

## NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

**EDUCATION FUNDING COMMITTEE**

Wednesday, August 8, 2018  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Senator Donald Schaible, Chairman, called the meeting to order at 9:00 a.m.

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

**Members absent:** Representatives Dennis Johnson, Denton Zubke

**Others present:** See [Appendix A](#) for additional persons present.

**It was moved by Senator Rust, seconded by Senator Davison, and carried on a voice vote that the minutes of the May 8, 2018, meeting be approved as distributed.**

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

At the request of Chairman Schaible, Mr. Stan Schauer Jr., Adult Education Assistant Director, Department of Public Instruction, provided information ([Appendix B](#)) regarding a review of funding for adult learning centers, including funding for students ages 16 through 21 accessing services at adult learning centers. He said there are 11 adult learning centers in the state, including 8 regional centers and 3 satellite programs. He said services also are provided in 6 correctional facilities across the state. He provided a summary of annual Department of Public Instruction (DPI) adult education grant funding for school years 2013-14 through 2018-19. He said grant funding for adult education totals \$5.13 million for the 2017-19 biennium, including \$1.86 million in federal funds, \$170,000 in special funds from the displaced homemaker account, and \$3.1 million from the general fund. He said the state's general education diploma (GED) program passing rate is 88 percent, the second highest in the country. He said the Every Student Succeeds Act state plan includes the GED as an indicator of graduation success. He said the department anticipates proposing a funding formula that would provide funding for adult education students between the ages of 16 and 21 who earn a GED and are included in a school district's graduation rate. He said the proposal would provide state school aid for qualifying students through a funding formula. He said funding for students who drop out of the traditional K-12 education system would have a portion of the funding provided to the school district follow them to adult education. He said there is a return on the state's investment when individuals receiving assistance are educated and gain work-based skills. He said the return is even greater if the student receives a postsecondary degree. He said students who are receiving state assistance can improve their situation and become taxpayers and economic contributors. He provided a copy ([Appendix C](#)) of DPI's July 2018 testimony to the Education Policy Committee for the committee's review.

In response to a question from Senator Kilzer, Mr. Schauer said approximately 40 percent of adult learners are English language learners. He said, based on the state's definition of 1 hour of service, 3,200 students have been served this fiscal year.

In response to a question from Chairman Schaible, Mr. Schauer said there is no charge to adult education students. He said the department is reviewing funding models that would provide resources for adult education based on number of students and hours of instruction.

In response to a question from Representative Sanford, Mr. Schauer said two adult learning centers work with career and technical education and are located in the same building. He said the department would like to expand these types of relationships. He said centers actively seek partnerships to assist students with skills that lead to jobs after they receive their GED.

In response to a question from Chairman Schaible, Mr. Schauer said some adult learning centers are located on college campuses, and additional college campus partnerships would benefit more students.

In response to a question from Senator Oban, Mr. Schauer said the department anticipates preparing a funding formula proposal for the 2019 legislative session.

In response to a question from Senator Rust, Mr. Schauer said a reduction in funding resulted in the closure of several satellite sites. He said some online options have been added to better serve rural areas.

In response to a question from Senator Rust, Mr. Schauer said the department monitors adult learner employment and earnings in the 2<sup>nd</sup> and 4<sup>th</sup> quarter after completion. He said postsecondary education also is monitored, including grade point average, credits earned, retention, credentialing, and ACT scores.

In response to a question from Senator Davison, Mr. Schauer said funding is granted to adult learning centers based upon funding available, prior year funding, and population. He said consideration of infrastructure and in-kind contributions of personnel also are considered when determining adult learning center grant funding.

Senator Davison said if the department requests additional funding for adult education, the department should provide information regarding how grant funding for adult learning centers is determined, how outcomes are measured for centers, how programs demonstrating success are rewarded, and how additional funding would be distributed.

