2015 HOUSE EDUCATION

HB 1168

2015 HOUSE STANDING COMMITTEE MINUTES

Education Committee

Pioneer Room, State Capitol

HB 1168 1/19/2015 22109

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for school district declining enrollment grants.

Attachment # 1-2

Minutes:

Chairman Nathe: Opened the hearing on HB 1168.

Representative Chet Pollert: District 29 Introduced the HB 1168 which addresses declining enrollment. I am not an expert on education funding, but I do know when all the superintendents is District 29 say there is a problem, there is a problem. I do know with our new funding formula for K-12 education, the unobligated general fund balances, declining enrollment and rising property taxes are all contributing factors to tying the hands with the schools dealing with declining enrollment. I would try to answer any questions.

Chairman Nathe: How did we come up with \$3500 on line 14 -15.

Representative Pollert: It was basically a figure that we came up with, I thought it would be easier to swallow in a declining enrollment. In a lot of school districts you will see the amount of contributions from the state is around between around \$6500 to \$7000 because the bill struck off of approximately \$9000 so basically about half of that. I based it off of 10 students. You will see in the bill. It wasn't a real scientific way of doing it but it comes out to \$8 million dollars, or \$4million dollars a year.

Brian Duchscherer: Superintendent of Carrington School District. In support for HB 1168 (See Attachment #1).

Rep Meier: Last year did your district experience declining enrollment?

Brian Duchscherer: Yes, we are losing 10 to 12 students per year.

Rep Meier: With that what is your ending fund balance currently?

Brian Duchscherer: We are approximately 30%.

Chairman Nathe: What does that equate to in dollars?

Brian Duchscherer: Our budget is about \$6.3 million dollars it is about a \$2 million dollar carry over.

Chairman Nathe: So say you lose those students why not use some of the ending balance to offset that?

Brian Duchscherer: I thing that is what our school district was doing by reorganizing and setting ourselves up to help with declining enrollment. We have been using that carryover to help with that declining enrollment. That's what school districts do is save for a rainy day.

Chairman Nathe: \$2 million dollars is quite a bit of a rainy day fund, 30% ending fund balance. I take issue with one of your comments, you say you were limited to a 70 mil cap, which you are but you can over that by a vote of the people.

Rep Zubke: Do you calculate hard costs and variable costs as far as per student, could you give us an idea of how much savings you have by losing 10 students?

Brian Duchscherer: (10:52) When you lose ten students really there is not many savings you can contribute to those ten students, you still have the same subjects.

Rep Hunskor: What will the future look like in regards to enrollment?

Brian Duchscherer: We have 47 seniors and 25 kindergarten students, we do see a decline in the future.

Chairman Nathe: If you for see declining enrollment is your district doing anything to plan for that?

Brian Duchscherer: Usually whenever you have a retirement in staff, because most expenses are in employee salary and benefits you look at all those options to cut cost we try to keep our curriculum as best we can at the high school. We did look the kindergarten to see if we should reduce to one section when the number of 25 was projected. We will keep looking at that number as the class moves through. Those are tough discussions.

Rep Kelsh: If you had to go to the vote of the people what is the time line for doing that? You can have a special election I'm sure. If you had a special election this year, when would you start realizing some money from that?

Brian Duchscherer: The timeline would be vote would probably be, in January, February or March the vote would be in June and you probably wouldn't realize that money until middle of the year or later.

Rep Hunskor: Give us some sense of what \$2 million dollars from your perspective with your costs, do you think it is about the right amount to have on hand?

Brian Duchscherer: I think 30% is a fair amount, we want to continue to keep our curriculum the same at the high school and keep kindergarten intact. I don't see our ending balance going up I see it coming down. I don't feel it is only a local issue anymore. The state has to realize declining enrollment is a state issue also.

Rep Kelsh: What percentage of transportation is reimbursed by the state?

Brian Duchscherer: I think we spent \$350 000 to \$375,000 dollars a year on transportation, our state aid was \$160,000 to \$165,000.

Rick Diegel: Superintendent in Edgeley, ND, in support of HB 1168. What we have see with the new funding formula, because of the 60 mil deduct the taxable evaluation increasing, the deduct increasing and the declining enrollment we have not seen a positive impact with the new funding formula. I do believe there is a corridor along 281 where we are not seeing the increasing enrollment that other parts of the state are. Declining or stagnant enrollment is one of the problems we are seeing. Under the 185 mil when our maximum was 185 mils we had the ability to self insure for declining enrolment. Our mil levys were low enough that we could basically take care of it ourselves. Explained mil levys. (See Attachment #2). That is the rationale behind the bill is that we need help in taking care of the declining enrollment. We have seen steadily declining enrollment over the years. I do support HB 1168. I do applaud the legislature for the property tax relief I am not opposed to that.

