

FISCAL NOTE
Requested by Legislative Council
01/13/2015

Bill/Resolution No.: HB 1248

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$66,600,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts		\$66,600,000	
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

House Bill 1248 relates to the determination of state aid for small districts.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill amends the K-12 state aid formula by providing that school districts with fewer than 300 students in average daily membership will receive a state aid payment of at least 90% of the base per student rate times their weighted student units. The minimum payment rates are established at \$8,534 the first year and \$8,789 the second year of the biennium.

The projected cost for the first year was estimated at \$33.7 million the first year and \$32.9 million the second year for a total of \$66.6 million.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Funding for the minimum payment rate amendment is not included in the executive budget recommendation.

Name: Jerry Coleman

Agency: Public Instruction

Telephone: 701-328-4051

Date Prepared: 01/16/2015

2015 HOUSE EDUCATION

HB 1248

2015 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Pioneer Room, State Capitol

HB 1248
1/26/2015
22490

- Subcommittee
 Conference Committee

Committee Clerk Signature

Donna Wetham

Explanation or reason for introduction of bill/resolution:

Relating to the determination of state aid for small districts; to provide an effective date; and to declare an emergency.

Attachment # 1-2

Minutes:

Chairman Nathe: opened the hearing on HB 1248.

Representative Brandenburg: District 58, Introduced the HB 1248. This bill deals with the minimum base funding. By keeping it at no less than 90% or 10% , reduction goes to 90%,, to find a bottom to the lowering of the funding formula. When you include local property tax into the formula it lowers it from \$9200 to \$7311 about a \$199 reduction going out per student. Any school under 300 students it affects adversely. Explained why this is happening. (4:45-5:28) We were at 185 mills and now we are 50 mills plus the 10 mills and the combo got it to 72 mills, I don't believe the base level was adjusted properly. Schools under 300 and declining enrollment are having problems. They are at 93% of their local property tax, Carrington is at 96%, but Mandan is 73% so you can see they can go to the property tax if need be. The smaller districts are up to the top of the percent. That is why we want to keep it at some sort of a floor.

Chairman Nathe: Last session we put amendment for small schools? Which were they?

Representative Brandenburg: That was 185 students and below. It really did help them.

Chairman Nathe: You mention they have nowhere to go and we can't get anything else but they can go to the vote of the people.

Representative Brandenburg: You are right but then there's the discussion that all kids should be educated fairly and equally.

Rep. Kelsh: You can go to the vote of the people but that doesn't guarantee you will get what you want.

Rep Ben Koppelman: They struck out the language on page 3 that talks about 102 % of the districts baseline and 104% then replaced it with 106% and 108% for the coming school years, is that a baseline from years back?

Chairman Nathe: We will get a clarification from Jerry Coleman.

Rick Diegel: Superintendent of Edgley, in support of HB 1248 (See Attachment #1) (11: 54)- (14:31) Explained General fund mill Levy and how it works, and that the smaller schools are having problems. We could go to the vote of the people to get help , it is an option for the day to day operation.

Rep Ben Koppelman: Law allows up to a 20 mill building fund but is up to what cap your people vote on. One of the things that all school districts need is a building fund to keep up the school, have you ever gone to the vote of the people?

Rick Diegel: That may be the next step for us to go to the vote of the people.

Chairman Nathe: What about your special reserve?

Rick Diegel: We have been taking in 3 mills over two years. A mill generates about \$10 thousand, so the special reserve fund it is around \$50 - \$60 thousand dollars and out capital fund generates about \$30, 000 dollars a year.(16:40)

Jeff Fastnacht: Superintendent of Ellendale Public School, In support of HB 1248. (See Attachment #2) (16:44-19:56)

Rep Mock: What is the value of one mill in your district?

Jeff Fastnacht: \$16,000 dollars.

Bob Tollefson: Executive Director for Small Organized Schools. In support of HB 1248

Bob Tollefson: It does have to go back to the vote of the people at some time. The problem we face is the negative tone of any tax increase issues to get anything passed. People do not understand mills. It does leave that option open to us.

Rep Kelsh: Is the 60 mills the problem or the 12%?

Bob Tollefson: In the west we see an increase in property value, you drop your mill rate and what happens when you see the decrease in property value instead of an increase. It isn't necessary the mills it is the dollars. Example of taxes and the cap of 60 mill levy. (27:00-29:10) I tell my taxpayers, I'm sorry I can't do much about the taxable evaluation,

property goes up and levies are assessed. So it is a fight when we go back to the people. I think it is our local decision how much they are willing to support.

