



SCHOOL FUNDING TASK FORCE

Thursday, September 19, 2024
Harvest Room, State Capitol
Bismarck, North Dakota

Senator Donald Schaible, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Donald Schaible, David S. Rust; Representatives Pat D. Heinert, Jim Jonas, Eric James Murphy, Anna S. Novak, David Richter, Mark Sanford, Cynthia Schreiber-Beck; Citizen Members Levi Bachmeier, Brandt Dick, Rick Diegel, Steve Holen, Mike Lautenschlager, Maria Neset, Luke Schaefer, Adam Tescher

Members absent: Senator Jay Elkin; Citizen Member Stephanie Hunter

Others present: Senator Brad Bekkedahl, Williston, member of the Legislative Management, Jamie Mertz, Department of Public Instruction, Senator Michelle Axtman, Education Committee Chairman, Frank Harwood, and Gabrielle Hull, Kansas State Department of Education, Shelby Carlson and Del McOmbie, Director, Wyoming State Construction Department, Sherry Neas, Office of Management and Budget, Joshua Johnson, Valley City Public School District, Anna Sell, Oakes Public School District, Jeff Fastnacht, Bismarck Public Schools; Mike Heilman, North Dakota Small Organized Schools; and Daren Kurle, Belfield Public School

It was moved by Senator Rust, seconded by Representative Jonas, and carried on a voice vote that the minutes of the June 26, 2024, meeting be approved as distributed.

ELEMENTARY AND SECONDARY EDUCATION STATE AID AND FUNDING FORMULA STUDY

Mr. Jamie Mertz, Chief Financial Officer, Department of Public Instruction, provided information ([Appendix A](#)) regarding the uses of federal Elementary and Secondary School Emergency Relief (ESSER) funds allocated to school districts and discretionary ESSER funds appropriated to the Department of Public Instruction. He noted:

- Of the \$30.1 million of ESSER I funding allocated to school districts, \$153,118 was not expended and expired in September 2022. State discretionary and administration ESSER I funding totaled \$3.3 million and was expended.
- Of the \$122.6 million of ESSER II funding allocated to school districts, \$2,571 was not expended and expired in September 2023. State discretionary and administration ESSER II funding totaled \$13.3 million and was expended.
- Of the \$275.4 million of ESSER III funding allocated to school districts, \$28.7 million has been not expended. The remaining funds must be allocated by September 30, 2024. The federal government is allowing states to request a late liquidation of the funds for any contracts or equipment orders in place by the expiration date. Typically states have 3 months from the grant expiration to liquidate the funds, however late liquidation, if approved, will extend the deadline 15 months. The late liquidation does not allow for new contracts or contract changes after the September 30, 2024, deadline.

- Of the \$29.9 million of ESSER III funding provided for state discretionary and administration expenditures, \$7.2 million has not been expended. The department has entered contracts for the remaining state discretionary and administration funding.
- Balances remaining on the detailed list of ESSER allocations ranged from just a few dollars to \$8 million for the Belcourt School District #7. The department contacted school districts regarding their remaining ESSER III allocations. Approximately one half of the districts have responded and indicated they either have contracts or will spend the balance remaining.
- School districts report the top uses of ESSER funding include acquisition of real property or modular buildings, construction projects, renovation projects, learning loss, maintaining continuity of services, air quality, school facility improvements, technology, transportation, special education, and budget shortfalls.
- The top uses of state discretionary funds include literacy programs, out of school time grants, science of reading grants, stronger connections grants, school food service innovation and equipment grants, choice ready grants, exact path contracts, teacher shortage programs, and school board training. The department also provided funding to the Department of Health and Human Services for best in class (4 year old) grants and prekindergarten contracts; Parks and Recreation Department for summer learning programs; and Center for Distance Education for computer science and cybersecurity courses.

In response to a question from a committee member, Mr. Mertz noted DPI has contacted districts with large ESSER fund balances remaining and the districts have indicated remaining funding will be contracted or spent. He noted unless the school district voluntarily returns the funding, the department is unable to reallocate the funding. He noted the department will provide a final report of balances remaining after the September 30, 2024, deadline.