Rep Olson: With declining enrollments and levy cap issue why not take it to the vote of the people and see if the problem could be solved in that manner?

Rick Diegel: We did do a referendum a a couple months ago for an addition to the school and it failed. You are operating every day and paying your teachers, I don't think that these costs are what you go to the people for.

Chairman Nathe: You could use it for that if you chose to do so.

Rick Diegel: You might have to ask for quite a bit and parcel it out.

Rep Olson: What I am referring to is I thought that when we readjusted the formula we had provided a way for local districts to raise the mil levy, or go above the 70 cap with a vote, so that would be to contribute to the general operating cost.

Rick Diegel: You are referring to the 12 miscellaneous mils, maybe. Yes we don't need a vote of the people you just need a vote of your school board and we did access or those 12 miscellaneous mils, we did access 6 ½ miscellaneous mils. We still have some of the 12 mils left, but also the 12% cap comes in that we can not ask for 12% more money one year to the next, regardless of what that would take us too. Yes we did access a majority of those 12 miscellaneous mils.

Chairman Nathe: Rep Olson to answer your question, they can take it to the vote of the people and go above that cap.

Rep Olson: They can take it above the extra 12 so they can take it to 110 if they wanted to?

Chairman Nathe: Jerry Coleman can answer that question.

Jerry Coleman: Department of Public Instruction, they can take it to the people to increase their general fund levy over the 70 mils so that would be to deal with general operating, that's what they would ask for. The way that works is they put on the ballot the amount of levy they want and also the number of years it is good for and it is for 10 as it is written right now.

Chairman Nathe : Were you wondering about the other 12 mils?

Rep Olson: No, but is there a limit to the level that they can raise that mil levy to with that vote?

Jerry Coleman: If they have a voter approved levy, that's the levy they have, that 12% limitation dollars on the general fund would not apply to that vote.

Chairman Nathe: Did you enrollment decrease this year?

Rick Diegel: No it did not, we are up 4 students and over the years it has. Our enrollment projections show more toward declining enrollment.

Chairman Nathe: If you see declining enrollment, are you planning ahead for a decrease?

Rick Diegel: Yes, we do the best we can to plan for decrease in enrollment. It is difficult. Our ending fund balance was about \$600,000 dollars that is about 3 months operating expense. When you lose 10 kids in different grades to make adjustments you may have to cut employees to cut significant expenses. We are a blue ribbon school, we are proud of that and would like to keep that but we might have to cut some programs.

Rep Ben Koppelman: Do you believe that the current system of paying this year for last years number of students is a benefit to your district? Does this soften the blow of declining enrollment?

Rick Diegel: It does help for a year.

Rep Kelsh: Do you always know if you are going to lose or gain students?

Rick Diegel: No you don't always know. I know how many seniors are going out and how many preschoolers there are, but transient families make it difficult to determine that.

Chairman Nathe: Any other support for HB 1168? None. Any opposition to HB 1168? Seeing none. Closed the hearing on HB 1168.

2015 HOUSE STANDING COMMITTEE MINUTES

Education Committee

Pioneer Room, State Capitol

HB 1168 1/26/2015 22564

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

To provide an appropriation for school district declining enrollment grants.

Attachment # 1

Minutes:

Chairman Nathe: reopened the hearing on HB 1168. Commonly known as the declining enrollment bill. Explained amendment. (1:03- 1:45) (See Attachment #1)

Rep Rohr: Motion to adopt amendment 15.0570.02

Rep. Alex Looysen: Seconded

Rep. Olson: If it is a problem and we recognize it should we remove the word 'consider'?

Chairman Nathe: I don't see the importance of it at this time.

Rep Kelsh: I see a declining enrollment bill as a one year solution, this could delay it two year. If there is a problem now it could be worse in two years. I think there should be a study, is it your intention to do nothing for other problems along that line?

Chairman Nathe: I don't think it is imperative to at this time. I think we have some time. I think they see it coming and they are trying to be proactive.

Rep. Kelsh: I can see where ADM or falling enrollment will do them more good at this point or will there be the same opposition to that bill?