Chairman Nathe: There is a bill in finance and tax that converts it from mills to dollars.

Chairman Nathe: Any support? None. Opposition for HB 1248?

Rep Hunskor: Question for Jeff Fastnacht. Do you come up with any recommendations where we could help, can we do better or where?

Jeff Fastnacht: Any time you tinker with the formula and make any change in the formula it has rippling effects, explained the four ways legislators may assist small schools. (See Attachment #2). We have to craft ideas that can be considered and taken to the floor. If we should go to the vote of the people then remove the 12% cap, for smaller schools could be very helpful. Ending fund balance is an issue, for particularly small schools it sometimes is their lifeline. We could bring back the Bank tax for transportation.

Chairman Nathe: How much did that cost your district?

Jeff Fastnacht: I think it was \$40,000 dollars.

Chairman Nathe: Closed the hearing on HB on 1248.

Jerry Coleman: Department of Public Instruction in answer to Rep Ben Koppelman: the question is the structure of the wording of the amendment.

Rep Ben Koppelman: When you talk about the baseline funding per student unit in 2013-2014 it was 2%, in 2014-2015 it was 4%, for the next two years they are going to 6-8% Is that a static line in the sand for base funding or is that the previous year?

Jerry Coleman: It is a base line is a static line based on what was considered in the formula in 2012-2013 school years and the percentage adjustments were made on that line.

Chairman Nathe: How did we come to the 12% in the K-12 funding bill last session? The general fund cap?

Jerry Coleman: That existed previously at one time I believe it was 18%. It is a cap on raising your general fund levy. It is 12% in dollars over the previous year until you hit your general fund mill levy cap which is 70. You will see across the state when the reports come out that general fund mill levies will dip below that 60 because of taxable property tax increase and then the 12 % does come into play. The formula does have a provision in it that will not have the 60 mills rise about 12% so they won't go backwards.

Chairman Nathe: How long ago was that moved from 18 to 12 %?

Jerry Coleman: Probably 2007 or 2009.

Rep Ben Koppelman: We heard in testimony, we have 60 mills that are part of the formula, and then 10 mill discretionary to get to 70 and miscellaneous 12 mills, The 12 mills do not enter into the funds 12% cap do they?

Jerry Coleman: The 12% doesn't have any limitations on it. It is separate.

2015 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Pioneer Room, State Capitol

HB 1248
2/3/2015
23127

- Subcommittee
 Conference Committee

Committee Clerk Signature

Donna Whetham

Explanation or reason for introduction of bill/resolution:

Attachment # 1

Minutes:

Chairman Nathe: reopened the hearing on HB 1248.

Representative Brandenburg explained amendments 15.0699.01001 (See Attachment #1). (1:00-2:14).

Chairman Nathe: In the original bill and the fiscal note was a little over \$66 million dollars. What is the fiscal note on the amendment?

Representative Brandenburg: I asked for no fiscal note, I balanced it out for everybody, every school in the state will get the same amount. It balances out the whole school funding. Every student in every school would get that \$8,534 dollars.

Chairman Nathe: For the first year?

Representative Brandenburg: Yes and the second year is \$8,700 dollars.

Chairman Nathe: How does that fit with the current K-12 funding. That is over \$9,000 dollars.

Representative Brandenburg: Yes the payment the second year is \$9,700 dollars, the first year is \$9,482. So what it does is it takes the \$9482 and everyone gets \$8534 and in the second year instead of \$9,700 dollars everyone gets \$8,700 dollars. It levels the playing field.

Chairman Nathe: So we dropped it \$89.00 from what your bill did earlier?

Representative Brandenburg: It just makes it level statewide.

Chairman Nathe: Then your section 2 appropriations for declining enrollment at \$ 8 million dollars which is very close to what we did turn into a study.

Representative Brandenburg: Yes, if you feel it is important to adopt the first part of the amendment we are happy with that. But I had the amendment already drafted. The crux of the issue is that everyone gets the same amount

Rep. Koppleman: The concern was that some districts were hitting their 12% maximum is that right and that is why there was different payments across the state?

Representative Brandenburg: Not only that but a lot are not getting near the 80% of the funding that the state is providing. They are actually getting around 70% and even less. So this would put a baseline of 80% funding statewide. The dollar amount for every student is equal.

Rep. Koppleman: The funding formula was put in last session. What we have now is there is the same amount of money behind every student between local and state combined.