In response to a question from a committee member, Mr. Mertz noted ESSER funds were distributed based on Title I, so high poverty school districts received larger allocations.

10:15

Mr. Adam Tescher, School Finance Officer, Department of Public Instruction, provided information ([Appendix B](#)) regarding an update on enrollment, state school aid, special education contract grants, and transportation grants to be provided during the 2023-25 biennium and updated cost to continue estimates for the 2025-27 biennium. He noted:

- Average daily membership was less than projected in the first year of the biennium and based on preliminary fall enrollment, the second year of the biennium will also be less than anticipated resulting in state school aid formula savings of \$22 million.
- The contribution from property tax and in-lieu of revenue in the formula are anticipated to be \$4 million and \$19 million more than anticipated in the budget, respectively.
- Estimated turnback is anticipated to total \$69 million, including \$57 million related to state school aid, \$8 million related to transportation, and \$4 million related to special education contracts.
- Special education appropriation is usually short. DPI adjusted calculation to be consistent among schools. Could consider moving from 4 times the statewide average to 3.5 times
- Cost to continue considers only enrollment changes and adjustments to property tax and in lieu of revenue
- Cost to continue is a savings of \$27.8 million
- If measure 4 is approved \$370.8 million and \$387.4 million would need to be picked up by state. In addition schools levy an additional \$200 million outside of the formula that would be made up by the state.
- Projecting increase of 933 for the 2024-25 school year, about a 500 student increase

- Projecting slower growth. May see a time of static or declining statewide enrollment. However, larger districts continue to grow

Mr. Tescher provided information ([Appendix C](#)) regarding the administration of revenue from payments in lieu of taxes and state reimbursement of the homestead credit and disabled veterans' credit in the state school aid formula

- Goal is to align the collection of property tax data to eliminate the need to make adjustments for Homestead and Veterans credits
- Suggested removing the Homestead and Veterans credit from the deduction, so that the property values can be included in the 60 mill deduct
- The tax levy is still limited to a 12% increase, however the deduction of 60 mills is no longer limited

Mr. Tescher provided information ([Appendix D](#)) regarding a summary of the benefits of and incentives to promote school district consolidation

- Reorganized districts receive the higher weighting factor and schools operating multiple buildings at least 14 miles apart also receive higher weighting factors and do not have the ADM imputed for elementary school

Richter? Averaging of in lieu of revenue? Could look at doing an average for U.S Flood or oil revenue

Heinert? Look back 5 year for births, statewide births are declining

Dick? If per pupil rate increases more schools would go on the formula.

Bekkedahl? \$200 million is the 10 mills and other. Measure should not impact the in lieu of funding. Requested a cost of increases of a 1%/1%, 2%/2%, and 3%/3%

Richter? Homestead and Veterans credits are treated as in lieu of revenue in the formula, but would be more appropriated to include in taxable valuation.

Murphy? DPI uses values as December 15, Tax Dept gets numbers as of December 31 and does a more rigorous review. Amounts can be different due to subsequent changes

Holen? Counties differ on how they apply in lieu of revenue to the various levy accounts, however the formula takes a 75 percent. Tescher said the 75 percent instead of 100% may be due to funds going to other accounts.

Bekkedahl state needed additional funding for equity

Diegel? Deduction for tuition is to have funding follow student. Educating district receives the per pupil payment

Schaefer?

Neset? Except for 7 years after the merger, merged district formed by merger receives a lower weighting factor,

Senator Michelle Axtman, Education Committee Chairman, provided information ([Appendix E](#)) regarding an update on the committee's school choice study.

