometimes the best intentions of the school district do not equate to having all of the students who could benefit from a particular experience actually participate in it.

Ms. Baesler said a school district does not have a lot of authority. She said its only options are team building and information-sharing with the student's parents.

Ms. Baesler said it is important that we consider learning to be the constant, and time to be the variable in education. She said if a student can learn a concept in seven weeks, that student should be allowed to move forward. By the same token, she said, if another student needs 20 weeks to learn a concept, that needs to be accommodated as well.

In response to a question from Representative Monson, Ms. Baesler said NAEP used to be a voluntary test. She said now, however, if a state wants to receive its Title I dollars, all schools must participate in the NAEP.

In response to a question from Representative Monson, Ms. Baesler said NAEP tests fourth and eighth grade reading and English language arts. She said there is an option to test science as well. She said North Dakota schools have opted to take the science portion of the NAEP. She said North Dakota students score very well in the science portion.

In response to a question from Representative Monson, Ms. Baesler said the National Governors Association and the Council of Chief State School Officers were responsible for the development of the Common Core Standards in the areas of English language arts and mathematics. She said those two groups have not indicated that they will pursue Common Core Standards in other areas such as science. However, she said, it appears that groups such as the National Science Teachers Association have seen the value of a connected curriculum that is standardized from state to state. She said that entity may very well pursue such standards with respect to their particular areas of study.

Representative Monson said for years we have had an anemic gifted and talented program. He said it has been anemic in terms of funding and in terms of delivery. He said many school districts, particularly the smaller school districts, have neither the resources nor the personnel to deliver such programming. He said he sees gifted and talented programming as something that would benefit those students who require greater challenge.

Ms. Baesler said the difficulty with gifted and talented programming is that very few students are gifted and talented in all areas. She said it is more important that our teachers know how to tailor instruction to individual students.

In response to a question from Representative Rohr, Ms. Baesler said those states that are taking a pause with respect to implementation of the Common Core Standards are generally those states that did not engage in the rigorous review process at the initial stages. She said they generally did not involve educators in the decision. She said those states had a board, usually a five-member board, make the decision to require the Common Core Standards in their state. She said North Dakota does not intend to take a pause with respect to implementation of the Common Core Standards. She said, while individuals say that educators are concerned about implementation of the Common Core Standards, as Superintendent, she has not received such calls. She said she frequently asks teachers how the implementation is moving forward. She said if teachers are concerned about the Common Core Standards, she needs to know so that any necessary changes can be made and this can be a positive experience for the students of North Dakota.

In response to a question from Representative Nathe, Ms. Baesler said anytime something new is implemented, one can expect to have a certain amount of concern about it. She said, however, concerns have not been voiced to her. She said her decisionmaking with respect to the Common Core Standards comes down to whether or not it is good for the students.

In response to a question from Chairman Flakoll, Ms. Baesler said she was contacted by a parent whose daughter was an "A" student. She said, following implementation of the Common Core Standards, the child appeared to be struggling significantly in mathematics. She said the parent wondered why this change was being imposed on juniors and seniors, as opposed to allowing those students who are in the system currently to continue using the standard curriculum and then bring Common Core Standards in at the kindergarten level. She said we know from business and industry and from our state remediation rates that our students are not meeting the expectations of the world in which they will live and work. She said, had she elected to begin the Common Core Standards curriculum with the incoming kindergarten class, it would have been another 12 years before full implementation. She said we do not have the option of delay. She said delay would result in 12 more years of students not being prepared for that which they need to do.

Senator Anderson said one of the major differences between the United States educational system and that of other countries is the quality of the teachers. He said we were told that other countries only allow the top 25 percent of applicants into their teacher preparation programs. He said he believes that if the bar is set high, teachers will rise to the higher level, as will the students.

At the request of Chairman Flakoll, Mr. Kyle Davison, Executive Director, South East Education Cooperative, presented testimony ([Appendix O](#)) regarding regional education associations (REAs). He said he is accompanied by Mr. Luke Schaefer, Executive Director, Mid-Dakota Education Cooperative. He said North Dakota regional education associations try to drive the process, the collaboration, and the access to best practices and classes.