Representative Brandenburg: You are correct but it doesn't mean everyone agrees.

Chairman Nathe: This is for schools 600 and less?

Chairman Nathe: Any support of HB 1248? Any opposition to HB 1248?

Rep. Koppleman: **Moved Do Not Pass on HB 1248.** There are winners and losers and we listened to a lot of testimony and we try to make it as fair as we can. I think we have to stick with the formula and let it work its way forward.

Rep Meier: Seconded.

Chairman Nathe: I agree, we significantly increased our funding per student, and it is going up this biennium too. We are looking at schools 600 or less. It is for that reason I will agree with the motion.

Rep. Kelsh: The bill would not do anything for decreasing enrollments.

Chairman Nathe: I meant a big school like that there is typically experiencing increasing enrollments. The bill without the amendment is \$67 million dollars and we know how tough that would be. We took care of the small schools last session.

Rep. Kelsh: What really helps the small school is remove the 12% cap so they can raise more than that, increase transportation funding, and ending fund balance left as it is. Are you willing to take a look at those issues.

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Page 3

Chairman Nathe: When we get the K-12 funding bill we can take a good look at that.

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

Rep. Looyen: will carry the bill.

Date: 2/3/15
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1248**

House Education Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Rep Koppelman Seconded By Rep Meier

Representatives	Yes	No	Representatives	Yes	No
Chairman Nathe	✓		Rep. Hunskor	✓	
Vice Chairman Schatz	✓		Rep. Kelsh	✓	
Rep. Dennis Johnson	✓		Rep. Mock	✓	
Rep. B. Koppelman	✓				
Rep. Looyesen	✓				
Rep. Meier	✓				
Rep. Olson	✓				
Rep. Rohr	✓				
Rep. Schreiber Beck	✓				
Rep. Zubke	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Rep. Looyesen

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

REPORT OF STANDING COMMITTEE

HB 1248: Education Committee (Rep. Nathe, Chairman) recommends **DO NOT PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1248 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

HB 1248

#1

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1/26/15

HB 1248 #1 1/26/15

General Fund Mill Levy									
Year	Mandan Mills	% of Max.	Devlis Lake Mills	% of Max	Edgeley Mills	% of Max	Carrington Mills	% of Max	
2004	181.86	98.30%	185	100.00%	157.17	84.96%	149.5	80.81%	
2005	185	100.00%	185	100.00%	152.48	82.42%	150.67	81.44%	
2006	185	100.00%	185	100.00%	156.2	84.43%	157.88	85.34%	
2007	185	100.00%	185	100.00%	162.94	88.08%	157.88	85.34%	
2008	185	100.00%	185	100.00%	180.71	97.68%	159.69	86.32%	
2009	109.98	99.98%	110	100.00%	109.5	99.55%	103.11	93.74%	
2010	109.18	99.25%	110	100.00%	107.56	97.78%	105	95.45%	
2011	109.24	99.31%	110	100.00%	109.9	99.91%	105	95.45%	
2012	109.8	99.82%	110	100.00%	103.42	94.02%	100	90.91%	
2013	59.74	85.34%	67.27	96.10%	67.2	96.00%	67.2	96.00%	

#2

HB1248
11/20/15

Chairman Nathe & House Education Committee Members,

Hello my name is Jeff Fastnacht, and I am the Superintendent at Ellendale Public School. I am here in support, in principle, of HB 1248.

I want to begin by commending Rep. Brandenburg on his work on this bill. He is a strong supporter of small school issues and I appreciate his work on this bill.

But, as much as I support HB 1248, in principle, I do not believe it will fix the financial issues affecting small schools with declining enrollment. This bill would help some schools but it could have the unintended consequence of allocating funds to schools that are not experiencing the negative effects of declining enrollment

The bill proposes to ensure small schools receive a minimum of \$8,534.00 per weighted student unit in year one of the biennium. If we apply this calculation right now we have schools well under the desired threshold and eligible for additional payments. These could be:

Belcourt - \$5,581.39 per wsu
Dickinson - \$7,193.66 per wsu
Willison - \$7,031.65 per wsu

It is my belief that other schools, below the 300 mark required, that either have a very high ending fund balance, receive significant impact aid or mineral payments, or have a high taxable valuation would reap the benefits of this proposal, but not necessarily be experiencing declining enrollment. Thus the proposal does not fix the problem.

