

**FISCAL NOTE**  
**Requested by Legislative Council**  
**04/12/2017**

Amendment to: SB 2321

- 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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$600,000			
<b>Appropriations</b>			\$0			

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>		\$600,000	
<b>Townships</b>			

- 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).*

This bill would increase the amount that a school district can have in their ending fund balance to 35% of expenditures plus \$50,000 and 35% + 100,000 for districts who enter into a cooperative agreement. State aid is reduced the following year for excess money in the ending fund balance.

- 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.*

Based on the last four years, 10-14 school districts have had an ending fund balance offset applied to their foundation aid payment.

The 2016-17 payment year had 14 school districts subject to the ending fund balance offset. Increasing the additional payment from \$20,000 to \$50,000 onto the current percentage would have increased the state funding by \$200,000. Two of those 14 districts would have qualified for the additional \$100,000 rather than \$50,000 under the cooperative agreement language. This would increase the state aid an additional \$100,000 for a total of \$300,000 for the year.

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.*

HB 1013 contains the funding for the K-12 formula. The appropriation would not be changed due to the ability school districts have to control their expenditures and ending fund balance. Ending fund balance offsets have not been included in the budget.

**Name:** Adam Tescher

**Agency:** NDDPI

**Telephone:** 701-328-3291

**Date Prepared:** 04/12/2017

<i>County/ District Number</i>	<i>School District Name</i>	<i>School District Type</i>	<i>Enroll. Grades 9 - 12</i>	<i>Enroll. Grades K - 12</i>	<i>Total Expend.</i>	<i>Ending Balance Fund Group</i>	<i>User Defined Field 1</i>	<i>User Defined Field 2</i>		
<b>1</b>	<b>2</b>	<b>3</b>	<b>8</b>	<b>9</b>	<b>42</b>	<b>43</b>	<b>48</b>	<b>49</b>	40%	40%
<b>Codist</b>	<b>Dname</b>	<b>DTYPE</b>	<b>DEN912</b>	<b>DENK12</b>	<b>FGIEXP</b>	<b>FGIEB</b>	<b>Coops</b>		\$20,000	\$10,000
09-080	Page 80	2	-	97	2,205,955	822,099	1.00	0.37	-	-
46-010	Hope 10	1	47	65	2,277,691	830,714	1.00	0.36	-	-
25-014	Anamoose 14	2	-	97	1,782,121	500,484	2.00	0.28	-	-
25-057	Drake 57	1	55	88	1,670,077	575,520	2.00	0.34	-	-
19-018	Roosevelt 18	2	-	58	1,214,938	655,871	3.00	0.54	149,896	6
30-039	Flasher 39	1	82	217	3,500,841	836,855	3.00	0.24	-	-
20-007	Midkota 7	1	45	161	2,961,264	1,198,419	4.00	0.40	-	-
47-019	Kensal 19	1	-	27	1,136,255	450,310	4.00	0.40	-	-
<b>13-016</b>	<b>Killdeer 16</b>	1	135	431	5,943,778	2,073,596	5.00	0.35	-	-
<b>13-019</b>	<b>Halliday 19</b>	1	2	32	1,100,181	644,511	5.00	0.59	184,438	10
<b>28-050</b>	<b>Max 50</b>	1	51	178	2,813,209	1,145,103	6.00	0.41	-	-
<b>51-016</b>	<b>Sawyer 16</b>	1	18	54	1,880,582	333,517	6.00	0.18	-	-
									334,334	17

SB 2321 ... House Amendments

**FISCAL NOTE**  
**Requested by Legislative Council**  
**03/31/2017**

Amendment to: SB 2321

- 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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$320,000			
<b>Appropriations</b>			\$0			

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>		\$320,000	
<b>Townships</b>			

- 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).*

This bill would increase the amount that a school district can have in their ending fund balance to 35% of expenditures plus \$100,000 for districts who enter into a cooperative agreement. A school district's state aid is reduced the following year for excess money in the ending fund balance.

- 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.*

Based on the last four years, 10-14 school districts have had an ending fund balance offset applied to their foundation aid payment. The effect of increasing the offset to \$100,000 in these years would have cost the state from \$200,000 to \$600,000 a year.

Currently there are 4 cooperative agreements between 8 school districts with 2 more agreements approved for the 2017-18 school year. Using the 2015-16 financial data, the ending fund balance offset would have decreased by \$160,000, increasing the state aid payment by the same amount.

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.*

HB 1013 contains the funding for the K-12 formula. The appropriation would not be changed due to the ability school districts have to control their expenditures and ending fund balance. Ending fund balance offsets have not been included in the budget.

**Name:** Adam Tescher

**Agency:** NDDPI

**Telephone:** 701-328-3291

**Date Prepared:** 04/03/2017

<i>County/ District Number</i>	<i>School District Name</i>	<i>School District Type</i>	<i>Enroll. Grades 9 - 12</i>	<i>Enroll. Grades K - 12</i>	<i>Total Expend.</i>	<i>Ending Balance Fund Group</i>	<i>User Defined Field 1</i>	<i>User Defined Field 2</i>		
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<b>Codist</b>	<b>Dname</b>	<b>DTYPE</b>	<b>DEN912</b>	<b>DENK12</b>	<b>FGIEXP</b>	<b>FGIEB</b>	<b>Coops</b>		\$20,000	\$10,000
09-080	Page 80	2	-	97	2,205,955	822,099	1.00	0.37	-	-
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19-018	Roosevelt 18	2	-	58	1,214,938	655,871	3.00	0.54	149,896	6
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20-007	Midkota 7	1	45	161	2,961,264	1,198,419	4.00	0.40	-	-
47-019	Kensal 19	1	-	27	1,136,255	450,310	4.00	0.40	-	-
<b>13-016</b>	<b>Killdeer 16</b>	1	135	431	5,943,778	2,073,596	5.00	0.35	-	-
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<b>28-050</b>	<b>Max 50</b>	1	51	178	2,813,209	1,145,103	6.00	0.41	-	-
<b>51-016</b>	<b>Sawyer 16</b>	1	18	54	1,880,582	333,517	6.00	0.18	-	-
									334,334	17

SB 2321 ... House Amendments

**FISCAL NOTE**  
**Requested by Legislative Council**  
**03/15/2017**

Amendment to: SB 2321

- 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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$800,000			
<b>Appropriations</b>			\$0			

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>		\$800,000	
<b>Townships</b>			

- 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).*

This bill would increase the amount that a school district can have in their ending fund balance from 35% of expenditures plus \$20,000 to 35% of expenditures plus \$100,000. A school district's state aid is reduced the following year for any money in the ending fund balance that is over this amount.

- 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.*

Based on the last four years, 10-14 school districts have had an ending fund balance offset applied to their foundation aid payment. The effect of increasing the offset to \$100,000 in these years would have cost the state from \$200,000 to \$600,000 a year.

For purposes of this fiscal note, the average of the last four years was used to determine the expenditures of \$800,000.

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

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HB 1013 contains the funding for the K-12 formula. The appropriation would not be changed due to the ability school districts have to control their expenditures and ending fund balance. Ending fund balance offsets have not been included in the budget.

**Name:** Adam Tescher

**Agency:** NDDPI

**Telephone:** 701-328-3291

**Date Prepared:** 01/27/2017



**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/23/2017**

Bill/Resolution No.: SB 2321

- 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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$1,500,000			
<b>Appropriations</b>			\$0			

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>		\$1,500,000	
<b>Townships</b>			

- 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).*

This bill would increase the amount that a school district can have in their ending fund balance from 35% of expenditures plus \$20,000 to 35% of expenditures plus \$200,000. A school district's state aid is reduced the following year for any money in the ending fund balance that is over this amount.

- 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.*

Based on the last four years, 10-14 school districts have had an ending fund balance offset applied to their foundation aid payment. The effect of increasing the offset to \$200,000 in these years would have cost the state from \$300,000 to \$1 million a year.

For purposes of this fiscal note, the average of the last four years was used to determine the expenditures of \$1.5 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.*

HB 1013 contains the funding for the K-12 formula. The appropriation would not be changed due to the ability school districts have to control their expenditures and ending fund balance. Ending fund balance offsets have not been included in the budget.

**Name:** Adam Tescher

**Agency:** NDDPI

**Telephone:** 701-328-3291

**Date Prepared:** 01/27/2017

**2017 SENATE EDUCATION**

**SB 2321**

# 2017 SENATE STANDING COMMITTEE MINUTES

Education Committee  
Sheyenne River Room, State Capitol

SB 2321  
2/1/2017  
Job Number 27701

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Sandy Baumgartner*

## Explanation or reason for introduction of bill/resolution:

Relating to payments to school districts

## Minutes:

#1,#2,#3, #4, #5, #6

**Chairman Schaible:** Meeting called to order: Attendance taken. All members present except Senator Davison. Open Hearing for SB 2321.

**Terry Wanzek:** Senator District 29, Jamestown area. It will be more helpful to smaller school rather than larger. In some cases an allowable reserve that is a percentage of expenditures, especially for small schools does not result in a very large number for reserves. By adding the additional \$180,000.00, it would greatly help the smaller schools, but still remain to be a minor percentage of increase to the large schools. If somebody operates a large farm and manages it, it does take much for an unpredictable or unforeseen emergency situation to use up \$200,000. From my business background, this makes sense to do something like this for the smaller schools.

**Chairman Schaible:** The idea that we are reducing the amounts of the ending fund balance that school districts can have, is the idea that the state is paying more or a percentage of the share as the state has kicked more money into this. It has been the idea of legislation that the ending fund balance should go down. What the idea is that property tax relief and the idea of saving money would better be left in the taxpayer's hands rather than putting it in the ending fund balance. I mean I understand the idea of the percentages between large and small schools. You know that was the 20,000-dollar idea on that. What is the rationale of keeping \$200,000 minimum in an account that will be there for quite a while if it is not being used?

**Terry Wanzek:** In my mind I don't understand where the \$20,000 part of the law came up, but if a boiler goes out and needs to be replaced or something of that significance, I know that a \$100,000 doesn't go that far anymore. As far as the number of \$200,000, I will be honest in telling you is arbitrary. I throw a number out there, and I trust the wisdom of this committee to tell me if that is too much or needs to be changed. It is an effort to try to help and give the individuals who are coming up behind to make their case.

**Chairman Schaible:** We have legislation coming up that would offer loans up to a million dollars at 2%, which is a very attractive rate. Would that be more of a solution than having bankrolls saved up for emergencies? It is the responsibility of the entity of justifying the taxes for saving accounts. What is the percentage, being the magic number that is responsible to do both? You think that the \$200,000 is more of a cushion than the percentage wise. If that legislation passes and then offers emergency loans up to a million dollars at 2 %, would that be a better option than having a savings account?

**Terry Wanzek:** That could help. I can only call from my own experiences to answer that question. Sometimes on the farm, the last thing I need is another loan. I want to have the revenue to alleviate the situation.

**Tom Tracy:** Assistance Superintendent of the Kenzal School: I would like to address some of the comments that Senator Schaible made. Concerning the million-dollar loan, even at 2%, a million-dollar loan would be a large amount of interest that the school would have to pay back. They would pay back that money in local tax dollars and foundation aid. This does have an effect on small schools. I know that is a big argument whether schools should keep a large balance. Part of that argument is, if they keep a big balance, why don't they reduce their levy even more? In my district, we have the lowest levy of the whole area and yet we have a huge ending balance due to circumstances with our merger with Mid-Kota. If we are allowed to keep our ending balance, and Mr. Wanzek's bill goes through at \$200,000, if we go ahead on that merger and it gets to the point of consolidation, that is going to be a real plus as far as saving taxpayers' dollars down the road. There are several schools in ND that are involved with mergers. If you do reduce your levy currently, the way the foundation aid formula works, you can only bring it up 12%. In smaller schools you can have a huge changeover in enrollment. You can lose and gain kids, but mostly in the eastern part of the state, you tend to lose kids more often. If you lose kids, each kid's worth is about \$9600. You budgeted for kids that you thought you would have. You would be hurting if you don't end up with as many kids as you thought. You need a reserve to make that up. Our ending balance is about \$800,000. We are at 70%. We are in part of a merger and if it ends in a consolidation. It could be positive thing. We are in a coop now.

**Senator Rust:** Did you have a deduct on your foundation aid for having too large of an ending fund balance to start the school year?