At the request of Chairman Schaible, Mr. Adam J. Tescher, Director, School Finance and Organization, Department of Public Instruction, provided information ([Appendix D](#)) regarding funding challenges of North Dakota school districts attempting to enroll students from neighboring states. He said cross border education with South Dakota is addressed in an agreement, however there are no agreements with Montana and Minnesota. He said, pursuant to North Dakota Century Code Section 15.1-29-01, a student attending an out-of-state school is deemed to be enrolled in the student's school district of residence for purposes of determining average daily membership. He said school districts receive funding through the state school aid formula for North Dakota students attending Minnesota or Montana schools and it is the responsibility of the North Dakota school district to negotiate the tuition it will pay the out-of-state district. He said a North Dakota school district does not receive credit in its average daily membership for out-of-state students attending a North Dakota school, but negotiates tuition from the out-of-state school district sending the student. He said 75 percent of the tuition received for the nonresident students is deducted in the state school aid formula, leaving the district 25 percent of the tuition revenue to educate the student.

Mr. Tescher said Section 15.1-29-02 provides a school district may not agree to accept a student from a bordering state unless the tuition amount equals or exceeds the amount of state aid the district would have received from the state for a student in the same grade if that student had been attending school in the bordering state. He said a North Dakota school is not allowed to charge a nonresident student less than the school would receive for a North Dakota student through the foundation aid payment.

In response to a question from Chairman Schaible, Mr. Tescher said North Dakota pays for all the students educated along the South Dakota border, including South Dakota students. He said South Dakota pays for all students along their northern border, including North Dakota students. He said at the end of the school year there is an accounting of the cost of cross border students. He said traditionally the department has been required to pay South Dakota because North Dakota has sent more students to South Dakota schools than it has received from South Dakota. He said the payment varies depending on how many more students South Dakota educates compared to North Dakota. He said the payment to South Dakota is then allocated to each North Dakota school district sending more students to South Dakota than it received. He said districts do not receive foundation aid for students educated in South Dakota, but are required to pay for the net allocation. He said for a district that received more students from South Dakota than sent to South Dakota, there is no payment and the district receives the foundation aid associated with those students.

Representative Holman distributed information ([Appendix E](#)) regarding the challenges of cross border education of Minnesota students by the Hillsboro School District. He said the cities of Halstad and Hendrum in Minnesota are closing high schools. He said Hillsboro, in North Dakota, is the closest school district. He said the Halstad School District was willing to pay the Hillsboro School District an amount equal to the Minnesota rate, \$6,312 per student, to educate its students. He said the state's funding formula deducts 75 percent of tuition revenue, or \$4,734 per student, from state school aid. He said although the Hillsboro School District was willing to accept the students, it was not financially feasible and the district did not want local taxpayers to subsidize the cost.

In response to a question from Representative Holman, Mr. Tescher said the state school aid formula could be amended to exclude tuition related to out-of-state students from the formula in lieu of revenue deduction or include nonresident students in average daily membership and the state school aid formula payment and continue to

deduct 75 percent of the tuition related to the out-of-state students. He said 75 percent of all tuition collected by a school district is deducted in the formula, including tuition paid by parents. He said the department does not collect data regarding the source of tuition payments.

In response to a question from Representative Sanford, Mr. Tescher said when a resident student open enrolls into another North Dakota school district outside the resident school district, funding follows the student. He said the educating district receives credit for the average daily membership and funding. He said tuition is an alternative to open enrollment and the department provides guidance regarding the calculation of tuition. He said tuition generally is minimal because it is based on the average cost to educate a student less the amount the school received through foundation aid for the student.

At the request of Chairman Schaible, Mr. Tescher provided information ([Appendix F](#)) regarding the status of state school aid provided during the 2017-19 biennium and estimates of the cost-to-continue state school aid, transportation aid, and special education grants in the 2019-21 biennium and the 2021-23 biennium. He said through June 30, 2018, state school aid payments totaled \$953.1 million, \$12.7 million less than estimated, and transportation grants totaled \$26.6 million, \$1.1 million less than estimated. He said special education contract expenditures totaled \$12.5 million, \$3 million more than estimated. He said special education contract claims exceeded the 2015-17 biennium appropriation and the department used \$2 million of 2017-19 special education contract authority to pay 2015-17 claims. He said, as provided by the Legislative Assembly in 2017, the department anticipates requesting a deficiency appropriation of approximately \$3 million from the general fund for 2017-19 biennium special education contracts. He said he anticipates state school aid will be close to budgeted amounts during the 2<sup>nd</sup> year of the biennium and transportation grants are anticipated to be \$1.3 million less than budgeted. He said if the department is not allowed to use excess foundation aid payment funding authority to pay special education contracts in excess of the department's 2017-19 biennium appropriation, estimated turnback will total \$14.2 million, including \$2.3 million in estimated transportation grant funding turnback, and the department will request a deficiency appropriation for \$3 million. He said if the department is allowed to use excess foundation aid payment funding authority to pay special education contracts in excess of the department's 2017-19 biennium appropriation, estimated turnback will total \$11.3 million and there would be no need for a deficiency appropriation.

