

HB 1214
Chairman Beard
Senate Education Committee
March 17th, 2025

Good morning. Chairman Beard and members of the Senate Education Committee, for the record, my name is Steven Holen, and I am the Superintendent of Schools for the McKenzie County Public School District #1 in Watford City. I am here to testify in support of HB 1214 with its proposed revisions to the current K-12 transportation funding model. This concept was included in discussions with the North Dakota Interim School Funding Task Force in this past interim session for consideration to address the current funding model that has been in place for decades and is not meeting the needs of school districts and impacted families relying on school transportation to attend public school facilities across North Dakota.

There are many factors that have led to the K-12 transportation funding formula being reviewed and considered for revisions in HB 1214. Current levels of transportation funding cover less than 40% of school district expenditure, on average, across the state and has not kept up with inflation and increasing demands at the local level. The state's intent to provide 70% of school district educational expenditure does not include transportation costs which have a varying impact on an individual school district's operating budget (up to 18% in some cases). The Picus Odden & Associates research in 2008, which led to the current foundation aid formula structure, did NOT address transportation funding and provided the following comment: *“Transportation funding is an issue for North Dakota school districts...to avoid penalizing school districts based on geographic location by ensuring a disproportionate amount of local funding is not required to provide transportation services as part of the quality educational experience. Ideally, a funding system should consider factors such as geographics, topology, and student population density to ensure and attempt to meet the same parameters used in the K12 foundation aide formula to address adequacy and equity factors.”*

It is generally accepted that the current block grant funding formula does not consider important factors impacting costs for local school districts and is diverting state funding targeted to educational obligations through the foundation aid formula to subsidize transportation budgets. The current block grant program is simple to understand and administer, however, is antiquated and it does not address the increasing costs assumed by the local school districts. Other models exist in other states and essentially, the state of North Dakota can do better with its K-12 transportation funding model and HB 1214 is a step in this direction with opportunities to expand and improve on it in future legislative sessions.

The UND study funding by the 2023 Legislative Assembly was used to identify areas of potential improvement in the current funding model while identifying the challenges of variance and outliers that exist with the varied demographics present with approximately 170 K-12 school districts and the rural topography of North Dakota. The UND study verified the statistical significance of two additional data points that are already collected

by DPI and can be implemented in the formula to address unique factors impacting school district, both rural and urban. The two new factors included in HB 1214 are geographical size of the school district, in square miles, and the number of school buildings services by the school district. These two factors help to address correlations with school district size and transportation costs as well as the number of buildings served, both of which are not addressed in the current funding model. HB 1214 is a significant move forward to prioritizing the value of K-12 transportation and allowing for future adjustments to be made within this new structure through adjustments to weighted factors and potential new factors to be considered in the future.

The revisions offered in HB 1214 accomplish a few important goals: 1. HB 1214 provides a formula that is driven and set by the per-pupil payment established by the legislative assembly each session. Consistency and prioritization of transportation funding has been a challenge for decades which has led to the discrepancy in the funding levels and actual costs. The transportation formula proposed in HB 1214 is not formally a part of the K-12 Foundation Aid formula; it remains a separate worksheet as per the current model, however, the ability to apply weighted factors included in HB 1214 to the per-pupil payment ensures those increases are translated to K-12 transportation funding without a separate allocation or legislation required. 2. The two new factors implemented provide a greater capacity for equity based on geographic location and school district demographics. In addition to the new factors, the factor currently used regarding rides is eliminated due to lack of statistical significance and overall challenges in the recording of this data over time. Rides are often considered an efficiency component, however, rural districts are disadvantaged due to the distance covered and reasonable ride times. The elimination of rides and the addition of two new factors is a benefit for a vast majority of school districts in North Dakota and removes a factor often considered difficult to verify as accurate at the local and state level. 3. All school districts, with a few minor exceptions, will increase in K-12 transportation funding levels while maintaining a reasonable fiscal note for the legislature to consider. The current proposal will not require extensive hold harmless provisions as school districts will experience an increase in funding at varying levels based on the weighted factors. 4. The proposed formula in HB 1214 will not create excessive management responsibilities from DPI and may create less managerial obligations from DPI once implemented; Adam Tescher has been a critical partner in the development of the new formula proposed in HB 1214. 5. The use of weighting factors aligns the transportation funding formula with the foundation aid formula in terms of funding allocations and provides synergy between the two formulas in terms of the mechanism and philosophy.

The changes provided in HB 1214 are significant, however, they will not address all aspects of equity/adequacy in K-12 transportation funding provided to ND school districts. The formula does not include school district size factors included in the foundation aid formula and efficiency factors are not directly included in the new formula. These factors will require additional time to study as well as financial obligation in future sessions. However, the opportunity to address such factors is greater with the changes in HB 1214 and can remain a long-term goal. The percentage of reimbursement to total costs remains varied with some districts significantly below 20%

with the formula in HB 1214, leaving transportation costs to be subsidized at the local level. Aspects such as bus driver shortages and transportation infrastructure remain excluded from the funding formula as well and will need to be addressed in the future, if the legislature is interested in doing so. This first phase of change is significant but also opens opportunities for improvements that do not exist with the current block grant funding structure and can be addressed to higher levels with the new model.

A challenge for K-12 transportation funding in the past has been the variety of services offered across the state and the general “optional” consideration of transportation services for K-12 school districts. While NDCC may consider transportation services as “elective”, our patrons and students do not consider transportation an elective practice, but a necessity impacting their daily life and student attendance in a significant way. It is time for the ND Legislature to place a higher priority in the safe transportation of K-12 students in North Dakota with its extensive geographic and weather challenges. Funding for K-12 transportation helps to ensure funding for K-12 education in the foundation aid formula is directed to student education practices and is not used to subsidize transportation costs at increasingly higher proportions. North Dakota is ready for a change to the K-12 transportation funding. HB 1214 has seen significant work in the interim to be considered a vehicle for this change and to guide opportunities for continued improvements in the future.

The strong support experienced in the House of Representative for HB 1214 is a testament to the work done in the interim, the statistical study with UND, and the general vetting that has taken place to develop the formula proposed in HB 1214. I hope the Senate provides similar levels of support and consensus as to the value of HB 1214 to all school districts and patrons of North Dakota public school districts.

Thank you for your time and consideration and I will stand for any questions.