Chairman Nathe: If it this gets passed as a study I would be shocked if there wasn't opposition. We need to take a deeper look into this. When I see someone advocating for declining enrollment grants yet had student increases, we need to get down to the crux of the problem.

Rep Hunskor: Are there bills coming that address declining enrolment?

Chairman Nathe: Not in the House. Any other discussion on the bill, it is a hog house amendment so it would be the bill.

Voice vote to pass the amendment. All ayes. Motion carried to amend.

Rep Looysen: Do Pass as Amended.

Rep Schreiber Beck: seconded.

A Roll Call Vote was taken. Yes: 13 No: 0 Absent: 0

Rep Rohr: will carry the bill.

15.0570.02001 Title.03000

Adopted by the Education Committee



January 26, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1168

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY. The legislative management shall consider studying, during the 2015-16 interim, provisions of the North Dakota Century Code that relate to education, for the purposes of determining the requirements for school districts to demonstrate a decline in enrollment. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly."

Renumber accordingly

Date:	1-26	-15
Roll Call	Vote #:	17, 50

House	Educat	tion				Com	mittee	
			□ St	ubcomn	nittee			
Amendme	ent LC# or	Description: 15	.05	70.	2001			
Recomme Other Act		Adopt Amend Do Pass As Amended Place on Cons	Do No		☐ Without Committee Rec☐ Rerefer to Appropriation		lation	
Motion Made By Rep Rohr. Seconded By Rep Loaysen								
	Represe	entatives	Yes	No	Representatives	Yes	No	
Chairma	an Nathe		1.00		Rep. Hunskor			
	nairman So	chatz			Rep. Kelsh			
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Date:		2	61	15
Roll Call Vo	te	#:	-	2

2015 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 168

House Educa	ition				Com	mittee	
		□ St	ubcomr	mittee			
Amendment LC# or	Description:						
Recommendation:							
Other Actions:	☐ Reconsider						
Motion Made By	Rep Loop	en	Se	econded By Rep Se	chrea be	n Be	
Repres	entatives	Yes	No	Representatives	Yes	No	
Chairman Nathe		V		Rep. Hunskor	/		
Vice Chairman S		V		Rep. Kelsh	V		
Rep. Dennis Joh		V		Rep. Mock	/		
Rep. B. Koppelm	nan	V					
Rep. Looysen		V					
Rep. Meier		V				-	
Rep. Olson		V					
Rep. Rohr)1.	V					
Rep. Schreiber E	веск	-					
Rep. Zubke		/					
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Total (Yes) _	13		N	0			
Absent		C)				
Floor Assignment	Rep	R	ohr				
If the vote is on ar	n amendment, brie	fly indica	ate inte	nt:			

Module ID: h_stcomrep_15_010 Carrier: Rohr

Insert LC: 15.0570.02001 Title: 03000

REPORT OF STANDING COMMITTEE

HB 1168: Education Committee (Rep. Nathe, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1168 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY. The legislative management shall consider studying, during the 2015-16 interim, provisions of the North Dakota Century Code that relate to education, for the purposes of determining the requirements for school districts to demonstrate a decline in enrollment. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly."

Renumber accordingly

2015 SENATE EDUCATION

HB 1168

2015 SENATE STANDING COMMITTEE MINUTES

Education Committee

Missouri River Room, State Capitol

HB 1168 2/10/2015 Job # 23582 *(25:52)*

☐ Subcommittee☐ Conference Committee

Committee Clerk Signature M/m	Weigh
Explanation or reason for introduction	n of bill/resolution:
INITIAL HEARING to provide for a legislative management s	study
Minutes:	No attachments

Chairman Flakoll called the committee to order at 11:15am with all committee members present.

Chet Pollert, District 29 Representative

Representative Pollert: This deals with a study of declining enrollment in the central part of this state. I have met with school districts in this area concerning this topic. There seems to be a minor flaw with the education funding formula and how it deals with the rural and urban areas.

Vice Chairman Rust: What does it mean when it says "determining the requirements"? Representative Pollert: As an example the Carrington school district has had a declining enrollment over the last 10 years and lost about 100 students. However the last year has been steady. The original bill was to fund just one decline at \$1750. I thought that was too stiff, so the original bill was to have at least show a declining enrollment of 10 or a 2% reduction from the previous years. The language is pretty vague, I would agree with that. I just want a study done and figure out what we can do to help.

Senator Davison: It doesn't talk about funding or the formula. Is it the formula you want to look at?

Representative Pollert: This isn't my language. I assume this is the language that was drafted by Representative Chairman Nathe.

