

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

EDUCATION FUNDING COMMITTEE

Monday, June 2, 2014

Gorecki Alumni Center, University of North Dakota
Grand Forks, ND, 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, Nicole Poolman, Donald Schaible; Representatives Mark A. Dosch, Jessica Haak, Patrick Hatlestad, Bob Hunsakor, Jerry Kelsh, Ben Koppelman, Lisa Meier, David Monson, Mike Nathe, Karen M. Rohr, Mark Sanford, John Wall

Member absent: Representative David S. Rust

Others present: Senators Ray Holmberg and Mac Schneider, members of the Legislative Management, were also in attendance.

See [Appendix A](#) for additional persons present.

Chairman Flakoll thanked the University of North Dakota for hosting the committee at the Gorecki Alumni Center. He said he was pleased that a number of school district administrators could attend the meeting. He said Dr. Odden was charged with addressing certain issues. He said he is aware that others have interests, including the financial institutions tax, student counts, assessments, transportation, etc. He said the committee will focus on Dr. Odden's assigned duties.

It was moved by Senator Poolman, seconded by Representative Nathe, and carried on a voice vote that the minutes of the January 28-29, 2014, meeting be approved as distributed.

FUNDING OF K-12 EDUCATION IN NORTH DAKOTA

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 a report entitled *Recalibrating North Dakota's Per Student Number for the School Foundation Program* ([Appendix B](#)). The PowerPoint slides are attached as [Appendix C](#).

Dr. Odden said it has been a pleasure to work with North Dakota in the recalibration process. In addition to discussing education funding issues with legislators during prior trips to North Dakota, he said, he worked with Department of Public Instruction staff and met with school business managers and administrators to address technical issues in the funding of K-12 education, with the goal of streamlining the funding system even more than has already been done.

Dr. Odden said despite any recommendations in the report, he believes that North Dakota's K-12 funding formula is quite sound, both from an adequacy and an equity perspective. He said it is always wise to take a periodic look at one's funding formula. He said he is not making any suggestions regarding dramatic changes to the formula. He said North Dakota's formula is nice, straightforward, and easy to understand. He said the only thing that can be done to it is to make it marginally better.

Dr. Odden said one objective in the recalibration analysis involved taking a hard look at the \$8,810 and the \$9,092 figures in order to determine whether they are adequate today. He said another objective involved determining whether adjustments needed to be made to any of the weighting factors.

Dr. Odden said North Dakota has a definition of adequacy that involves providing a base of financial support per student, which is sufficient to allow the provision of an adequate education by school districts, regardless of where the student lives or what the taxable valuation is of the district. He said getting students up to proficiency for college and career ready environments could be added to the definition.

Dr. Odden said the recalibration was done using an evidence-based model. He said this model uses research based on, and reviews of, individual programmatic elements, such as class size, tutors, professional development,

etc. He said it also uses case studies of schools and school districts that have dramatically moved student performance upward and reduced the achievement gap. He said the evidence-based model has been updated since it was used in 2007.

Dr. Odden said the goal is to allow school districts to purchase a set of resources and deploy strategies that will improve student performance. He said the funding model has a school improvement model embedded in it.

Dr. Odden said in order to promote improvements in student learning, it is important to recognize that people matter. He said schools need good teachers, good principals, and good central office leaders. He said, in order to promote improvements in student learning, schools also need high-quality curricula and effective teaching strategies that are consistently applied by all teachers in all classrooms. He said as expectations are raised for students, there needs to be curricular changes and modifications as well.

Dr. Odden said in order to promote improvements in student learning, it is important to have access to high-quality classroom resources, including books and professional development. He said there must also be additional help for struggling students. He said as the expectations of students are raised, one could expect that there will be even more students struggling to meet the new standards.

Dr. Odden said in order to promote improvements in student learning, it is important to require that teachers work in collaborative groups. He said the old method of allowing each teacher to do his or her thing in his or her own classroom is not that effective. He said schools that are improving student achievement have their teachers work in collaborative groups, define effective instructional practices, and use short cycle assessments to determine the impact of their instruction and how to improve their instruction. He said this is not necessarily a money issue. He said it is, however, a talent issue.

Dr. Odden said successful schools utilize data to assess student performance. He said they also set high, ambitious goals. He said having students meet college and career ready standards is an ambitious goal.

Dr. Odden said successful schools have adopted new curricula and effective instructional practices that are implemented by all teachers. He said the money for such new curricular materials is embedded in the funding model.

Dr. Odden said successful schools analyze student performance data generated during the course of the school year to determine student progress. He said the money for such is embedded in the funding model.

Dr. Odden said successful schools provide continuous ongoing professional development to their staff. He said, in order to provide this, schools need instructional coaches, days and money for training, and time during each day for teachers to work in collaborative groups. He said all are addressed within the funding model.

Dr. Odden said the use of time is also important. He said if a student is struggling, that student might need more time. He said sometimes that means tutoring and interventions, rather than enrollment in an elective course. He said, at the high school level, sometimes this means a double-reading or a double-mathematics program.

Dr. Odden said sometimes districts are unable to pull in extra instructional coaches, tutors, or interventionists. He said those districts might be offering more electives than is really necessary and maintaining smaller class sizes than is really necessary. He said this issue is not unique to North Dakota.

Dr. Odden said regardless of what else is done in a school, there will always be students who struggle and need extra help. He said the funding model has a series of extra-help strategies. He said at the elementary level, one of the first things that can be done is the implementation of one-to-one and small group tutoring. He said this is intensive intervention and while it may seem expensive, in the broad scheme of things, it is not. Furthermore, he said, it is very effective.

Dr. Odden said teachers in collaborative groups need a team leader or team coordinator. He said in almost all cases, instructional mentors are also teachers.

Dr. Odden said successful schools also take advantage of outside expertise. He said this might involve reaching out to the regional education associations or reading practitioner journals. He said there is no need for each school to dream-up everything or start from scratch.

Dr. Odden said successful schools realize that talent matters. He said schools need good people to implement the strategies.

