



EDUCATION FUNDING COMMITTEE

Thursday, October 7, 2021
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, Jay R. Elkin, Erin Oban, David S. Rust, Michael A. Wobbema; Representatives Donald Longmuir, David Monson, Denton Zubke

Members absent: Representatives Ron Guggisberg, Mark S. Owens

Others present: See [Appendix A](#)

At the request of Chairman Schaible, Ms. Sheila M. Sandness, Senior Fiscal Analyst, Legislative Council, reviewed the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#).

ELEMENTARY AND SECONDARY EDUCATION STATE AID AND FUNDING FORMULA STUDY

At the request of Chairman Schaible, Ms. Sandness presented a memorandum entitled [Elementary and Secondary Education State Aid and Funding Formula Study - Background Memorandum](#) relating to the committee's study of elementary and secondary education funding formula. She reviewed the committee's study responsibilities, a history of state school aid, including recent changes to the state school aid funding formula, and federal COVID-19 funding provided to the Department of Public Instruction and to school districts.

Members of the committee suggested adding a review of career counselors to the study plan, including how career counselors have been funded in the past and whether federal COVID-19 funding may be available to offset the one-time cost of counselor training, a review of the utilization of current career counseling programs, and educational time dedicated to counseling programs.

Mr. Adam J. Tescher, Director, School Finance and Organization, Department of Public Instruction, provided information ([Appendix B](#)) regarding state school aid provided during the 2019-21 biennium, a comparison of budget to actual enrollments for the 2019-21 biennium and the 2021-23 biennium, estimated state school aid payments for the 2021-22 school year (equity report), school districts receiving transition minimum adjustments, and reorganized school districts. He noted:

- The department had \$82 million of unspent general fund appropriation authority at the end of the 2019-21 biennium, of which \$74.6 million was in the integrated formula payment line item, \$7 million was in the transportation line item, and \$400,000 was in the special education contracts line item.
- \$28 million of the total related to enrollment decline, \$28 million related to more property tax and local revenue deducted in the formula than projected, and \$6 million resulted from a large ending fund balance deduction.
- Except for the on-time funding factor, at-risk funding factor, and contribution from tuition, the 1st year of the 2021-23 biennium budget to actual report was updated as of October 5, 2021.
- The 2nd year of the biennium will not be updated until the 1st year is finalized.
- The \$1.043 billion budgeted for state school aid in the 1st year of the biennium is approximately \$14.6 million more than the most recent estimate.

In response to a question from a committee member, Mr. Tescher noted the department anticipates fall enrollment will exceed the prior school year; however, as the pandemic continues, enrollment may not meet budget projections.

Mr. Tescher noted:

- This is the 1st year the equity report includes a column for a spring average daily membership (ADM) adjustment which is made to correct the fall enrollment on-time funding factor and ensures school districts are continuing to educate the additional students reported in the fall.
- The 90.48 spring ADM adjustment will result in a clawback of just under \$1 million.
- The equity report does not include a deduction for excess ending fund balance, as this deduction has been suspended.
- 85 school districts continue to receive a transition minimum adjustment, 7 fewer than the previous year.
- Enrollment increases and the 1 percent increase in the per student payment rate brought more school districts on to the formula.
- The increased school size weighting factors benefited 80 school districts and cost \$2.7 million during the 1st year of the biennium.
- There are three reorganized school districts with K-12 facilities more than 19 miles apart and two reorganized school districts with an elementary and secondary facility more than 19 miles apart.
- The reorganized districts generally are too large to benefit from the increased school size weighting factors.
- One reorganized school district used general fund bonds to build a facility and will see a significant reduction in funding as transition minimum payments are phased out.

Ms. Kirsten Baesler, Superintendent of Public Instruction, Department of Public Instruction, provided information ([Appendix C](#)) regarding the impact of COVID-19 on student learning in the state. She noted:

- The information presented is based on the 2020-21 North Dakota state assessment compared to the 2018-19 North Dakota state assessment, because no assessment was made in 2020.
- While overall participation declined by 2 percent from 2019 to 2021, participation in various subgroups declined between 4 and 5 percent from 2019 to 2021.
- While some states shortened the test or made virtual testing an option, testing in North Dakota did not vary from 2019 to 2021, so data can be confidently compared.
- For students tested in Grades 3 through 8 and Grade 10, in 2019, 47 percent of students were considered proficient in English and 45 percent were considered proficient in mathematics; however, in 2021 those percentages decreased to 42 and 38 percent respectively.
- Future students in a virtual learning environment will have their data separately identified and in 2022 data will be available to compare virtual and in-person learning.

