

## NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

**EDUCATION FUNDING COMMITTEE**

Thursday, September 21, 2017

Harvest Room, State Capitol

Bismarck, North Dakota

Senator Donald Schaible, Chairman, called the meeting to order at 10:00 a.m.

**Members present:** Senators Donald Schaible, Kyle Davison, Ralph Kilzer, Erin Oban, David S. Rust; Representatives Pat D. Heinert, Dennis Johnson, David Monson, Mark S. Owens, Mark Sanford, Cynthia Schreiber-Beck, Denton Zubke

**Member absent:** Representative Richard G. Holman

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

**It was moved by Senator Oban, seconded by Representative Heinert, and carried on a voice vote that the minutes of the July 27, 2017, meeting be approved as distributed.**

**ELEMENTARY AND SECONDARY EDUCATION  
STATE AID AND FUNDING FORMULA STUDY**

At the request of Chairman Schaible, Ms. Emily Parker, Policy Analyst, Education Commission of the States, provided information ([Appendix B](#)) regarding a comparison of the state's elementary and secondary education funding and outcomes to the national average and bordering states. She said based on fiscal year 2015 census data, the percent of school funding provided by the state of North Dakota was higher than the percent of state funding provided by Montana and South Dakota, but less than Minnesota. She said in South Dakota more than half of school funding was provided locally. She said in fiscal year 2015, North Dakota's total per-pupil spending of \$13,320 ranked 14<sup>th</sup> in the country and exceeded bordering states. She said the national average for per-pupil spending was \$11,392. She said in fiscal year 2017, the state's average teacher salary of \$51,472 exceeded the statutory minimum of \$27,000, but was less than the national average of \$58,353. She said North Dakota's 2014-15 high school graduation rate of 86.6 percent exceeded bordering states and the national average of 83.2 percent and ranked 17<sup>th</sup> in the nation. She said in 2015, the state exceeded the national average in the percent of 8<sup>th</sup> grade students proficient or above in math and reading. She said the state's 4<sup>th</sup> grade math students have scored higher than the national average and bordering states, except Minnesota, since 2003.

Mr. Michael Griffith, School Finance Strategist, Education Commission of the States, provided information regarding funding formulas in other states. He said total state funding includes funding provided through the primary funding formula and categorical funding which is provided for programs outside of the formula. He said first generation formulas were flat grants based on the number of students, which led to inequities between richer and poorer school districts. He said a second generation of formulas equalized funding depending on wealth and a third generation of formulas has focused on the additional cost of various student needs, such as special education, English language learners, and at-risk students. He said a fourth generation of formulas is emerging that requires funding follow the student and requires services funded in the formula be provided. He said, with a few exceptions, state formulas are either resource allocation based or foundation based. He said seven states use resource allocation systems and 35 states, including North Dakota, have foundation programs. He said circumstances have resulted in unique systems in the following states:

- Hawaii has one statewide school district.
- Wyoming's funding system was designed through litigation and is one of the most expensive in the country.
- Kansas' funding system is currently in litigation. The lawsuit maintains the state was not following a previous court ruling with regard to total funding and funding for at-risk students. The state has changed the formula and is awaiting court approval.
- Wisconsin's funding formula is very complicated and uses a series of three formulas that interact.

- Michigan has nearly replaced local property tax with a statewide property tax. Funding from a statewide property tax, combined with other state revenue, is provided to school districts. Michigan's school funding system is "top down," with the state determining the level of funding and spending at each school district. The only local option for spending is funding the district can raise for special education and technology.
- Vermont has a "bottom up" funding system which resulted from litigation. Each community is allowed to determine the funding required for education and whatever amount the community can not afford is provided by the state. This system has increased the cost of education significantly and Vermont now has the highest expenditures per student in the nation.
- Massachusetts has a funding formula that works with the state's assessment and accountability system. The funding system considers characteristics of the school system and funds each grade level differently.
- Connecticut does not currently have a funding formula. Budget shortfalls 3 years ago led the state to freeze funding, so schools receive the prior year funding amount adjusted for inflation.

Mr. Griffith said resource allocation systems are very "top down." He said districts report the number of students and the state determines the positions funded for teachers, principals, and other staff. He said the system is rigid and not easily adapted to recent changes in how education is delivered. He said foundation programs are designed to provide the base or foundation funding necessary to educate a student to the state's standards. He said foundation programs determine a per-student amount and, although percentages vary, funding is shared by state and local resources. He said foundation programs are easy to establish, adjust to meet the state's education needs and economic circumstances, and provide districts with greater autonomy. He said some states do not use a foundation formula because states want to control expenditures, court rulings have shaped their funding system, or traditional foundation programs are not flexible enough to meet their needs.

