

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2430

2001 SENATE EDUCATION

SB 2430

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2430

Senate Education Committee

Conference Committee

Hearing Date 02-05-01

Tape Number	Side A	Side B	Meter #
1	x		0 - 18.9
1	X		39.5 - 43.7
1 (02-07-01)		x	43.0 - end
2 (02-07-01)	x		0 - 12.2
Committee Clerk Signature <i>Amanda Johnson</i>			

Minutes: CHAIRMAN FREBORG called the committee to order on February 5, 2001. The committee met in the Brynhild Haugland Room.

Roll call was taken with all (7) members present.

CHAIRMAN FREBORG called the hearing on SB 2430 relating to the distribution of state aid to school districts.

Testimony in support of SB 2430:

SENATOR O'CONNELL, District 6, stated this bill changes the timing of the distribution of state aid to school districts. The current method distributes \$250 million annually in state aid to school districts at roughly 10% each month July through April. This bill changes the distribution for the first four months to 15% and distributes the remaining aid over the last five months. The change in the distribution results in an average additional demand on cash of \$20 million per month over the 10 month payment schedule. At the average interest rate of 3.98% earned on these funds by the state over this period, the opportunity cost forgone each year would be

approximately \$663,000. Assuming the school districts collectively earn or avoid interest at the same rate, the fiscal impact is projected to reduce state interest revenue \$1.3 million and increase school district revenue by the same amount for each biennium. SENATOR FREBORG stated the fiscal note shows a gain for the school districts if they would reinvest the money as they receive it, or this may eliminate the need to issue certificates of indebtedness and they would save the interest.

RICHARD OTT, ND Council of Educational Leaders, stated the carrying on of school finances is an extremely complex activity. One of the more complex parts of it are the interim time. He stated from the time the fiscal year starts for a school district until they start to receive the local tax money, they spend about 23% more than they receive. Statewide the average amount that is in school districts' interim fund is almost exactly what it would take to cover this deficiency up until the time that local money starts to come to them. This would increase the money coming from the state approximately 20%, which is just about the amount necessary that the interim fund would have to cover. This would be a step in the right direction to take care of what has been his primary concern about the integrity of the interim account. There would not be the need to have so much money in reserve for the interim. SENATOR FREBORG asked what the total is in the interim fund. MR. OTT stated he did not know, but would have the information available.

JOE WESTBY, NDEA, presented a matrix on school funds. During the interim school districts came in and testified their cash flow problems were during the interim. This bill would correct that and the school districts would not have to maintain such large ending balances, thus freeing up some money in those balances. He further stated that in HB 1344 (Governor's bill) on teacher pay initiative, moneys coming from that bill would not be received by school districts until November. If foundation aid money were to come in sooner, it would help the districts. The

local dollars come in February. SENATOR KELSH asked Mr. Westby to explain the Fund Groups in his matrix. Fund Group I is mostly the General Fund, the operating funds of the districts. The other funds are special and are dedicated to a specific purpose. SENATOR FREBORG asked for a printout showing the gain in the balance from each district from the previous biennium to this biennium so the committee can see where the new \$12 million came from. He further stated if the money came into districts that need more money to raise teacher's salaries, then he feels there is a problem.

JERRY COLEMAN, DPI, explained why the fiscal note on this bill. (see attached) .DPI puts out \$250 million to school districts each year. Under the current distribution, it is 10% each month for 10 payments, beginning July 15 and August 1st through April 1st. Under this bill, 15% will go out the first four months, and then the payments will pick up in December, and the remainder will equally go out after that which is about 8%. He compared what the cash flows would be, how it would impact the state, and the additional cash they would have to pay out. It would be \$12.5 million the first month, the next month \$25 million extra, \$37.50 million, \$50 million, and then it starts going down. SENATOR FREBORG asked if the November payment would be made larger, would that solve some of the problems without impacting the state so much. In other words, the state would keep the 10% for the first four months, and in November make it catch up to 60%. Mr. Coleman felt the impact to the state would be less and it is worth looking at. He stated that three bien'niums ago the legislature changed the payment schedule. More discussion on current payments and what the bill is proposing.

There was no testimony in opposition to the bill.

CHARIMAN FREBORG closed the hearing on SB 2430.

02-05-01, Tape 1, Side A, 39.5 - 43.7

Discussion on SB 2430:

SENATOR FREBORG asked if the committee wants to move the date for the large payment to November. Senator Cook said it would free up dollars in the local district to use for immediate needs. SENATOR WANZEK stated the intent is to get the dollars to the district when they are needed the most. SENATOR FREBORG stated we would wait for information from DPI. SENATOR O'CONNELL will draft amendments that will keep the four payments the same and will balloon the November payment.