Please understand I am in support of raising the level of concern of the issues facing small schools. I again commend Rep. Brandenburg on putting forth a bill to address these challenges. If this bill is not the answer, I do believe there are other ways to assist small schools that must be addressed by the legislature. These could be:

1. Removing the 12% general fund expenditure growth cap. If districts stay within the legislated taxation caps why should the amount generated make a difference?
2. Increase transportation funding. Schools are now having to pull money from their general fund, which is to ensure a basic education to fund transportation programs. At this time the state is only funding transportation costs at 43.72% (2013-2014).
3. Adjusting the school weighting factors.
4. Leaving the ending fund balance requirements at the present 35%. These funds will be vital for small schools to weather declining enrollment. Secondly, I believe the rightly elected members of local school boards should have dominion over these funds.

Thank you for listening to my testimony.

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Comparison of State Contribution Ellendale Public School

2013-2014

State Formula Payment

Total Weighted Student Units		388.10	
Per Pupil Payment	\$	8,810.00	
State Payment Amount (after Adjustments)			\$ 3,641,395.00

Deductions	Valuation		
Property Deduct	12,398,783.00	60 Mills	\$ 743,926.00
Other Local Property Deduct			\$ 38,187.00
Total Deductions from State Payment			\$ 782,113.00

Total Payment \$ 2,859,282.00

State Payment Per Student \$ 7,367.38

*The state does not provide Per Pupil Payment per student.

Local Contribution

Valuation Of District		\$ 14,688,210.00	
General Fund	67.20	\$ 987,000.00	
60 Mill Deduct Cost in Mills	53.25		
Local Additional (987,000 - 60 Mill Deduct)		\$ 243,074.00	
\$\$ Per Pupil (Total Pyament + Gen Fund \$/Total WSU)		\$ 9,910.54	
Building Fund	3.00	\$ 44,000.00	
Int & Sinking	25.43	\$ 373,500.00	
Total	95.63		

2014-2015

Total Weighted Student Units		388.11	
Per Pupil Payment	\$	9,092.00	
State Payment Amount (after Adjustments)			\$ 3,648,846.90

Deductions	Valuation		
Property Deduct	14,688,210.00	18%	\$ 833,198.22
Other Local Property Deduct			\$ 36,208.02
Total Deductions from State Payment			\$ 869,406.24

Total Payment \$ 2,779,440.66

State Payment Per Student \$ 7,161.48

Difference

\$ 7,451.90

Valuation	Deduct	
2,289,427.00	\$ 89,272.22	
18%	12%	
	\$ (1,978.98)	
	\$ 87,293.24	

\$ (79,841.34)

* Less state funding

** As the state payment is going up their actual payment is decreasing and the 60 mill deduct is coming back to local

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PROPOSED AMENDMENTS TO HOUSE BILL NO. 1248

Page 1, line 2, remove "to provide an effective date;"

Page 1, line 3, replace "and to declare an emergency" with "and to provide an appropriation"

Page 4, line 13, replace "three" with "six"

Page 4, line 15, remove "eight thousand five hundred thirty-four"

Page 4, line 16, replace "dollars" with "eighty percent of the dollar amount set forth in subdivision a of this subsection"

Page 4, line 31, replace "three" with "six"

Page 5, line 2, remove "eight thousand seven hundred"

Page 5, line 3, replace "eighty-nine dollars" with "eighty percent of the dollar amount set forth in subdivision b of this subsection"

Page 5, replace lines 18 and 19 with:

"SECTION 2. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$8,000,000, or so much of the sum as may be necessary, to the superintendent of public instruction for the purpose of providing a grant to any school district that can demonstrate declining enrollment, for the biennium beginning July 1, 2015, and ending June 30, 2017.

1. A district is eligible to receive a grant under this section if the number of students reflected in the district's September tenth enrollment report:
 - a. Is less than the number of students in average daily membership by at least ten; and
 - b. Represents a decrease in students equal to at least two percent.
2. In order to calculate the amount to which an eligible district is entitled, the superintendent of public instruction shall multiply the number of students by which the district declined by \$3,500.
3. If the amount of the appropriation provided for in this section is insufficient to meet the obligations of this section, the superintendent of public instruction shall prorate the payment based on the percentage of the total amount to which each school district is entitled.
4. The superintendent of public instruction may not expend more than \$4,000,000 in grants under this section during the first year of the biennium.
5. Any district that experiences a reduction in state aid as a result of section 15.1-27-35.3 is not eligible to receive a grant under this section."

Renumber accordingly