Representative Nathe said some schools bring in outside expertise, including private sector individuals, to help with their science, technology, engineering, and mathematics (STEM) programs. He said some do not and others do not know how to make the bridge to such outside experts.

In response to a question from Representative Nathe, Dr. Odden said this is not an issue of money, but rather an issue of leadership. He said schools need to determine what they want to do with their various programs and how they want to obtain and utilize outside expertise.

In response to a question from Representative Nathe, Dr. Odden said the strategies are a package concept and not ranked in accordance with importance. He said generally, once schools get into the strategies for school improvement and student success, they tend to pursue all of the strategies.

Representative Sanford said the funding model contains money for many of the suggested strategies. He said he wonders what the state's role is in monitoring to determine if the strategies are in fact being utilized.

Dr. Odden said that is a large and complicated question. He said it would be his suggestion that the state engage in monitoring with respect to student performance. He said the state may wish to consider setting performance targets for districts and schools and monitor progress toward those targets. He said this would allow for maximum local flexibility. He said ultimately there must be a lot of discussion at the local level to get the job done and to determine whether the job is being done.

Dr. Odden said another state-level initiative might involve working with districts to find and train instructional coaches. He said this could be done by the Department of Public Instruction, by the North Dakota Council of Educational Leaders, by the North Dakota Education Association, or by the regional education associations. He said such a move would generate significant collaborative conversation about the types of individuals that should be in such positions. He said this should be extended to tutors or interventionists. He said this could also provide feedback to universities regarding their teacher training programs.

In response to a question from Representative Sanford, Dr. Odden said the generic path to success tends to be quite similar across the country. He said some of the details might be different. He said this funding model places greater emphasis on blended instruction--on the heavier use of technology.

Dr. Odden said the funding model addresses class sizes. He said this is the most expensive element of the system. He said core teachers are considered to be those who teach science, mathematics, reading and English language arts, history, and world languages. He said elective teachers are those who teach art, music, physical education, health, and sometimes career and technology education. He said all schools need a high-quality liberal arts program.

Dr. Odden said each school needs core teachers and elective teachers. Thereafter, he said, all teachers need at least one period a day to be available for their planning and collaborative activities.

Dr. Odden said each school needs to provide tutors or some form of extra help for struggling students. He said this can include English as a second language (ESL) programs, afterschool or extended-day programming, and summer programs, as well as the more specialized areas of gifted programming, career and technology education, and special education. He said teachers in each of those programs need systemic ongoing professional development. He said student support services, guidance counseling, school nurses, and family outreach personnel are added to the aforementioned. He said this leads to a discussion about the cost of personnel compensation, instructional materials, technology, district administration, and site-based leadership.

Dr. Odden said the funding formula is based on a prototypical district of 3,900 students. He said that features four 450-student K-5 elementary schools, two 450-student middle schools, and two 600-student 9-12 high schools. He said the funding formula is also based on class sizes of 15 in K-3 and class sizes of 25 in grades 4-12. He said elementary schools are given an additional 20 percent of teachers for elective classes, as are middle schools, and high schools are given 33 percent more teachers for elective classes.

Dr. Odden said, in a 600-student high school, the formula provides for 24 core teachers, plus another 8 elective teachers.

In response to a question from Representative Nathe, Dr. Odden said the state's elementary schools are fairly close to the model. He said the average class size bounced around but it is about 18. He said the middle schools are close to the model and, as for the high schools, it appears that the core class sizes are in the 27 to 28 range. He said when school officials counted their elective class sizes, the number dropped to below 25. He said what this

indicates was that there are a lot of high school elective classes and the student numbers in those classes are low. He said those numbers start the debate about how resources should be deployed in schools and what is an appropriate balance between core classes and electives.

Dr. Odden said he is not suggesting and would not ever suggest the elimination of electives, because those are necessary to a well-rounded liberal arts curriculum. In addition, he said, without electives, there is no free time for collaborative teams. However, he said, if there were a high school that had very few instructional coaches and interventionist tutors, it might be recommended that the school lighten up on its elective offerings and utilize the saved slots for those other roles.

Dr. Odden said North Dakota statutes require that there be one instructional strategist, also known as an instructional interventionist, coach, or tutor, for every 450 students in K-3. He said all school districts except one appear to have met this directive. He said some have a few more such individuals. He said the current funding model accounts for one instructional strategist for every 200 students. He said this means that the funding model provides for 2.25 full-time equivalent (FTE) instructional strategists for a 450-student elementary school. He said these individuals are critical to professional development because they are the ones who work with the teachers and help them apply the instructional strategies.

Dr. Odden said the funding model accounts for 10 student-free days to be dedicated to professional development training. He said the current statutory requirement is for two professional development days. He said one district had in negotiations offered its teachers two additional fully paid professional development days. He said the counteroffer was for two additional days of pay but only one additional professional development day. He said the matter had been litigated at the state Supreme Court. He said he is not aware of the final decision.

Dr. Odden said it is difficult for school districts to take the money for extended professional development days and negotiate such days within the contract if the requirement is not statutorily expressed. He said the \$8,810 figure included eight professional development days in addition to the two days that were statutorily required. He said, although the money was in the formula, very few school districts extended their teacher contracts by eight days. He said in the calibration, he took the actual salaries from 2012-13 and added eight days. He said, without some state statutory requirement, legislators could very well find that, in a few years, there are still only two days to three days of professional development in the school district contracts.

Dr. Odden said it is his recommendation that legislators consider statutorily phasing in one extra day of professional development each year for the next several years in order to achieve the requisite number of professional development days.

In response to a question from Chairman Flakoll, Dr. Odden said other states have taken a variety of approaches. He said, in some states, school districts are given five days for required professional development and teachers are given five days to use as they deem appropriate.

In response to a question from Chairman Flakoll, Dr. Odden said, around the country, school districts are going to college and career ready standards. He said that means that teachers are being required to teach a much more rigorous curriculum. He said in this scenario, experienced teachers and new teachers need to be engaged in learning the new delivery methods and instructional strategies needed to deliver the new content. He said certain portions of the professional development days could be set aside to address specific issues. As an example, he said, newer teachers tend to have more issues with matters of classroom management. He said the bulk of the professional development should, however, be for all teachers.