In response to a question from Representative Owens, Mr. Griffith said North Carolina is a resource allocation system and the state determines teachers' salaries and benefits; however, teachers are not state employees. He said Tennessee and Idaho, also resource allocation systems, allow some flexibility for districts to use the funding. He said Idaho has a statewide salary schedule, but districts may raise additional funds and pay more if they choose.

In response to a question from Chairman Schaible, Mr. Griffith said although a number of states provide property tax relief through their school funding formulas, it is more common for states to provide property tax relief through their tax code. He said they may cap school property tax charged to certain groups of individuals, such as the elderly and veterans. He said property tax relief through the tax code is more popular because relief provided through the school funding formula distorts expenditures.

In response to a question from Chairman Schaible, Mr. Griffith said restrictions limiting the growth of property tax revenues or expenditures began in the 1980s in California. He said the Colorado taxpayer bill of rights is the most restrictive. He said Colorado limits increases in expenditures to the change in population plus inflation, regardless of cost. He said every state has some form of tax or spending cap on school districts.

In response to a question from Representative Monson, Mr. Griffith said policies regarding the funding system must be established before recommending funding formula changes. He said many options are available, including removing local contribution limits and the possible recapture of excess assessments at the state level.

In response to a question from Senator Rust, Mr. Griffith said most states using a foundation program formula deduct local revenue in the formula.

In response to a question from Chairman Schaible, Mr. Griffith said many states provide funding for Native American schools differently. He said many use a simplified formula that doesn't include relative wealth to provide funding to tribal schools with few, if any restrictions.

At the request of Chairman Schaible, Dr. Aimee Copas, North Dakota Council of Educational Leaders, provided information ([Appendix C](#)) regarding the state aid funding formula and state school aid calculations for certain school districts. She said an excellent education system is one that is deemed equitable and adequate. She said an equitable system provides that all communities, whether rich or poor, are taxed at a similar rate and have equal access to similar amounts of revenue per student. She said the lack of an "on-time" funding component in the current formula results in school districts with increasing enrollments providing services to additional students without additional funding. She said there are two types of equity issues, educational equity issues and taxpayer equity issues. She said the formula works, but its interaction with the property tax code causes problems. She said each community identifies adequacy differently, but allowing voters to make adjustments can create even more disparity between districts. She reviewed sample calculations for average daily membership, weighted student

units, and state aid payments, including transition adjustments and deductions for property tax and revenue. She said a school district is considered on the formula when the state aid payment calculation results in a state aid payment that is equal to or higher than the level of state funding provided for the 2012-13 school year, as adjusted by the formula. She said when the state aid payment calculation falls below the transition minimum or above the transition maximum, the school district is not on the formula.

In response to a question from Senator Rust, Dr. Copas said districts unable to tax at the full 60 mills, due to increases in school district property valuation that result in property tax revenue increases in excess of 12 percent over the prior year, could be considered not on the formula. She said the 12 percent restriction effectively lowers the mill rate to below 60 mills for districts with rapidly increasing property valuations.

In response to a question from Senator Davison, Dr. Copas said the formula is working and school districts are receiving \$9,646 per weighted student unit, but disparities are created regarding taxpayer equity in the foundation aid formula and access to all of the mills allowed under the property tax code.

In response to a question from Senator Davison, Dr. Copas said school districts have not indicated resources are inadequate. She said the focus group is seeking innovative ways to educate students for less; however, there are certain inflationary costs that continue to increase costs.

Representative Sanford said the original intent was for each district to contribute 60 mills toward the cost of education.

Dr. Copas said increasing all districts to 60 mills would create hardships for certain taxpayers. She said consideration should be given to managing the large increases that would be necessary to return districts that are now levying substantially fewer than 60 mills to 60 mills.

Senator Rust said school districts that do not increase their mill levy assessment by the same amount deducted in the state school aid formula are penalized by the formula because the formula deduction for local property tax is increased by up to 12 percent each year, not to exceed 60 mills. He said districts are required to offset the increase in the formula, even if it is not levied. He said districts might not take advantage of the full 12 percent increase allowed in assessment if it were not deducted in the state school aid formula.