- Received information regarding charter schools, open enrollment, and magnet schools
- 46 states have charter school laws
- online charter schools were less effective
- Specialized charter schools
- Magnet schools not as prevalent and focus on specific learning tracks
- Studied private school options, including vouchers, tax credits and deductions, and education savings accounts
- ND has open enrollment and HB 1376 allows students to attend virtual school. Will receive outcomes from the virtual school choice
- Will receive stakeholder info

- Educational Opportunities Task Force has reviewed other states
- Marketplace model. Tiered market place framework. 1st tier - Public school children access online supports.
2nd tier - private school, 3rd tier - homeschool

Bekkedahl? Innovation school would be considered a private school

Sanford? Schieber-Beck said Saturn School in Minneapolis is a magnet school

Bekkedahl? Some included home schooled students in the tax credit

Rust? Tuition is not considered a contribution eligible for a tax credit in ND

Bekkedahl? AZ ESA accounts have grown and have cost more than anticipated. AZ has very broad reimbursement for cost

Schaible said to gain the funding in some states, student has to opt out of public school.

Jonas? Private school base has been debated.

Murphy? Percent of the per pupil payment. Approximately 7,000 private school students in the state

Bekkedahl? Do states restrict school choice by means based? Some do. Committee will not bring a bill draft

Neset? Providing supplemental supports to public schools

Novak? How does the policy partner with schools and how to get services to the student. Special needs in some states are a separate program

Neset shout out Dr. Fastnacht

Bachmeier? Work groups continue? Will hear feedback from listening groups across the state. Details of the framework will come from the feedback

Schieber-Beck? Survey was emailed to stakeholder groups in study and on SOS website. Ideology was discussed and school would still need authorization to be on market place.

Schaefer? Prevent fraud? Accountability features would need to be built in.

Lautenschlager? Charter schools are open to everyone, but funded differently

Richter said gifting clause prevents funding from going to parent

Deigel? Has there been discussion about accountability and making private schools meet the same requirements as public. Other states have varying accountability and it can be built in.

Dr. Jeff Fastnacht, Superintendent, Bismarck Public Schools, provided comments.

- Charter schools - Bismarck Public Schools provides personalized learning and career learning to all students. Challenge is to find time with all of the required courses.
- Look at AZ and ND - ND NAEP tests are similar
- CDE requirement will cost BPS \$300,000 next year

Novak? Supports 3.5 special ed threshold. BPS provides some services in private school

Bachmeier said funding by category of disability without encouraging schools to classify student that wouldn't need to be classified.

Murphy? Fiscal note to fund 50% of special ed was over \$100 million

Luncheon recess

Dr. Frank Harwood, Deputy Commissioner, and Ms. Gabrielle Hull, Legislative Coordinator, Fiscal and Administrative Services, Kansas State Department of Education, provided information ([Appendix F](#)) regarding Kansas school construction programs and funding:

- Capital outlay
- Capital Improvements

- Average value per student is used in funding formula and in capital outlay calculated each year.
- Percent is the match to the the property tax levy
- State funds the amount not what it has available in funding
- Bonds prior to 2015 - Done same as the capital outlay formula. Match the district at 100% aid
- Bonds after 2022 - Second lowest district is set at 51% and percent moves up from there
- Percent of state aid is decreasing as prior 2015 bonds move off
- Districts with less than 260 students are not eligible for state aid
- Safe and school secure schools grants
- City sales tax to pay bonds
- County sales tax to pay bonds to reduce the mill levy needed
- In Kansas farmland is taxed based on production
- Legislature has very few property taxes.

Schaible? Before bond can go on ballot, need State Board approval. If there is no room in the cap they wouldn't get approval.

Schaible? When cap is reached criteria is used growing, safety/accessibility, education. Districts with the lowest value per pupil get priority

Schaible? Simple majority to pass a bond issue

Richter? When law was changed in 2022, aid was lower

Dick? Who determines the cost? Is indebtedness more than 14% of assessed valuation. State Board has no say in the size of the bond

Schaible? Some legislators feel the cap is not needed. Schools would like to see an increase in state aid as current program will lead to equalization issues in the future

Schaible? Is program meeting the

Schaible? How small is too small? Kansas is doing a study. How do you support sparse schools. But how do you replace old buildings.

Neset? Supports to promote consolidation. First 3 years funded as 2 districts.

Holen? Lower value districts finding success? Is equalization working? Several have had success. 15-20 bonds per year - 60 percent pass rate. Not enough years at the new rate to draw a conclusion.