In response to a question from Senator Davison, Mr. Tescher said in the past the department has had the authority to borrow funds from the Bank of North Dakota to cover any shortage in funding for state school aid. He said due to the timing of state school aid payments, the department has never used a Bank loan, so the Legislative Assembly repealed the loan authority and directed the department to request a deficiency appropriation if necessary.

In response to a question from Representative Monson, Mr. Tescher said there is no limit on 1<sup>st</sup> year expenditures for special education contracts. He said there has been growth in high-cost students and an increase in the number of lower-cost students as more students qualify for services.

In response to a question from Representative Sanford, Mr. Tescher said the department budgets for special education contracts based on historical cost.

Mr. Tescher said based on current weighting factors and minimum and maximum adjustments, no increase in the integrated formula payment of \$9,646, and an approximate 3.5 percent increase in property values, the cost-to-continue state school aid due to population growth during the 2019-21 biennium is estimated to total \$78.1 million. He said enrollment is anticipated to increase by approximately 3,000 students each year of the 2019-21 biennium. He said, with no other formula changes, a 1 percent increase in the integrated formula payment each year of the 2019-21 biennium, resulting in integrated formula payment rates of \$9,742 and \$9,839 during the 1<sup>st</sup> and 2<sup>nd</sup> year of the biennium respectively, would cost approximately \$31 million. He said, with no other formula changes, a 2 percent increase in the integrated formula payment each year of the 2019-21 biennium, resulting in integrated formula payment rates of \$9,839 and \$10,036 during the 1<sup>st</sup> and 2<sup>nd</sup> year of the biennium respectively, would cost approximately about \$62.9 million.

In response to a question from Senator Davison, Mr. Tescher said transportation grants are distributed based on a formula that considers the number of rides and miles traveled without regard to federal or other funding. He said the department collects transportation data to distribute funding and publishes the information in its annual *School Finance Facts* report.

Mr. Tescher said based on current weighting factors and minimum and maximum adjustments, no increase in the integrated formula payment of \$9,646, and an approximate 3.5 percent increase in property values, the cost-to-continue state school aid due to population growth during the 2021-23 biennium is estimated to total

\$125.5 million. He said this increase is in addition to the \$78.1 million cost to continue in the 2019-21 biennium. He said the increase is based on enrollment growth of approximately 4,000 students each year of the 2021-23 biennium. He said the department does not expect the significant increases in enrollment to continue beyond 2023 because the student influx related to the oil boom will begin graduating.

Mr. Tescher provided information regarding a history of appropriations and funding sources for state school aid since the 2013-15 biennium and a preliminary budget for the 2019-21 biennium, based on current formulas and policies related to integrated formula payments, transportation grants, rapid enrollment grants, and special education contracts. He said in addition to the cost to continue integrated formula payments, an additional \$5.7 million may be needed to fully fund special education contracts and an additional \$5 million may be needed if the Legislative Assembly continues rapid enrollment grants in the same manner as this biennium. He said if transportation rates are not adjusted, the current funding level would not change significantly. He said, based on the Department of Trust Lands estimate of funding available from the common schools trust fund and the DPI's estimate of funding available from fines, approximately \$383 million will be available from the state tuition fund for integrated formula payments during the 2019-21 biennium, \$78.1 million more than the 2017-19 biennium. He said ongoing funding of \$110 million was provided from the foundation aid stabilization fund for integrated formula payments in the 2017-19 biennium. Based on these estimates of funding available from special funds and the cost-to-continue state school aid with no formula changes or payment increases, he said, an estimated \$1.61 billion would be needed from the general fund for state school aid during the 2019-21 biennium, \$200 million more than the 2017-19 biennium. He said the cost to continue 2019-21 integrated formula payment rate increases in the 2021-23 biennium is approximately \$13 million for each percentage increase provided in the 2019-21 biennium.

In response to a question from Chairman Schaible, Mr. Tescher said if property tax growth does not meet the 3.5 percent estimate included in the department's projections, the state's cost would increase.