Chairman Flakoll: We've done two significant things on the Senate chamber. SB 2031 is changing the weighting factor for those under 125 to 0. As an example, if a school has 104 students in enrollment, under the new proposed formula that would be about 384 dollars per child more with that happening. We are often talking smaller schools that have this declining enrollment issue. We also continue to have the minimum increases which help them to some extent of 2% increase per year based upon the weighted student.

Senate Education Committee HB 1168 2/10/2015 Page 2

Representative Pollert: I understand the weighting factor; however our problem is the schools at the 200-600 level. Carrington has been going into their unobligated general ending fund balances. It is the formula overall. I appreciate the efforts with the smaller schools, but the middle schools are the ones we need to be concerned with.

Chairman Flakoll: One of the advantages they have is they are the most efficient size. Earlier this session, our committee put in a reduction of 3 mills the first year and an additional 3 mills the second with the intent that we would as a state supplant those dollars so those that are below the 60 mills have a better chance of getting to the new minimums.

(10:40) Dr. Aimee Copas, NDCEL

Dr. Copas: Our support of this bill comes mostly from the intent to continue to address and to support our small schools and the challenges that they have. All that we can do to help the students we stand in support.

Chairman Flakoll: Do you think part of the discussion will school consolidation?

Dr. Copas: It is always a topic. It presents a lot of challenges. As we continue these conversations as our populations fluctuate, we need to be cautious and sensitive to the communities as well. We walk through those decisions both fiscally as well as emotionally.

Chairman Flakoll: If they are looking at consolidation, it is not the school closing that will kill the community. The community is already in trouble.

Dr. Copas: You are right.

Vice Chairman Rust: At one point in time, we did a school district census when we count the number of people who would probably be coming into your building. We've eliminated that law since then, so how do schools do that now?

Dr. Copas: Most of the superintendents continue to do it even though there is no law. The challenge is that we have a transient population right now, so although they are checking the births and watching growth and decline through there, the piece that we can't account for is the difference in growth that our economy has brought in. A number of the larger districts have hired people to calculate this census for future planning.

Vice Chairman Rust: With the funding formula, you can look at a system overall and equate the number of dollars you receive per student. However when you have a declining enrollment, everyone who walks out of the door costs about \$10,000 or more. Is that correct?

Dr. Copas: That is correct. What is worse is that if you lose 20 students, the odds are they are not all from the same classroom. Often times we can't just quickly replace a teacher to attempt to resolve that problem, and losing 20 is a lot of money for a small district.

Chairman Flakoll: Would you support mandatory age of attendance up to 17, so they don't walk out as seniors?

Dr. Copas: As an NDCEL representative, we stand neutral. Personally we see as educators what happens when we do a good job with students and get them through to a successful graduation. What an amazing job we have done with the graduation rate, a huge improvement as a state.

Chairman Flakoll: Another issue is student count. In the case of Carrington, the current system would be better for those students in declining enrollment situations?

Dr. Copas: we provide a buffer in the current formula to provide the schools about a year to respond with regard to declining enrollment. When you switch from a student rich formula from a property rich formula, there will be haves and have nots in both of them. It is interesting as I watch higher ed and K-12 that as higher ed moves away from a student rich

Senate Education Committee HB 1168 2/10/2015 Page 3

formula, we move toward. I don't know how one formula can appropriately get to everyone, but it is important that we continue to see where districts are struggling for whatever reason within the formula and figure out if we can rectify that.

Chairman Flakoll: Should we put all of the money through the 8 REA's?

Dr. Copas: I don't have a thought on that.

(18) Vice Chairman Rust: we don't have a lot of dropouts in the middle to small size schools. Is that true?

Dr. Copas: Yes, there is research that supports that. It is called the Dakota Effect. There is a trickle effect through our U.S. congress of how many people originated in small town North and South Dakota. There is something unique to the culture and climate of a smaller community. Kids have a personally difficult time dropping out from all of their peers in these environments because it is a family to them. We are with these kids often times more than their parents with courses and extracurricular activities.

Chairman Flakoll: You spent some time in South Dakota. Is there anything that we should we can apply to this state?

Dr. Copas: Currently right now if you are a smaller school, it is not encouraged by the legislature to keep it going. They don't provide state funds for schools that are under 100 students. You need to locally opt out and carry it locally on your own, an ugly process.

Chairman Flakoll: Anything good worth applying?

Dr. Copas: There is a way that they ear mark some of their ending fund balance that is very appropriate. At the end of the year, you apply with the local department of public instruction to allocate certain dollars for particular reasons that are all encapsulated within their Century Code such as transportation, books, building, etc. It is all outlined and approved. Then their cash carry over is usually lower; however their average is 43% which is much higher. They don't have ending fund balance laws in effect like we do, but they shift dollars over and ear mark them for particular areas. Therefore when the legislature wants to know what the money is for, they can go back and see the application and exactly why they are saving money and their intent. It is an easier way without upsetting their local constituency with why they are carrying over dollars.

Chairman Flakoll: There was a law that was proposed where the state was going to take all the ending fund balance money.

Dr. Copas: That has been there too. It depends who is in charge.

Senator Schaible makes a motion for a DO PASS to engrossed HB 1168.

Vice Chairman Rust seconds the motion.

A vote was taken: Yes: 6, No: 0, Absent: 0

Chairman Flakoll will carry the bill.

Date: 2/10/2015 Roll Call Vote #: 1

2015 SENATE EDUCATION COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 1168

Senate	Educati	on				Comr	mittee			
□ Subcommittee										
Amendme	Amendment LC# or Description:									
Recommendation: Adopt Amendment Do Pass Do Not Pass Rerefer to Appropriations Place on Consent Calendar Other Actions: Without Committee Recommendation Rerefer to Appropriations										
Motion M	Motion Made By Senator Schaible Seconded By Vice Chairman Rust									
		nators	Yes	No	Senators	Yes	No			
-	an Flakol		Х		Senator Marcellais	X				
-	airman F		X		Senator Oban	X				
			Х							
Senator Davison X Senator Schaible X Senator Schaible S Senator S										
Total Absent		6			0					
Floor Ass	signment	Chairman Flako	oll							

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

Com Standing Committee Report February 10, 2015 11:50am

Module ID: s_stcomrep_26_019 Carrier: Flakoll

REPORT OF STANDING COMMITTEE

HB 1168, as engrossed: Education Committee (Sen. Flakoll, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1168 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

HB 1168

#1 1168

Mr. Chairman and members of the House of Education Committee, my name is Brian Duchscherer, I am the Superintendent of the Carrington School District. I am here today in support of HB 1168 which helps address the issue of declining enrollment which is occurring in over 40% of North Dakota school districts.

The past three legislative sessions, residents of North Dakota have received welcomed property tax relief through the reduction of mill levy caps placed on North Dakota school districts, along with the increase of foundation aid to school districts on a per student basis. With this welcomed property tax relief, the legislation has also created a shift in school funding base primarily on student enrollment.

Previously, rural school districts were encouraged by the state to reorganize or consolidate to create a tax base to help support-declining enrollment in rural school districts. The Carrington School District was one of these school districts that reorganized and understood at the time

that declining enrollment was a local issue, and was positioning themselves, to address this issue.

At the present time, school districts in the state that are experiencing or will be experiencing declining enrollment have a limited ability to raise local revenue due to the 70 mill cap, which 60 of those 70 mills are built into the per pupil aid formula. The issue of declining enrollment is no longer just a local issue. Due to the limited availability of access to local mills, declining enrollment in rural school districts has also become a state funding issue.

HB1168 is establishing an additional funding source to help absorb the loss of state aid due to declining enrollment and give school districts time to adjust to declining enrollment. For example, when a school district loses ten students at \$9000 per state aid per student, that is approximate \$90,000 in state aid, the majority of the time, this same school district cannot reduce a staff member, because those 10 students are not all in the same grade or class section.

In this same example HB1168 would give a one-time payment of \$35,000 to the school district due to declining enrollment.

Thank you for your time and I would be willing to answer any questions.

Edgele	Edgeley General Fund Levies											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Edgeley	151.95	157.17	152.48	156.2	162.94	180.71	109.5	107.56	109.99	103.42	67.2	76.6
Edgeley's												
Maximum Mill												
Levy Allowed	185	185	185	185	185	185	110	110	110	110	70	82

AHOR #2 1/19/15 HB1168

> 1/19/15 811 941 . 2#

1 HB 1168 112#119 January 26, 2015

15.0570.02000 Title.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1168

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an act to provide for legislative management study.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY. The legislative management shall consider studying, during the 2015-16 interim, provisions of the North Dakota Century Code that relate to education, for the purposes of determining the requirements for school districts to demonstrate a decline in enrollment. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly.

Renumber accordingly.