**Tom Tracy:** There is a good chance we might have a deduct this next school year if this bill doesn't go through. Our projected balance is 70%. My school board has done an excellent job at keeping taxes as low as they can. It looks like we might be penalized because we were efficient. We are not the only school. I know there is an argument of too many small schools.

**Russ Ziegler:** Assistance Director for the ND Council of Educational Leaders. Testimony #1 in support of SB 2321.

**Brandt Dick:** Superintendent of Underwood School District: Testimony #2 in support of SB 2321.

**Chairman Schaible:** What was your ending fund balance?

**Brandt Dick:** My ending fund balance is roughly 35%. This next year it will be lower because we did use some of our ending fund balance for our addition that we built this year. Our budget will be around 25%. In dollars, it will be between 700-800 thousand. My thought is that a school district should be able to have some cash set aside just in case something happens, like when we had to spend on an addition. We didn't have to go to the taxpayers.

**Rob Lech:** Superintendent of Jamestown Public School District #1. Testimony #3 in support of SB 2321.

**Jeff Fausnault:** Superintendent of Ellendale: Explained his school's monthly cash flow sheet and explanation followed. I stand in support of SB 2321 and will stand for questions.

**ELRoy Burkle:** Executive Director of the North Dakota Small Organized Schools: Testimony #5 for a "do pass" for SB 2321.

**Anita Thomas:** General Council for North Dakota School Boards Association. Testimony #6 in favor of SB 2321.

**Chairman Schaible:** Any other testimony? Jerry, do you have time for questions?

**Jerry Coleman:** Department of Public Instruction

**Chairman Schaible:** If this change is made, what would that do to our projected ending fund balances? How many schools are there where that \$200,000 really effects them where their budgets are in that

range that it really makes a difference compared to the schools that are so large that it doesn't make a difference?

**Jerry Coleman:** We asked for a fiscal note on it. So what we did is, we took a look at our last 4 years of what was deducted for the ending fund balance. That range was from 300,000 on the low end to 1.1 million on the opposite end. That was about 10-14 school districts on average each year subjected to that ending fund balance.

**Chairman Schaible:** So we were deducting up to a million dollars for 30 school districts.

**Jerry Coleman:** In a given year, if we just looked at our current school year, we probably deducted a million dollars for maybe 10 school districts. That is a real rough number, but it is probably realistic.

**Senator Rust:** That whole 1.2 million wouldn't be effected, because you have a \$200,000 cap and some of them might have been more than 200,000, right? If you look at the bill, it is 35% plus \$200,000. If you look at last years, it was 35% plus 20,000. So basically you have to look at those schools that could get an extra \$180,000. There would be some that would be beyond that. So it wouldn't be the full 1.1 million.

**Jerry Coleman:** What we did was implemented that plus 20,000 and then compared it to implementing it plus 200,000. Adam will come up here and explain.

**Adam Tescher** Assistant Director of N.D. School Finance in Department of Public Instruction: I helped prepare this fiscal note. Regarding the ending fund balance at plus \$20,000, the largest offset we had was actually 1.8 million. If we change that to \$200,000, it adjusts to about 1 million or a difference of about 800,000. So our largest difference was about 1.1 million, looking at the last 4 years. Yes, it was 10-14 school districts. It would probably still be 5-6 that would still have that ending fund balance offset that would still be in place. About half of them would drop off.

**Chairman Schaible:** Could we get a copy of that?

**Adam Tescher:** Yes, I can get that for you.

**Chairman Schaible:** Any other questions or agency? We will close hearing on SB 2321.

# 2017 SENATE STANDING COMMITTEE MINUTES

Education Committee  
Sheyenne River Room, State Capitol

SB 2321  
2/6/2017  
Job Number 27954

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Sandy Baumgartner*

## Explanation or reason for introduction of bill/resolution:

Relating to payments to school districts

## Minutes:

"Click to enter attachment information."

**Chairman Schaible:** Open hearing for SB 2321

**Senator Rust:** I don't have any heartburn with this bill. Because first of all increasing it from \$20,000 to \$200,000 is really not going to make a difference for the large schools. This is basically what I would call a small school bill. That \$20,000 was put in there so there was a cushion for those cases. I would like to talk about 4 of my schools in my legislative district. There was a new oil and gas production bill that was passed. It set up a two tier system, prior to one tier. It was the oil and gas monies that went to the county, the 35% went to the school. The rest went to the cities and the county. In 2013 the two tier system was set up and it let that percentage for those counties that get \$5 million or less. Those counties that got more than that got into a new percentage system. The schools dropped to 5%. The reason was because you had 4 top counties in the state that got a lot of money and was dropping into 5%, but still got a lot of money into their school districts. But there were a number of schools, 8 or 9, that would have been a lot better off with getting 35%. So it is basically that space from about \$5 million to about \$30 million. If you were at \$30 million, 5% was same amount as 35% at \$5 million. So those schools got a tremendous hit through no fault of their own. They find out the next year they are going to get about 1 1/2 million less money in oil and gas production taxes than they had gotten the previous year. As you go through that, there is a million and half fewer dollars to the counties. Crosby got hit with a million and half fewer dollars. If they didn't have a significant cash balance they would have been hurting. You want to have a cash balance than what some people think is too much. I am in favor of letting local people determine what their cash balances are. So this extra \$180,000 could come in really handy if they ever needed it. They do have local school board members that might decide they don't want that large of ending balances. I think it is a good bill.

**Chairman Schaible:** This \$180,000 difference makes up 5%, if it is a small school issue. It is 35% plus the \$200,000. Look at the list. It is a substantial amount of money. I would be more interested in \$100,000. Other discussion?

**Senator Rust:** We either need an amendment or a Do Pass or Do Not Pass.

**Senator Oban:** Since I don't see an amendment coming, I move a Do Pass on SB 2321.

**Chairman Schaible:** Is there a second?

**Senator Rust:** Second.

**Chairman Schaible:** There is a second. We probably need an amendment for an emergency clause.

**Senator Kannianen:** Is there an example of a school running into trouble because they had to borrow?

**Chairman Schaible:** Why have those large balances?

**Senator Rust:** How many schools had an ending school balance off-set on their ending school balance?

**Jerry Coleman:** I think it was about 10-14 school districts.

**Senator Rust:** What was the total amount of dollars? If this was in place some of these schools wouldn't have been deducted.

**Jerry Coleman:** Going by memory, we probably deducted a 1.8 million. If we went to this about half would have not been subjected to any off-set at all. Rather than 10-14, it would have been 5-6. In the past, Billings County because of the oil and gas would lose their total foundation aid payment, so part of that million would fall to Billings County. This is for a biennium.

**Chairman Schaible:** We have a motion and second for a Do Pass. Any other discussion? None, we will have roll.

Roll taken: 4 yeas, 1 nay, 1 absent

**Senator Rust** will carry



Date: 2/6/17  
Roll Call Vote #: # 1

**2017 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2321**

Senate 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 Oban                                    Seconded By Rust

Senators	Yes	No	Senators	Yes	No
Chairman Schaible		✓	Senator Oban	✓	
Vice-Chairman Rust	✓				
Senator Davison	<u>ab</u>				
Senator Kannianen	✓				
Senator Vedaa	✓				

Total    (Yes) 4                                    No 1

Absent 1

Floor Assignment Rust

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

**REPORT OF STANDING COMMITTEE**

**SB 2321: Education Committee (Sen. Schaible, Chairman)** recommends **DO PASS**  
(4 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). SB 2321 was placed on the  
Eleventh order on the calendar.

**2017 HOUSE EDUCATION**

**SB 2321**

# 2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee  
Coteau A Room, State Capitol

SB 2321  
3/8/2017  
Job 28899

- Subcommittee  
 Conference Committee

Committee Clerk Signature

## Explanation or reason for introduction of bill/resolution:

Relating to payments to school districts.

## Minutes:

Attachments 1, 2, 2a, 3, 3a, and 4.

Chairman- Mark S. Owens: opens hearing on SB 2321

Senator Wanzek: see attachment 1 for testimony.

Chairman- Mark S. Owens: are there any questions of the committee.

Rep. Mary Johnson: so this would be applied for the next school years' foundation aid payment, is that what happens now, or is there a minimum balance acceptable minimum ending balance that is not applied towards next year's foundation aid, am I reading this right?

Senator Wanzek: as I understand the ending, there is a cap on what we allow for a school to have an ending fund balance, if it goes over that it's adjusted on their state aid payments is the way I understand that it works. And what we are here is we are increasing that allowable ending fund balance in the part that says plus 20,000, we are changing that to \$200,000 or \$180,000 more, and again the thought was that would help smaller schools more than it would larger ones by meddling with the percentage, and I haven't been on the education committee for years, when I first came into the legislature in the 90's I served on the senate education for four sessions, and a lot of things have changed, I recognize that. But I understand that we were at 45%, we are going down to 35%. I am asking for this adjustment to help some smaller schools like the one you're going; you are going to hear from somebody representing that school in our district here after I am done with you. I appreciate the opportunity to present the bill, and we are hearing the DPI budget in senate appropriations right now, so I feel somewhat compelled and responsible to give back and pay attention to that, that's pretty significant budget.

Chairman- Mark S. Owens: understood, any other questions. Seeing none, thank you. Any additional support for SB 2321.

Elroy Burkle: See attachment 2 and 2a for testimony.

Chairman- Mark S. Owens: I am glad you added school bus, because I don't know how many times I have heard about boilers. That's a very popular element and this argument is boilers, in matter of fact I think Representative Pollert's quoted about such as if a boiler goes out, on one of the pages, so anyway any questions.

Rep. Corey Mock: I am looking at the Mr. Windish's testimony from Max Public Schools, he talks about, because of the drop in enrolment of 16 students Max will be forced to reduce their force by 2.4 FTE's. Then he talks the benefit that this would have in helping them, because before then he says they needed deficit spend by \$100,000 just to get to their carry over down to 35%, his last paragraph says that if this passes it would allow high standards without having to reduce force staff again. I know you are not, you can't really speak on behalf of the Max public school district, but I am not sure how this would help him or prevent him from having to reduce staff.

Elroy Burkle: I can put myself in the superintendent's shoes, going from 40% to 35% depending on your dollar amount, that's what you have to down spend, where and you can only carry over 20,000 more. So you are looking at trying to hold your staff from that extra 180,000 this year now might alleviate some of the reductions in forces, does that make sense do you follow what I am saying.

Rep. Corey Mock: I do, and actually that's what I was thinking when I first read it, but then as I looked the way he phrases it, they are reducing the staff not because of the inability to carry over, but because they've reduced their students they have had a drop in enrollment by 16.

Elroy Burkle: I don't think I can address that specifically.

Rep. Corey Mock: so he is speaking more on, if all things were constant and he wasn't able to carry over a balance that would adequately allow them to carry that staff, to have the reserves to ensure those salaries for next year.

Elroy Burkle: that's the way I would understand, as a former superintendent it would give some latitude, where you didn't have to feel. I have been cut in the 80's, and when you are popular program those aren't fun, well no cut is fun I mean let's be honest about it, but I think of and I served at Max, they've got a new agriculture program, they build up some things, so this one here there are going to be some emotional appeals, where I think this will delay some of the problems. Does that make sense, and I am inferring I understand that.

Rep. Corey Mock: I appreciate you elaborating on that, thank you.

Chairman- Mark S. Owens: any additional questions. I am curious at 35 and 20 what they had to live with the past year, and I haven't been able to read all of these yet, I am skimming through them as fast as I can, but it sounds like what they are doing is they are not talking about any trouble they had with the 40 and 20, they are talking about all of a sudden the 35 and 20, so did the 40 and 20 work out well for them, they didn't have a problem or was there still concern for that, that's what I was trying to delineate from this.

Elroy Burkle: and that's the question Chairman- Mark S. Owens I guess I would have to ask each superintendent, I just know as a former superintendent going from 40 to 35 in difficult times is, we would probably like to stay at 40 percent to be honest with you, to carry us over through the next biennium.

Chairman- Mark S. Owens: any other questions. Seeing none, thank you. Any additional support for SB 2321

Brandt Dick: attachment 3 and 3a for testimony.