Mr. Davison said an REA is literally a group of school districts seeking to improve educational programs and services through cooperation and the pooling of resources. He said one of the early challenges was to convince school district superintendents to focus on collaboration. He said when money was put toward actually having

directors for the REAs, it helped the various associations move their ideas forward and provide needed services to their member districts. He said the first REAs began in 2003. He said they were pilot projects centered in Dickinson and Devils Lake. He said the remainder of the REAs were established between 2005 and 2006. He said approximately 97 percent of all North Dakota school districts belong to an REA and those serve 98 percent of North Dakota students.

Mr. Schaefer said the goal of the REAs is to work directly with teachers and administrators to improve student achievement. He said the REAs have been very involved in providing professional development in order to support the implementation of the new state standards.

Mr. Schaefer said North Dakota REAs also support schools with respect to their technology needs. He said this includes supporting ITV systems and facilitating collaboration among technology coordinators.

Mr. Schaefer said REAs work with schools to develop continuous improvement processes. He said that includes helping schools with data collection and with the use and interpretation of the data. He said 3 percent of the school districts do not belong to regional education associations, in part because they made decisions about the benefits. In addition, he said, school districts do not receive additional dollars unless they belong to an REA.

In response to a question from Representative Rohr, Mr. Schaefer said he does not believe that any research has been done comparing student outcomes in those districts that belong to REAs versus those that do not.

COMMENTS BY OTHERS

With the permission of Vice Chairman Nathe, Mr. Mark Lemer said, this morning, Chairman Flakoll expressed some frustration with the disconnect between the level of funding and what the funding is being used for in the schools and school districts. He said some years ago a consultant's report was prepared in conjunction with the efforts of the Commission on Education Improvement. He said the report contained recommendations for the uses of dollars. He said it would be appropriate to have the state be more specific statutorily, if it wishes school districts to take recommendations from a consultant's report and actually implement those recommendations. As an example, he said, the North Dakota Century Code defines the length of the school calendar. He said, statutorily, the school calendar includes two professional development days. He said the consultant's report recommended 10 days of professional development. He said one cannot expect school districts to move to a 192-day calendar when the statute references a 182-day calendar.

Mr. Lemer said the consultant's report recommends a K-3 class size of 15. He said, in the West Fargo Public School District, there are 137 classrooms serving students in K-3. He said the average class size for kindergarten is 22 students. He said it is 23 students for grades one and two, and 24 students for grade three. He said if it is assumed that the school districts were to adopt a class size of 15, the West Fargo Public School District would require 209 classrooms. He said that means, for K-3, the West Fargo Public School District is short 72 classrooms. He said that means the West Fargo Public School District is short three school buildings. He said the West Fargo Public School District has recently or is in the process of opening three new elementary schools. He said if he has to go back to the patrons of the district and tell them that they need to fund three additional schools, he needs to have something more than a recommendation in a consultant's report. Quite frankly, he said, he will probably need something more than a mandate from the Legislative Assembly. He said the local taxpayers are picking up the tab to construct these buildings.

Mr. Lemer said the West Fargo Public School District uses a middle school model. He said that model builds in not only instructional time and teacher preparation time, but collaborative time for teachers. He said, in order for that to happen, the students have to be someplace other than with their core teachers. Therefore, he said, the West Fargo Public School District has chosen to provide more elective offerings than merely physical education, fine arts, and music. He said, by virtue of offering those electives, the West Fargo Public School District has a greater percentage of elective teachers than the 20 percent referenced in the Odden funding model.

Mr. Lemer said the Legislative Assembly will have to be explicit so that school districts know what is not negotiable and what is negotiable with respect to how they use the funding coming from the state.

In response to a question from Representative Meier, Mr. Lemer said there is no specific allocation of paraprofessionals on a classroom basis. He said numbers are allocated to buildings.

In response to a question from Representative Koppelman, Mr. Lemer said the district has its own strategic plan for student improvement. However, he said, it did not pull the 2008 consultant's report given to the Commission on Education Improvement off the shelf in order to determine district-level inputs.