In response to a question from Senator Davison, Mr. Tescher said during the 2017-18 school year, approximately 75 percent of state school aid was provided by the state and 25 percent was from local sources.

At the request of Chairman Schaible, Dr. Aimee Copas, Executive Director, North Dakota Council of Educational Leaders, provided information ([Appendix G](#)) regarding school district budget deadlines. She said this is the 1<sup>st</sup> year many county auditors have been interpreting Section 40-40-02 to include school districts in those political subdivisions that only can adjust preliminary budget mill levies, due in August, downward. She said historically school districts have operated under Section 57-15-13, whereby school district preliminary budgets are due in August, but they have until October 10<sup>th</sup> to amend the mill levies upward or downward based on final property values. She said the Tax Commissioner's office has determined that because Section 40-40-02 is silent regarding school districts, districts may continue to operate under the guidelines of Section 57-15-13. She said the Tax Commissioner has notified county auditors regarding the ability of school districts to amend mill levies upward or downward until October 10<sup>th</sup>. She said school districts in counties where the county auditor may not allow the preliminary mill levies to be amended upward will be forced to inflate preliminary budgets, so when final property values are known the only adjustment will be downward. She said stakeholders plan to meet in November to determine whether legislation is necessary to further clarify school district budget deadlines for county auditors.

At the request of Chairman Schaible, Mr. Tescher provided information ([Appendix H](#)) regarding the state school aid adequacy formula report. He said the report includes information regarding factors considered when calculating state school aid, including the number of students, weighted student units, transition minimums and maximums, contributions from local property tax and in lieu of revenues, and if applicable, ending fund balance offsets. He said the report summarizes the calculation of foundation aid provided by the state and total state and local funding, including state and local funding per weighted student unit. He said when the state school aid formula was implemented during the 2013-15 biennium, hold harmless calculations were included to avoid disrupting school budgets. He said districts below the formula amount were subjected to a transition maximum to avoid excess funding. For these districts, he said, the maximum was increased 10 percent each year of the 2013-15 and 2015-17 bienniums to 140 percent of the district's baseline funding per weighted student unit multiplied by the district's prior year weighted student units. He said districts on the formula were given 3 percent increases each of these years as the integrated formula payment was adjusted annually. He said districts above the formula amount were subject to a transition minimum. He said these districts received a 2 percent increase each of the first 4 years of the formula to provide a minimum of 108 percent of the district's baseline funding per weighted student unit multiplied by the district's prior year weighted student units, or 100 percent of the district's baseline funding dollars whichever is greater. He said two hold harmless minimum calculations--baseline funding per weighted student unit and total baseline funding dollars--guarantee school districts will not receive less funding per weighted student unit or total funding received during the 2012-13 school year. He said the total formula amount is adjusted for school district minimum and maximum calculations and then the local contribution of 60 mills and local in lieu of revenue is deducted. He said state school aid is reduced for districts with ending fund balances that exceed 35 percent of

expenditures plus \$50,000 (\$100,000, if the district is in a cooperative agreement for 2 years). He said the amount remaining after deductions is provided by the state. He said hold harmless calculations are applied to total state and local funding, which is divided by total weighted student units to determine state and local funding per weighted student unit. He said districts with state and local funding per weighted student unit equal to \$9,646 are on the formula and do not have adjustments for minimum or maximum payments. He said districts with state and local funding per weighted student unit above \$9,646 are receiving transition minimum funding. He said districts with state and local funding per weighted student unit below \$9,646 are subject to the transition maximum calculation. He said the report is sorted by funding per weighted student unit and begins with districts receiving transition minimum payments.

In response to a question from Senator Rust, Mr. Tescher said 98 of the 173 schools receiving state school aid are not on the formula.

In response to a question from Senator Rust, Mr. Tescher said many of the districts receiving transition minimum payments have low property values and are located on Indian reservations that receive impact aid. He said the state school aid formula does not adjust for impact aid; however, for purposes of the formula, there is an assumption that districts with low taxable valuation per student have a per student taxable valuation of at least 20 percent of the statewide average taxable valuation per student.

Senator Rust expressed concern regarding school districts which levy less than 60 mills, but receive a substantial transition minimum payment.