Chairman- Mark S. Owens: any questions. Seeing none, thank you. anyone else in support of SB 2321

Tom Tracey: Elroy said to make it short and sweet, and that's what I am going to do. There is many good reasons to pass this bill, it's a local control bill for number one, it gives boards more flexibility in planning for the future. The one thing that hasn't been mentioned is the unexpected change in enrolment for the small schools, you are always a year behind as far as receiving your foundation aid, but if you have 2 straight years of declining enrolment, that can really hurt in a small school. Because you are going to receive less foundation aid down the road, which of course can lead to the board contemplating raising local taxes, which I am sure you realize we all want to try to avoid. It's a great likelihood there won't be any increase in foundation aid this year, there is a great likelihood there is going to be a decrease in transportation aid when the final bill comes out, when the final which is being debated right now I guess. This bill would give smaller schools a little more breathing room, than they have right now, because of those 2 things. There is a great likelihood there won't be any increase in foundation aid, there is a likelihood there can be a decrease in foundation aid towards the end of the session. Those of you that have been in the legislature for a while, unexpected things happen the last couple of days of the session on the foundation aid bill they have in the past, so they could possibly happen now as well. Once again this bill would give smaller school districts a little breathing room, allowing them to keep some of their own money. It just goes past local mill levies, it could keep local mill levies from going up, if schools are forced to give up part of their carry over, like I said before it could result in increase in local levies, which is something that we want to try to avoid as much as possible. So I am open for any questions you might have.

Chairman- Mark S. Owens: well thank you, I did read your e-mail this morning.

Tom Tracey: Oh yeah.

Chairman- Mark S. Owens: oh yeah. Thank you for not mentioning boiler. Is there any questions, seeing none thank you.

Rep. Corey Mock: what is your annual expenditures. We are looking at the chart, how much is your school district expend each year.

Tom Tracey: about 1.1 Million.

Rep. Corey Mock: 1.1 million, thank you.

Chairman- Mark S. Owens: anyone else in support of SB 2321.

Russ Ziegler: attachment 4 for testimony.

Chairman- Mark S. Owens: any questions. thank you. Anyone else in support of SB 2321.

Anita Thomas: I think the arguments for this bill have been very well articulated this morning, so in the interest of not being repetitive I just wanted you to know that NDSBA would respectfully ask that you give this bill a do pass, given the monetary challenges that the school districts are facing, and the lack of flexibility that the districts especially the small districts have, this bill would truly help them out. Thank you Mr. Chairman.

Chairman- Mark S. Owens: are there any questions. any more support for SB 2321, any opposition for SB 2321, any neutral for SB 2321. Closing the hearing on SB 2321.

# 2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee  
Coteau A Room, State Capitol

SB 2321  
3/13/2017  
Job 29110

- Subcommittee  
 Conference Committee

Committee Clerk Signature

## Explanation or reason for introduction of bill/resolution:

Relating to payments to school districts.

## Minutes:

Attachment 1.

Chairman- Mark S. Owens: everybody has SB 2321, that's the small schools 35% plus \$20,000, on this case the bill says \$200,000. Everybody with me. Ladies and gentleman I have an amendment that is sitting on my desk, and I forgot to bring it with me but I will tell you what it says, because it is very simple. On line 15 line out the word 2 and replace with 1. SB 2321 line 15. Line out 2 and replace with the word one, in other words 35% plus 100,000. In discussions with appropriations and education, DPI, Jerry Coleman and them we were looking at the possibility of helping the small schools and restricting the large schools by putting in something that said ok if your budget is below \$4 million and you get \$200,000 above you said \$20,000, while that would work, and we could do that. It is preferable by all those that are involved that it state just a simple basic formula, and it not be segregated that way. So the \$100,000 has very little to do with the large schools, it doesn't really, but it could help out the small schools and in order to get through appropriations going from 2 to 1 is the intent, there is no guarantee it will get through appropriations, but at least we will have a little bit better leg to argue with.

Rep. Mary Johnson: may I move the amendment (attachment 1)

Chairman- Mark S. Owens: you may.

Rep. Mary Johnson: I move the amendment to SB 2321 as one hundred thousand.

Chairman- Mark S. Owens: ok we have a motion to amend SB 2321, we have a second from Rep. Pat D. Heinert. Any further discussion.

Rep. Mary Johnson: and you are confident that this will pass muster with appropriations.

Chairman- Mark S. Owens: no I am not. But I know it has a better chance than the 2.

Rep. Mary Johnson: so does the appropriation then would be \$750,000.



Chairman- Mark S. Owens: in theory it would be.

Rep. Mary Johnson: but you never know.

Chairman- Mark S. Owens: it would cut it in half, the reality is, flip it over doesn't that say something about. Yeah, the reality is that HB 1013 where the appropriations is, that DPI has the way it's written they know they get money back that they can use for this, ok. And they always have enough to handle it in general, but they got it in there, and while it's not a line item they feel certain they got it in there, and I think that's what's going to help us get it through appropriations, because I have been arguing with Representative Delzer about this for three days, ok. So to put it at one is just to further reduce his argument, but I can't get it to zero, so I am still trying to get something for those small schools though, is what I am doing. Any further discussion on the amendment for SB 2321. Rep. Corey Mock would you like to at least see what the amendment is before. Since you just walked back. Ok, no further discussion, I will try voice vote, all those in favor of the amendment say I, all those opposed same sign. Amendment passes, what is the committees desire.

Rep. Mary Johnson: I would move do pass on SB 2321 as just recently amended, and refer to appropriations.

Chairman- Mark S. Owens: second from Rep. Andrew Marschall. Any further discussion. Hearing none I will invite the clerk to call the roll for a do pass as amended and re-referred to appropriations. 12-0-2, and Rep. Pat D. Heinert will carry this bill. You may or may not be needed depending how appropriations does it, ok.

S/13/17 DP

17.0988.01002  
Title.02000

Adopted by the Education Committee

March 13, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2321

Page 1, line 15, replace "two" with "one"

Renumber accordingly

Date: 3/13/17

Roll Call Vote 1

2017 HOUSE STANDING COMMITTEE  
Roll Call Votes

BILL/RESOLUTION NO. SB 2321

House Education Committee

Subcommittee

Amendment LC# or Description: 17.0988.01002

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 M. Johnson Seconded By Heinert

Representatives	Yes	No	Representatives	Yes	No
Chairman- Mark S. Owens			Rep. Bill Oliver		
Rep. Corey Mock			Rep. Rich S. Becker		
Rep. Denton Zubke			Rep. Longmuir		
Rep. Andrew Marschall			Rep. Mary Johnson		
Rep. Dennis Johnson			Rep. Brandy Pyle		
Rep. Matthew Ruby			Rep. Ron Guggisberg		
Rep. Pat D. Heinert			Vice Chairman- Cynthia Schreiber-Beck		

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: 3/13/17

Roll Call Vote 2

2017 HOUSE STANDING COMMITTEE  
Roll Call Votes

BILL/RESOLUTION NO. SB 2321

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 M. Johnson Seconded By Marschall

Representatives	Yes	No	Representatives	Yes	No
Chairman- Mark S. Owens	✓		Rep. Bill Oliver	✓	
Rep. Corey Mock	✓		Rep. Rich S. Becker	✓	
Rep. Denton Zubke	AD		Rep. Longmuir	✓	
Rep. Andrew Marschall	✓		Rep. Mary Johnson	✓	
Rep. Dennis Johnson	AD		Rep. Brandy Pyle	✓	
Rep. Matthew Ruby	✓		Rep. Ron Guggisberg	✓	
Rep. Pat D. Heinert	✓		Vice Chairman- Cynthia Schreiber-Beck	✓	
	5			7	

Total (Yes) 12 No 0

Absent 2

Floor Assignment Heinert

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

**REPORT OF STANDING COMMITTEE**

**SB 2321: Education Committee (Rep. Owens, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SB 2321 was placed on the Sixth order on the calendar.**

Page 1, line 15, replace "two" with "one"

Renumber accordingly

**2017 HOUSE APPROPRIATIONS**

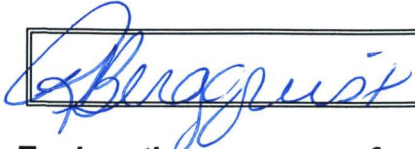
**SB 2321**

# 2017 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Roughrider Room, State Capitol

SB 2321  
3/23/2017  
29644

- Subcommittee  
 Conference Committee



**Explanation or reason for introduction of bill/resolution:**

Relating to payments to school districts.

**Minutes:**

**Representative Mark Owens, District 17, Grand Forks:** It deals with ending fund balances, we had a system where the biennium balances, annual amount was dropping from 50% to 45% 40% and now to 35% which the end of the decline. It also allowed for 20 thousand dollars on the other side of that 35%. This has little to no effect on schools above 5 million for annual operations but it makes a huge difference in small schools. We did do some research and talked about a teared approach and then it was decided that the flat rate was easier to manage and the larger schools there wasn't enough difference. DPI has planned for these funds in HB 1013. What this bill does is take that plus amount from 20 thousand, it was originally written for 200 thousand and the house brought it down to 100 thousand.

**Chairman Delzer** Did it make any difference on the number of schools effected? Or did it just change the amount we would not be restricted from?

**Representative Owens:** It did not change the number of schools affected. It will affect all the schools but it would really affect the small schools.

**Chairman Delzer:** Did you happen to ask DPI if you would have gone to 70 thousand or 50 thousand how much difference that would make?

**Representative Owens:** I didn't not ask them as far as the expenditures because they assured me that because it was such a way that they really wouldn't change the fiscal note that much once we got to 100 thousand and below.

**Chairman Delzer:** It should be the difference to what the state pays to what they wouldn't pay. Why the 200 and settle on the 100? You never had any discussions lower than 100?

**Representative Owens:** We even talked about leaving at 20, we did have a discussion at that but we felt like it just took one little situation for the 20 thousand to disappear. The 200 thousand just seemed excessive compared to 35%, especially on some of the small schools. Some cases it was adding half if not almost  $\frac{3}{4}$  of what they already had.

**Chairman Delzer** So some of these schools we are talking about 70% ending fund balance.

**Representative Owens:** I am sure there's a couple out there, I couldn't tell you how many.

**Representative Nathe:** In order to qualify; every school will get 100 thousand dollars added to their current ending fund balance.

**Representative Owens:** What they would have to go to is 40% to 35% of their operation plus 20 thousand. This would make that 20 thousand into 80 thousand.

**Representative Nathe:** So if affect their ending balance rate would be way north of the 35% or even the 40%. Looking at DPI's number here, some of these are 35% 52% and now we are going to give them another 100 on top of that? If they need more money, why don't they go to the vote of the people and get the money from the mills like the formula is set up to do?

**Representative Owens:** The couple of schools that came before us talked about how they were already at the cap for the mills, so they couldn't go any further. They were caught with the 20 thousand and with the 40 going down to 35. They are such a small area and just don't raise that much.

**Chairman Delzer:** They could have asked for verification the cap, because that's part of the formula.

**Representative Owens:** That wasn't discussed.

**Representative Nathe:** That's my point, they would rather come to us and make us the bad guys, they don't want to go the to the community and asking for the increase of mills. They know they won't get the mill increase; the community won't support it so why are we expected to give them the money?

**Representative Owens:** The committee felt that for the really small schools, this was still important to give them a little bump. It doesn't have to be 100 thousand but they need more than 20.

**Chairman Delzer:** Further questions by the committee? That'll close that one.

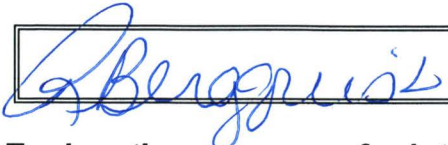


# 2017 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Roughrider Room, State Capitol

SB 2321  
3/23/2017  
29654

- Subcommittee  
 Conference Committee



**Explanation or reason for introduction of bill/resolution:**

**Minutes:**

**Chairman Delzer:** This one deals with the 100 thousand dollars ending fund balance. I don't know how many schools this affects for sure, I know they put it in originally at 200 thousand. I think since we are going from 40 to 35 there should be some sort of a bump. I know we talked about going to the vote the people but I'm not sure we need to be quite that tight but I don't know that we need 100 thousand either.