Mr. Mark Lemer, Business Manager, West Fargo Public Schools, reviewed the district's estimated state aid funding calculation ([Appendix D](#)) for the 2017-18 school year and actual state aid funding calculations for the 2014-15, 2015-16, and 2016-17 school years. He said the district has experienced rapidly increasing property values and substantial enrollment increases. He said the district levies the maximum allowed; however, state aid funding is based on prior year spring enrollment, resulting in less funding available per student than intended in the formula. He said the district has benefited from the rapid enrollment grant program; however, the first 2 percent of increased enrollment is excluded in the grant calculation. He said the formula assumes districts will assess 60 mills, not to exceed 12 percent more than the prior year, which is deducted from the total formula payment whether or not the district assesses property at the maximum mills allowed. He said the deduction from the state school aid formula payment is calculated separately from mill levy limitations imposed on property tax assessed. He said when limits on the increase in property tax assessments are adjusted, the limits on property tax deducted in the state school aid formula must likewise be adjusted and these adjustments have a fiscal impact on the state. He said West Fargo Public Schools taxable valuations used in the 2016-17 state aid calculation and estimated to be used in the 2017-18 state aid calculation have increased by more than 12 percent each year. As a result, he said, the district has had to reduce its assessment to 57.62 mills and 54.30 mills for fiscal years 2017 and 2018, respectively.

In response to a question from Senator Rust, Mr. Lemer said because the 12 percent limit is set in statute, the West Fargo Public Schools would need voter approval to increase its general fund levy above 54.30 mills for fiscal year 2018.

In response to a question from Representative Zubke, Mr. Lemer said prior to 2007, foundation aid was calculated on spring or fall enrollment, whichever was higher, and a final accounting was done at the end of the year. He said the per-pupil payment was much lower and local property taxes were limited to 185 mills. He said in 2006 the Commission on Education Improvement began a funding formula rewrite and the Department of Public Instruction experienced challenges implementing a formula using both spring and fall enrollment. He said payment based on spring enrollment benefits schools with decreasing enrollment and provides challenges for schools with increasing enrollment. He said at the time only the West Fargo Public Schools was experiencing substantial enrollment increases, so payments based on fall enrollment were eliminated to simplify the formula. He said most districts benefited from payment based on spring enrollment.

In response to a question from Senator Davison, Mr. Lemer said prior to the 2017 legislative session, the North Dakota Council of Educational Leaders prioritized on-time funding, but maintaining current funding levels became a priority. He said while local school districts determine what is offered and how instruction is delivered in their districts, the state determines the per-pupil formula payment and limits on property tax revenue and deductions in the formula.

Dr. Michael McNeff, Superintendent, Rugby Public School District #5, reviewed the district's estimated state aid funding calculation ([Appendix E](#)) for the 2017-18 school year and actual state aid funding calculations for the 2014-15, 2015-16, and 2016-17 school years. He said recent fluctuations in enrollment have required deficit spending. He suggested adjustable property tax limits for districts meeting certain criteria related to ending fund balance and deficit spending. He said districts with populations over 4,000 are required to obtain a simple majority to approve an excess mill levy, while communities under 4,000 are required to receive approval from 55 percent of the voters. He suggested the threshold for voter approval of an excess mill levy in communities under 4,000 be the same as communities over 4,000.

In response to a question from Senator Rust, Mr. McNeff said the Rugby Public School District #5 levies the maximum general fund levy of 70 mills, of which 60 mills is deducted in the formula.

Mr. Benjamin Schafer, Superintendent, Nesson Public School District #2, Ray, reviewed the district's estimated state aid funding calculation ([Appendix F](#)) for the 2017-18 school year and actual state aid funding calculations for the 2014-15, 2015-16, and 2016-17 school years. He said the district is experiencing increasing enrollment and fluctuating property valuation. He said although the mill levy rates are low in his district, property taxes have been increasing due to property valuation increases each year. He said the district issued bonds for an expansion project 5 years ago, but is now at capacity. He said when the new formula was implemented, the district did not increase its levy to the 60 mills allowed in the formula because it would have resulted in a substantial increase in property taxes in 1 year.

In response to a question from Chairman Schaible, Mr. Schafer said the majority of the increase in property valuation is from new property and pipeline; however, existing property owners have also had their property taxes triple as property values have increased.