Chairman Schaible expressed concern regarding the two separate hold harmless provisions that cost the state millions of dollars and result in funding per student significantly higher than the \$9,646 per student payment rate.

Senator Davison suggested the committee receive information regarding how the ending fund balance of school districts receiving transition minimum payments compare to other school districts.

Chairman Schaible said small schools have small budgets, but ending fund balances usually are larger as a percentage of expenditures to provide funding for emergencies.

Mr. ElRoy Burkle, Executive Director, North Dakota Small Organized Schools, said school transportation is more than to and from school. He said transportation includes special education routes, technical schools, and open enrollment. He said in 2017, schools districts provided 15 million rides.

### **OTHER COMMITTEE RESPONSIBILITIES**

At the request of Chairman Schaible, Ms. Gail Schauer, School Approval and Opportunity Director, Department of Public Instruction, provided information ([Appendix I](#)) regarding an update on the use of teacher loan forgiveness funds received under Senate Bill No. 2037 (2017), including distribution, recruitment and retention, effectiveness of the program, and any anticipated changes to the teacher loan forgiveness program for the 2018-19 school year. She said the teacher loan forgiveness program was approved by the 2017 Legislative Assembly. She said the North Dakota University System created the process and application system with assistance from DPI. She said the department identified the following critical need and shortage areas for the 2017-18 school year:

Critical need areas (In order of priority):

1. Science;
2. Business and office technology;
3. Agricultural education;
4. Technology and engineering education; and
5. Computer science.

Shortage areas (In order of priority):

1. Elementary grades (PK-8);
2. Guidance counselor (PK-12);
3. Special education (PK-12);
4. English language arts;
5. Social studies;

6. Family and consumer sciences;
7. Mathematics;
8. Languages - French, German, Latin, Native American, American Sign Language, Spanish, others;
9. Fine and performing arts;
10. English language learners;
11. Library/media specialist;
12. Elementary music education; and
13. Career clusters.

Ms. Schauer said applications for districts to apply were made available in January 2018 and due April 15<sup>th</sup>. She said districts were allowed to apply after the deadline, but applications submitted by April 15<sup>th</sup> were given priority. She said under the new program school districts are responsible for the applications and could apply for up to two teaching positions. She said districts were allowed to determine which positions were hardest to fill and to submit those positions for loan repayment under the program. She said depending on whether the district was rural or nonrural and if the teaching position was in a critical need area or a shortage area, the loan forgiveness amount could range from \$3,000 to \$6,500 per year for up to 4 years. She said of a total of 227 districts (public and nonpublic), 170 districts applied. She said 149 rural districts applied for 295 positions, of which 270 positions were approved at a cost of \$1,389,000. She said 21 urban districts applied for 41 positions, none of which were approved. She said the department received the most applications for elementary and science teachers. She said when determining which positions to approve for funding, the department and the University System considered whether the position qualified as a critical need or shortage area, whether the position was rural or urban, and the amount of funding available. She said urban districts only could apply for teaching positions in the critical need areas. She said if all 336 applications were approved, the cost would have totaled \$1,624,500 for 1 year. She said funding for the program was provided to the University System and the 2017-19 biennium appropriation for the program totaled \$2,103,393. She said if the 2019-21 biennium appropriation were the same as 2017-19 biennium, the funding would not be enough to cover all the applications for a 3-year period. She said the department determined rural districts would be the priority and only the critical need areas and the top eight shortage areas would be considered for approval. She said all the rural districts that applied were approved for one or two positions. She said school districts will submit information regarding the teachers filling the approved positions and when the teachers have completed the 2018-19 school year, the University System will send the awards to the appropriate lending agencies. She said because the awards are for a 4-year period, unless there are additional appropriations, no new positions will be approved. She said to fully fund a program that provides each district with two teaching position awards at the highest level, an estimated \$2.6 million would be needed annually, or \$5.2 million per biennium. She said the department is determining how to measure the effectiveness of the program. She said the department anticipates collecting data regarding positions funded in each shortage area, whether the funds were used for recruitment or retention, and the number of years teachers receiving loan forgiveness are retained.

In response to a question from Chairman Schaible, Ms. Schauer said to determine critical need and shortage areas, the department reviewed alternative and provisional licensing done through the Education Standards and Practices Board and district surveys. She said the department is considering other measures by which to determine critical need and shortage area and reviewing college graduations by field may be useful.