**Representative Nathe:** I think we should defeat it; we have a k-12 formula for a reason and I think the schools need to stick to the formula that we have set up. They can always go to the vote of the people, we purposely put that in the formula by doing this we are telling them don't go down that road. They are going to keep coming back with more and more aspects of the formula.

**Representative Pollert:** I know this bill is dealing with a merger of two schools in two different areas. I am asking we let this go for a day or two. We have some rural legislators missing that might have a prospective that's different, as mine is. I have some small schools and a budget of 1 or 2 million dollars, 35% is totally different than 35% on a 10-million-dollar school.

**Representative Brandenburg:** We can wait all we want but I think we will kill this thing; they need to take it the vote of the people, they just build up a fund and then they try to run a bond to build a school and then they empty enough in their ending fund balance so they can fill the gap between trying to get the bond passed.

**Representative Monson:** You said 35% and it was 40%?

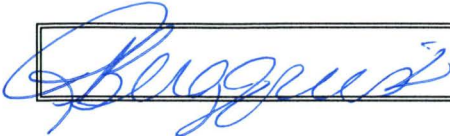
**Chairman Delzer:** Yea, July 1 of 2017 it goes to 35%. Further discussion? We hold this until everyone is here.

# 2017 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Roughrider Room, State Capitol

SB 2321  
March 29<sup>th</sup> 2017  
29806

- Subcommittee  
 Conference Committee



**Explanation or reason for introduction of bill/resolution:**

relating to payments to school districts.

**Minutes:**



**Chairman Delzer:** SB 2321 is the senate bill that relates to the payments of school districts. They are trying to go to 100 thousand dollar carry over. There's one school combining with another and are having a hard time without a little extra room. The original bill goes from 40 to 35% this bill changes the plus 20 thousand dollars to plus 100 thousand.

**Representative Pollert:** Amendment 17.0988.01003, it says that the 35% plus the 100 thousand from the senate side, and it says that if the school district is in a cooperative agreement for an economic academic resources not athletic resources and the school is considering reorganization, and it would have to be done within the two-year period.

**Chairman Delzer:** This is an amendment off of the 1000 version since it is .01003? Does it remove the 2000 version or do we work off that version?

**Brady Larson, Legislative Council:** The amendment should have either been in in lieu or in addition to, and I am not seeing that language. We'll have to revise this to say in lieu of what was adopted on the floor or in addition to.

**Chairman Delzer:** So we are leaving the 20 thousand for all the other schools and adding 100 thousand for those that fit this situation. This is not just for this school district, if other schools fall under that in the future it would affect them as well.

**Representative Pollert:** I know of the one that is in district 29 which affects district 23, and so we are trying to get them the latitude to do that cooperative agreement and to give them a chance to get that dollars down.

**Representative Brandenburg** I think the way it's written it does what we are needing, this gives time like those situations to get things reorganized. Sometimes they aren't picking up that many students but they are picking up property and that value can actually hurt their numbers.

**Chairman Delzer:** The ending fund balance is going to be big enough for them to build a building in two years?

**Representative Brandenburg:** That's what we don't want.

**Representative Nathe:** I think this is a good amendment, there's more of a qualifying language. If somebody is going down this road with co-op, it's buys them two years to get back within the law. I think it's a good compromise.

**Chairman Delzer:** If there's others finding themselves in the same situation they would also get the same help.

**Representative Pollert:** I would move amendment 17.0988.01003

**Representative Nathe:** second

**Representative J. Nelson:** Is the committee, removing the work that the education committee by adding this language. Why are we doing that in this amendment?

**Chairman Delzer:** We are doing that to fit the particular cases of these co-ops and limit it from everyone. It'll say in lieu of which means they take the house amendment off and work from the 1000 version Further discussion?

**Voice vote, All in favor, Motion carries**

**Representative Pollert:** I move to Do Pass as Amended

**Representative Brandenburg:** Second

**Chairman Delzer:** Discussion on the motion to Do Pass as Amended?

**A Roll Call vote was taken. Yea: 20 Nay: 0 Absent: 1**

**Representative Pollert will carry the bill**

3/30/17 DQ

17.0988.01003  
Title.03000

Prepared by the Legislative Council for  
Senator Wanzek

March 27, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2321

In lieu of the amendments adopted by the House as printed on page 986 of the House Journal, Senate Bill No. 2321 is amended as follows:

Page 1, line 11, overstrike "Beginning" and insert immediately thereafter "Except as provided in subdivision c, beginning"

Page 1, line 15, remove the overstrike over "twenty"

Page 1, line 15, remove "two hundred"

Page 1, after line 15, insert:

"c. Beginning July 1, 2017, the superintendent of public instruction shall determine the amount of payments due to a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June thirtieth is in excess of thirty-five percent of its actual expenditures, plus one hundred thousand dollars if the school district is in a cooperative agreement with another school district to share academic resources, and the school districts are considering reorganization under chapter 15.1-12. An eligible school district may receive payments under this provision for a maximum of two years."

Renumber accordingly

Date: 3/29/2017  
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. SB 2321**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 17.0988.01003

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 Representative Pollert Seconded By Representative Nathe

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich			Representative Streyle		
Representative: Boehning			Representative Vigesaa		
Representative: Brabandt					
Representative Brandenburg					
Representative Kading			Representative Boe		
Representative Kreidt			Representative Delmore		
Representative Martinson			Representative Holman		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Pollert					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

**Motion Carries**

Date: 3/29/2017  
Roll Call Vote #: 2

2017 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2321

House Appropriations 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 Representative Pollert Seconded By Representative Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X		Representative Streyle	X	
Representative: Boehning	X		Representative Vigesaa	X	
Representative: Brabandt	X				
Representative Brandenburg	X				
Representative Kading	A		Representative Boe	X	
Representative Kreidt	X		Representative Delmore	X	
Representative Martinson	X		Representative Holman	X	
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson	X				
Representative Pollert	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	X				

Total (Yes) 20 No 0

Absent 1

Floor Assignment Representative Pollert

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

Motion Carries

**REPORT OF STANDING COMMITTEE**

**SB 2321, as amended: Appropriations Committee (Rep. Delzer, Chairman) recommends AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (20 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2321, as amended, was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the House as printed on page 986 of the House Journal, Senate Bill No. 2321 is amended as follows:

Page 1, line 11, overstrike "Beginning" and insert immediately thereafter "Except as provided in subdivision c, beginning"

Page 1, line 15, remove the overstrike over "twenty"

Page 1, line 15, remove "two hundred"

Page 1, after line 15, insert:

"c. Beginning July 1, 2017, the superintendent of public instruction shall determine the amount of payments due to a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June thirtieth is in excess of thirty-five percent of its actual expenditures, plus one hundred thousand dollars if the school district is in a cooperative agreement with another school district to share academic resources, and the school districts are considering reorganization under chapter 15.1-12. An eligible school district may receive payments under this provision for a maximum of two years."

Renumber accordingly

**2017 CONFERENCE COMMITTEE**

**SB 2321**



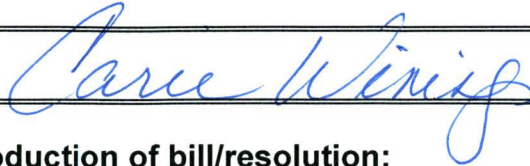
# 2017 SENATE STANDING COMMITTEE MINUTES

Education Committee  
Sheyenne River Room, State Capitol

SB 2321  
4/10/2017  
Job Number 30001

Subcommittee  
 Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 15.1-27-35.3 of the North Dakota Century Code, relating to payments to school districts.

## Minutes:

No Attachments

**Chairman Rust:** Opened the conference committee on SB 2321. Asked the House to explain their amendments.

**Representative Owens:** We reviewed this and \$200,000 would have a small effect on the larger schools, and we wanted to focus on the smaller schools. With our budget situation we were looking for a way to narrow the focus to help the smaller schools and not even effect the smaller schools. We lowered it to \$100,000 after discussion with DPI because it seemed to be a better number for the smaller schools. Appropriations changed it to what you see now, but that was with the bill sponsors working on it. They came forward on the bill and brought this language forward to narrow the focus based on the current budget situation. It was narrowed to effect those schools that would be considering consolidation. As House Education we did not challenge because we were looking for a formula to narrow the focus. That was the whole reason for paragraph C.

**Chairman Rust:** In paragraph C, if you are looking at trying to accommodate some schools that may be into a consolidation, July 1, 2017 may be too late. We may want to back that up a little bit. I am thinking the bill sponsors district even have a couple of schools that are already in that process. I am wondering if we would exclude the schools we are trying to accommodate. As I look at what could happen here, there is still a 3% rule with regard to property taxes and where that is going to go I do not know yet. When unexpected expenses come about you need some dollars in a cash balance. Is there a dollar figure that a guy could get in there that would get through your House?

**Representative Owens:** In regard to the 3% property tax, I understand that the bill is still in the Senate and the school portion was taken out.

**Chairman Rust:** Just for 2 years.

**Representative Owens:** At the \$100,000, we did not run it through the House because it went to Appropriations and the bill came to the floor at what they set it at. I have no idea what the House would tolerate at this point.

**Senator Schaible:** A couple of things to consider. I did some research and had some people pull up some information on some of our smaller schools. This is a small school issue. This is not going to affect our larger ones with the percentages and the money we are talking about. I asked how many bumping over the 35% ending fund balance and how this was going to affect them. We have a group of schools out there that are small schools with stagnant enrollment so they are not getting a lot of new money. It seems to me that we are telling them that they have to get rid of their saving account because of this law and yet we are telling them in the same sentence that for the next four years they might have bite the bullet and stay at our current funding level. It seems kind of a tough decision for them to do when they have a savings account and reserves built up and we are telling them they have to get rid of it or they are going to lose funding and then at the same time tell them that they are not going to get much of an increase over the next four years. Hopefully the ones that are forced to spend \$100,000 to \$150,000 right now are not wasting their money. What do we tell them next year or the year after when we tell them we can't give them more money and their reserves are gone? Then they have to look at reducing personnel or programs. That does not seem very reasonable to me. I understand ending fund balances and I do not think we need to be carrying over a lot with the things that we have done to help schools, but I think that it is also unreasonable that we help these smaller schools. With stagnant enrollment we should consider some of the small schools and help them out a little bit. Raising that dollar amount on the ending fund balance would be a compromise. I am not saying to give them the whole thing. I thought \$200,000 was a step too far. I do not know what the magic number is, but I think \$20,000 is not enough to help these small schools. I like the amendment for consolidation. It is a two year window. If in two years you don't make a consolidation decision, this goes away. I think we are forcing the ending fund balance down too far for some of these schools with our current fiscal situation. I hope that we can consider raising that \$20,000.

**Chairman Rust:** (Gave some examples of some smaller schools and what they would be left with on their ending fund balance and their carry over.)

**(11:40) Representative Heinert:** in your analysis, it sounds like we should stay at the 40% and taking out the dollar amount after the 40%. Is that correct?

**Chairman Rust:** Probably, but I am not sure if that would muster the votes that you need. The 40% would be applicable to everyone and that may not fly. That is why I was looking for a number between \$200,000 and \$20,000 that we can come to.

**Senator Schaible:** the 40% effects everyone and the idea was that we have a lot of schools that have millions of dollars in their ending fund balance and that was what we were looking at 2 and 4 years ago. I agree with the question of whether we need to carry over that much money. Adding some dollar figures on the end is strictly a small school difference. A percentage effects all of the schools and it does not accomplish the statement we are trying to make in it not being necessary to carry over so much money and raise taxes.

**Chairman Rust:** Earlier, before the session, Jerry Coleman had given me an equity report, and according to the number that I have is that this would affect 9 schools from last year.

**Representative Owens:** You are talking about the percentage?

**Chairman Rust:** This last year the 40% plus \$20,000 effected 9 schools. This bill will not affect a lot of schools. For those that might be there, they will have to spend the money or get a subtraction out of their foundation aid payment. Is there a number?

**Representative Owens:** Just changing it back to \$100,000 still effects everyone, not just those 9 schools.

**Chairman Rust:** I would not think so. It might increase that number but I don't think it would increase it by that many.

**Representative Owens:** We have a fiscal note for the \$100,000.

**Senator Schaible:** It was \$800,000.

**Representative Owens:** This one is \$320,000.

**Representative Heinert:** We know from our side that \$100,000 did not make it through Appropriations and they went to \$20,000. Is there something that would work in between?