Committee stood at recess.

02-07-01, Tape 1, Side B, 43.0 - end, Tape 2, Side A, 0 - 12.2

JERRY COLEMAN, DPI, presented a chart on the change in foundation aid distribution and explained it to the committee. SENATOR FLAKOLL asked if this will impact summer school. MR. COLEMAN answered no. SENATOR COOK wondered if this is better than what we have. Mr. Coleman stated this gives schools a better opportunity to lower their ending fund balance. He stated the department feels the months of November, December, and January are problem months for schools to balance their books. There was more discussion on the proposed schedule.

SENATOR COOK moved to adopt the amendment as presented which is a proposed schedule of payments, which makes this legislation revenue neutral, and putting an effective date of 07-01-01 on it. Seconded by SENATOR KELSH.

Roll Call Vote: 7 YES. 0 NO. 0 Absent. Amendment Adopted.

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2-7-01

SENATOR COOK moved a DO PASS as Amended. Seconded by SENATOR KELSH.

Roll Call Vote: 7 YES. 0 NO. 0 Absent. Motion Carried.

Carrier: SENATOR O'CONNELL.

FISCAL NOTE

Requested by Legislative Council
02/14/2001

Bill/Resolution No.:

Amendment to: SB 2430

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill changes the timing of the distribution of state aid to school districts. The current method distributes \$250 million annually in state aid to school districts at roughly 10% each month July through April. This bill eliminates the July 15th payment, but increases the amount of state funding to the districts for the months of November through March. There is no fiscal impact under this distribution plan.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Jerry Coleman	Agency:	Public Instruction
Phone Number:	328-4051	Date Prepared:	02/15/2001

FISCAL NOTE

Requested by Legislative Council

01/30/2001

Bill/Resolution No.: SB 2430

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	(\$1,300,000)	\$0	(\$1,300,000)	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$1,300,000	\$0	\$0	\$1,300,000

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill changes the timing of the distribution of state aid to school districts. The current method distributes \$250 million annually in state aid to school districts at roughly 10% each month July through April. This bill changes the distribution for the first four months to 15% and distributes the remaining aid over the last five months.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The change in the distribution results in an average additional demand on cash of \$20 million per month (ranging from 0-\$50 monthly impact) over the 10 month payment schedule. At the average interest rate of 3.98% earned on these funds by the state over this period, the opportunity cost forgone each year would be approximately \$663,000 (3.98% x \$20 million average x 10/12 months).

Assuming the school districts collectively earn or avoid interest at the same rate, the fiscal impact is projected to reduce state interest revenue \$1.3 million and increase school district revenue by the same amount for each biennium.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Jerry Coleman	Agency:	Public Instruction
Phone Number:	328-4051	Date Prepared:	02/01/2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2430

Page 1, line 3, after "districts" insert "; to provide an effective date; and to declare an emergency"

Page 1, line 10, remove the overstrike over "~~ten~~" and remove "fifteen"

Page 1, line 11, overstrike "July fifteenth,", overstrike the third comma and insert immediately thereafter "and", and overstrike ", and"

Page 1, line 12, overstrike "October first" and after the period insert "The superintendent shall pay each school district twenty percent of that amount, within the limits of legislative appropriation, on or before October first of each year."

Page 1, line 14, remove the overstrike over "~~On or before November first,~~"

Page 1, remove the overstrike over lines 15 and 16

Page 1, line 17, after "~~fifty~~" insert "sixty" and remove the overstrike over "~~percent of the sum found to be due under this chapter.~~"

Page 2, line 4, remove the overstrike over "~~ten~~" and remove "fifteen"

Page 2, line 6, overstrike "July fifteenth,", overstrike the third comma and insert immediately thereafter "and", and overstrike ", and October"

Page 2, line 7, overstrike "first" and after the period insert "The superintendent shall pay each school district twenty percent of that amount, within the limits of legislative appropriation, on or before October first of each year."

Page 2, line 11, remove the overstrike over "~~On or before November first, the superintendent of public instruction shall pay to~~"

Page 2, remove the overstrike over line 12

Page 2, line 13, remove the overstrike over "~~addition to the above payments, constitutes~~", after "~~fifty~~" insert "sixty", and remove the overstrike over "~~percent of the sum due under this~~"

Page 2, line 14, remove the overstrike over "~~chapter.~~"

Page 2, after line 20, insert:

"SECTION 3. EFFECTIVE DATE. This Act becomes effective on July 1, 2001.

SECTION 4. EMERGENCY. This Act is declared to be an emergency measure."

Re-number accordingly