Mr. Lemer said the West Fargo Public School District has opened or is opening three new buildings. He said the additional dollars received courtesy of the 2013 Legislative Assembly literally were converted into staff compensation for all of the new classrooms.

In response to a question from Representative Koppelman, Mr. Lemer said in order to improve student performance on a statewide basis, the Legislative Assembly must decide which of the educational inputs are mandatory for all school districts.

In response to a question from Chairman Flakoll, Mr. Lemer said the comments made by Chairman Flakoll earlier in the day seem to indicate that the school districts should already have adopted the 2008 consultant's recommendations carte blanche.

Chairman Flakoll said the Picus report was presented to the Commission on Education Improvement. He said the Commission on Education Improvement voted to recommend the commission's report. He said there was only one commission member that did not support the commission's recommendation.

Mr. Lemer said the recommendations from the Commission on Education Improvement were not the complete recommendations from the consultant's report.

Senator Anderson said it is the perception that the Legislative Assembly put adequate dollars into the education funding system. He said it is also the perception that the reason why all of the component recommendations from the original Picus report were not carried out has to do with the fact that the dollars went into teacher compensation. He said perhaps we need to look at that. He said, perhaps, the teacher compensation level built into the formula was too low. He said it appears that there was an attempt to allow flexibility for school districts. However, he said, it also appears that the school districts did not even attempt to include many of those factors that we know are a part of student improvement. He said there is also an assumption that because the school districts did not raise an objection to or present alternatives to the Picus recommendations, the school districts in fact agreed with the recommendations.

Mr. Lemer said, during the 2013 legislative session, there was significant discussion about funding for education and property tax relief. He said at no point was there any discussion about the manner in which the dollars were to be used in order to enhance student performance.

Mr. Lemer said if he is expected to go back to the school district and announce to his teachers that the school year is being extended to accommodate 10 days of professional development and that the teachers are not going to receive additional compensation because that was already provided to them at this year's level, that will not happen. He said that will require some additional support from the Legislative Assembly.

In response to a question from Chairman Flakoll, Mr. Lemer said student achievement in the West Fargo Public School District is not progressing at the rate the district believes it should be progressing.

With the permission of Chairman Flakoll, Mr. Dean Koppelman, Superintendent, Valley City Public School District, presented testimony regarding the funding of K-12 education. He said, even though there has been a misunderstanding between the Legislative Assembly and the school district superintendents with respect to what the expectations were when the education dollars were sent to the districts, he believes that from this point forward trust and their mutual desire to do what is right for the students of North Dakota will prevail.

Mr. Koppelman said in the Valley City Public School District, some of the new dollars were used for full-day kindergarten. He said some of the dollars went to support a full-time guidance counselor. He said the school district also added full-time art and increased compensation. He said the school district also implemented individual learning centers to help those students who were slipping through the cracks. In addition, he said, the school district added an alternative high school.

Mr. Koppelman said he believes that the school district has done a lot of good things with the additional dollars--things that the patrons of the district appreciate. He said without the dollars that the Legislative Assembly sent to the districts, many of the programs he mentioned would not have come into being.

Mr. Koppelman said he was looking forward to the additional dollars that the Legislative Assembly devoted to school districts this year. However, he said, the Valley City Public School District's student enrollment declined by 23. He said for the Valley City Public School District, averaging enrollment over a period of three years would help to deal with the consequences of declining enrollment. He said the school district's ending fund balance fell to 6.5 percent at the conclusion of the 2013 school year.

In response to a question from Representative Nathe, Mr. Koppelman said the challenge facing the district is that the declining enrollment is spread fairly evenly across the grades. He said losing one or two students per grade level does not justify a reduction in staff.

With the permission of Chairman Flakoll, Dr. Larry Nyblad, Superintendent, Grand Forks Public School District, presented testimony regarding the funding of K-12 education in North Dakota. He said all individuals involved in education within the Grand Forks Public School District want to see student improvement. He said the superintendents of this state are in agreement that the 11 elements for school improvement, listed by Dr. Odden, will in fact make a difference. He said the discussion has to do with how those various elements are applied. He said gains in student performance are being made, albeit those gains are not as great as some would like.