Dr. Odden said a number of states have implemented new teacher evaluation systems. He said teachers are evaluated on a high number of standards that result in profiles. He said a teacher may be higher on some than on other aspects. He said the idea behind the concept is to allow teachers to focus on their areas of need. He said on the one hand, that could be a piece of professional development. However, he said, this sends the message that whoever is in training is working on a deficit. He said this is a negative message. He said professional development strategies that work tend to include all teachers in a school.

Dr. Odden said another element of professional development might be on content. He said the content of career and college ready standards is beyond the knowledge base of some teachers. He said training on content does not require followup coaching. He said pedagogical strategies require followup coaching.

Representative Nathe said he had asked for a report on professional development days. He said this report is statutorily required. However, he said, some of the state's largest districts have not reported their professional development activities in five years. He said we have incomplete information regarding what is being done. He

said if districts are not going to provide professional development, it raises the question of why money is being spent by the state for this purpose.

In response to a question from Representative Nathe, Dr. Odden said Wyoming and Arkansas legislators wanted to know how districts were spending their education dollars. He said the districts had not been required to report their activities. However, he said, both states have since developed a more finely tuned reporting mechanism that addresses what is being spent, how it is being spent, and how many districts are spending above or below the model, among other things. He said this has also led to good discussions about local flexibility.

In response to a question from Representative Nathe, Dr. Odden said Arkansas requires a recalibration every two years. He said the analysis is done by the Legislative Services Bureau. He said Wyoming requires recalibration every five years. However, he said, the Wyoming Legislative Services Bureau can conduct analyses during the interim.

In response to a question from Senator Poolman, Dr. Odden said the \$100 per student figure provides money for trainers and training materials. He said the cost of the 10 professional development days is embedded in the funding formula. He said the simulation model allows one to calculate the student payment based on a varying number of professional development days.

Representative Monson said it is possible to provide good professional development without having to expend a lot of money. He said tying professional development dollars to a formula removes flexibility.

Dr. Odden said he does not recommend "mandating the model." He said people want clarification with respect to what is in the funding model and how school districts are using the money. He said collecting and making data available does not result in legislatively mandated activities. He said as a consultant, there are only a few recommended mandates. He said if the state would fund the 10 professional development days, it would be recommended that the money be used for professional development. He said the state could, however, elect to go in a different direction.

In response to a question from Chairman Flakoll, Dr. Odden said the \$8,810 already includes 10 days of professional development. He said the recalibrated funding level also includes the dollars for 10 days of professional development. He said he is suggesting that legislators consider statutorily requiring that districts include those 10 days in their contracts. He said doing so would not require an increased appropriation because the money has already been included in the formula.

In response to a question from Representative Meier, Dr. Odden said right now the North Dakota Century Code requires two professional development days. He said he has included money in the formula for 10 professional development days. He said he does not know what the national average is. He said the suggestion for 10 days is based on studies of programs that are successful. He said most of those programs had scheduled the 10 days during the summer months. He said that allows for hard-core teacher training to occur. He said the training is then followed up with coaching and collaborative work during the school year. He said spreading out professional development throughout the school year and delivering it in two-hour and four-hour increments is not as effective as having a focused summer program.

In response to a question from Representative Rohr, Dr. Odden said it is possible to track the number of professional development days in school district contracts. He said North Dakota is trying to substantially raise student performance, as are other states. He said that means that a lot of professional development will be needed during the coming years. He said in order to successfully attain the goal of substantially raising student performance, North Dakota should not short-shrift the provision of professional development. He said that is why the dollars were included in the \$8,810 and in the recalibrated number. He said if a group of teachers do not believe that they need 10 days of training, they could always do 5 days of training and set aside another 5 days for personal growth activities. He said if the days are required statutorily, at least legislators will know that professional development days are being provided for in the school district contracts.

Representative Sanford said professional development has been a vexing issue for many school districts. He said the Grand Forks School District has a program in conjunction with the University of North Dakota under which a fifth-year residency is available to newly minted teachers. He said he considers that to be a gold standard in the state. He said individuals who have gone through that residency program tend to be better-prepared, more confident, and more likely to stay in the field. He said it is a heavily supervised year. He said it also leads to a master's degree.

Dr. Odden said residencies are very effective. He said there is a movement across the country to increase residency programs. He said those programs are, however, very expensive. He said the programs in effect require the payment of two people to perform a job. He said not very many districts can afford this type of financial commitment. He said collaborative teams that meet two to three times a week can also provide a new teacher with access to expertise, lesson plans, and instructional strategies. He said that is more intensive than having a new teacher work with just a mentor.

Dr. Odden said if a new teacher works with a collaborative team on a week-by-week basis, that new teacher would be getting constant feedback. He said collaborative teams create common lesson plans, teach curricular units simultaneously, use the same end-of-unit tests, and compare results. He said if the new teacher has some issues, the team can arrange for focused training, observation by a senior teacher, etc. He said the general thrust of the residency, which is based on receiving significant input on an ongoing basis, is something that he supports. He said this helps all teachers on the team and ultimately helps other schools look at which strategies have worked elsewhere.

Representative Sanford said the model he was referring to is not a one-to-one model. He said the mentoring teacher is a staff member in the district and the program is actually close to revenue-neutral. He said this is something that we already have in place and, with resources, could get a lot for our investment.

Dr. Odden said because the classroom teacher, as described in Representative Sanford's model, is the teacher of record, the funding formula would be found to have sufficient resources through its instructional coach line item, through its extra professional development days for training new teachers, and through its provision for collaborative teams. In short, he said, that kind of a program could be retained and enhanced using the funding model.

Representative Nathe said the professional development report, which is incomplete at best, shows that districts spent \$8.8 million last year on professional development days. He said the Odden funding model provides \$39 million for professional development. He said he would like to know where the additional \$31 million would go and how it could be tracked to ensure that it is being used as intended.