Schaible? State aid started around 1990s

Ms. Shelby Carlson, School Facilities Division Administrator, and Mr. Del McOmbie, Director, Wyoming State Construction Department, provided information ([Appendix G](#)) regarding Wyoming school construction programs and funding.

Shelby Carlson, presented information regarding a history

- 1995 lawsuit, 1998 reform,
- State Facilities Office created in 2002 work with select legislative committee
- School Facilities Department
- School Facilities Department reviews facilities statewide annually and evaluate the facilities and make recommendations. Review education and non-education buildings
- Facility condition index is calculated and they look at how to bring index up

- Evaluate equipment and track current and deferred maintenance
- Will now do security assessments
- Schools may get funding based on condition, capacity or if the building is inadequate
- Most cost effective remedy study - can include grade configurations. Works with schools to get approved by Commission and then goes to legislature. Required to make a request each year
- Major maintenance is provided through a formula. Track major maintenance for each school and reconcile
- McOmie review for capacity and room use

Jonas? McOmie said Campbell county was richest due to coal. 48 school districts in Wyoming / Carlson said 1980 case was a small school

Murphy? Assessments? Assess structure, site, parking lot, sidewalks, internally looking at boiler and equipment

Novak? Frequency and cost of assessments \$3 million and \$1 million for additional facilities review (600 buildings - 23 million sq. ft) McOmie said every 4 years. Engineering firms. Work with facility personnel and school has an opportunity to respond.

Sanford? Schools own building and responsible for maintenance. Maintenance funds provided through the formula and schools are required to use funds for 1 and 2 priority maintenance. Schools receiving building funds must do maintenance

Sanford? HE same. State Building Commission approves all buildings including HE. School Facilities Department assists

Schaible? Schools do come in and request buildings. Through the annual planning process, the office is not surprised when there is a request. McOmie dept looks 5 years out. Carlson 4 years from request to opening a new building.

Richter? There is a statewide property tax, but not used for school construction. Used to use coal lease funding. Now they use different sources of funding.

Schaefer? Most cost effective remedy might include non construction remedies. May build on their own without help then its an enhancement. Must come to commission to take a building offline - can take it off 3 years and max of 6 years and still get maintenance funding. The they must decide.

Schaefer? Districts were combined in the past.

Bekkedahl? Standard for isolated schools? Current 48 schools are held harmless. They don't force closure.

Mr. Daren Kurle, Superintendent, Belfield Public School, provided information ([Appendix H](#)) regarding an update on the work of the coalition. He noted:

- Establish a set of minimum standards for school facilities
- Fund a statewide facility condition assessment program
- State funding for school facility improvements
- Adjust debt limit
- Voter requirement for approval
- Miscellaneous 12 mills
- Building fund
- Referendum ballot language
- Special reserve fund
- Plan additional meetings with stakeholders

Schaible? Some requests will increase property tax. If there was state aid for construction it would be tax relief

Jonas? Which trust fund? Common schools trust fund

Bachmeier? State funding program. Is there a specific framework? Still looking at how the formula would work and there is stakeholder support

Bekkedahl? Sales tax to fund school construction? Yes. Discussed. But may work for some but not others.

Mr. Levi Bachmeier, Business Manager, West Fargo Public Schools, provided information ([Appendix I](#)) gathered by the North Dakota Council of Educational Leaders regarding the cost of delinquent school meal accounts. 85 percent survey response. He noted:

- Meal Debt -. Difficult to collect and some schools write it off
- NDCDE Courses - Cost of courses also offered locally. \$1.37 million. West Fargo last fiscal year \$526 million total CDE of which \$323 million was for courses they offer. Suggested a deadline to drop and go to CDE or allow schools to set policy. Course time conflict would be a situation where it would be acceptable to take a CDE course when the school also offers the course
- Mental health contracted services - Not including grants

Richter? You are still getting getting the per pupil payment for the CDE student? Yes. DPI has said that if a student wants to retake a class the parent must pay.

Murphy?