**Senator Schaible:** If you are looking at a number, I would suggest \$75,000 or \$50,000. It is not a lot, but it might be a program or a teacher or a percent raise for a school district. That is the difference we are talking about. I think those are important things when you are negotiating and trying to keep your small school viable.

**Representative Heinert:** That is where I was looking at too. Looking at a teacher's salary and benefits for a year and trying to utilize that for a negotiation point for our side.

**Representative Owens:** Just raising that number generically, if we ditch paragraph C and just raise the number, I can hear the argument now how that it is not just helping the small schools. The advantage of doing this is that we can come back to committee and we can discuss it again and the bill doesn't die. We can run it up the flag pole and see where it goes. The problem is convincing everyone to vote for it. Here they provided an incentive, although it may be somewhat fleeting. I am not suggesting that we still need to go there. I am trying to balance the two.

**Chairman Rust:** I looked at that equity report that we got and in looking at ending fund balances, and none of the larger schools were close to that 40% this past year. You could have added \$75,000 to those large schools and they still would not have been close. They are probably at about 20%. It does not benefit all schools. It really is a small school issue.

**Representative Owens:** We sent it with \$100,000 and Appropriations knocked it down.

**Chairman Rust:** What about going back and see if they will accept \$75,000 and eliminating C?

**Senator Schaible:** I am questioning the comment about removing C. I don't see a problem with leaving it in there, because if it forces reorganization and redistricting I think that is a good thing. It has a 2-year sunset on it anyway. I don't see a down side. They have two years to decide to reorganize or to get their ending fund balance down far enough so they are in compliance.

**Representative Owens:** That is what I was asking. Were you wanting to get rid of C? I don't believe it is a sunset. It never goes away but it is limiting them to 2 years.

**Senator Schaible:** If they are not in compliance now they are going to lose money on their ending fund balance by the way the rule says. I don't disagree with that but it does have an effect staying in there.

**Committee Discussion:** The committee briefly discussed the benefit of leaving paragraph C in or taking it out.

**Chairman Rust:** Do you want to run that by your side?

**Representative Owens:** We will run it by us and see if we can come to an agreement.

**Chairman Rust:** Adjourned the conference committee on SB 2321.

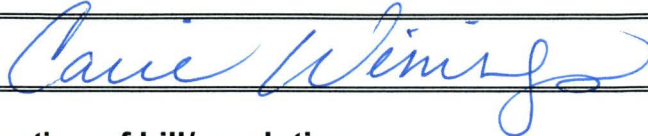
# 2017 SENATE STANDING COMMITTEE MINUTES

**Education Committee**  
Sheyenne River Room, State Capitol

SB 2321  
4/10/2017  
Job Number 30024

Subcommittee  
 Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 15.1-27-35.3 of the North Dakota Century Code, relating to payments to school districts.

## Minutes:

No Attachments

**Chairman Rust:** Opened conference committee on SB 2321. Have we had any revelations?

**Representative Owens:** I did not get any definitive response from anyone that I talked to.

**Representative Heinert:** Moved that the House Recede and Further Amend by changing \$20,000 to \$50,000 on Page 1, Line 15 of the House amendment. (Changing \$200,000 to \$50,000 on the Senate amendment.)

**Representative Owens:** Seconded.

**Chairman Rust:** Is there any discussion?

**Representative Owens:** I don't know if we will get this through the House but I am willing to put on the armor and go try.

**Senator Schaible:** If the House is willing to willing to run this up the flagpole, I would agree to try and go from there.

**Representative Owens:** We can certainly try.

**A Roll Call Vote Was Taken: 6 yeas, 0 nays, 0 absent.**

**Motion Carried.**

**Senator Rust and Representative Owens will carry the bill.**

April 10, 2017

C /  
4-10-17  
p. 1 of 1

PROPOSED AMENDMENTS TO SENATE BILL NO. 2321

That the House recede from its amendments as printed on pages 1078 and 1079 of the Senate Journal and page 1252 of the House Journal and that Senate Bill No. 2321 be amended as follows:

Page 1, line 11, overstrike "Beginning" and insert immediately thereafter "Except as provided in subdivision c, beginning"

Page 1, line 15, replace "two hundred" with "fifty"

Page 1, after line 15, insert:

"c. Beginning July 1, 2017, the superintendent of public instruction shall determine the amount of payments due to a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June thirtieth is in excess of thirty-five percent of its actual expenditures, plus one hundred thousand dollars if the school district is in a cooperative agreement with another school district to share academic resources, and the school districts are considering reorganization under chapter 15.1-12. An eligible school district may receive payments under this provision for a maximum of two years."

Renumber accordingly

**2017 SENATE CONFERENCE COMMITTEE  
ROLL CALL VOTES**

BILL/RESOLUTION NO. SB 2321 as (re) engrossed

Senate "Enter committee name" Committee

- Action Taken**
- SENATE accede to House Amendments
  - SENATE accede to House Amendments and further amend
  - HOUSE recede from House amendments
  - HOUSE recede from House amendments and amend as follows
  - Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Heinert Seconded by: Owens

Senators	4/10 AM	4/10 PM	Yes	No	Representatives	4/10 AM	4/10 PM	Yes	No
Senator Rust (Chair)	X	X	X		Representative Owens	X	X	X	
Senator Vedaa	X	X	X		Representative Heinert	X	X	X	
Senator Schaible	X	X	X		Representative Guggisberg	X	X	X	
Total Senate Vote					Total Rep. Vote				

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Rust House Carrier Owens

LC Number \_\_\_\_\_ of amendment

LC Number \_\_\_\_\_ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

On Page 1, Line 15 of House Amendment change \$20,000 to \$50,000.

Insert LC: 17.0988.01009  
Senate Carrier: Rust  
House Carrier: Owens

**REPORT OF CONFERENCE COMMITTEE**

**SB 2321:** Your conference committee (Sens. Rust, Vedaa, Schaible and Reps. Owens, Heinert, Guggisberg) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1078-1079, adopt amendments as follows, and place SB 2321 on the Seventh order:

That the House recede from its amendments as printed on pages 1078 and 1079 of the Senate Journal and page 1252 of the House Journal and that Senate Bill No. 2321 be amended as follows:

Page 1, line 11, overstrike "Beginning" and insert immediately thereafter "Except as provided in subdivision c, beginning"

Page 1, line 15, replace "two hundred" with "fifty"

Page 1, after line 15, insert:

"c. Beginning July 1, 2017, the superintendent of public instruction shall determine the amount of payments due to a school district and shall subtract from that the amount by which the unobligated general fund balance of the district on the preceding June thirtieth is in excess of thirty-five percent of its actual expenditures, plus one hundred thousand dollars if the school district is in a cooperative agreement with another school district to share academic resources, and the school districts are considering reorganization under chapter 15.1-12. An eligible school district may receive payments under this provision for a maximum of two years."

Renumber accordingly

SB 2321 was placed on the Seventh order of business on the calendar.



2017 TESTIMONY

SB 2321

SB 2321  
2-1-17  
#1

**Senate Bill No. 2321**

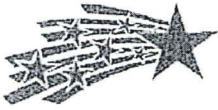
**Testimony in Support**

**North Dakota Council of Educational Leaders, Russ Ziegler**

Good Morning Chairman Schaible, Vice-chairman Rust, and members of the Senate Education Committee. For the record, I am Russ Ziegler, assistant director for the North Dakota Council of Educational Leaders. Thank you for allowing me to testify in support of Senate Bill 2321.

My testimony on this bill will not take much of your time. We have administrators in the room that I know you would rather hear from, and would be able to answer the questions that you may have, better than I would. I would just like to say that NDCEL supports Senate Bill 2321 whole heartedly. In times of budget short falls, it would be nice to be able to have a larger ending funding balance, especially for the smaller districts!

NDCEL requests a Do Pass recommendation on Senate Bill 2321. I can will try to answer any questions that you have at this time, but also state that they may be better answered by the administrators in the room.



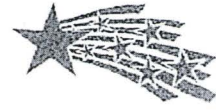
# UNDERWOOD SCHOOL DISTRICT NO. 8

123 SUMMIT STREET · PO BOX 100

UNDERWOOD, ND 58576-0100

TELEPHONE (701)442-3201 · FAX (701)442-3704

<https://sites.google.com/a/underwoodschool.org/ups/>



SB 2321  
2-1-17  
#2

Administration

Brandt J. Dick, Superintendent  
Lee Weisgarber, Principal  
Darla Grabinger, Business Manager

School Board:

Brent Charging, President  
Bradley Landenberger, Vice President

School Board Directors:

David Beck  
Taryn Kjelstrup  
Chad Weisenberger

## Testimony for SB 2321

Chairman Schaible and members of the Senate Education Committee, for the record my name is Brandt Dick, Superintendent of Underwood School District. I am here to speak in support of SB 2321.

SB 2321 would benefit small schools the most as the change from \$20,000 to \$200,000 would not be a major change for large schools in the state of ND. As recent as 2007, the ending fund balance was set at 50%, then it was reduced to 45% + \$20,000, then 40% + \$20,000 to a level of 35% + \$20,000 level beginning July 1, 2017. During the 2015 Legislative session, HB 1218 was introduced which would have limited ending fund balance to a much lower level than the 35% and was defeated. Testimony given at that time showed that the larger school districts with much higher budgets were not affected as they were already much lower than the 35% level. However, smaller school districts with smaller budgets were the ones that would have been affected the most by the change. Schools utilize the ending fund balance much in the same way as the state government does with some of the funds they have created to help during times of economic uncertainty.

With the reality of this session of revenue that will not increase, smaller school districts would benefit from the extra \$180,000 in ending fund balance. This is especially true for those smaller districts that have seen declining enrollment and challenges that will bring to their budgets. As has been mentioned in other testimony with other bills, smaller rural districts also face the challenge of recruiting and retaining quality staff. Many of these districts will have staff that will be retiring in the next few years. It is a reality that salaries will have to be looked at as these schools compete with the larger districts to recruit and retain teachers.

These realities that face small rural schools--a bill like this will show that the state legislators are listening and trying to help those schools. The best part of this bill is that it would not cost the state any money to implement. I strongly urge a Do Pass on SB 2321.

*Brandt J. Dick*

SB 2321  
2-1-2017  
#3 p. 1

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**Testimony on Senate Bill No. 2321**

**Presented to the Senate Education Committee**

**Rob Lech, Superintendent, Jamestown Public School District #1**

**February 1, 2017**

Good morning Chairman Schaible and members of the Senate Education Committee.

For the record, my name is Rob Lech and I serve as the superintendent for the Jamestown Public School District. I am here to testify in support of Senate Bill 2321.

School districts are presently limited to the amount of allowable carryover by the formula of 35% of actual expenditures + \$20,000. Senate Bill 2321 recognizes that a heavy reliance on a percentage is a disadvantage to our rural schools as they have smaller expenditure budgets than our larger school districts. An increase of \$180,000 to the flat dollar amount mitigates the concern for smaller districts that allowable carryover may not provide them adequate contingency.

As shown in the appendix to my testimony, a district with expenditures of \$1,000,000, with the current formula, would be allowed a maximum \$370,000 as an ending fund balance or a total of 37% of expenditures. If Senate Bill 2321 were to pass, the allowable ending fund balance for this district would be \$550,000 or 55%. This is especially pertinent now when the economic climate creates greater challenges that may require schools to deficit spend. As always, the determination of ending fund balance would remain with the local school board and the constituents of that school district.

As a contrast, for a school district with \$28,000,000 in expenditures, such as Jamestown, the current formula results in an allowable carryover of just over \$9.8 million. Senate Bill 2321

SB 2321  
2-1-2017  
H.3. p.2

24 would only slightly increase the total percentage to 36% of expenditures at \$10,000,000. The  
25 reality, however, is that a district with a budget of \$28,000,000 isn't going to be near that  
26 threshold regardless of the flat dollar amount. In Jamestown, our carryover is approximately  
27 \$3.4 million or 12%. As a result, this bill will not impact my district, but it would positively  
28 impact many rural North Dakota schools.

29 Based on economy of scale, districts with the largest expenditure budgets will be  
30 furthest from the cap. I do not believe that Senate Bill 2321 will change the ending fund  
31 balances of larger schools, but it will significantly improve the capacity of our smallest schools  
32 to support the needs in their districts as determined by their local school boards.