In response to a question from Senator Rust, Mr. Schafer said the Nesson Public School District #2 has increased property tax by the maximum 12 percent each year. He said the increases allowed the district, which had a small fund balance, to build its fund balance to an appropriate level. He said if the district had not levied and collected the 12 percent increase in property tax revenue, it would not have had funding for the offset in the formula because the state school aid formula deduction for property taxes also increased by 12 percent.

Mr. Jeff Fastnacht, Superintendent, Ellendale Public School District #40, reviewed the district's estimated state aid funding calculation ([Appendix G](#)) for the 2017-18 school year and actual state aid funding calculations for the 2014-15, 2015-16, and 2016-17 school years. He said the district is experiencing a decline in enrollment and increasing property valuation. He said the district benefited from a rapid enrollment grant in the 2015-16 school year, but has since experienced a decline in enrollment. He said as the district experienced a significant decrease in enrollment, budget reductions were necessary. He said the formula minimum, established in the 2012-13 baseline funding year, provided some protection. He said schools that levied the maximum property tax allowed before the new formula was implemented have benefited from a higher state school aid formula minimum going forward. He said the funding formula minimum is now 108 percent of the 2012-13 baseline. He said some districts, that did not levy the maximum prior to the implementation of the new formula, are now unable to levy the maximum and do not have access to additional funding for innovative programs. He suggested schools be allowed to levy within a range from 60 to 82 mills.

In response to a question from Chairman Schaible, Mr. Fastnacht said if given the flexibility to levy within a mill levy range, the district could manage the fluctuations in funding that would result from "on-time" funding based on fall enrollment. He said some districts must address enrollment increases, but do not qualify for rapid enrollment grants.

Dr. Paul Stremick, Superintendent, North Border School District, reviewed the district's estimated state aid funding calculation ([Appendix H](#)) for the 2017-18 school year and actual state aid funding calculations for the 2014-15, 2015-16, and 2016-17 school years. He said the district receives the benefit of the formula minimum and has had the same budget since the formula was implemented. He said the formula does not account for the consolidation of three districts into one. He said separately each district would have received a higher district size weighting factor. He said state funding has decreased each year as the property valuation and property tax revenue has increased to maintain the 60 mill-levy. He said district size weighting factors and the property tax deduction in the state school aid formula discourage school district consolidation.

Dr. Stremick reviewed property tax levies for South Heart School District ([Appendix I](#)) for the 2014-15, 2015-16, 2016-17, and 2017-18 school years. He said the district has experienced a significant decrease in property values. He said the decrease in valuation forced the district to increase the general fund mill levy from 28.21 mills in the 2016-17 school year to 54.91 mills in the 2017-18 school year. He said the circumstances in South Heart are unusual.

Dr. Copas suggested further study of the impact of new property on districts' total property valuations, in lieu of payments, and the 60-mill deduction and variations, based on changes in property tax valuations.

Mr. Adam Tescher, Director, School Finance and Organization, Department of Public Instruction, provided information ([Appendix J](#)) by school district regarding:

- Taxable valuation in 2016;
- Property tax revenue in dollars and mills deducted in the 2017-18 state school aid formula, compared to the property tax revenue that would be deducted at 60 mills, if different;
- Actual mills and dollars levied by school districts for general fund purposes for the 2016-17 school year, compared to property tax revenue deducted in the state school aid formula; and
- Mills and dollars levied by school districts for miscellaneous purposes.

Mr. Tescher said while dollars levied based on 2016 property valuations are distributed to school districts in the 2016-17 school year, the integrated state school aid formula uses 2016 property valuations for purposes of calculating the local property tax deduction for the 2017-18 school year formula payment. He said property poor districts are required to meet a minimum local effort. He said if a district's taxable valuation per student is less than 20 percent of the statewide average valuation per student, the formula will use an amount equal to 60 mills times 20 percent of the statewide average valuation per student multiplied by the number of weighted student units. He said this results in computed mills in the formula that are higher than 60 mills for seven districts. He said the statewide average taxable valuation per pupil for the 2016-17 school year was \$33,396. He said the formula deduction for 41 districts is below 60 mills. He said 74 districts are levying below 60 mills, and 33 districts are levying 70 mills or more. He said 89 school districts levy for miscellaneous purposes, generating \$22.5 million annually, that is not offset in the funding formula. He said if districts, for which the deduction is less than the full 60 mills due to the 12 percent annual limitation, were deducted at the full 60 mills in the formula in the 2017-18 school year, an estimated \$29.7 million in state school aid funding would be shifted from state to local resources. He said the \$29.7 million of state funding saved by deducting property tax revenue at 60 mills in all of the districts would provide enough additional funding to increase the per-pupil payment by \$230 to \$240 per pupil per year.