Ms. Baesler noted to date school districts have requested 87.5 percent of their federal elementary and secondary school emergency relief (ESSER) I funds, 3.6 percent of their ESSER II funds, and .4 percent of their ESSER III funds. She indicated school districts have reported budgeting ESSER II funding for multitiered systems of support, summer school, curriculum, and to hire additional staff.

In response to a question from committee members, Ms. Baesler indicated expiration dates, including anticipated 1-year extensions historically provided, for the various ESSER fund distributions are September 30, 2022, for ESSER I; September 30, 2023, for ESSER II; and September 30, 2024, for ESSER III. She indicated rules and guidance, including reporting, have been changing under the new administration.

CAREER AND TECHNICAL EDUCATION STUDY

At the request of Chairman Schaible, Ms. Sandness presented a memorandum entitled [Career and Technical Education Study - Background Memorandum](#) relating to the committee's study of career and technical education (CTE). She reviewed the committee's study responsibilities, federal legislation related to vocational education, information regarding the powers and duties of the State Board for Career and Technical Education, and funding provided for CTE and for the Center for Distance Education (CDE).

Mr. Wayne Sick, Director, Department of Career and Technical Education, provided information ([Appendix D](#)) regarding the department's budget, CTE course cost reimbursement at schools and area career and technical centers, new and expanding secondary programs, costs associated with students traveling for CTE coursework or hands-on labs, Emergency Commission and Budget Section requests to approve funding from federal ESSER funds through the Department of Public Instruction, federal funding received to provide tuition assistance for new

farmers and ranchers to participate in the adult farm management program, and an update on the use of \$70 million of one-time funding anticipated to be received through the federal American Rescue Plan Act of 2021 from the federal Coronavirus Capital Projects Fund for a statewide area career center initiative grant program.

Mr. Sick noted CTE travel costs reimbursed by the Department of Public Instruction during the 2020-21 school year totaled \$367,857.

A committee member suggested receiving information regarding the extent to which school districts use the RUPReadyND Career Exploration Platform.

Mr. Sick noted:

- State guidance for the distribution of \$70 million appropriated to the Department of Career and Technical Education to expand access to career and technical centers and facilities was released in June 2021.
- Application round deadlines were set for October 1 and December 1 and a maximum of \$35 million was allocated in the first round.
- As of October 1, 2021, 10 applications were submitted totaling \$70.3 million; however, Coronavirus Capital Projects Fund guidance released in September 2021 now includes a requirement that projects are designed to include health monitoring.
- The new guidance may require some applications to be amended.

Dr. Matthew Lonn, Director, Center for Distance Education, provided information ([Appendix E](#)) regarding a self-sustaining fee structure, anticipated enrollment growth for the remainder of the 2021-23 biennium, and the center's plan to manage the growth to ensure capacity is available for resident students. He noted:

- CDE online course enrollment is 73 percent higher than pre-pandemic levels and in the current year course rates were increased 5 percent for resident students and 10 percent for nonresident students.
- Depending on the resident and nonresident student mix, CDE anticipates having sufficient general fund authority for up to 19,000 enrollments; however, if enrollment trends continue, CDE may need additional special fund authority before the end of the 2021-23 biennium.
- CDE only accepts out-of-state students if there is additional capacity and currently 7 percent of the students served are from out of state.

In response to a question from a committee member, Dr. Lonn indicated class enrollments paid by school districts increased from 60 percent pre-pandemic to 80 percent currently. He noted 5 percent of class enrollments are homeschooled students.

OTHER COMMITTEE RESPONSIBILITIES

At the request of Chairman Schaible, Ms. Sandness presented a memorandum entitled [Other Duties of the Education Funding Committee - Background Memorandum](#).

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Schaible noted the committee will receive information regarding career counselors and funding available for career counseling.

A committee member suggested reviewing school district budget deadlines and the availability of budget information. Chairman Schaible indicated the committee would receive an update on school district budget timelines.

No further business appearing, Chairman Schaible adjourned the meeting at 2:25 p.m.

Sheila M. Sandness
Senior Fiscal Analyst

ATTACH:5