Dr. Nyblad said 86 percent of the Grand Forks Public School District budget goes to compensate employees. He said a school district can pay people more or it can pay fewer people. He said those are its choices. He said he believes that is where the Odden funding model struggles with respect to implementation. He said, for years, the state has had a requirement that 70 percent of all new money go to compensate teachers. He said the Grand Forks Public School District exceeded that state goal. He said, in part, that is why the district has been struggling with its budget.

Dr. Nyblad said the Grand Forks Public School District has been a leader in teacher and principal evaluations. He said it has implemented the Marzano teacher evaluation model. He said the model identifies 125 elements of quality teaching and then matches the teacher to those elements. He said principals then evaluate teachers based upon those elements. He said principals are evaluated based on their effectiveness in evaluating and supporting teachers. He said their method of instruction is more student-centered, individualized, differentiated, hands-on learning. He said things like that are going on in the school district, independent of any model or statute.

Dr. Nyblad said the Odden funding model is based on one central inequity--that being the price of labor. He said the Odden funding model is based upon average compensation. He said the funding model, in effect, rewards school districts that pay less than the average teacher compensation and punishes those that pay more. He said, historically, the districts that have paid more are the larger school districts. He said in the past the differences were made up through local funding. He said the new funding formula is placing constraints on the districts' ability to continue doing so.

Dr. Nyblad distributed a document entitled *Current Year Enrollment Growth - A Comparative Analysis* ([Appendix P](#)). He said the document illustrates what the full payment would be had prior law remained in effect, what the current payment is under the rapid growth model, and what the payment would be under the Odden funding model.

Chairman Flakoll said there are only so many dollars available to fund K-12 education. He said if additional dollars are placed into one area such as that which Dr. Nyblad describes as "full payment," those dollars will have to come from other areas.

In response to a question from Senator Anderson, Dr. Nyblad said if the September 10 enrollment count is the definitive number and if the district loses students thereafter, the district is still staffing based on the initial enrollment count. He said there is no mitigation of the effects of the decline.

Chairman Flakoll said when the Legislative Assembly conceived the rapid enrollment grant, it looked at school districts' ability to absorb additional students within the current classroom setting.

Dr. Nyblad said, in the case of the Grand Forks Public School District, the enrollment increases happened on the front end--i.e., the lower grades. He said absorption was not an option.

Chairman Flakoll said, in the years after the Grand Forks flood, the school district was being paid for phantom students.

Senator Anderson said he wonders why the payments could not be sent out based on enrollment counts taken monthly.

With the permission of Chairman Flakoll, Mr. Brandt Dick, Superintendent, Hazelton-Moffit-Braddock Public School District, presented testimony regarding K-12 funding. He said small school districts considered the increase they received courtesy of the 2013 legislative session to be a replacement for local tax dollars. He said this coming school year, the district will be faced with higher costs for teacher retirement and health care.

Mr. Dick said when we transition to the Smarter Balanced assessments, which are based on the Common Core Standards, test scores will go down dramatically.

Senator Schaible said he recognizes that districts want to stay at their maximum levy. However, he said, if as a result of valuation increases a district is collecting more from their patrons in tax dollars, that is a tax increase.

In response to a question from Senator Schaible, Mr. Dick said the school districts are responsible for coming up with their share, which is 60 mills. He said that dollar figure can vary depending on the valuation of the land in any given year.

Mr. Dick said the Hazelton-Moffit-Braddock Public School District is dipping into its ending fund balance to counter the effects of the formula. He said, in a district that has declining enrollment, the dollars have to be made up from somewhere.

Representative Nathe said the Hazelton-Moffit-Braddock Public School District has an ending fund balance of 37 percent.

Mr. Dick said the school district's ending fund balance was dipped into last year and will be dipped into this year again. He said one cannot do that forever.

Representative Nathe said he hopes that Mr. Dick can understand the taxpayers' angst. He said taxpayers look at the ending fund balance, conclude that the school district is sitting on a pile load of taxpayers' money, and become angry when the school district asks for additional dollars.

No further business appearing, Chairman Flakoll adjourned the meeting at 3:30 p.m.

L. Anita Thomas
Committee Counsel

ATTACH:16