33 I ask that you support increasing the allowable carryover for our smallest schools  
34 through a Do Pass recommendation on Senate Bill 2321. I would be open to questions at this  
35 time, or I may be reached through email at [Robert.Lech@k12.nd.us](mailto:Robert.Lech@k12.nd.us) or through phone at (701)  
36 252-1950.

SB 2321  
2-1-17 #3.p3

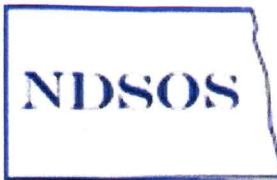
Current Formula					
Expenditures	\$ 1,000,000	\$ 5,000,000	\$ 15,000,000	\$ 28,000,000	\$ 50,000,000
Flat Dollar Amount	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
<b>Allowable Carryover</b>	<b>\$ 370,000</b>	<b>\$ 1,770,000</b>	<b>\$ 5,270,000</b>	<b>\$ 9,820,000</b>	<b>\$ 17,520,000</b>
Total Percentage	37%	35%	35%	35%	35%

Senate Bill 2321 Formula					
Expenditures	\$ 1,000,000	\$ 5,000,000	\$ 15,000,000	\$ 28,000,000	\$ 50,000,000
Flat Dollar Amount	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
<b>Allowable Carryover</b>	<b>\$ 550,000</b>	<b>\$ 1,950,000</b>	<b>\$ 5,450,000</b>	<b>\$ 10,000,000</b>	<b>\$ 17,700,000</b>
Total Percentage	55%	39%	36%	36%	35%

SB 2321  
2-1-17  
#4

2015-2016-Month to Month Cash Flow Analysis													Ending Fund Balance Estimate		
Presented to Ellendale School Board															
School Year - 2016-2017													\$ 4,703,315.00	Prev. Years Expenditure	
Beginning Balance -													\$ 1,881,326.00	40%	
	July	August	September	October	November	December	January	February	March	April	May	June	Totals		
Total Revenue	\$ 112,337	\$ 317,247	\$ 892,316	\$ 19,909	\$ 565,603	\$ 269,155							\$ 2,176,568	\$ 1,646,160.25	35%
Expenditures	\$ 257,759	\$ 184,640	\$ 385,255	\$ 386,529	\$ 319,463	\$ 336,153							\$ 1,869,799	\$ 1,198,863	25.49%
Month + or - (Rev - Expend)	\$ (145,422)	\$ 132,607	\$ 507,061	\$ (366,620)	\$ 246,140	\$ (66,998)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,175,828.75	25%
Balance	\$1,197,235	\$1,329,842	\$1,836,904	\$1,470,284	\$1,716,424	\$1,649,426	\$1,649,426	\$1,649,426	\$1,649,426	\$1,649,426	\$1,649,426	\$1,649,426	\$1,649,426	\$1,649,426	
															Plus/Minus \$306,769
School Year - 2015-2016															
Beginning Balance -															
	July	August	September	October	November	December	January	February	March	April	May	June	Totals		
Revenues	\$ 86,072	\$ 296,633	\$ 283,822	\$ 542,473	\$ 721,003	\$ 252,274	\$ 627,807	\$ 414,977	\$ 710,883	\$ 262,824	\$ 130,381	\$ 59,478			
Expenses	\$ 212,312	\$ 108,214	\$ 341,141	\$ 433,223	\$ 352,631	\$ 440,443	\$ 321,235	\$ 323,196	\$ 369,455	\$ 339,307	\$ 342,231	\$ 644,455			
Month Balance	(\$126,240)	\$188,418	(\$57,319)	\$109,249	\$368,372	(\$188,169)	\$306,572	\$91,780	\$341,429	(\$76,483)	(\$211,850)	(\$584,977)			(\$554,283)
													Ending Balance	\$1,342,657	
School Year - 2014-2015															
Beginning Balance -															
	July	August	September	October	November	December	January	February	March	April	May	June	Totals		
Revenues	\$ 93,996	\$ 267,917	\$ 279,805	\$ 549,663	\$ 566,850	\$ 273,484	\$ 614,643	\$ 350,271	\$ 666,865	\$ 376,064	\$ 41,031	\$ 101,930			
Expenses	\$ 227,739	\$ 98,529	\$ 546,876	\$ 498,137	\$ 320,924	\$ 350,467	\$ 321,459	\$ 324,350	\$ 359,204	\$ 323,323	\$ 338,429	\$ 656,213			
Month Balance	(\$133,743)	\$169,387	(\$267,071)	\$51,526	\$245,926	(\$76,983)	\$293,183	\$25,921	\$307,662	\$52,740	(\$297,398)	(\$554,283)			(\$556,687)
													Ending Balance	\$1,176,697	
School Year - 2013-2014															
Beginning Balance -															
	July	August	September	October	November	December	January	February	March	April	May	June	Totals		
Revenues	\$ 342,417	\$ 45,249	\$ 287,468	\$ 567,326	\$ 572,512	\$ 301,845	\$ 532,076	\$ 390,831	\$ 651,333	\$ 261,164	\$ 119,386	\$ 77,658			
Expenses	\$ 151,471	\$ 192,461	\$ 401,955	\$ 402,094	\$ 323,804	\$ 307,328	\$ 313,183	\$ 305,544	\$ 376,602	\$ 295,974	\$ 321,409	\$ 634,345			
Month Balance	\$ 190,946	(\$147,212)	(\$114,488)	\$165,232	\$248,708	(\$5,483)	\$218,894	\$85,287	\$274,731	(\$34,810)	(\$202,023)	(\$556,687)			(\$240,718)
													Ending Balance	\$1,462,930	
School Year - 2012-2013															
Beginning Balance -															
	July	August	September	October	November	December	January	February	March	April	May	June	Totals		
Revenues	\$ 54,275	\$ 200,867	\$ 161,466	\$ 344,067	\$ 363,667	\$ 378,517	\$ 730,440	\$ 484,829	\$ 955,827	\$ 230,733	\$ 27,293	\$ 70,918			
Expenses	\$ 152,340	\$ 136,332	\$ 335,867	\$ 410,256	\$ 317,267	\$ 354,743	\$ 276,962	\$ 287,769	\$ 383,055	\$ 279,506	\$ 322,916	\$ 311,636			
Month Balance	(\$ 98,065)	\$64,535	(\$174,401)	(\$66,190)	\$46,400	\$23,773	\$453,478	\$197,060	\$572,772	(\$48,773)	(\$295,624)	(\$240,718)			
													Ending Balance	\$1,236,402	

June Payment  
Yr Avg  
(\$450,563)



# North Dakota Small Organized Schools

SB. 2321  
Feb-1-17  
# 5. p.1

Mr. ElRoy Burkle  
Executive Director  
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Jamestown, 58401  
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701-230-1973

Mr. Larry Zavada  
President  
401 3<sup>rd</sup> Ave SW  
Wolford, ND 58385  
[larry.zavada@k12.nd.us](mailto:larry.zavada@k12.nd.us)  
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Mrs. Janet Brown  
Business Manager  
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Valley City, ND 58072  
[janet.brown@k12.nd.us](mailto:janet.brown@k12.nd.us)  
701-845-2910

January 27, 2017,

Chairman Schaible and members of the Senate Education Committee,

For the record, my name is Mr. ElRoy Burkle, Executive Director of the North Dakota Small Organized Schools (NDSOS), representing 141 North Dakota Public School Districts. NDSOS supports a "do pass" on SB 2321.

Most school administrators understand the strong possibility of no new state revenue and are reviewing current budget spending requests to validate need; making every effort to save where possible. SB 2321 will provide many districts, especially smaller, rural schools with small operating budgets, with some latitude in carryover funds. Last school year, school districts were allowed to carry-over 40% + \$20,000 for the fiscal year ending June 30<sup>th</sup>. This school year, this has been reduced to 35% + \$20,000. Increasing the dollar amount to \$200,000 will greatly assist school districts in their ability to address next year's budget, assisting them in meeting unexpected expenses such as replacing a boiler, bus motor, addressing inspection requirements, or simply meeting budgetary needs.

Thank you and ask the committee for a "Do Pass" on SB 2321. I will entertain any questions.

  
Mr. ElRoy Burkle, Executive Director  
North Dakota Small Organized Schools (NDSOS)  
1419 9<sup>th</sup> Ave NE  
Jamestown, ND  
701-230-1973  
[elroy.burkle@k12.nd.us](mailto:elroy.burkle@k12.nd.us) or [eburklendsos@yahoo.com](mailto:eburklendsos@yahoo.com)

Attachments: Support Testimonials from schools

---

### Board of Directors

#### Region 1

Mr. Tim Holte, Supt. Stanley  
Ms. Leslie Bieber, Alexander

#### Region 2

Mr. Larry Zavada, Supt. Wolford  
Mr. Steven Heim, Anamoose & Drake

#### Region 3

Mr. Frank Schill, Supt. Edmore  
Mr. Dean Ralston, Supt. Drayton

#### Region 4

Mr. John Pretzer, Supt. Scranton  
Mr. Jim Gross, Supt. Selfridge

#### Region 5

Mrs. Lori Carlson, Bd. Member Barnes Co. North  
Mr. Brandt Dick, Supt. Underwood

#### Region 6

Mr. Mitch Carlson, Supt. LaMoure  
Mr. Tom Retting, Supt. Enderlin

**The mission of NDSOS is to provide leadership for the small/rural schools in North Dakota and to support legislation favorable to their philosophy while opposing legislation that is harmful.**



SB 2321  
2-1-17

# Max Public School District Number 50

Box 297 • Max, North Dakota 58759 • Phone 701-679-2685 #5 p.2

PAT WINDISH  
Superintendent

ROBERT RANDEL  
High School Principal

SUSAN PLESUK  
Elementary Principal

NATALIE HAUF  
Business Manager

SB 2321 – Ending Fund Balance of 35%+\$200,000

Testimony in Support

Max Public School – Supt. Pat Windish

North Dakota Law Makers:

I am writing this testimony in support of SB 2321 which would allow school districts to carry over 35% of their budget plus \$200,000.

This is a situation that would have a positive effect on Max Public School. The 2016-2017 fiscal year, Max Public School will need to deficit spend by approximately \$100,000 to get our carry over down to 35%. Because of a drop in enrollment of 16 students in 2016-2017, Max will be forced to RIF 3.0 FTE, along with other budgetary cuts, to make up a potential shortfall of \$225,000 in our 2017-2018 budget. Because of past years' fiscal responsibility, Max was able to have a comfortable carry over each year. If Max was allowed, by law, to carry over 35%+\$200,000, we would not be looking at intentionally deficit spending one year to get down to the legal carry over limit to forcibly cutting staff and programs the following year because of unforeseen and uncontrollable situations.

Max Public School would support a bill, such as SB 2321, because it would allow us to continue to deliver high standards without have to RIF highly qualified teachers.

I support this or any bill that gives local control back to locally elected school officials.

Sincerely

Pat Windish, Superintendent  
Max Public School

***“Home of the Cossacks”***

**Anamoose Public School**  
Public School District No. 14 - McHenry County  
706 3rd St. West  
Anamoose, North Dakota 58710-4109  
Telephone 701-465-3258 FAX: 701-465-3259  
Every Child – Every Chance – Every Day

SB2321  
2-1-17  
#5.p3

January 27, 2017

Honorable Member of Senate

SB2321

I am writing in favor of SB2321. In both my private life as well as a school administrator I feel strongly that a healthy reserve is needed. So many variables can pop up that can change your financial situation without warning.

Working with two school districts that both have budgets less than two million dollars per year does not allow for a comfortable reserve in my opinion. Our reserves are in the area of thirty five percent. Even with that percent, one bus purchase will eat up around seventeen percent of our reserve. If a district also needs to do roof repairs or some other mishap happens, the current reserve level can be depleted in a hurry.

A reserve of thirty five percent plus \$200,000 allows a small district some room to help meet both unexpected expenditures and also allows us to plan for years of declining enrollment or planned expenditures.

Thank you for consideration.

Sincerely

Steven Heim  
Superintendent of Drake Public School  
Superintendent of Anamoose Public School

SB 2321  
2-1-17  
#5. p. 4

Divide County School District  
PO Box G  
Crosby, ND 58730

Senate Education Committee Members:

This correspondence is submitted to urge your support of SB 2321, pertaining to increasing the ending fund balance for school districts. On behalf of the Divide County School District I urge your support of increasing the ending fund balance from 35% + \$20,000 to 35% + \$200,000. Revising this provision of the Century Code is very important to small rural school districts such as Divide County.