Dr. Odden said the \$8.8 million for professional development days is different from the money set aside for instructional coaches. He said there is not a line item for instructional coaches. He said it is built into all salaries because instructional coaches provide help to teachers on a daily basis. He said if there was a full professional development report, it would be possible to see which districts are overspending the model and which are underspending the model. He said generally, when the money goes out on a block grant, districts tend to underspend for instructional coaches, which are critical to making the entire effort work. He said they also underspend the model on extra-help strategies, which means that struggling students are not given the help that they need. He said they tend to overspend the model on instructional aides, which are not addressed, except in the area of special education, and they overspend the model on electives on teacher salaries. He said that means that other pieces of the model are not being funded appropriately.

Chairman Flakoll said right now the North Dakota Century Code requires two days of professional development. He said there is an option for a third day.

Representative Monson said professional development days and needs vary significantly from school to school. He said there are costs associated with running heat and lights on days when students are not present but professional development is being offered. He said small school districts that have to contract for professional development services rather than provide such services themselves need to be factored into the equation. He said if teachers need to be transported to professional development activities, there are costs associated with that. He said we are trying to impose a one-size-fits-all delivery system. He said we need flexibility. He said we should not go to a system that requires accountability for every directed dollar.

Dr. Odden said professional development expenditures are complicated. He said fiscal accounting systems can and have been altered to determine how many days of professional development are offered and what the expenditures are for professional development. He said states that have accountability systems do not focus on minutiae such as if an instructional coach is required for every 250 students, what happens if 253 students are enrolled. However, he said, if there were no expenditures for instructional coaches, that would cause concern.

Dr. Odden said one option would be to consider things such as instructional coaches, summer school, etc., to be categorical expenditures. He said if a school district expends dollars for this purpose, it then receives reimbursement. He said the decision has to do with how much data is desired.

In response to a question from Representative Hunskor, Dr. Odden said the general strategies used by successful school districts are very similar to those suggested in the funding model. He said, in small rural school districts, there is a lot of collaboration and cooperation between such districts and regional service agencies, as well as local universities.

Dr. Odden said he is making only one or two recommendations for changes to current state requirements. He said he is not recommending that every school district spend according to the model. He said the general purpose of going through the details is to ensure that everybody knows what is in the model. For instance, he said, if a school district suggests that it needs additional resources for professional development, legislators will have an understanding that there are already significant professional development dollars accounted for in the funding formula. He said it is more about allowing legislators to understand what is in the model, rather than mandating that school districts follow all aspects of the model.

Dr. Odden said he would suggest tracking outcomes rather than focusing on inputs.

Dr. Odden said he has no recommendation for change in the area of special education. He said while one could argue with the 4.0 weight, the fact of the matter is there is more special education staffing than what can be purchased with the 0.082 factor, and when the dollars reflected in the 0.082 factor are added, it all works out to be sufficient.

Dr. Odden said he has no recommendation for change with respect to gifted and talented education.

Dr. Odden said he has no recommendation for change with respect to student support staff. He said the funding model includes a guidance counselor for every 450 students in elementary school and one guidance counselor for every 250 students in middle school and high school. He said the funding model also includes one nurse for every 750 students. He said this follows national standards.

Dr. Odden said he has no recommendation for change with respect to supervisory duty aides.

Dr. Odden said he has no recommendation for change with respect to library staffing.

Dr. Odden said the recommendations for principals and assistant principals remain the same as before. He said there should be one principal for every school, a half-time principal or assistant principal in every middle school, and a full-time assistant principal for every 600-student high school.

Dr. Odden said he has no recommendation for change with respect to school clerical staff.

Dr. Odden said the \$250 per student for technology includes inside-the-school equipment, such as computers, printers, software, servers, security-ware, and some classroom management of students. He said in other states, this dollar figure will be revisited to ensure that there is more than one computer for every two to three students, and that iPads and electronic books are included. He said, perhaps, this number will change later in the year.

Dr. Odden said the dollar figure for instructional materials stays about the same. He said this also includes about \$25 per student for short-cycle benchmark assessments, in addition to the state assessments.

Dr. Odden said the funding model includes \$200 for student activities at the elementary and middle school level and \$250 per student at the high school level. He said he left the dollars in because they were in the previous number. He said this is not part of the "cost of education" and, therefore, there is some flexibility in how this number is used. He said this is for clubs and sports, i.e., for noncredit-producing activities. He said the average expenditure across all grades is about \$213 per student. He said this was in the 2008 dollar amount. He said it is included in the \$8,810 and in the recalibrated figure.

Dr. Odden said central office expenditures are recognized at \$644 per student.

Dr. Odden said there is still a dilemma about the actual costs of operations and maintenance. He said in 2008 he used an average cost. He said this was incorporated in the \$8,810. He said there is a model that can be used but he did not have access to information from every school. Instead, he said, he applied the statewide standards to prototypical districts and arrived at a figure of \$757 per student. He said that was way below spending in a lot of districts and above spending in a few of the larger districts. He said it seemed that the \$757 was not an appropriate number. He said the actual average for 2012-13 was \$1,167. He said Wyoming has approximately the same number of students as North Dakota. However, he said, Wyoming has only 48 districts. He said Wyoming's expenditures were very close to the model. He said they too have significant differences based on the size and age of the buildings. He said this area could be given further analysis.

Dr. Odden said he used actual salaries in the model. As for benefits, he said, in 2008 he used an average benefit figure of 28 percent. He said that seemed to be too low. He said all districts have to pay Federal Insurance Contributions Act (FICA) and Medicare taxes. He said that is 7.65 percent. He said unemployment and disability averages out to about 2.35 percent. He said that totals 10 percent. He said then there is the district portion of retirement. He said that amounts to 10.75 percent for 2013-14. He said that increases to 12.75 percent for 2014-15. He said we know that some districts pick up the employee part as well. However, he said, his calculations account only for the employer part. He said that totals approximately 20.75 percent, excluding health benefits. He said the initial calculations, as reflected in the January draft, used 26 percent for licensed staff and an arbitrary 50 percent for classified staff.

Dr. Odden said it was difficult to get an average cost from school districts because some districts provide health, some provide health and dental, some provide health and vision, some provide health, dental, and vision, some provide the same level of support for single employees and for family plans, etc. He said he obtained numbers from the state system. He said the state, for its employees, pays 100 percent of the cost for an individual and a family health plan. He said the average is \$11,780 per employee.

