

**1999 SENATE EDUCATION**

**SB 2354**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2354

Senate Education Committee

Conference Committee

Hearing Date February 2, 1999

Tape Number	Side A	Side B	Meter #
1		x	5023-6242
2	x		0-1798
Committee Clerk Signature <i>Jinda Christman</i>			

Minutes:

SENATOR FREBORG opened the hearing on SB2354.

SENATOR KELSH introduced and testified on the bill. No written testimony. Bill provides a formula by which the mill deduct is set using 32 mills of the base and using 70% of the cost of education as in law. My intent would be that we would be 8 mills less than 32 because we are somewhere in the mid 40's. Need a full 10% increment before this mill deduct would be that much less.

SENATOR FREBORG : Keep reading narrative 23.9 in the fiscal note. Takes 452 million dollars that is where 23 million dollars savings is, there really isn't any savings.

SENATOR KELSH : Jerry Coleman is here and he can explain why he did it that way. My intention was to spend 475 million. Payments will appear smaller but the same amount of money is going to be spent.

SENATOR FREBORG : Value of the 32 mill deduct is added to the appropriations that is why we have inflated payments.

SENATOR COOK : Every school district could have a different mill levy. Or possibly three mill levies, some at 32, 28 and some at 24.

SENATOR KELSH : Only place they would stay at 32 is if it was 169 mills. Other than that they would drop to 4 mill levy.

SENATOR COOK: Schools are all at different levels, would the school then determine this.

SENATOR KELSH : State wide average.

SENATOR COOK : So to determine how I figure state wide average, you take actual number of students as reported, divided into the total dollar that are appropriated by the state and you come up with a state wide average per student. Compare that to the state wide average costs for students.

SENATOR COOK : How much money would we have to put in to maintain the state at 70%.

SENATOR KELSH : That is the "what if" question. If the cost went up 1% it would take as many dollars as the cost went up. 30% would still come from local district. But if we were at 70% and the cost went up \$10 a student it would have to probably appropriate about \$8 from the state to maintain that 70%.

SENATOR COOK : What cost in dollars to match 70% of our increase in cost in the last year. We would have to raise per pupil payments \$243 just to maintain 70% of the increase cost of education in the last year.

SENATOR KELSH : Fairly accurate. But where does that money come from now. Local property taxes. We're continuing to put the pressure on property taxes we're not allowing school districts that are up against the 185 mill cap, with 1% increase on dollars, allows more deduct.

SENATOR COOK : I don't see any mechanism to control costs, mechanism to inflate costs because 70% of any increases is guaranteed.

SENATOR FREBORG : Appropriations drives the cost. What happens to a school district at 129 mills.

SENATOR KELSH : At 129, then mill deduct stays at 32 mills, 70 million dollars would probably put us somewhere over 50%. This bill is based on a formula.

Testimony in Favor: Dean Bard, ND Small Organized Schools spoke in favor of the bill. Heard from people saying "for God's sake try to do something about the mill levy deduct." Crushes small schools. When valuation go up when you apply the mill deduct to it, it is a steadily increasing amount that is taken away. Taken away means redistribution. When valuation go up immediately the next year there is a reduction. The 129.5 mills is the amount of the state wide mill levy at the time that the mill levy deduct was put in place. The bill offers some relief for those districts that are now bumping up against the 185 mills.

SENATOR REDLIN : The 185 mills that district is levying that brings it when the valuations go up. Bring in more money.

Testimony in Opposition:

Jerry Coleman, DPI. spoke in opposition of the bill. I want to put the department on record as being opposed to a reduction in the mill deduct. The mill deduct is the property equalization factor and the funding formula and the effect of decreasing that equalization factor is decrease

the amount of money that is distributed within the formula and the goal is promote tax payers equity, the mill deduction going up rather than going down. The note was based on an 8 mill deduct because we're in the 40-50% range, so reduced 8 mills for all the districts that were letting over 129.5. Decrease the base payment rate about 70 or 80 the first year because of drop in 8 mill deduct.