An ample fund balance is important to school districts to offset the extreme fluctuation in unanticipated revenue shortfalls which can be triggered by a host of factors such as oil production activities, taxable valuations, agriculture economy, student enrollment decreases and various other economic and political factors.

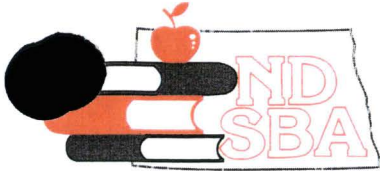
As an example, the Divide County School District experienced a loss of \$1.2 million after the 2013 legislative session revised the distribution of oil revenues. For a small school district this is over 20% of a district's total revenue which is very difficult to compensate for within in one fiscal year. Without a substantial fund balance the district would have had to borrow money to continue meeting all its financial obligations. A similar situation has occurred for the current school year due to an increase in oil revenue, which ends up being deducted from the district in the state aid formula and again results in a substantial revenue shortfall requiring the district to rely on its fund balance to carry them over to more stable funding levels.

Your serious consideration of increasing the fund balance from 35% + \$20,000 to 35% + \$200,000 is urgently needed in order to assist school districts to soundly manage their revenues and expenditures during interim legislative sessions. Thank you for your consideration and hopeful support.

Sincerely,

*Dr. Sherlock Hirning*  
Dr. Sherlock Hirning, Supt.

SB 2321  
2-1-17  
#6



**NORTH DAKOTA  
SCHOOL BOARDS  
ASSOCIATION**

**I N C O R P O R A T E D**

*Excellence in North Dakota public education through local school board governance*

**SB 2321– TESTIMONY**

**L. Anita Thomas, J.D., LL.M.**

**General Counsel**

**North Dakota School Boards Association**

**February 1, 2017**

SB 2321 is not a bill that our members had anticipated pursuing. However, the times have changed and school boards are attempting to be ultra-vigilant with respect to how they manage their long-term fiscal viability.

On one side of the equation, school boards are seeing stagnant per student payments, the possibility of changes in the local contribution, and pressure to dilute K-12 dollars in order to support voucher programs. On the other side of the equation, boards are seeing increased salary schedule obligations, and escalations in healthcare costs, utility costs, and other costs associated with school district operations. While one family moving out of a district and taking two, three, or four students with them might be a barely perceptible blip in the operating budget of a larger district, it can have a significant impact in our smaller districts.

While we realize that historically, there has been an attempt to curtail the size of school district ending fund balances, we would suggest that, given the current financial uncertainties, the Legislative Assembly raise the statutory ending fund balance limit, as proposed in this bill, and allow boards, in cooperation with the patrons of the district, to determine the level of additional financial flexibility that they believe is necessary, given their local circumstances.

We respectfully urge a **DO PASS** on SB 2321.

Testimony on SB 2321

Senator Terry Wanzek

Attachment 1

3/8/17

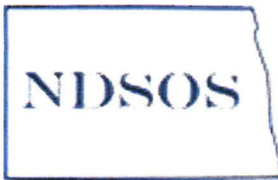
SB 2321

Good morning Chairman Owens and members of the House Education Committee. My name is Terry Wanzek, state Senator for district 29, from Jamestown. SB 2321 is a fairly simple request. It changes the allowable ending fund balance to be \$200,000 plus 35% of its actual expenditures rather than just \$20,000 plus 35% of actual expenditures. I believe it will be more helpful to smaller schools. It is an economy of scales issue. In some cases, an allowable reserve that is a small percentage of expenditures, does not result in a very large number for small schools. By adding the additional \$180,000 will greatly help the smaller schools but remain to be a minor percentage increase for larger schools.

I have no experience in managing or operating a school, but I can only imagine that some of the same business principles apply that apply to running any other business. I have spent my entire life running or financially managing a fairly large farm and I know, a rule of thumb when you ask a banker, is they like to see a farm have working capital that is in the range of 50% of annual revenue. In other words, 50% is not excessively out of line and especially if you are a smaller farm. Based on my knowledge of running a farm or any other business, it does not take much of an unpredictable or unforeseen emergency to use up \$200,000.

I will end it there and there are some others here that will make their case in support of this bill. Thank you and are there any questions.

1



# North Dakota Small Organized Schools

Attachment 2

SB 2321

3/8/17

Mr. ElRoy Burkle  
Executive Director  
1419 9<sup>th</sup> Ave NE  
Jamestown, 58401  
[elroy.burkle@k12.nd.us](mailto:elroy.burkle@k12.nd.us)  
701-230-1973

Mr. Larry Zavada  
President  
401 3<sup>rd</sup> Ave SW  
Wolford, ND 58385  
[larry.zavada@k12.nd.us](mailto:larry.zavada@k12.nd.us)  
701-583-2387

Mrs. Janet Brown  
Business Manager  
925 Riverview Drive  
Valley City, ND 58072  
[janet.brown@k12.nd.us](mailto:janet.brown@k12.nd.us)  
701-845-2910

March 8, 2017,

Chairman Owens and member of the House Education Committee,

For the record, my name is Mr. ElRoy Burkle, Executive Director of the North Dakota Small Organized Schools (NDSOS), representing 141 North Dakota Public School Districts. NDSOS supports a "do pass" on SB 2321.

School administrators are clearly aware that the per student rate is proposed to remain the same for the upcoming biennium. Various school funding bills and property tax bills are in committee, resulting in uncertainties in preparing budgets. Superintendents are currently reviewing their budgets and spending requests are monitored closely to save where possible. SB 2321 will provide many districts, especially smaller, rural schools with small operating budgets, with some latitude in carryover funds. Last school year, school districts were allowed to carry-over 40% + \$20,000 for the fiscal year ending June 30<sup>th</sup>. This school year, this has been reduced to 35% + \$20,000. Increasing the dollar amount to \$200,000 will greatly assist these districts in meeting unexpected expenses such as replacing a boiler, bus motor, addressing inspection requirements, or simply meeting budgetary needs as cited in the following email received from. Mr. Jim Gross, Selfridge Superintendent. "Yes, our district can definitely use this bill. We have no other avenue to raise additional dollars if we had some type of emergency occur. Ex. if a boiler needed to be replaced, roof replacement etc. (SB 2321). Thank you. Jim"

If I may, attached are several support testimonials from superintendents that I would like to highlight some of the comments. Attached also is an article from the Jamestown Sun for your information.

Thank you and ask the committee for a "Do Pass" on SB 2321. I stand for questions.

Mr. ElRoy Burkle, Executive Director

North Dakota Small Organized Schools (NDSOS)  
1419 9<sup>th</sup> Ave NE  
Jamestown, ND  
701-230-1973  
[elroy.burkle@k12.nd.us](mailto:elroy.burkle@k12.nd.us) or [eburklendsos@yahoo](mailto:eburklendsos@yahoo)

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Ms. Leslie Bieber, Alexander

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Mr. Steven Heim, Anamoose & Drake

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Mr. Dean Ralston, Supt. Drayton

#### Region 4

Mr. John Pretzer, Supt. Scranton  
Mr. Jim Gross, Supt. Selfridge

#### Region 5

Mrs. Lori Carlson, Bd. Member Barnes Co. North  
Mr. Brandt Dick, Supt. Underwood

#### Region 6

Mr. Mitch Carlson, Supt. LaMoure  
Mr. Tom Retting, Supt. Enderlin

The mission of NDSOS is to provide leadership for the small/rural schools in North Dakota and to support legislation favorable to their philosophy while opposing legislation that is harmful.

**Anamoose Public School**  
Public School District No. 14 - McHenry County  
706 3rd St. West  
Anamoose, North Dakota 58710-4109  
Telephone 701-465-3258 FAX: 701-465-3259  
Every Child – Every Chance – Every Day

January 27, 2017

House Education Committee

SB2321

I am writing in favor of SB2321. In both my private life as well as a school administrator I feel strongly that a healthy reserve is needed. So many variables can pop up that can change your financial situation without warning.

Working with two school districts that both have budgets less than two million dollars per year does not allow for a comfortable reserve in my opinion. Our reserves are in the area of thirty five percent. Even with that percent, one bus purchase will eat up around seventeen percent of our reserve. If a district also needs to do roof repairs or some other mishap happens, the current reserve level can be depleted in a hurry.

A reserve of thirty five percent plus \$200,000 allows a small district some room to help meet both unexpected expenditures and also allows us to plan for years of declining enrollment or planned expenditures.

Thank you for consideration.

Sincerely



Steven Heim  
Superintendent of Drake Public School  
Superintendent of Anamoose Public School

# Max Public School District Number 50

Box 297 • Max, North Dakota 58759 • Phone 701-679-2685

PAT WINDISH  
Superintendent

ROBERT RANDEL  
High School Principal

SUSAN PLESUK  
Elementary Principal

NATALIE HAUF  
Business Manager

HB 2321 – Ending Fund Balance of 35%+\$200,000

Testimony in Support

Max Public School – Supt. Pat Windish

North Dakota Law Makers:

I am writing this testimony in support of HB 2321 which would allow school districts to carry over 35% of their budget plus \$200,000.

This is a situation that would have a positive effect on Max Public School. The 2016-2017 fiscal year, Max Public School will need to deficit spend by approximately \$100,000 to get our carry over down to 35%. Because of a drop in enrollment of 16 students in 2016-2017, Max will be forced to RIF 2.4 FTE, along with other budgetary cuts, to make up a potential shortfall of \$225,000 in our 2017-2018 budget. Because of past years' fiscal responsibility, Max was able to have a comfortable carry over each year. If Max was allowed, by law, to carry over 35%+\$200,000, we would not be looking at intentionally deficit spending one year to get down to the legal carry over limit to forcibly cutting staff and programs the following year because of unforeseen and uncontrollable situations.

Max Public School would support a bill, such as HB 2321, because it would allow us to continue to deliver high standards without having to RIF highly qualified teachers.

I support this or any bill that gives local control back to locally elected school officials.

Sincerely



Pat Windish, Superintendent

Max Public School





# Ellendale Public School

321 N 1<sup>st</sup> St, PO Box 400  
Ellendale, ND 58436-0400

Phone: (701) 349-3232  
Fax: (701) 349-3447  
www.ellendale.k12.nd.us

## High School Principal

Matthew Herman

## Elementary Principal

Dan Girard

## Business Manager

Lana Norton

## Superintendent

Jeff G. Fastnacht

## Board of Education

Cay Durham, President

Scott Wertz, Vice Pres

Kent Schimke, Director

Charlene Kinzler, Director

Michele Thorpe, Director

SB 2321 – Relating to payment to school districts

Testimony in Support

Ellendale Public School – Supt. Jeff Fastnacht

North Dakota Association of School Administrators – President Jeff Fastnacht

Good day Chair Owens, Vice Chair Schreiber-Beck, and members of the House Education Committee. For the record, my name is Jeff Fastnacht and I serve as the Superintendent for Ellendale Public School as well as the President of the North Dakota Association of School Administrators. I stand before you today providing testimony in support of SB 2321.

I am unable to be in attendance today at the committee hearing as I am obligated to lead my special education units monthly meeting today. My apologies for not providing this testimony in person.

SB 2321 would significantly improve the ability for small schools to weather the storms of financial constraints and reductions in funding. The storm of a zero percent increase in state funding for the next two years causes most schools to be alarmed. However, particularly in small rural schools, this is compounded by the present limitation of 35% and \$20,000 and declining enrollment. The threshold of 35% is appropriate for all schools. Ellendale ended last year at 32% as many small schools around us hover between 25-35%. It is the additional flat amount over the 35% that provides small schools the needed cushion to absorb shifts in funding and declining enrollment. Here is an example (see attached – this is a cash flow sheet prepared for my board monthly)

Enrollment in small schools can fluctuate wildly. In 2014-2015 Ellendale increased by over 30 students, to the point we needed to hire an additional teacher to add a section within our elementary. As you know that year, no additional funding from the state was received, but we had to dip into interim funds to pay for the position. In 2015-2016 we did receive the funds for the increased enrollment and also a rapid enrollment grant of nearly \$77,000. Yet, this year our enrollment is now down 27 kids and we are seeing the need to cut instructional faculty in our high school. We can weather the storm for a short time, while also working to cut expenditures. However, smaller schools have less capacity to maintain program while making staffing changes or possibly weathering a shortfall for a year or two, due to the lower dollar allowance.