Dr. Odden said Wyoming used the cost of its state plan to determine the amount of money that it would put in to the education formula. School districts were told that they could provide what they wanted, or they could opt-in to the state plan.

Dr. Odden said by utilizing the \$11,780 figure, that amounted to 46 percent of an average secretary's salary. He said around the country, health benefits are a high percentage of classified employees' salaries. He said health benefits are about 24.4 percent of teacher salaries. He said when one takes the aforementioned 20.75 percent and adds health care benefits, the total benefit rate is roughly 45 percent for licensed staff and 67 percent for classified staff. He said that is a big increase and accounted for the jump in numbers from earlier estimates. He said the state can determine the percentage of health care costs that it is willing to provide. He said any amount not covered by the state must then be paid either by the districts or by district employees.

Dr. Odden said he had expected that, with the infusion of education dollars over the past five years, teacher salaries would have been increased more steeply. In actuality, he said, the teacher salary levels increased at a rate close to that of inflation. Therefore, he said, he used actual 2012-13 salaries to recalibrate the number used in the formula.

Dr. Odden said the recalibrated number for 2013-14 is \$9,343, as compared to the \$8,810. He said that is an increase of \$533. He said he added 2 percent for 2014-15. He said that accounts for the increase in benefits.

Dr. Odden said the state will have to decide where it wants to peg salaries. However, he said, in 2012-13 and 2013-14, negotiations were producing substantially higher salary levels than they had in the past.

Dr. Odden said when the benefit rates were discussed in 2008, there may have been a misunderstanding in the calculation of that number. He said people thought that they took benefits over salaries-plus-benefits when what was needed was benefits-over-salaries. He said that calculation would have raised the 26 percent that was used to 34 percent. He said that would have increased the \$7,293 and the \$8,810, because the inflation would have been applied to a higher number. In addition, he said, the 4 to 6 percent increase in required pension costs impacted the recalibration, as did health care costs. He said, if the 2008 number had been higher, the recalibrated rate would not appear to be as substantial.

Dr. Odden said he believes that a reasonable rate for actual health care costs has been utilized. He said it is up to the state to determine whether it wants to accept that figure and fund the increase or whether it wants to make a policy that accounts for the cost differently.

Dr. Odden said the dollar figure for all of the component parts can be found on Table 17 - page 94.

In response to a question from Representative Koppelman, Dr. Odden said the calculations in the report are built on actual numbers not inflated numbers. He said the issue is that salaries are beginning to trend upward at a higher rate in the state. He said we have yet to see what will happen with health care costs. He said, at least in this recalibration, health care costs are linked to that which is being provided to state employees.

In response to a question from Representative Nathe, Dr. Odden said the cost of education generally exceeds any other inflation number.

Dr. Odden said North Dakota has a weight of 0.025 for economically disadvantaged students. He said the funding model has a number of programmatic recommendations, including tutors or Tier II interventionists that provide extra help during the regular schoolday. He said for North Dakota, the model suggests one tutor for every 450 students at the elementary and middle school levels, and one tutor for every 600 students at the high school level. He said there is an additional position for every 125 at-risk students. He said at the professional judgment panel meetings in 2008, it was indicated that some schools have fewer impoverished students but they still have struggling students. He said that funding is for extra help during the regular schoolday.

Dr. Odden said there are also extended-day resources, i.e., help for students before and after school. He said that amounts to 1 FTE staff person for every 125 at-risk students. He said the model accounts for 1 FTE summer school staff person for every 125 at-risk students. He said he counts summer school students, if they are there for the full program, as 0.25 students. He said North Dakota's summer school weight is 0.6 and four students are required to count as a full average daily membership (ADM).

Dr. Odden said additional counselors, social workers, nurses, and family outreach staff are also triggered by impoverished students.

Dr. Odden said the funding model differs from what North Dakota does with respect to English language learners (ELL). He said North Dakota uses three levels of weights to address ELL funding. He said his funding model assumes that all ELL students trigger all of the at-risk resources and then includes extra resources on the ELL side for teachers to teach English as a second language. He said it is structured differently.

Dr. Odden said he was trying to roll his funding model into North Dakota's weight structure. He said it is his recommendation that North Dakota retain its current summer school weight. He said the model's tutoring resources, extended-day resources, and student support resources could be rolled into a higher at-risk weight. He said that comes out to about 0.20. He said that will produce the additional resources needed in the listed categories.

Dr. Odden said the funding formula's recommendation for ELL is somewhat miserly compared to the three-tiered North Dakota weights. He said he asked what school districts were doing with their ELL dollars. He said they utilize extra academic help and some family and student support services. He said it looked very similar to that which the funding formula had rolled into the at-risk weight. He said it appears that if the at-risk weight were to be increased, the dollars that school districts now use for the ELL Level 1 and Level 2 students could be accounted for in that manner.

Dr. Odden said that while not all ELL students receive free or reduced price lunches, most do. However, he said, in order to ensure that all ELL students would trigger the extra resources, it is recommended that the at-risk count include all free or reduced price lunch students and all ELL students. He said for the at-risk rate, a student can be counted only as a free or reduced price student or as an ELL student. He said in the event there is a big overlap, the recommendation is that the at-risk student count include all free or reduced price lunch students, as well as all ELL students who do not receive free or reduced price lunches.

Dr. Odden said it is his recommendation that North Dakota keep its 0.07 weight, but apply it to all ELL students. He said North Dakota could keep its current ELL funding system. However, he said, there appears to be an overlap between the services provided to Level 1 and Level 2 students.

In response to a question from Chairman Flakoll, Dr. Odden said he is referring to Level 1, 2, and 3 ELL students.

Dr. Odden said in summary, it is being suggested that North Dakota enhance its at-risk weight to 0.20, set an ELL weight of 0.07 for all Level 1, 2, and 3 ELL students, and keep the summer school weight. He said that would be a little bit simpler, but would require changing the definition of at-risk students to include all Level 1, 2, and 3 ELL students.