In response to a question from Senator Rust, Ms. Schauer said school districts were to apply for the position regardless of whether it was filled. She said loan forgiveness benefits are allowed for recruiting for a vacant position or to retain a teacher in a position that is filled. The district determines which teacher will receive the loan forgiveness benefits, and the challenge for administrators was whether to use the funding to recruit a new teacher or to retain an existing teacher.

In response to a question from Chairman Schaible, Ms. Schauer said she is not aware of any proposed changes to the program. She said the department would like to continue the program and review the effectiveness of the program to recruit and retain teachers.

Senator Davison expressed concern regarding the priority order of the shortage areas. He suggested the department review the process by which shortage areas are determined.

In response to a question from Senator Davison, Ms. Schauer said the maximum benefit is 4 years. She said if a teacher receiving loan forgiveness benefits leaves the teacher's position after 2 years in the program, the teacher could qualify in another district for the remaining 2 years. She said the new district would have to choose to fund that position and the position would have to be approved for loan forgiveness benefits.

Ms. Kirsten Baesler, Superintendent of Public Instruction, said teacher shortages have eased somewhat with the slow down of the oil boom. She said the Center for Distance Education is delivering many services in core courses. She said districts also are sharing personnel. She said the Education Standards and Practices Board and the Teachers' Fund for Retirement are working with the department on provisions that allow retirees to return to teaching or mentoring part time and still retain their retirement benefits. She said the department also has worked with the Department of Career and Technical Education to develop and pilot, in two Bismarck high schools, three courses that are pathways to the teaching profession.

Mr. Brandt Dick, Superintendent, Underwood Public School District, said the district submitted applications for two teachers for the loan forgiveness program, but only one position was approved because a music teacher position applied for was too low on the priority list for shortage areas. He said this created an awkward situation with the teacher not approved. He suggested school districts receive the funding in the form of a block grant. He said districts could determine which teachers to recruit and retain. He said districts could apply for positions high on the critical needs or shortage area list, but switch the award to another position if the approved position is not filled.

Chairman Schaible said the program was not intended to guarantee funding for two positions at each school district.

In response to a question from Chairman Schaible, Mr. Dick said the application timing is a challenge. He said the deadline for administrators to submit positions in April is before the districts know which positions need to be filled.

In response to a question from Representative Schreiber-Beck, Ms. Schauer said the department will receive information next month regarding the teachers filling approved positions. She said the department will then be able to determine the average starting salary of those in the program.

In response to a question from Representative Schreiber-Beck, Ms. Schauer said 183 positions were approved for the \$4,500-per-year award and 87 positions were approved for \$6,500-per-year award.

Senator Davison said there may be some advantages to transferring the program from the University System to DPI.

Chairman Schaible said the next meeting will include a review of the information gathered by the committee. He said the committee should review information gathered regarding in lieu of revenue, on time funding, school districts with dropping mill levies, and how new property is reported by counties and its effect on the state school aid calculation. He said the North Dakota Association of Counties and the Tax Commissioner also may provide a review for the committee.

Senator Oban suggested the committee consider a bill draft to allow DPI to transfer excess funding available in the integrated formula payments line item to the special education contracts line item to cover any shortfall.

Representative Monson said a section to allow the transfer could be added to the appropriation bill during the legislative session.

Representative Sanford suggested the state school aid funding formula be reviewed by an outside entity. He said the model deals with both equity and adequacy, but it is flawed. He said Picus Odden & Associates has done work on the state's formula before and has expertise in the area of school funding.

Chairman Schaible said the Education Commission of the States may be an option at no cost.

Senator Rust said costs must be considered and the Legislative Assembly must determine funding priorities. He said most districts would prefer a per student payment increase over the other formula fixes.

Representative Monson said an outside entity could review the formula during the next interim.

Chairman Schaible said the state school aid formula has some flaws, including the baseline creating the maximum and minimum adjustments. He said there should have been an end date on the adjustments or a declining hold harmless. He said there should be a transition from maximums and minimums and the baseline may need adjustment.

Chairman Schaible said the next meeting likely will be in late September or early October.

No further business appearing, Chairman Schaible adjourned the meeting at 2:20 p.m.

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Sheila M. Sandness  
Senior Fiscal Analyst

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