In response to a question from Senator Rust, Mr. Tescher said if a district does not levy the same increase deducted in the state school aid formula, they lose the difference between what is deducted in the formula and what is actually levied because the state school aid formula statutorily deducts up to the 12 percent increase whether it is levied or not.

Mr. Tescher reviewed estimated state school aid integrated formula payments by school district for the 2017-18 school year. He said the transition maximum applies to those districts that were below the per-pupil payment rate in the 2012-13 base year when the formula was implemented. He said the transition minimum applies to those districts that were above the per-pupil payment rate when the formula was implemented. He said districts on the schedule with state and local funding of \$9,646 per weighted student unit are on the formula, while districts with funding per weighted student unit above the \$9,646 are held harmless in the formula. He said total state and local funding for all school districts is projected to total \$1.247 billion for the 2017-18 school year, of which \$955.6 million is estimated to be provided by the state.

In response to a question from Senator Rust, Mr. Tescher said a majority of the in lieu of tax payments are distributed to the district's various funds. He said statewide, approximately 70 percent of property tax revenues are deposited into districts' general fund; however, some districts may allocate more or less to their general fund, depending on other levies. He said this statewide average may have been used in determining the 75 percent in lieu of revenue deduction for some local revenues in the state school aid formula. He said the formula applies the same deduction percentage to all districts without regard to the percent of in lieu of revenue that is deposited in the general fund for each district, which may vary across the state. He said the Department of Public Instruction could analyze the impact of only deducting the actual in lieu of revenue deposited in each district's general fund. He said some revenues are deducted at 75 percent and others at 100 percent in the state school aid formula.

Mr. Tescher said with approximately 50 percent of fall enrollment submitted, districts have reported an increase of 1,500 students, compared to the budget which projected 1,700 new students in the first year of the biennium. He said given the large enrollment increases reported to date, funding provided for rapid enrollment grants during the 2017-19 biennium will likely not be sufficient.

Mr. Tescher said the Department of Public Instruction anticipated underfunding of \$1.2 million for special education during the 2015-17 biennium. In 2017 the Legislative Assembly allowed the department to transfer \$1.2 million from the integrated formula payments line item to the special education line item at the end of the biennium to fully fund special education. He said actual special education claims exceeded the 2015-17 biennium appropriation by \$3.2 million and the department has had to use funding provided for special education during the 2017-19 biennium to pay the additional \$2 million in claims. He said depending on claims received during the remainder of the biennium, the department may request a deficiency appropriation from the 2019 Legislative Assembly for special education funding during the 2017-19 biennium.

Chairman Schaible called on Mr. Griffith to provide final comments. Mr. Griffith said the state school aid formula was designed to provide equity between school districts and it has done that. He said the balance between state and local resources also provides stability. He said any adjustment to the formula will positively impact some districts and negatively impact others. He suggested the committee consider changes that can be made outside of the formula, such as allowing districts more flexibility to levy additional mills. He said these types of changes do not negatively impact other school districts.

Mr. Scott J. Davis, Executive Director, Indian Affairs Commission, provided information ([Appendix K](#)) regarding the elementary and secondary education funding system for Native American children and how this funding system compares to the funding system for local school districts. He said public schools within reservation boundaries have a unique relationship with the state of North Dakota and the federal government through the Bureau of Indian Education. He said some of these schools operate under a joint powers agreement between the local school districts and the Bureau of Indian Education. He said these agreements create dual funding formulas and can also result in dual school boards. He provided a copy of the Indian School Equalization Program, Part 39 of Chapter 1 of Title 25 of the Code of Federal Regulations. He said baseline funding for reservation districts, established when the state's funding formula was implemented during the 2013-15 biennium, had no or a very low tax base. He said if a school district's taxable valuation per weighted student unit is below 20 percent of the statewide average taxable valuation per weighted student unit, the Department of Public Instruction uses 20 percent of the statewide average for purposes of the 60-mill local contribution to the state school aid formula. He said he continues to work with the Bureau of Indian Education to better understand the federal funding formula and how state and federal funding affect each formula.

In response to a question from Senator Oban, Mr. Davis said approximately one-half of tribal members live off of the reservation. He said there are opportunities in the Every Student Succeeds Act to offer language and cultural courses that encourage Native American students to remain in school.