Dr. Odden said with respect to alternative schools, the approach of the funding model is somewhat different from what is currently being done in North Dakota. However, he said, the recommendation, as articulated at the March meetings with school district representatives, was to keep the current alternative weights of 0.15 for middle school students and 0.25 for high school students. He said the high school weight is only for students who are aged 16 and older. Generally, he said, this includes only juniors and seniors, up to the age of 21. He said it is his recommendation that the current weights be kept, but that the high school weight be applied to all alternative high school students in the high school grades and not limited just to those who have turned 16.

In response to a question from Chairman Flakoll, Dr. Odden said the state might want to ask for some reporting with respect to how the money is used. He said Minnesota had a large at-risk weight for many years. He said they finally discovered that it was not used for extra help. He said it just went into salaries and general operations. He said when they finally required that the dollars be used for extra help, there was a large impact to school district budgets. He said that showed that the districts were not using the money as it had been intended.

Dr. Odden said another strategy would be to put the money into a pool and distribute it only upon an application. He said that adds administrative machinery to the system and requires departmental review to determine the effectiveness of the proposals. He said the simpler approach would be to require data regarding struggling students. He said if the trend line stays the same, despite the additional resources, then the conclusion is that there is an issue with respect to the use of the money.

Chairman Flakoll said, at the negotiating table, no one is advocating on behalf of the weight. He said we hope that board members carve out those dollars and ensure that they are being used in a meaningful manner.

In response to a question from Chairman Flakoll, Dr. Odden said in order to avoid providing double resources, it would be necessary to ensure that a student is being counted as an "at-risk" student or as an "alternative student," but not as both.

Chairman Flakoll said legislators have always been concerned that one student does not count as more than "two" students because of the different weighting categories for which the student might be eligible.

In response to a question from Representative Haak, Dr. Odden said there is the hope that if sufficient resources are provided, there will be fewer students failing school. He said research shows that one reason there are a lot of students in special education is because there have been inadequate resources for at-risk students. He said if we allow at-risk students to struggle long enough, they can be labeled and placed into a special education program for additional help. He said North Dakota reduces this somewhat because the state sends special education dollars out on a census basis. Nevertheless, he said, the number of special education students is on the increase. He said research shows that if there is a regular core instructional program, with talented and highly effective teachers, and if the first intervention is one-to-one tutoring, and then small group tutoring, followed by extended-day help, schools can reduce their special education count by 50 percent, largely in the learning disability category. He said that requires a shift in focus and the ability to provide extra help to "nonlabeled" students.

In response to a question from Chairman Flakoll, Dr. Odden said he is not aware of any data showing that if students are given extra help early on, they will be able to be weaned from extra help later in their K-12 experience. He said he would suggest looking at results of overall student performance and closing gaps. He said he would suggest finding schools that have been successful at closing the gap and spread the knowledge about what is being done in that environment.

Dr. Odden said there was a discussion about whether the number of students receiving free or reduced price lunches provided an accurate measure of at-risk students, especially given the fact that salaries in parts of this state may place the student's parent in a financial category that precludes the student from qualifying for a free or reduced price lunch. He said there has been the suggestion that the measurement involve some element of test scores as well as economic status. He said the problem with that is that as the test scores increase, the financial support that ensured such results is taken away. He said there might be alternative ways to describe teenage parents, single-parent families, families with someone in jail, etc. He said use of a multiyear average appears to be appropriate, as does an unduplicated count of poverty and ELL.

In response to a question from Chairman Flakoll, Dr. Odden said right now the state vision of the middle and high school alternative program is focused on students who have multiple social, behavioral, and emotional problems, as well as those that have substance abuse problems, and they need to be pulled out of the regular school environment. He said the at-risk is just for general run-of-the-mill academic struggles. He said one could look at having the at-risk weight apply largely to the elementary level and then expand the at-risk weight and provide that it could be applied to both alternative school students and those that require extra help. He said that would streamline the system.

Dr. Odden said he also looked at several of the smaller weights, including the migrant summer school weight. He said the migrant student weight was 1.0 and stayed at 1.0 when the per student amount was doubled during the 2013 legislative session. He said this year only two districts had migrant summer school programs. He said they indicated that the previous weight was sufficient. He said because the summer school weight was 0.6 and the migrant weight was sufficient at 1.00 with the lower per student payment, it made sense to roll the migrant summer school program into the regular summer school program. He said a small language change would allow for this streamlining effort.

Dr. Odden said the weight for home education affects very few students and because school districts are providing very little service with respect to the monitoring of such students, it was suggested that this weight could be eliminated.

Dr. Odden said as for cross-border attendance, this affects a relatively few students in Minnesota and Montana. He said when North Dakota's per student payment was lower than the tuition charges in other districts, there was a need to have a weighting factor. Now, he said, the per student amount is sufficient to pay the tuition to bordering states. Therefore, he said, the weight is not needed.

Dr. Odden said the data collection weight should be retained. Now, he said, the dollars are in theory sent to the school districts, but actually retained by the state for the payment of obligations related to PowerSchool. He said it was suggested that the state merely keep the money and remove this as a weighting factor.

Dr. Odden said the weighting factor for regional education associations was deemed sufficient, as was the weighting factor for early childhood special education.

Dr. Odden said in 2013 major changes were made to the small district weighting factor. He said it applies to districts having fewer than 125 students. He said it was suggested that the current factor be retained and that efforts be made to encourage factor increases for districts having fewer than 125 students.

Dr. Odden said four issues emerged in discussions with school district representatives. He said the first issue was the dichotomy between ADM and fall enrollment counts; the second was state support for transportation; the third was money for capital construction, particularly in high-growth areas; and the fourth was the regional cost variances. He said these were outside the scope of his recalibration.

At the request of Chairman Flakoll, Dr. Odden said the model, without the additional eight days of professional development, came out to be about \$236 dollars less per student. He said that amounts to about \$30 per student for each day of professional development.

In response to a question from Representative Nathe, Dr. Odden said the size of ending fund balances is an issue in a number of states. He said 5 to 15 percent would be common for standard-size school districts.