Moving the cap from 35% and \$20,000 to 35% and \$200,000 is not going to help large schools. But, it will help the smallest schools and again in times of fiscal constraints this is a tool that local school boards and administrators may need.

### AN EQUAL OPPORTUNITY EMPLOYER

The Ellendale School District does not discriminate on the basis of race, national origin, sex, or handicap in its educational program, activities, and employment practices.

4



## Bill would allow smaller schools to carry over more funds

By Tom LaVenture on Feb 25, 2017 at 6:51 a.m.

A bill to allow smaller schools to carry over more funds to the next year's budget has passed the North Dakota Senate and is now in the House.

Senate Bill 2321, which was introduced by Sen. Terry Wanzek, R-Jamestown, would allow a school district to carry over 35 percent of actual expenditures plus \$200,000 to the next year's budget. The law currently allows schools to carry over 35 percent of actual expenditures plus \$20,000.

"This bill would allow these smaller schools a few more dollars for such unforeseen expenses, such as if a boiler goes out," said Rep. Chet Pollert, R-Carrington, who co-sponsored the bill. "If a rural school has declining enrollment, that little bit of larger reserve would also help smooth out the deficiency of funds for that school year."

The bill was referred to the House on Monday and referred to the House Education Committee on Wednesday.

Jill Louters, superintendent of New Rockford-Sheyenne Public School District, a K-12 school with 147 students and a \$4 million budget, said she supports the legislation.

"This is a key piece that would allow smaller districts to carry over more funds to use for capital construction or other projects that may or may not be a part of their long-range plan," Louters said.

At a time when schools expect a decrease in foundation aid, it is essential for small schools to have the ability to carry over more funds for better cash flow, said Tom Tracy,



Attachment 2a  
SB 2321 3/8/17

## Divide County School District

P.O. Box G - Crosby, North Dakota 58730-0662  
701-965-6313 - FAX 701-965-6004



March 8, 2017

Testimony in Support of SB 2321 Pertaining to School District Ending Fund Balances

Mr. Chairman & Members of the House Education Committee:

Due to weather and road conditions, it is my hope that written testimony instead of oral testimony will be considered with equal credibility as the committee gives due consideration to SB 2321. On behalf of the Divide County School District, I urge your support of increasing the ending fund balance for school districts from the current level of "35% of its actual expenditures plus \$20,000" to a level of "35% of its actual expenditures plus \$200,000." Revising this provision of the Century Code is very important to school districts, and perhaps, more so for rural districts than city/urban districts.

An adequate ending fund balance is essential to school districts in order to offset the extreme fluctuations in unanticipated revenue shortfalls which can be triggered by a host of uncontrollable factors such as oil and gas gross production tax, taxable valuations, student enrollment decreases, agricultural economy, and various other economic and political factors. Unanticipated expenditures for such items as furnace replacements, buses, asbestos removal, additional staff required for special needs students and/or enrollment increases and various other circumstances can also have a significant impact on a district's budget shortfall.

As an example, the Divide County School District experienced a loss of \$1.2 million in oil and gas revenue for the 2013-14 and 2014-15 school terms, combined, due to the 2013 legislative session's revision of the oil and gas gross production tax formula. In a district with a \$5 million general fund budget \$1.2 is 24% of a district's total operating budget, which is a substantial figure to juggle with unanticipated revenue shortfalls and inflationary budget expenditures. During this two-year period, the Divide County School District's fund balance decreased from 38% to 23%. Without an adequate fund balance, the district would not have been able to absorb these drastic swings in revenues.

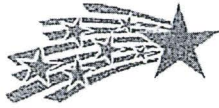
As another example, during the current 2017-18 school term the district experienced a reduction in state aid of \$946,085.00, most of which has been absorbed by the district's fund balance. Based on current budget expenditures and revenues, the district's ending fund balance will once again be reduced from 38% to approximately 20% by June 30, 2017.

As noted herein, a 15-20% swing in an ending fund balance is not an unusual situation for a school district and in some cases could nearly bankrupt a school district. In lieu of recent legislative actions to decrease the allowable fund balances for school districts from 45% plus \$20,000 to 35% plus \$20,000, it arguably justifies a corrective action to increase the base percentage additional amount from \$20,000 to \$200,000, as proposed by this piece of legislation.

Your serious consideration of increasing the ending fund balance is urgently needed in order to assist school districts to soundly manage their revenues and expenditures during interim legislative sessions. Thank you for your consideration and hopeful support to recommend a do-pass vote on SB 2321.

Sincerely,

*Dr. Sherlock Hirning*  
Dr. Sherlock Hirning, Supt.



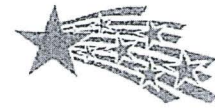
Attachment 3 SB 2321 3/8/17  
**UNDERWOOD SCHOOL DISTRICT NO. 8**

123 SUMMIT STREET · PO BOX 100

UNDERWOOD, ND 58576-0100

TELEPHONE (701)442-3201 · FAX (701)442-3704

<https://sites.google.com/a/underwoodschool.org/ups/>



Administration

Brandt J. Dick, Superintendent  
Lee Weisgarber, Principal  
Darla Grabinger, Business Manager

School Board:

Brent Charging, President  
Bradley Landenberger, Vice President

School Board Directors:

David Beck  
Taryn Kjelstrup  
Chad Weisenberger

**Testimony for SB 2321**

Chairman Owens and members of the House Education Committee, for the record my name is Brandt Dick, Superintendent of Underwood School District, and board member of North Dakota Small Organized Schools (NDSOS). I am here to support SB 2321.

SB 2321 would benefit small schools as the change from \$20,000 to \$200,000 would not be a major change for large schools in the state of ND. As recent as of 2007, the ending fund balance was set at 50%, then it was reduced to 45% + \$20,000, then 40% + \$20,000 to a level of 35% + \$20,000 level beginning July 1, 2017. During the 2015 Legislative session, HB 1218 was introduced which would have limited ending fund balance to a much lower level than the 35% and was defeated. Testimony given at that time showed that the larger school districts with much higher budgets were not affected as they were already much lower ending fund balances than the 35% level. However, smaller school districts with smaller budgets were the ones that would have been affected the most by the change. The additional \$180,000 of ending fund balance allowance would provide flexibility to those budgets that are below \$3.6 million. Any budget above \$3.6 million would still see a decrease in what will be allowed for school districts to maintain in their ending fund balance. This equates to those districts that are roughly smaller than 250 students, and would allow them to be at levels previously mentioned. Schools utilize the ending fund balance much in the same way as the state government does with funds they have wisely created to help during times of economic uncertainty.

With the reality of this session of revenue that will not increase, smaller school districts would benefit from the extra \$180,000 in ending fund balance. This is especially true for those smaller districts that have seen declining enrollment and challenges that will bring to their budgets. As has been mentioned in other testimony with other bills, smaller rural districts also face the challenge of recruiting and retaining quality staff. Many of these districts will have staff that will be retiring in the next few years. It is a reality that salaries will have to be looked at as these schools compete with the larger districts to recruit and retain teachers.

Passage of SB 2321 would indicate that the state legislators are listening and trying to help the smaller rural schools. I strongly urge a Do Pass on SB 2321.

Attachment 3a SB 2321  
3/8/17

1                                   **Written Testimony on Senate Bill No. 2321**

2                                   **Presented to the House Education Committee**

3                                   **Rob Lech, Superintendent, Jamestown Public School District #1**

4                                   **March 8, 2017**

5  
6                   Good morning Chairman Owens and members of the House Education Committee. For  
7 the record, my name is Rob Lech and I serve as the superintendent for the Jamestown Public  
8 Schools. I am providing written testimony in support of Senate Bill 2321.

9                   School districts are presently limited to the amount of allowable carryover by the  
10 formula of 35% of actual expenditures + a flat amount of \$20,000. Senate Bill 2321 recognizes  
11 that a heavy reliance on a percentage is a disadvantage to our rural schools as they have  
12 smaller expenditure budgets as compared to our larger school districts. An increase of  
13 \$180,000 to the flat dollar amount mitigates the concern for smaller districts that the current  
14 allowable ending fund balance may not provide them with adequate contingency.

15                  As shown in the addendum to this testimony, a district with expenditures of \$1 million,  
16 with the current ending fund balance formula, would be allowed a maximum of \$370,000 as an  
17 ending fund balance. This is a total of 37% of expenditures. With Senate Bill 2321, the  
18 allowable ending fund balance for this district would be \$550,000, or 55%. This increase is  
19 especially pertinent now when the economic climate creates greater challenges that may  
20 require school districts to deficit spend. As always, the determination on ending fund balance  
21 would remain with the local school board and the constituents of that school district.

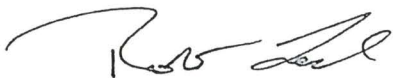
22                  As a contrast, for a school district like Jamestown, which has approximately \$28,000,000  
23 in expenditures, the current formula results in an allowable ending fund balance of just over

)

24 \$9.8 million. Senate Bill 2321 would only slightly increase the total percentage to 36% of  
25 expenditures at \$10 million. The reality, however, is that a district with a budget of \$28 million  
26 is not going to be near that percentage threshold regardless of the flat dollar amount. In  
27 Jamestown, our carryover is approximately \$3.4 million or 12%. As a result, Senate Bill 2321  
28 would not impact my district, but I believe it is critically important for many of our rural North  
29 Dakota school districts.

30 Based on economy of scale, districts with the largest expenditure budgets will be  
31 furthest from the allowable cap. I do not believe that Senate Bill 2321 will change the ending  
32 fund balances of larger schools, but it will significantly improve the capacity of our smallest  
33 schools to support the needs in their districts as determined by their local school boards.

34 I ask that you support increasing the allowable carryover for our smallest school districts  
35 through a Do Pass Recommendation on Senate Bill 2321. I would be open to questions and  
36 may be reached through email at [Robert.Lech@k12.nd.us](mailto:Robert.Lech@k12.nd.us) or through phone at (701) 252-1950.



Appendix - Lech Testimony Senate Bill 2321

Current Formula					
Expenditures	\$ 1,000,000	\$ 5,000,000	\$ 15,000,000	\$ 28,000,000	\$ 50,000,000
Flat Dollar Amount	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
<b>Allowable Carryover</b>	<b>\$ 370,000</b>	<b>\$ 1,770,000</b>	<b>\$ 5,270,000</b>	<b>\$ 9,820,000</b>	<b>\$ 17,520,000</b>
Total Percentage	37%	35%	35%	35%	35%

Senate Bill 2321 Formula					
Expenditures	\$ 1,000,000	\$ 5,000,000	\$ 15,000,000	\$ 28,000,000	\$ 50,000,000
Flat Dollar Amount	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
<b>Allowable Carryover</b>	<b>\$ 550,000</b>	<b>\$ 1,950,000</b>	<b>\$ 5,450,000</b>	<b>\$ 10,000,000</b>	<b>\$ 17,700,000</b>
Total Percentage	55%	39%	36%	36%	35%

Attachment 4

SB 2321

3/8/17

**Senate Bill No. 2321**

**Testimony in Support**

**North Dakota Council of Educational Leaders, Russ Ziegler**

Good Morning Chairman Owens, Vice-chairman Schreiber-Beck, and members of the House Education Committee. For the record, I am Russ Ziegler, assistant director for the North Dakota Council of Educational Leaders. Thank you for allowing me to testify in support of Senate Bill 2321.

My testimony on this bill will not take much of your time. We have administrators in the room that I know you would rather hear from, and would be able to answer the questions that you may have, better than I would. I would just like to say that NDCEL supports Senate Bill 2321 whole heartedly. In times of budget short falls, it would be nice to be able to have a larger ending funding balance, especially for the smaller districts!

NDCEL requests a Do Pass recommendation on Senate Bill 2321. I can will try to answer any questions that you have at this time.



Attachment 1 SB 2321

17.0988.01002  
Title.02000

Adopted by the Education Committee

March 13, 2017

March 13, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2321

Page 1, line 15, replace "two" with "one"

Renumber accordingly