In response to a question from Senator Oban, Mr. Davis said it is not uncommon for Native American families to move to and from the reservation and the quality of education should be the same. He said programs should be reviewed to determine which programs are working and should be funded.

In response to a question from Senator Oban, Ms. Kirsten Baesler, Superintendent of Public Instruction, said 10 percent of students in the state are Native American. She said Native American students are the poorest performing subgroup in the state and the only subgroup that did not have the achievement gap close or narrow as a result of efforts made under the federal No Child Left Behind Act. She said the overall statewide graduation rate is 89.7 percent, but the graduation rate for the Native American student population ranges from 57 to 60 percent. She said the graduation rate for Native American students attending public school outside of the reservation is no better than Native American students attending reservation schools. She said overall student achievement in the state has trended upward over the last 5 years; however, special education students, Native American students, and students in poverty have experienced declines in achievement. She said these declines were in spite of additional funding provided by the weighting factor allowed for students eligible for free or reduced lunch. She said there has been no evidence that the additional funding provided by the weighting factor has improved outcomes. She said funding and programs should be reviewed for effectiveness.

In response to a question from Senator Davison, Ms. Baesler said under the Every Student Succeeds Act, to ensure funding provided for certain programs is used in those programs, the federal government requires more detailed reporting with regard to expenditures.

In response to a question from Representative Sanford, Ms. Baesler said the Department of Public Instruction anticipates working with the Indian Affairs Commission to review funding sources and programs available to Native American students to determine the most effective models. She said approximately 2 percent of the state's children attend the five Bureau of Indian Education schools in the state. She said she anticipates developing more of an instructional approach rather than a funding formula change. She said the Department of Public Instruction is seeking instruction models that would be effective in both reservation and nonreservation schools.

In response to a question from Representative Sanford, Ms. Baesler said various education-related programs were identified in the Picus model which is the basis for the per-student payment; however, there are no reporting requirements to determine whether items funded have been implemented.

Mr. Wayne Kutzer, Director and Executive Officer, Department of Career and Technical Education, said statistics show that if Native American students enroll in more than 2 credits of a pathway of career and technical education, they have a 90 percent graduation rate.

In response to a question from Representative Heinert, Mr. Kutzer said career and technical education is promoted to the reservation schools; however, staffing, for career and technical instructors especially, is a challenge for reservation schools.

### **COMMITTEE DISCUSSION AND STAFF DIRECTIVES**

Senator Rust suggested the committee receive information regarding whether some school districts might not increase local property tax by the 12 percent allowed, if the state school aid formula deduction were not statutorily increased by 12 percent.

Senator Rust suggested the committee receive information regarding the in lieu of revenues in oil-producing counties and how the revenues are distributed to various funds.

Chairman Schaible suggested the committee receive information regarding how new property may be identified when reviewing taxable property valuation increases in school districts.

Senator Davison suggested the committee receive information regarding voter approval for excess mill levies, including required voter approval for various sized districts, why approval percentages vary by district size, and when the voter approval percentages were enacted.

Senator Davison suggested the committee receive information regarding the fiscal impact of transitioning the formula to "on-time" reimbursement for fall enrollment, providing hold harmless funding at the 2017 level.

Senator Davison suggested the committee receive information regarding the fiscal impact of deducting all in lieu of revenue at 100 percent and the fiscal impact of deducting all in lieu of revenue at 75 percent.

Senator Davison suggested the committee receive information regarding recent increases in the cost of special education in the Department of Public Instruction's budget.

Representative Monson suggested the committee receive information regarding taxable property valuation for various types of property and the ability to cap property tax increases on certain types of property.

Chairman Schaible said it is important to educate all legislators regarding the state school aid formula so legislators understand how property tax legislation affects state school aid funding.

Representative Sanford suggested all school districts should be on the formula; and if that is not possible, then the formula should be changed.

Representative Heinert suggested the committee invite the Education Commission of the States to provide additional information regarding any proposed changes to the state school aid formula at a future meeting.

Representative Owens said he does not believe there is enough time to create a new formula but suggested the current formula be adjusted. He suggested the Education Commission of the States provide an evaluation of the state's formula that could be distributed to committee members.

Chairman Schaible said the next committee meeting will likely be in January 2018 and the committee will focus on reviewing the in lieu of local revenue deduction in the state school aid formula.

No further business appearing, Chairman Schaible adjourned the meeting at 3:53 p.m.

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Sheila M. Sandness  
Senior Fiscal Analyst

ATTACH:11