CAREER AND TECHNOLOGY EDUCATION - STUDENT PERFORMANCE

At the request of Chairman Flakoll, Mr. Wayne Kutzer, Director, Department of Career and Technical Education, presented testimony ([Appendix D](#)), regarding the performance, on statewide assessments of reading and mathematics, of students who enroll in two or more sequential career and technology courses, as well as the graduation rates of such students. He said career and technical education (CTE) graduates had a 96 percent high school graduation rate. He said this is 8.8 percent higher than the rate of all graduates.

COMMENTS BY OTHERS

With the permission of Chairman Flakoll, Dr. Larry Klundt presented testimony regarding education funding. He said he is speaking on behalf of himself. He said the formula has two factors that affect the flow of dollars to school districts, in addition to the actual payment levels. He said these are the "transition maximums" and the "transition minimums."

Dr. Klundt said a transition period involves the effort of getting from one point to another. He said in 2008 there needed to be a mechanism to ensure that certain districts would receive at least a minimum and that districts that would have received a windfall would be capped. He said the question is how long will we be in "transition" before all the schools are on the formula. He said we have been in "transition" for about six years.

Dr. Klundt said in 2013-14 one school district received a reduction of \$652,000 as a result of the transition maximum. He said the school district has approximately 300 students. He said in 2014-15 the transition maximum will reduce the district's payment by about \$566,000. He said the question for the committee is how long will school districts be in transition.

In response to a question from Senator Anderson, Dr. Klundt said "X" number of dollars were appropriated and at \$8,810, every school district should have received a certain number of dollars based on the component part of the formula. He said because a transition maximum was in place, a school district could get no more than 110 percent of the amount it received the previous year.

Chairman Flakoll said when 2007 Senate Bill No. 2200 was enacted, the transition maximum was 7 percent, then 12 percent, then 18 percent, and then 45 percent when everyone came onto the formula a couple of years ago.

With the permission of Chairman Flakoll, Mr. Benjamin L. Schafer, Superintendent, Nesson School District, Ray, presented testimony regarding education funding. He said districts are having difficulty getting to their 60-mill maximum levy because of their ever-increasing valuations. He said he has heard people say that that too will level out. He said it may not level out for a long time. He said he wondered if regional weighting factors could be used so that the students in Ray could get their \$8,810, or the recalibrated amount.

Dr. Odden said when a regional cost index is used, some districts get more than 1.0 and some receive less. He said it creates a great deal of controversy.

In response to a question from Chairman Flakoll, Mr. Schafer said during the last three years, the district's taxable valuation has gone up 48 percent, 54 percent, and 62 percent. He said the local mill levy is 31. He said with the 12 percent cap, there is no chance of ever getting to 60 mills. He said last year the district was generating \$11,000 per mill and this year it is generating \$16,000 per mill.

In response to a question from Representative Haak, Mr. Schafer said Ray has had a housing issue. He said the district has gained and lost 90 students during each of the last two years.

With the permission of Chairman Flakoll, Dr. Jeff Schatz, Superintendent, Fargo School District, presented testimony regarding education funding. He said the Fargo School District has had a tremendous influx of ELL students. He said there are currently 784 ELL students in the district. He said the district also enrolls a number of students who do not qualify for ELL services but who are "new Americans." He said this concentration is also evident in the West Fargo and Grand Forks School Districts.

Dr. Schatz said this year, 325 "new Americans" were brought to the state. He said 242 of those individuals are in the Fargo School District. Last year, he said, 449 "new Americans" were brought to the state. He said 277 of those individuals entered the Fargo School District. Two years ago, he said, 550 "new Americans" were brought to the state. He said 408 of those individuals entered the Fargo School District. He said the amount of money that is allocated by the weighting factors is just the bare minimum needed to start the necessary services for those students. He said the district currently provides instructional assistance in English and mathematics to its ELL population.

Dr. Schatz said 26 languages are spoken within the Fargo ELL program. He said the district is enrolling students coming from the Congo and Butan. He said if ELL services are rolled into the at-risk category, a district such as Fargo would end up spending a large portion of its dollars on its ELL population and then its at-risk students may not have the resources they need. He said the solution he would recommend involves continuing the ELL weighting factors for those districts that have ELL populations, continuing the at-risk factor in the manner deemed appropriate, and then providing grants to assist school districts that are truly impacted by an ELL population.

Dr. Odden said some states have put together "newcomer" programs to serve as a transitional phase between initial enrollment and the regular classroom.

Dr. Schatz said the district's general fund is also being tapped for interpreters, social workers, and other ancillary support services and programs. He said the 784 ELL students currently enrolled are served by two social workers who do home visits and work with the assimilation of families.

Dr. Schatz said the school district operates an ELL program for adults as well as students. He said 125 adults participate in the program each day. He said the school district also operates an early childhood program where support is provided for the children of new Americans while the adults are going to school to learn English.

In response to a question from Representative Meier, Dr. Schatz said the Fargo School District receives about an additional \$2,150 per ELL student.

In response to a question from Representative Nathe, Dr. Schatz said if the Fargo School District were to receive ELL grant money, the dollars would go toward interpreters and additional social workers to assist the families with educational issues. He said the dollars would go toward tutorial services and other FTE staff to cover more core areas. He said there is currently a significant shortage of individuals who are qualified to teach ELL.

In response to a question from Representative Rohr, Mr. Kutzer said it is difficult to obtain data regarding the number of CTE students that graduate from high school or from a college program and actually go into the job market.

Chairman Flakoll said he would like to receive a list of the individuals who were part of Dr. Odden's working groups. He said he would like to have student activities referenced as "noncredit-bearing" activities, and he would like to have definitions of referenced categories, such as "instructional coaches."

Representative Sanford said a primary concern is ensuring that the state does not again become vulnerable to claims of inequity. He said although North Dakota is a "local control" state, he wonders if the spending decisions that are left in the hands of local school boards ultimately raise integrity issues with respect to the application of the funding formula.

Dr. Odden said since the state's funding formula was streamlined, it appears to be a structurally equitable formula. He said it does allow for some local leeway. He said there is some inequity because a district can keep up to 25 percent of its nontax revenues. He said while such things can lead to spending disparities, the system would probably still meet standard equity benchmarks.

