

Good morning, Chairman Beard and members of the Senate Education Committee. My name is Mike McNeff, and I serve as the superintendent of Rugby Public Schools. I appreciate the opportunity to testify today in support of HB 1369. An amendment was added on the House side to include a 3-year rolling average for Average Daily Membership (ADM) to provide greater stability and predictability in school funding. I will share some information on why that is important for declining enrollment schools such as mine.

Additionally, I urge this committee to support a 3% and 3% increase in the per-pupil payment, ensuring that all school districts whether growing, stable, or declining in enrollment have the necessary resources to sustain quality education.

Importance of the 3-year rolling average for ADM:

ADM is the foundation of the school funding formula, determining the total number of students enrolled and generating per-pupil payments that fund staffing, programming, and student services. Many districts across North Dakota experience fluctuations in enrollment, which can lead to unpredictable funding levels year over year.

The amendment allows districts to calculate funding based on the greater of a 3-year rolling average ADM or the previous year's ADM if they experienced a decline in enrollment. This adjustment prevents districts from experiencing sudden reductions in funding due to enrollment declines, while still allowing them to benefit from growth if enrollment stabilizes or increases. By applying the current per-pupil payment to the higher of these two figures, the formula becomes more adaptable to district realities.

Let's use Rugby as an example to illustrate how the proposed amendment would work. In the 2025-2026 fiscal year, Rugby's projected ADM is 561.73. In the previous three years, Rugby's ADM was 581.1 in FY23, 575.21 in FY24, and 578.05 in FY25. Under the current system, funding for FY26 would be based on 561.73 ADM, reflecting the full decline in enrollment. However, with this amendment, funding would instead be calculated using the 3-year rolling average of 578.12 ADM, providing greater stability. This ensures the district receives funding based on a more stable and representative figure, rather than facing an abrupt reduction. By preventing steep, immediate cuts, this adjustment helps mitigate the financial impact of declining enrollment, allowing the district to maintain critical programming, staffing, and resources without making sudden reductions.

Without this adjustment, districts facing declining ADM encounter serious challenges. A drop in ADM leads to a loss of funding, even though fixed costs such as transportation, facilities, and staffing remain constant. This creates a misalignment between financial reality and community expectations. Teachers, for instance, often hear about a 2% increase in per-pupil funding and understandably anticipate salary or benefit increases. However, for districts with declining ADM, those increases are absorbed by enrollment losses, creating a financial disconnect. Additionally, abrupt drops in ADM force districts to make sudden cuts to programs and staff, disrupting services and negatively impacting student outcomes.

Recommendation: A 3% and 3% Increase in Per-Pupil Funding

While this amendment provides stability for declining enrollment districts, it does not address the broader financial challenges facing all North Dakota schools. Rising costs due to inflation, salary competitiveness, and student service demands require additional support.

In conclusion, the 3-year rolling average ADM amendment in HB 1369 provides a necessary solution for school districts navigating declining enrollment. It stabilizes funding and allows for better long-term planning. Additionally, a 3% and 3% per-pupil increase ensures that all districts, regardless of enrollment trends, can meet the rising costs of education.

I appreciate your time and consideration and respectfully urge your support for this amendment and an increase in per-pupil funding. I am happy to answer any questions.