SENATOR FREBORG : Do you speak to the 129.5 mills.

Jerry: Don't know why it was set at 129.5 but as a cut off those that are letting below the 129.5 receive the 32 mills that is law. They are letting over of course we'll get a reduction based on that formula which would be 8 mills for the next biennium. 129.5 that are letting under, I counted them up and it would affect 18 districts. A small piece not affected by the bill.

Closed hearing on SB2354.

Discussion:

SENATOR KELSH : I know we go into discussion of what 70% is all about. State support does not always give the state more money.

SENATOR WANZEK : Any district that levels 129.

SENATOR KELSH : The fiscal note, I don't know how he came up with that.

SENATOR FREBORG : Fiscal note is of no concern.

SENATOR REDLIN : I would like to see a run down on how this works.

SENATOR COOK : I move a DO NOT PASS of SB2354

SENATOR FLAKOLL : 2nd

Vote: 5 Yes 2 No

CARRIER: SENATOR FREBORG

## FISCAL NOTE

(Return original and 14 copies)

Bill/Resolution No.: SB 2354

Amendment to: \_\_\_\_\_

Requested by Legislative Council

Date of Request: 01/20/99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

**Narrative:**

This amendment reduces the mill deduct by 4 mills for each 10% increment by which the educational support per student (foundation aid payment) is below the educational cost per student. The statewide 1997-98 educational cost per student is \$4,464. The first year foundation aid payment is \$1,954. \$1,954 divided by \$4,464 is 43.8%. 50-60% would be 4 mills, 40-50% would be 8 mills. Therefore, any district levying over 129.5 mills would have a mill deduct of 24 mills (32-8).

The executive recommendation sets the base per student rates at \$2,129 and \$2,221, the mill deduct amount at 32 mills and funding at \$475.9 million. The mill deduct is 77.7 million. This amendment sets the rates at \$1,954 and \$2,032. The mill deduct amount under the amendment is estimated at \$58.7 million. The funding required is \$452.0 million. The fiscal impact is estimated at -\$23.9 million for a biennium.

2. **State** fiscal effect in dollar amounts:

1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
General Fund	Special Fund	General Fund	Special Funds	General Fund	Special Funds

Revenues:

Expenditures: -23,900,000 -23,900,000

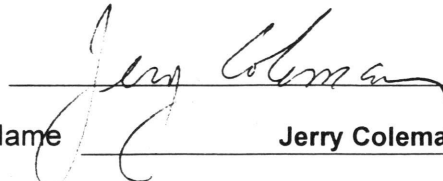
3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: \_\_\_\_\_
- b. For the 1999-2001 biennium: -23,900,000
- c. For the 2001-03 biennium: -23,900,000

4. **County, City, and School District** fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
					-23,900,000			-23,900,000

If additional space is needed, attach supplemental sheet.

Signed   
 Typed Name Jerry Coleman  
 Department ND Dept of Public Instruction  
 Phone Number 328-4051

Date Prepared: 01-21-99

Date: 2/3/99  
Roll Call Vote #: \_\_\_\_\_

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2354

Senate EDUCATION Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Motion for Do Not Pass on SB2354

Motion Made By Cook Seconded By Flakoll

Senators	Yes	No	Senators	Yes	No
Senator Freborg, Chairman	✓				
Senator Cook, Vice Chairman	✓				
Senator Flakoll	✓				
Senator Wanzek	✓				
Senator Kelsh		✓			
Senator O'Connell		✓			
Senator Redlin	✓				

Total (Yes) 5 No 2

Absent \_\_\_\_\_

Floor Assignment Freborg

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

**REPORT OF STANDING COMMITTEE (410)**  
February 4, 1999 8:26 a.m.

**Module No: SR-23-1848**  
**Carrier: Freborg**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2354: Education Committee (Sen. Freborg, Chairman)** recommends **DO NOT PASS**  
(5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2354 was placed on the  
Eleventh order on the calendar.