Dr. Odden said within the community of school finance policy analysts, there are strong equity hawks, medium equity hawks, and those who do not care. He said the Picus and Odden firm fits into the medium category. He said strong equity hawks suggest that there should be no local discretion and no retention of nonproperty tax revenues. He said North Dakota allows a modest amount of that and, as a result, there is some flexibility in the system. He said the Picus and Odden firm supports that. He said at the current level it is not out of hand. He said if the state goes hawkish on equity, it might find itself in the position of fully funding transportation and capital construction.

Dr. Odden said because many people are asking questions about how the money is being spent, it might be a good idea to set up an expenditure reporting system such as that used by Arkansas and Wyoming. He said that would enable interested persons to know whether districts were spending above or below the recommended levels for the various categories. He said that does not mean that the state must mandate the formulaic spending. He said it would, however, provide data for future decisionmaking.

In response to a question from Chairman Flakoll, Dr. Odden said money provided outside the formula lessens pure equity. He said at the level currently allowed in North Dakota, the equity benchmarks would still be met. He said prescribed spending to address issues such as Fargo's overwhelming ELL needs would be recognized as addressing a specific problem and not as an inequitable payment.

In response to a question from Chairman Flakoll, Dr. Odden said the standard equity statistic is a coefficient of variation and the standard tends to be 10 percent. He said it would allow for spending variations of plus or minus 10 percent. He said this is adjusted for size based on the number of students. He said North Dakota has wide spending disparities because it has a large number of small school districts. He said the size adjustments have to be made in doing the analysis.

Dr. Odden said another theory is that if the state has provided an adequate amount of money, then one does not need to be concerned about equity. He said other states want their formulas to be both adequate and equitable.

In response to a question from Chairman Flakoll, Dr. Odden said having an external set of consultants every one year to two years costs a lot of money and does not build up local capacity. He said it is preferable to have reviews done by a state department of public instruction or a legislative service agency. He said a full recalibration should be done about every five years.

Chairman Flakoll said if student achievement numbers are showing significant increases, he is less concerned about what precisely is being done by the district to achieve such results.

In response to a question from Chairman Flakoll, Dr. Odden said it would be important to monitor reading scores, mathematics scores, science scores, achievement gaps between at-risk and non-at-risk students, and high school graduation rates. He said North Dakota could also track enrollment in advanced placement classes, so as not to ignore students at the top. He said because a lot of schools are small, there exists an issue of statistical reliability. He said it would be difficult to monitor this by grade level, so one would want to initially track this by school level. He said small numbers are poor indicators.

In response to a question from Chairman Flakoll, Dr. Odden said some states are doing better with their ethnic minorities than other states. He said Texas has been doing well with African Americans and Hispanics. He said the problem is that the same assessments are not used by the different states. However, he said, the national assessment of educational progress (NAEP) could be utilized for comparison purposes. He said all states are now shooting for career and college ready standards, even outside the Common Core Standards debate. He said the real world economy does not care whether one state's minority or nonminority students are doing better or worse

than those of another state. He said the real world economy is interested in whether a state's workforce has the skills and competencies that are needed to perform certain jobs. Ergo, he said, comparing one's students against a rigorous proficiency level may actually get a state further.

In response to a question from Chairman Flakoll, Dr. Odden said in Arkansas and Wyoming a lot of people wanted to know what district spending levels were like compared to the funding model. He said it is not that complicated to get that information.

Representative Sanford said there is a need to have a communication between K-12 and higher education with respect to student readiness for college and career.

Chairman Flakoll said he had intended that there be a discussion tomorrow regarding what precisely constitutes college readiness. He said school district superintendents view this as a moving target that differs from campus to campus. He said we need to identify college readiness in order to be fair to students, families, and the school districts.

Representative Monson said the education formula implemented in 2013 is a dynamic formula that needs to be reviewed regularly.

Dr. Odden said the state has undergone an evolutionary education formula development.

Representative Kelsh said in a lot of rural areas, farmland valuations are jumping 20 to 30 percent. He said we have to figure out how to keep from shifting the tax burden onto agricultural land. He said he does not know how to do that without changing the formula completely.

Dr. Odden said one could set a percentage of the total cost that the state should fund. He said that would be preferable to making major changes in the formula. He said another approach would be to set discretionary spending in accordance with a dollar amount rather than a mill rate.

Representative Kelsh said some school districts are not able to utilize their full 60 mills because they are capped at 12 percent.

In response to a question from Representative Nathe, Dr. Odden said he did not see an ELL grant as being a problem for the formula. He said there are a number of states that recognize the needs of immigrants and are trying to assist their school districts in addressing those needs.

Chairman Flakoll said we talk about the \$8,810 and the \$9,092. He said we do not discuss the 18 to 20 percent in additional dollars that are sent to school districts as a result of the weighting factors.

Dr. Odden said California changed its formula to something very similar to North Dakota's formula. He said having 75 categorical programs and a base amount that was different for every school district made no sense. He said California has over a thousand districts. He said the structure implemented in North Dakota is straightforward and appropriate, and features sufficient flexibilities for today's society.

Chairman Flakoll said if the state were to provide additional needs-based funding in the \$1,500 range, some of the districts that would receive such dollars are already getting \$20,000 to \$40,000 per student. He said he wondered what those districts could accomplish with an additional \$1,500 that they cannot now accomplish with \$30,000 per student.

Senator Schaible said this funding model is an excellent way of justifying all the component parts of education funding. He said it provides a rationale for what those amounts are or should be.

Senator Schaible said the use of a mill levy system confuses the funding system. He said school districts indicate that because their valuations went up, they are unable to levy 60 mills. He said the thing is that the district is still receiving 12 percent more than it did the previous year.

Chairman Flakoll said the next meeting of the committee has been scheduled for Friday, August 1, 2014.

No further business appearing, Chairman Flakoll adjourned the meeting at 4:00 p.m.

Dr. Odden submitted a revised final draft after the meeting ([Appendix E](#)).

L. Anita Thomas
Counsel

ATTACH:5