Schaefer? Not asking for ban on paying for CDE courses that the school offers, could be a legitimate reason.

Diegel? Group abandonment of class hurts student left behind

Novak? Easy out robs life lesson

Novak? Virtual mental health services

Murphy? Reservation school mental health could be higher

Mr. Mike Heilman, Executive Director, North Dakota Small Organized Schools, provided information ([Appendix J](#)) regarding incentives to promote school district consolidation and how consolidation may lead to construction incentives. He noted:

- Construction would help but there are challenges
- Virtual courses have assisted small schools when they can't find teachers

Mr. Brandt Dick, said after 4 years of consolidation there is less money, so maybe if there was a building as an incentive

Schaefer? Kansas and Wyoming. Is there a remedy? Mr. Heilman said maybe either model could be modified. Of the schools operating with less than 100 students, some would be necessary. Some are just outside of larger districts and are efficient.

Schaefer said small schools tend to be high performing and have less behavioral health issues. If they consolidate will they see more behaviors. Heilman said they are seeing the issues now

Dr. Steve Holen, Superintendent, McKenzie County Public School, provided information ([Appendix K](#)) regarding a school transportation study conducted in partnership with the University of North Dakota (UND). He noted:

- Transportation can be tied to the per pupil payment
- Factors can be added for land area
- Weighting factors can allow for adjustments
- Didn't address equity and adequacy
- Could be improved with data collection

Brandt Dick said took out ridership as a factor. There is no way to count ridership

Schaible? Data collection systems are out there.

Schaefer? Turn back funds are available. Discussion is where does transportation fall in the priorities

Ms. Sherry Neas, Director, Shared Services Division, Office of Management and Budget, provided information ([Appendix L](#)) regarding the ability of state procurement to bid schoolbuses and statutory changes needed to allow for group purchasing of buses. She noted:

- Don't have to bid if using state cooperative purchasing
- Also can do cooperative purchasing with other districts through MOU
- OMB doesn't have the staff to coordinate the needs and specifications
- Some class A schools did coop paper supplies. There is also opportunity to coop on many other items schools need

Schaefer? During COVID, worked with OMB to get PPE

Schaible said REAs could do it?

Richter? Timeliness of delivery? Neas said it depends on industry, but there is leverage on the group buy

Richter said in que for 8 months then had to start over. OMB does coop purchasing for transit through DOT

Schrieber-Beck? How many purchased annually. Lautenschlager said they purchased 3, only got 1. Purchase at least one bus each year and it would be helpful to have the coop

Schaefer estimated 30 buses per year purchased

Novak? Schaible said committee can do bill or members can. Chairman believes it's the committee's job to get information.

Novak said Wyoming has comprehensive school construction program. Suggested having the assessments.

Schaible said legislator bills are a vehicle and members can

Richter said UND has a local architect evaluate buildings. Architects are in many communities and could do the work

Murphy said what is the scope. Hard decisions. What is too small? Need assessments to see who needs new buildings, who needs renovation, and who should be closed

Rust said state school construction fund is a good fund and maybe it should be increased

Diegel said he likes Kansas, because the state sets a match and they can go to citizens with a set plan

Rust said low interest loans are property tax relief

Schrieber-Beck said increasing the loan fund will help

Mr. Joshua Johnson, Superintendent, Valley City Public School District, noted common standards are important to compare assessments

Ms. Anna Sell, Superintendent, Oakes Public School District. Noted they would have benefited from the standards and the benefits of knowing what the state would have participated in

Schaible said the tiered system has reduced the number of schools

Murphy said loan fund won't help some school districts. May have to use a combination of resources.

Tescher said maybe there should be a loan fund allocation instead of top down. A lot of responsibility for DPI, maybe a committee

Lautenschlager said assessment for plants. What if newer plant is assessed and doesn't meet new standards.

Motion to prepare report : Schrieber-Beck

Second: Richter

Sine Die: Schrieber-Beck

Second: Novak

No further business appearing, Senator Donald Schaible adjourned the meeting at 4:40 p.m.

Sheila M. Sandness
Senior Fiscal Analyst
ATTACH: