

# EDUCATION FUNDING COMMITTEE

The Education Funding Committee was assigned the following responsibilities:

1. Section 14 of House Bill No. 1388 (2021) provided for a Legislative Management study of K-12 school funding, including transition minimum reduction impacts to reorganized and consolidated school districts. The study must include:
  - a. A review of school districts that have multiple buildings in the district and districts that have built a new building without using traditional bonding methods as a result of a multidistrict reorganization;
  - b. An analysis of high-cost students, including students who are high cost due to special education needs, medical reasons, agency placements, or any other reasons that increase the cost to educate the students beyond the state threshold;
  - c. An ongoing review of the impacts of school districts that are off of the funding formula as they transition onto the formula;
  - d. An analysis of human resource allocation and the duties and needs in elementary and secondary school buildings with a targeted focus on student academic health, behavioral health, and social and emotional health; and
  - e. A review of student performance data relevant to students participating in virtual learning.
2. House Concurrent Resolution No. 3035 (2021) directed the Legislative Management to consider studying statutes governing career and technical education (CTE), including statutes in North Dakota Century Code Chapter 15-20.1 providing for the powers and duties of the State Board of Career and Technical Education, reciprocity with other states, cooperation with federal agencies, funding, reimbursement to institutions, gifts, reporting requirements, grants for innovation, elementary school entrepreneurship programs, career development certifications, career advisers, accessibility, impacts on students, the impact of additional CTE center student transportation on student transportation costs, and programs of study.
3. The Legislative Management also assigned the committee the responsibility to receive the following reports from the Superintendent of Public Instruction regarding:
  - a. The financial condition of school districts (Section 15.1-02-09);
  - b. Annual school district employee compensation reports (Section 15.1-02-13); and
  - c. An aggregated report of school districts receiving funds from the federal Elementary and Secondary School Emergency Relief (ESSER) Fund (Section 24 of House Bill No. 1013 (2021)).

Committee members were Senators Donald Schaible (Chairman), JoNell A. Bakke, Jay R. Elkin, David S. Rust, and Michael A. Wobbema and Representatives Ron Guggisberg, Donald Longmuir, David Monson, Mark S. Owens, and Denton Zubke.

Senator Erin Oban served on the committee until her resignation from the Legislative Assembly in March 2022.

## ELEMENTARY AND SECONDARY EDUCATION STATE SCHOOL AID AND FUNDING FORMULA STUDY

House Bill No. 1388 directed a study of K-12 school funding, including transition minimum reduction impacts to reorganized and consolidated school districts.

### Background

The committee received background information regarding applicable North Dakota constitutional directives, the history of education funding in the state, and litigation that led to the creation of the North Dakota Commission on Education Improvement.

### North Dakota Commission on Education Improvement

The North Dakota Commission on Education Improvement was created in 2006 by executive order of the Governor in response to litigation regarding education funding provided by the state. The North Dakota Commission on Education Improvement, as initially configured, consisted of--the Lieutenant Governor (as the Governor's designee), the Superintendent of Public Instruction, four members of the Legislative Assembly, four school district administrators, and three nonvoting members representing education interest groups. The commission was instructed to recommend ways in which the state's system of delivering and financing public elementary and secondary education could be improved, and to specifically address the adequacy of education, the equitable distribution of funding, and the allocation of funding.

The recommendations of the North Dakota Commission on Education Improvement became the basis for Senate Bill No. 2200 (2007), which provided a new education funding formula. The bill consolidated education funding that had been assigned to a variety of existing funding categories and established new weighting factors that reflected the added costs of providing education to certain categories of students and the added costs of providing various statutorily mandated services. In addition, the new formula factored in the variable cost of providing services and programs in small, medium, and large school districts. The Legislative Assembly increased the availability of capital improvement loans for needy school districts, provided increased funding for new CTE centers and programs, and provided funding for full-day kindergarten programs. The Legislative Assembly reauthorized the North Dakota Commission on Education Improvement and directed it to focus its attention on developing recommendations regarding educational adequacy.

After the 2007 legislative session, the North Dakota Commission on Education Improvement contracted with Lawrence O. Picus and Associates (Picus) to identify the resources needed to ensure an adequate education for all students. Picus began with the premise that adequacy requires all students to be taught the state's curriculum and strategies must be deployed to use resources in ways that would double student performance on state tests over 4 to 6 years. Picus determined very early in its efforts that while North Dakota students performed reasonably well on state tests, only 30 to 40 percent of North Dakota students performed at or above the proficiency standard measured by the National Assessment of Educational Progress. It was Picus' determination that North Dakota students would need to achieve at much higher levels if they were to be deemed fully prepared, upon high school graduation, for either college or the workplace. Picus concluded existing state per student payments, coupled with the yield of 185 mills on 88.5 percent of the state average imputed valuation per student, amounted to approximately \$7,024 per student, and to achieve adequacy, the expenditure per student would need to be \$7,293.

Picus also insisted expending a specific dollar amount per student would not achieve the desired results unless the expenditures were linked to certain programmatic strategies that guaranteed the desired results. Without such linkages, the final effect would be nothing other than the existing education system at a much higher cost to taxpayers. Picus' recommendations were centered around prototypical schools having 432 students in the elementary grades, 450 students in the middle grades, and 600 students at the high school level.

In 2009, after reviewing the Picus report, the North Dakota Commission on Education Improvement made recommendations to the Legislative Assembly, many of which were enacted in House Bill No. 1400. At the conclusion of the 2009 legislative session, the North Dakota Commission on Education Improvement began its third and final interim effort and provided its recommendations to the 2011 Legislative Assembly. As had its predecessors, the 2011 Legislative Assembly incorporated the recommendations put forth by the North Dakota Commission on Education Improvement through the enactment of Senate Bill No. 2150 and Senate Bill No. 2013.

### **Property Tax Relief Legislation**

While educational equity and adequacy continued to be dominant legislative concerns, additional time and attention was being given to the desire for property tax relief. In 2007, the Legislative Assembly enacted property tax relief through the use of income tax credits and transferred \$115 million from the permanent oil tax trust fund to the state general fund to offset anticipated revenue losses resulting from the credits. Due to inherent administrative difficulties resulting from the use of income tax credits for property tax relief, the 2009 Legislative Assembly instituted a statewide system of property tax relief through state-funded school district mill levy reductions. The biennial cost of the program was \$299 million. By 2011, the program's price tag had risen to \$341.8 million and there existed concerns regarding the overall effectiveness of the mill levy reduction grant program as a mechanism for property tax relief, the program's potential to result in the rededication of locally generated revenues to other purposes, and long-term sustainability.

### **State School Aid and Integrated Property Tax Relief**

When the Legislative Assembly convened in January 2013, the principal education funding package contained a new proposal for funding elementary and secondary education, which included property tax relief provided through an integrated formula. Introduced as House Bill No. 1319, the new proposal was defeated on the morning of the 80<sup>th</sup> day of the legislative session, but the content was attached later as an amendment to House Bill No. 1013 and enacted. The legislative appropriation for the state school aid program followed substantially the executive budget recommendation to integrate property tax relief in the K-12 state school aid funding formula. The formula change discontinued the mill levy reduction grant program and provided the state would determine an adequate base level of support necessary to educate students by applying an integrated payment rate to the weighted student units. This base level of support would be provided through a combination of local tax sources, local revenue, and state integrated formula payments. The local funding requirement was set at 60 mills and a percentage of identified local in lieu of property tax sources and local revenues. Base level support not provided by local sources would be provided by the state through the integrated formula payment. In addition, school districts were allowed an additional 10-mill levy for general fund purposes, an additional 12-mill levy for miscellaneous purposes, and a 3-mill levy for a special reserve fund. The legislation provided for a district's weighted student units to be multiplied by integrated formula payment rates of \$8,810 during the 1<sup>st</sup> year of the

2013-15 biennium and \$9,092 during the 2<sup>nd</sup> year, an inflationary increase based on total expenditures per student suggested by Picus during the 2008 study conducted for the North Dakota Commission on Education Improvement.

Minimum and maximum payment levels were established using a statutorily defined baseline funding level that included:

- All state aid received by the district in accordance with Chapter 15.1-27 during the 2012-13 school year;
- The district's 2012-13 mill levy reduction grant, as determined in accordance with Chapter 57-64, as it existed on June 30, 2013;
- An amount equal to that raised by the district's 2012 general fund levy or that raised by 110 mills of the district's 2012 general fund levy, whichever is less;
- An amount equal to that raised by the district's 2012 long-distance learning and educational technology levy;
- An amount equal to that raised by the district's 2012 alternative education program levy; and
- An amount equal to:

75 percent of all revenue received by the school district and reported under code 2000 of the North Dakota School District Financial Accounting and Reporting Manual, as developed by the Superintendent of Public Instruction in accordance with Section 15.1-02-08;

75 percent of all mineral revenue received by the school district through direct allocation from the State Treasurer and not reported under code 2000 of the North Dakota School District Financial Accounting and Reporting Manual, as developed by the Superintendent in accordance with Section 15.1-02-08;

75 percent of all tuition received by the school district and reported under code 1300 of the North Dakota School District Financial Accounting and Reporting Manual, as developed by the Superintendent in accordance with Section 15.1-02-08, with the exception of revenue received specifically for the operation of an educational program provided at a residential treatment facility and tuition received for the provision of an adult farm management program;

75 percent of all revenue received by the school district from payments in lieu of taxes on the distribution and transmission of electric power;

75 percent of all revenue received by the school district from payments in lieu of taxes on electricity generated from sources other than coal;

All revenue received by the school district from mobile home taxes;

75 percent of all revenue received by the school district from the leasing of land acquired by the United States for which compensation is allocated to the state under 33 U.S.C. 701(c)(3);

All telecommunications tax revenue received by the school district; and

All revenue received by the school district from payments in lieu of taxes and state reimbursement of the homestead credit and disabled veterans' credit.

From this baseline total, the legislation called for a subtraction of 60 mills multiplied by the district's taxable valuation, not to exceed the amount in dollars subtracted the prior year plus 12 percent, and a subtraction of the specified portion of the in lieu of taxes revenues listed in the preceding paragraph.

School district boards had been authorized to levy an amount sufficient to cover a multitude of expenses; however, the enactment of House Bill No. 1013 provided for the consolidation of these levies. The bill authorized the board of a school district to levy:

- A tax not exceeding the amount in dollars the school district levied for the prior year, plus 12 percent, up to a levy of 70 mills on the taxable valuation of the district, for any purpose related to the provision of educational services;
- No more than 12 mills on the taxable valuation of the district, for miscellaneous purposes and expenses;
- No more than 3 mills on the taxable valuation of the district for deposit into a special reserve fund; and
- No more than the number of mills necessary, on the taxable valuation of the district, for the payment of tuition.

In 2015, the Legislative Assembly approved Senate Bill No. 2031 which provided increases in the integrated payment rate of 3 percent per year during the 2015-17 biennium, based on the integrated formula payment rate during the 2<sup>nd</sup> year of the 2013-15 biennium. Integrated payment rates were set at \$9,365 during the 1<sup>st</sup> year and \$9,646 for the 2<sup>nd</sup> year of the 2015-17 biennium. In addition, the bill removed the sunset clause on the K-12 integrated formula for state school

aid, adopted by the 2013 Legislative Assembly. The 2015 Legislative Assembly also approved Senate Concurrent Resolution No. 4003, which proposed a constitutional amendment to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for the most recently completed biennium for education-related purposes. The resolution was approved by voters in November 2016. In 2016, due to revenue shortfalls during the 2015-17 biennium, the Governor ordered two allotments totaling 6.55 percent and transfers from the foundation aid stabilization fund to offset foundation aid reductions made by executive action totaled \$116,053,293.

In 2017, due to revenue shortfalls, there were no increases in the integrated formula payment and the Legislative Assembly approved House Bill No. 1324, which set the integrated payment rate at \$9,646 for each year of the 2017-19 biennium, the same as the 2<sup>nd</sup> year of the 2015-17 biennium.

In 2019, the Legislative Assembly approved Senate Bill No. 2265, which included adjustments to:

- Convert the school calendar from days to hours;
- Provide rapid enrollment grants in the 1<sup>st</sup> year of the biennium, effective July 1, 2020, implement weighting factors, increasing over 5 years, to provide on-time funding for fall enrollment, and effective July 1, 2021, implement adjustments for the spring average daily membership (ADM);
- Reset baseline funding to the 2018-19 school year;
- Provide increases in transition minimum payments of 1 percent over the new baseline in the 1<sup>st</sup> year of the biennium and 2 percent over the new baseline in the 2<sup>nd</sup> year of the biennium;
- Reduce, beginning with the 2020-21 school year, total baseline funding and baseline funding per weighted student unit for districts that become elementary school districts;
- Phase out, beginning in the 2021-22 school year, the baseline funding per weighted student unit minimum. The changes provide for a 15 percent reduction of the amount by which the district's baseline funding per weighted student unit exceeds the payment provided per weighted student unit. For each year after the 2021-22 school year, the reduction percentage is increased by an additional 15 percent until it is equal to the payment provided per weighted student unit. The changes also provided weighted student units over the baseline weighted student units must be reimbursed at the formula payment rate, instead of the baseline funding per weighted student unit rate;
- Phase out, beginning in the 2021-22 school year, the dollar amount transition minimum. The changes provided for a 15 percent reduction in the dollar amount transition minimum for the 2021-22 school year and an additional 15 percent reduction each school year thereafter;
- Increase the per student payment rate by 2 percent each year of the biennium, to provide \$9,839 per weighted student unit in the 2019-20 school year and \$10,036 per weighted student unit in the 2020-21 school year;
- Increase transition maximum payments by 5 percent each year of the 2019-21 biennium;
- Increase the local property tax deduction calculation each year over a 5-year period, beginning in the 2020-21 school year, to transition all districts to a deduction of 60 mills in the 2025-26 school year;
- Allow school districts, for taxable years beginning after December 31, 2018, to levy additional tax to recover the increase in the property tax deduction in the state school aid formula until all districts are levying and deducting 60 mills in the state school aid formula;
- Reduce the deduction for in lieu of revenue to 75 percent for all revenue types listed, exempt tuition from nonresident students residing in a state with which the state has not entered a cross-border education contract, exempt tuition received from an adjacent school district by certain accepting school districts, and reduce all in lieu of revenue types by the percentage of mills levied in 2018 by the school district for sinking and interest relative to the total mills levied in 2018;
- Provide the Superintendent of Public Instruction use funding provided for state aid to pay South Dakota if more North Dakota students attend South Dakota schools; and
- Require admitting school districts meeting certain criteria to charge 200 percent of the statutory tuition payment calculation or \$4,000, whichever is greater, and that the tuition received by these school districts is not deducted in the formula.

In 2021, the Legislative Assembly approved House Bill No. 1388 which included the ADM of students enrolled in virtual instruction for state school aid and amended the state school aid funding formula to:

- Phase in school size weighting factor increases over 7 years beginning with the 2021-22 school year and adjust the school size weighting factors for school districts that do not have a high school and for school districts that operate multiple buildings at least 19 miles apart;
- Increase the integrated formula payment rate by 1 percent each year of the biennium, to provide \$10,136 per weighted student unit in the 2021-22 school year and \$10,237 per weighted student unit in the 2022-23 school year; and
- Begin phasing out transition maximum adjustments to the state school aid formula over 5 years, beginning in the 2023-24 school year.

In 2021, the Legislative Assembly also approved the following bills impacting the state school aid calculation:

- House Bill No. 1028 allowed school districts to temporarily transfer excess ending general fund balance funds, accruing as a result of the COVID-19 pandemic, between the general fund and the building fund of the school district.
- House Bill No. 1246 phased out the deduction of tuition received through federal impact aid funds in the state school aid formula over 6 years beginning with the 2021-22 school year.
- House Bill No. 1436 removed the remedial requirement for students in kindergarten through grade 4 in mathematics and reading to attend summer school.
- Senate Bill No. 2165 suspended the ending fund balance limit through June 30, 2023, and adjusted the calculation of school district ending fund balances to exclude federal impact aid before deducting the excess balance from state aid formula payments.

### **Foundation Aid Stabilization Fund**

Before December 8, 2016, the principal of the foundation aid stabilization fund was available only upon order of the Governor to offset foundation aid reductions made by executive action due to a revenue shortfall. Section 54-44.1-12 provides the Director of the Budget may order an allotment to control the rate of expenditures of state agencies. An allotment must be made by a specific fund and all departments and agencies that receive money from a fund must be allotted on a uniform percentage basis, except appropriations for foundation aid, transportation aid, and special education aid only may be allotted to the extent the allotment can be offset by transfers from the foundation aid stabilization fund.

In November 2016, voters approved a measure proposed by Senate Concurrent Resolution No. 4003 (2015), which amended the Constitution of North Dakota to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for education-related purposes.

In 2017, the Legislative Assembly approved Senate Bill No. 2272 and House Bill No. 1155, which amended Section 54-44.1-12 to provide any reductions to the general fund appropriation to the Department of Career and Technical Education for grants to school districts due to allotment also are offset by funding from the foundation aid stabilization fund. In addition, Senate Bill No. 2272 created a new section to Chapter 54-27 to provide for purposes of Section 24 of Article X of the Constitution of North Dakota, education-related purposes means purposes related to public elementary and secondary education and state aid to school districts means general fund appropriations for state school aid, transportation aid, and special education aid in the Department of Public Instruction (DPI), as well as general fund appropriations to the Department of Career and Technical Education for CTE grants to school districts and area centers.

In 2021, the Legislative Assembly provided \$2,216,925,000 for integrated formula payments, transportation aid, and special education grants for the 2021-23 biennium, of which \$433,020,000 is from the state tuition fund, \$143,454,500 is from the foundation aid stabilization fund, and \$1,640,450,500 is from the general fund. In addition, general fund appropriations to the Department of Career and Technical Education for CTE grants to school districts and area centers total \$26,837,780 for the 2021-23 biennium. Based on this level of funding from the general fund during the 2021-23 biennium, the required foundation aid stabilization fund reserve balance for the 2023-25 biennium is \$250,093,242, \$7,235,691 less than the reserve required for the 2021-23 biennium.

### **Elementary and Secondary Education State Aid Formula - Selected Provisions**

The committee reviewed the impact of select changes made to the state school aid formula and whether changes have resulted in more school districts moving onto the formula.

### **School District Hold Harmless Calculations - Transition Minimum and Maximum Adjustments**

The committee reviewed the use of transition minimum and maximum adjustments in the state school aid formula. When the state school aid formula was implemented during the 2013-15 biennium, hold harmless calculations were

included to avoid disrupting school budgets. Districts with transition minimum and maximum adjustments are not considered to be on the state school aid formula.

### **Transition Minimum Adjustments**

Transition minimum adjustments apply to those districts that were funded above the per student payment rate when the formula was implemented. Districts above the formula amount received a transition minimum to hold the districts harmless under the new formula. Two hold harmless minimum calculations--baseline funding per weighted student unit and total baseline funding dollars--guaranteed school districts would not receive less funding per weighted student unit or in total than the funding received during the 2012-13 school year. The total dollar baseline guaranteed funding regardless of enrollment decline and the per student baseline provided a district could not receive less money per student than the district received in the 2012-13 school year, even if the per student payment from all sources exceeded the formula per student payment. In addition, new students generate the same per student funding as the baseline set during the 2012-13 school year. In 2019, the Legislative Assembly reset school district baseline funding to the 2018-19 school year which, for districts receiving minimum payments, was the same minimum based on the 2012-13 school year. Transition minimum school districts received a 2 percent increase each year of the 2013-15 and 2015-17 bienniums to provide a minimum of 108 percent of the district's baseline funding per weighted student unit multiplied by the district's prior year weighted student units, or 100 percent of the district's baseline funding dollars, whichever is greater. There was no increase in the transition minimum adjustment during the 2017-19 biennium. In 2019, the Legislative Assembly provided a 1 percent increase over a new baseline in the 1<sup>st</sup> year of the biennium and a 2 percent increase over the new baseline in the 2<sup>nd</sup> year of the biennium.

In 2019, the Legislative Assembly approved a plan to bring all transition minimum school districts onto the formula over the next 7 years. Provisions were made to begin phasing out the dollar amount transition minimum by reducing the adjustment by 15 percent each year beginning in the 2021-22 school year. Formula changes also will reduce the amount by which the district's baseline funding per weighted student unit exceeds the payment provided per weighted student unit by 15 percent each year beginning in the 2021-22 school year. Weighted student units over the baseline weighted student units will be reimbursed at the formula payment rate, instead of the baseline funding per weighted student unit rate. It was anticipated the transition minimum adjustment, costing \$49.5 million during the 2019-20 school year, will be eliminated in the 7<sup>th</sup> year.

The Legislative Assembly recognized smaller school districts do not benefit from the economies of scale of larger school districts and school districts in certain sparsely populated areas of the state are considered essential to avoid unreasonable travel times for students. In 2021, the Legislative Assembly approved the phase-in of school size weighting factor increases over 7 years beginning with the 2021-22 school year and adjusted the school size weighting factors for school districts that do not have a high school and for school districts that operate multiple buildings at least 19 miles apart.

The committee reviewed information regarding the impact of the phase-out of transition minimum adjustments and increases in school size weighting factors. Enrollment increases and the 1 percent increase in the per student payment rate in the first year of the 2021-23 biennium eliminated the transition minimum adjustment for some school districts and increased the number of school districts on the formula. The decrease in the transition minimum adjustment, 15 percent per year starting with the 2021-22 school year, reduced state school aid for 90 school districts by a total of \$6.55 million. The dollar amount of the transition minimum adjustment will decrease for school districts each year, however the number of schools not on formula will not decrease until all of the transitional funding is phased out over 7 years. Unless there is an increase in the per-student payment, which would lower the school's minimum adjustment, the \$6.55 million reduction should remain consistent each year until the transition minimum adjustment is phased out. During the 2021-22 school year, 90 school districts received transition minimum adjustments resulting in increased state school aid of approximately \$37.1 million.

The committee was informed school size weighting factors were increased to offset funding cuts related to the phase-out of the transition minimum adjustments. In addition to the increase in the weighting factors, elementary school enrollments were converted to apply the K-12 school size weighting factors to elementary districts. The change in school size weighting factors increased weighted student units in 78 school districts and reduced weighted student units in the two largest elementary school districts for a net increase of 323 weighted student units. Of the school districts impacted by the transition minimum phase-out, 57 school districts benefited from the increase in school size weighting factors and the school size weighting factor decreased for one elementary school district. There were 21 small school districts that benefited from the increase in school size weighting factors even though funding was not reduced for the transition minimum phase-out.

The committee was informed the reorganized school district weighting factor for districts that operate two plants at least 19 miles apart, available for only the 2022-23 school year, is anticipated to impact five school districts and increase state school aid by \$3.6 million. 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.

### **Transition Maximum Adjustments**

Transition maximum adjustments apply to those districts that were funded below the per student payment rate in the 2012-13 base year when the formula was implemented. Before the 2019-20 school year, every school district received a baseline funding calculation that included a baseline for total dollars received, a weighted student unit baseline, and a per student payment baseline that were established using 2012-13 school year finance and student data. If a school district had a baseline per student payment rate less than the statutory per student payment rate for the 2013-14 school year, the school district received a transition maximum adjustment to its formula calculation to prevent significant changes in school district budgets due to the implementation of the funding formula change. In 2019, the Legislative Assembly reset school district baseline funding to the 2018-19 school year. However, the legislation did not provide for a phase-out of transition maximum adjustments. For these districts, transition maximum payments were increased 10 percent each year of the 2013-15 and 2015-17 bienniums to 140 percent of the district's baseline funding per weighted student unit multiplied by the district's prior year weighted student units. There was no increase in the transition maximum adjustment during the 2017-19 biennium and in 2019, the Legislative Assembly increased transition maximum adjustments by 5 percent each year of the 2019-21 biennium. In 2021, the Legislative Assembly did not increase transition maximum adjustments, but rather provided for the phase-out of transition maximum adjustments to the state school aid formula over 5 years, beginning in the 2023-24 school year.

The committee was informed during the 2021-22 school year, 11 school districts, mostly Native American schools impacted by federal funds, received a transition maximum adjustment resulting in a reduction to the formula of \$10 million compared to the 2013-14 school year when 41 school districts received a transition maximum adjustment totaling \$19.5 million. As increases in the transition maximum adjustment have been approved, school districts have moved onto the formula. The transition maximum will be phased out for all school districts after the 2026-27 school year.

### **Impact of Changes to Other State School Aid Formula Provisions**

The committee was informed each biennium, beginning in the 2011-13 biennium, the Legislative Assembly provided rapid enrollment grants to assist school districts experiencing rapid enrollment growth. In 2019, the Legislative Assembly provided rapid enrollment grants in the 1<sup>st</sup> year of the 2019-21 biennium and implemented, effective July 1, 2020, weighting factors, increasing over 5 years, to provide on-time funding for fall enrollment. In addition, the Legislative Assembly, effective July 1, 2021, implemented adjustments for the difference between fall enrollment and spring ADM. The 2021-22 school year is the 1<sup>st</sup> year the formula includes an adjustment for spring ADM to correct the fall enrollment on-time funding factor of the prior school year. The adjustment ensures school districts are continuing to educate the additional students reported in the fall. The 2021-22 school year adjustment for the difference between fall enrollment and spring ADM resulted in a 90.48 reduction in weighted student units, and will result in a clawback of just under \$1 million from districts that received additional funding for increased fall enrollment during the 2020-21 school year.

The committee was informed the Legislative Assembly, in House Bill No. 1246 (2021), approved the phase-out of the deduction of tuition received through federal impact aid funds in the state school aid formula over 6 years beginning with the 2021-22 school year. The phase-out of the deduction of tuition received through federal impact aid funds, including Air Force base tuition, increased state school aid for two school districts by a total of \$900,000 for the 2021-22 school year.

The committee was informed the Legislative Assembly, in House Bill No. 1436 (2021), removed the remedial requirement for students in kindergarten through grade 4 in mathematics and reading to attend summer school. Removing the remedial requirement to attend summer school is anticipated to increase summer school attendance and cost. Increased summer school attendance, resulting from removing the remedial requirement and students attending to reverse learning loss, is anticipated to increase state school aid approximately \$3.68 million during the 2021-23 biennium.

### **Districts on the Formula**

Districts on the formula, those not subject to minimum or maximum adjustments, were given 3 percent increases each year of the 2013-15 and 2015-17 bienniums as the integrated formula payment was adjusted annually. There were no increases in the integrated formula payment rates during the 2017-19 biennium. The integrated payment rate was increased by 2 percent each year of the 2019-21 biennium and by 1 percent each year of the 2021-23 biennium, to provide \$10,136 per weighted student unit in the 2021-22 school year and \$10,237 per weighted student unit in the 2022-23 school year.

The total formula amount, adjusted for school district minimum and maximum calculations, is reduced by the local contribution of 60 mills and local in lieu of revenue. The amount remaining after deductions is provided by the state. Total state and local funding is divided by total weighted student units to determine state and local funding per weighted student unit. Districts with state and local funding per weighted student unit equal to \$10,136 during the 2021-22 school year are considered on the formula and do not have adjustments for minimum or maximum payments. Districts with state and local funding per weighted student unit above \$10,136 receive transition minimum funding. Districts with state and local funding per weighted student unit below \$10,136 are subject to the transition maximum calculation. The Department of Public Instruction reported, of the 170 school districts operating in the state during the 2021-22 school year, 69 school districts are on the formula and 101 school districts, or 59 percent, are not on the formula.

### **Excess Ending Fund Balance Deduction**

The committee was informed the ending fund balance of a school district is limited under Section 15.1-27-35.3 to 35 percent of its actual expenditures, plus \$50,000 (\$100,000, if the district is in a cooperative agreement for 2 years). State school aid is reduced by the amount by which a school district's ending fund balance exceeds the limit. In 2021, the Legislative Assembly approved House Bill No. 1028 to amend Section 57-15-17 to allow a school district that transferred funding from its general fund to its building fund between March 13, 2020, and July 1, 2020, for the purpose of avoiding an excess fund balance deduction to its state school aid, to return the funding to its general fund, if the transfer was done before June 30, 2021. In addition, the Legislative Assembly approved Senate Bill No. 2165 (2021) to amend Section 15.1-27-35.3 to suspend the ending fund balance limit through June 30, 2023, and adjust the calculation of school district ending fund balances to exclude federal impact aid before deducting the excess balance from state aid formula payments.

The committee was informed, for the 2021-22 school year, a total of 59 school districts took advantage of the suspension of the ending fund balance limit. Due to the suspension of the ending fund balance limit, the department is unable to determine the impact of the exclusion of federal impact aid from ending fund balance calculation.

### **High-Cost Students and the Fiscal Impact of Student Placement**

The committee was informed DPI reimburses school districts for high-cost students and a school district's maximum responsibility depends on the student's placement. When a student is placed in a residential setting by an agency or a parent, school districts are reimbursed for costs exceeding the state average cost of education per student; however, when a student is placed by the school district, state reimbursement is made for costs exceeding four times the state average cost of education per student or for costs exceeding 2 percent of the total school district budget. Payments are made by school districts to providers and to other school districts for students in foster care or for students living in residential facilities that do not have an education system, but rely on the local school district. In addition, school placed students can include high-cost students who remain in their school district and the school district is reimbursed for the excess cost. School districts receive the state school aid per student payment of approximately \$10,000 for students placed in residential facilities and are responsible for the state average cost per student of just over \$12,000 (approximately \$48,000 for students placed by the school district). There is no reimbursement for high-cost students with medical needs who are not on an individualized education program (IEP).

The committee reviewed a summary of special education contract reimbursements, by provider, made to school districts during the 2019-21 biennium and the 2021-23 biennium through May 2022, including total cost and amounts reimbursed. Reimbursement only covers the cost of education. Room and board is paid by insurance or the parent. During the 2019-21 biennium, the state reimbursed school districts \$19.9 million of the \$25 million cost of agency-placed students and \$6.7 million of the \$32.8 million cost of school-placed students. Of the \$25 million cost to school districts for agency-placed students during the 2019-21 biennium, \$10.3 million was paid to the Anne Carlsen Center, of which \$9.1 million was reimbursed by the state. For the 2021-23 biennium, through May 2022, the state has reimbursed school districts \$8.7 million of the \$11.1 million cost of agency-placed students and \$2.3 million of the \$12.8 million cost of school-placed students. Of the \$11.1 million cost to school districts for agency-placed students, \$4.4 million was paid to the Anne Carlsen Center, of which \$3.8 million was reimbursed by the state. The department does not have a system to audit the costs billed to school districts by residential facilities.

The committee received a report regarding services provided by the Anne Carlsen Center and reimbursements received from the Department of Human Services (DHS) and school districts. All students served at the center have been diagnosed with intellectual disabilities and nearly one-half of the center's licensed beds are occupied by students with complex medical needs. The center also serves students with autism requiring significant supports. The center partners with Jamestown Public Schools to provide education in the least restrictive environment and provides 175 days of instruction to 58 students, including day students, which represent approximately 18 percent of the student population. In addition to educators, the center employs support staff necessary to provide individualized special education for students with complex needs, including licensed clinical social workers, case management, board certified behavior analysts, registered behavior technicians, nurses, speech pathologists, and occupational and physical therapists. Tuition includes special education, behavioral support services, nursing, vocational and community training, adaptive physical

education, learning and media center assistive technology, transportation, adaptive technology, educational administration, and overhead (maintenance, building, and administration). Extracurricular activities, afterschool clubs, athletic activities, and spiritual care are not included in tuition. Speech, occupational, and physical therapy are provided as determined in the student's IEP, but are not included in tuition costs. Therapy units are itemized per student and billed separately. Boarding or residential costs are not billed to school districts.

The committee received a report regarding the types of developmental disabilities services that qualify for reimbursement under the Medicaid program. The Medicaid state plan provides for intermediate care facilities for individuals with intellectual disabilities, personal care services, and targeted case management with personal care services. Intermediate care facilities for individuals with intellectual disabilities is the highest level of service authorized. The all-inclusive rate paid to providers is based on the level of need and includes room and board, but does not include education services. The Medicaid home- and community-based services waiver program provides services that allow individuals with developmental or intellectual disabilities to live in their own home and receive services in the community. Waiver funding may not be used to pay for special education and related services that are included in a child's IEP. However, some services in the IEP may qualify as basic Medicaid benefits.

The committee was informed because most of the students at Anne Carlsen Center are Medicaid eligible, services indicated in their IEP for speech, occupational, and physical therapies are all Medicaid services that could be billed through education services, however the Anne Carlsen Center is not allowed to bill Medicaid for education-based services. Approximately 20 percent of the amount paid to the Anne Carlsen Center by two special education units is for services that could be billed through Medicaid, such as speech, occupational, and physical therapies. If these therapies could be billed to Medicaid, rather than to the local education agency and the state contract system, where it is reimbursed by DPI, there would be a savings to the state. To leverage the federal funds, the Legislative Assembly may wish to review the possibility of the Anne Carlsen Center directly billing Medicaid for certain services. Because therapists at the Anne Carlsen Center hold the appropriate licenses and IEPs document the need for services, the center should meet the requirements to bill for these services, directly. If there was medical need for the therapy and the cost was billed through DHS as a medical service, instead of as educational services through the school district, the federal match would be paid by DHS instead of the school district, reducing costs to school districts.

The committee was informed local education agencies are required to pay for services at facilities such as the Anne Carlsen Center throughout the school year. The upfront cost is significant and most of the cost is reimbursed through the special education contract system at the end of the school year. It may be more efficient to have DPI pay facilities directly, rather than reimburse local education agencies.

### **Elementary and Secondary School Emergency Relief Fund**

The committee received reports regarding the allocation of ESSER funds to school districts and uses of the funds. Ninety percent of ESSER funds were allocated to school districts based on the Title I funding formula, which includes free or reduced lunch eligibility. The remaining 10 percent is available to DPI for statewide efforts. All expenditures must relate to preventing, preparing for, or responding to COVID-19 and 20 percent of all funds allocated to school districts must be spent on services to accelerate student learning recovery. Funds are held by DPI until reimbursement is requested for eligible expenditures by the school district.

The committee was informed the state received ESSER I funds in April 2020 totaling \$33.30 million, including \$30.10 million allocated to school districts, which must be spent by September 30, 2022. Of the \$30.10 million allocated to school districts, \$28.33 million was expended through May 2022 and \$1.73 million remained to be spent. In December 2020, the state received ESSER II funds totaling \$135.90 million, including \$123.40 million allocated to school districts, which must be spent by September 30, 2023. Of the \$123.40 million allocated to school districts, \$39.53 million was expended through May 2022 and \$83.84 million remained to be spent. While funding from the ESSER II Fund has a learning loss requirement, there is no minimum that must be used for learning loss. In March 2021, the state received ESSER III funds totaling \$305.30 million, including \$275.90 million allocated to school districts, which must be spent by September 30, 2024. Of the \$275.90 million allocated to school districts, \$26.78 million was expended through May 2022 and \$249.15 million remained to be spent. The ESSER III Fund allocation requires 20 percent of funding allocated must be used for learning loss. Schools have been using the ESSER III Fund allocation first to meet the learning loss expenditure threshold requirement that is not included in the ESSER I Fund or ESSER II Fund allocations.

The committee was informed uses of ESSER funds by school districts include educational technology (20.23 percent), learning loss (18.86 percent), air quality (9.50 percent), school facility repairs and improvements (9.03 percent), transportation (6.24 percent), and cleaning supplies (5.69 percent). Other uses that totaled less than 5 percent each include additional pay, high-quality instructional materials and curricula, renovation projects, mental health supports, supplemental learning, preparedness and coordination, public health protocols, professional development, budgetary shortfalls, acquisition of real property or modular classrooms, added needs of at-risk population,

construction projects, other activities, emergency response, special education, CTE, Every Student Succeeds Act, and adult education and family literacy.

The committee was informed while school districts would like to use ESSER Fund allocations to hire more teachers to address learning loss, there is concern that when the funding is no longer available the school district may need to remove the teacher through the nonrenewal procedure. Legislation to allow a time-limited contract when the funding source is temporary would save the school district and the teacher from the nonrenewal procedure.

The committee reviewed a report regarding the uses of the 10 percent discretionary ESSER funds (\$47 million) appropriated to DPI, including allocations for various programs and partnerships. In addition to the cost of administering the grant funding, the department has allocated the state's discretionary funding to the following programs:

- DHS early learning partnerships (\$9 million).
- Comprehensive literacy site expansion grants (\$5 million).
- Science of reading teacher professional development (\$2 million).
- Afterschool and summer program expansion (\$2 million).
- Grow-your-own teacher shortage grants (\$1.84 million).
- Financial transparency website infrastructure (\$1.36 million).
- School food innovation grants (\$1.26 million).
- Partnership with regional education associations for priority standards workshops (\$1.14 million).
- Grants to school districts not eligible for ESSER funds through the federal formula (\$1.07 million).
- Exact Path single signon online learning for families (\$1.04 million).
- LINCspring online teaching professional development (\$1 million).
- Expand multitiered systems of support (\$800,000).
- Choice ready grants (\$800,000).
- Incentivize cost-sharing of district administration (\$750,000).
- Partnership with the Parks and Recreation Department for summer learning (\$600,000).
- Mathematics innovation zones (\$600,000).
- "Be Legendary" school board leadership institute (\$500,000).
- Personalized, competency-based learning scale work (\$500,000).
- Grants to special education units (\$452,947).
- High-impact tutoring (\$400,000).

### **Status of State School Aid - 2021-23 Biennium**

The committee received reports from DPI regarding student enrollment and the status of funding for state school aid for the 2021-23 biennium.

In 2021, DPI estimated integrated formula payments during the 2021-23 biennium based on 2021-22 school year ADM of 113,914 students and 2022-23 school year ADM of 116,898 students. The department estimated state school aid integrated formula payments will total \$2,815,768,609 during the 2021-23 biennium, of which \$610,698,957 was estimated to be provided through local property tax contributions, \$94,702,361 was estimated to be provided through local in lieu of taxes and revenue contributions, and \$2,110,367,291 was estimated to be provided by the state. In addition to the state's share of state school aid integrated formula payments, the appropriation for 2021-23 biennium integrated formula payments included funding for costs related to child placement, regional education association grants, the gifted and talented program, estimated cross-border tuition payments to South Dakota, and budget variances. The department estimated these expenditures and budget variances would total \$21,457,709, for a total of \$2,131,825,000 charged to the integrated payment line item for the 2021-23 biennium. Based on total integrated formula payments, the state's share of funding for the state school aid formula was expected to total approximately 75 percent during the 2021-23 biennium.

The committee was informed DPI estimates state school aid for the 2021-22 school year, based on 2021-22 school year ADM of 113,024 students, will total \$1.378 billion, of which \$296.9 million, or 21.5 percent, is provided by local property tax, \$52.1 million, or 3.8 percent, is provided by local in lieu of revenue, and \$1,029.3 million, or 74.7 percent, is provided by the state through integrated formula payments. State school aid for the 2022-23 school year, based on revised estimated 2022-23 school year ADM of 115,543 students is estimated to total \$1.416 billion; of which \$313 million, or 22.1 percent, is estimated to be provided by local property tax; \$58.2 million, or 4.1 percent, is estimated to be provided by local in lieu of revenue; and \$1,044.7 million, or 73.8 percent, is estimated to be provided by the state through integrated formula payments. The local property tax contribution to 2022-23 state school aid is known because it is based on 2021 property values; however, the contribution from in lieu of revenue will not be known until August or September 2022. Lower than anticipated enrollment, higher local in lieu of revenue than anticipated in the budget, and lower than anticipated impacts from on-time enrollment resulted in budget savings of \$21.6 million during the 2021-22 school year and based on preliminary estimates, state school aid payments for the 2<sup>nd</sup> year of the biennium are anticipated to be \$25.5 million less than budgeted. Based on current enrollment estimates and estimated local contributions to the state school aid formula, the department anticipates approximately \$47 million of state school aid will remain unspent at the end of the 2021-23 biennium.

## **Projected State School Aid - 2023-25 Biennium**

### **Cost to Continue**

The committee reviewed a preliminary estimate of funding required to continue current state school aid integrated formula payments during the 2023-25 biennium. The report, prepared by DPI, was based on:

- ADM projected using a 4-year survival routine (3 changes), 2018-2019, 2019-2020, and 2021-2022 (2020-2021 was omitted due to the pandemic).
- Taxable valuation for calendar years 2022 and 2023 is calculated based on a 2-year average increase with a maximum of 5 percent and a minimum of 0 percent. A 1-year change was used for districts receiving a substantial land transfer, omitting the year the district received the large land transfer.
- Other changes include the following approved by the Legislative Assembly:
  - Updated on-time funding weighting factors.
  - A deduction for property taxes over the 12 percent limit for districts not deducting at 60 mills.
  - Phase-out of the transition minimum adjustments.
  - Phase-out of the transition maximum adjustments.
- Other statistical data and weighting factors based on data supporting the 2021-22 payment year.

The committee was informed enrollment is projected to be relatively stable during the 2023-25 biennium and the cost to continue state school aid is anticipated to be \$18.9 million less than the 2021-23 biennium appropriation. Additional cost related to increases in the school size weighting factor and the phase-out of the transition maximum adjustment are offset by savings related to the phase-out of the transition minimum adjustment and increases in property valuations, which increase the local contribution to state school aid. The department is projecting a significant decrease in kindergarten students in the 2023-25 biennium due to decreased births in 2018.

The committee was informed inflation has had a significant impact on school budgets in the current biennium and the impact is anticipated to continue in the 2023-25 biennium. The cost of salaries and benefits for teachers and instructional support is anticipated to be approximately 3.7 percent more than estimated for the 2021-23 biennium.

## **Committee Recommendation**

The committee makes no recommendation related to its study of the elementary and secondary education state school aid funding formula.

## **CAREER AND TECHNICAL EDUCATION STUDY**

House Concurrent Resolution No. 3035 directed a study of statutes governing CTE, including statutes in Chapter 15-20.1 providing for the powers and duties of the State Board of Career and Technical Education, reciprocity with other states, cooperation with federal agencies, funding, reimbursement to institutions, gifts, reporting requirements, grants for innovation, elementary school entrepreneurship programs, career development certifications, career advisers, accessibility, impacts on students, the impact of additional CTE center student transportation on student transportation costs, and programs of study.

## **Background**

The committee reviewed federal provisions related to vocational education, education reforms, and federal programs designed to improve the skills of the labor force and provide job opportunities for adults. The committee also reviewed information regarding how the Department of Career and Technical Education is addressing the nation's shortage of skilled workers by utilizing partnerships between educators and employers, increasing focus on the academic achievement of CTE students, strengthening the connections between secondary and postsecondary education, and improving state and local accountability.

### **State Board for Career and Technical Education**

The State Board for Career and Technical Education consists of the members of the State Board of Public School Education, the Executive Director of Job Service North Dakota, and the Commissioner of Higher Education or the commissioner's designee. The board oversees the Department of Career and Technical Education and appoints a Director and Executive Officer of the department who is charged with the administration of the provisions of Chapter 15-20.1 relating to CTE, under the direction and supervision of the board.

The State Board for Career and Technical Education, pursuant to Chapter 15-20.1, may cooperate with the United States Department of Education and other federal agencies in the administration of Acts of Congress relating to CTE and has the following powers and duties:

1. To administer any legislation enacted by the Legislative Assembly pursuant to or in conformity with Acts of Congress relating to CTE.
2. To administer federal and state funds for the promotion of CTE and to contract with:
  - a. Any public or private institution or agency, board of trustees of any agricultural and training school, or school district of this state; or
  - b. Any public or private institution or agency, or political subdivision, of another state.
3. To formulate plans for the promotion of CTE in such subjects as are an essential and integral part of the public school system of education.
4. To provide for the preparation of teachers.
5. To fix the compensation of such officers and assistants as may be necessary to administer the federal acts and the provisions of Chapter 15-20.1 relating to CTE and to pay the same and other necessary expenses of administration from any funds appropriated for such purpose.
6. To make studies and investigations relating to CTE.
7. To promote and aid in the establishment of schools, departments, or classes, and to cooperate with local communities in the maintenance of CTE schools, departments, or classes.
8. To prescribe the qualifications and provide for the certification of teachers, directors, and supervisors.
9. To cooperate with governing bodies of school districts and with organizations and communities in the maintenance of classes for the preparation of teachers, directors, and supervisors of CTE, to maintain classes for such purposes under its own direction and control, and to establish and control, by general regulations, the qualifications to be possessed by persons engaged in the training of CTE teachers.
10. To coordinate new and existing farm management programs offered by any state agency or entity.
11. To create and expand marketing clubs as adjuncts to new and existing farm management programs.
12. To administer and supervise the program and all activities of the Center for Distance Education (CDE).

During the 2019-20 interim, the Department of Career and Technical Education reported there were 10 centers across the state, 5 facilities and 5 virtual centers. All centers provide some virtual learning experiences. In August 2020, CTE directors indicated most courses and instructors were at capacity. Career and technical education concerns included:

- Transportation for students traveling for coursework or hands-on labs;
- Maintaining hands-on coursework with distance or hybrid teaching;
- Additional sanitation costs;
- Social distancing during labs; and
- Providing quality work-based learning opportunities.

### **Delivery of Career and Technical Education**

The committee was informed in 2021, Senate Bill No. 2019 and House Bill No. 1015 provided a total of \$126,754,880, of which \$41,735,063 was from the general fund and \$85,019,817 was from other funds, to defray the expenses of the Department of Career and Technical Education for the 2021-23 biennium. Funding included in the appropriation for CTE for CDE includes 28.80 full-time equivalent positions and \$9,461,254, of which \$6,411,254 is from the general fund and \$3,050,000 from the independent study operating fund. The Legislative Assembly provided increases in funding from the general fund to CTE, including \$1,250,000 for the cost to continue CTE course cost reimbursement rates at schools (27 percent) and area career and technical centers (40 percent); and \$1,000,000 for new and expanding secondary programs. In Section 2 of Senate Bill No. 2019, the Legislative Assembly provided legislative intent that school districts:

- Use funds available from the ESSER Fund to effectively benefit students;
- Prepare to provide for any future operating and maintenance costs relating to new or expanded programs resulting from the expenditure of these federal funds because state funds will not be provided to replace these federal funds; and
- Prepare to provide increased local support for area career and technical centers since state secondary grant funding is limited and the share of state assistance for these programs may decrease if new or expanded programs are established.

The committee reviewed the department budget, 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 ESSER funds through DPI, and federal funding received to provide tuition assistance for new farmers and ranchers to participate in the adult farm management program. Department of Career and Technical Education travel costs reimbursed by DPI during the 2020-21 school year totaled \$367,857.

The committee was informed the role of the career advisors program, which was established as a result of House Bill No. 1400 (2009), is to assist school counseling programs and help schools meet the 1 to 300 counselor-to-student ratio required by that legislation. A career advisor must work under the direction and supervision of a school counselor specifically in the career domain. Career advisors disseminate labor market information to students and provide career exploration experiences for students. The Department of Career and Technical Education began certifying career advisors in 2010.

### **Statewide Area Career Center Initiative Grant Program**

House Bill No. 1015 (2021) appropriated \$70 million of one-time funding anticipated to be received through the federal American Rescue Plan Act from the federal Coronavirus Capital Projects Fund to the Department of Career and Technical Education for a statewide area career center initiative grant program. The department was required to establish the application process and develop eligibility requirements for the grant program that must include:

- Funding may be used only for CTE projects involving construction, addition, maintenance, and equipment for new and existing area career centers;
- Grants awarded to each recipient must be at least \$500,000, but may not exceed \$10 million;
- Grants may be awarded only to the extent a school district has secured matching funds from nonstate sources on a dollar-for-dollar basis;
- An applicant must identify sufficient future nonstate sources of funding for ongoing operating and maintenance costs associated with a new or expanded area career center;
- The application period for the grant program begins with the effective date of House Bill No. 1015 and ends on June 30, 2022. Any funding not committed by December 31, 2022, may not be spent and must be canceled at the end of the 2021-23 biennium in accordance with Section 54-44.1-11;
- Preference must be given to school districts that collaborate with other school districts for a regional area career center facility or to school districts to create a new area career center or use an existing area career center to positively affect that region of the state; and
- Preference must be given to school districts that will promote postsecondary education and workforce training education in conjunction with secondary education.

The committee received periodic updates regarding funds awarded for the statewide area career center initiative grant program. The committee was informed:

- 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 included a requirement that projects are designed to include health monitoring. The new guidance required some applications to be amended.
- During the November 2021 special legislative session, funding for the statewide area career center initiative grant program was modified to provide \$88.3 million of one-time funding anticipated to be received through the federal American Rescue Plan Act of 2021 from the Coronavirus Capital Projects Fund (\$68.3 million) and from the federal State Fiscal Recovery Fund (\$20 million).
- State grant guidance was released in November 2021 with an application deadline of December 31, 2021. The goal to grant funds was March 31, 2022. All funds must be obligated by December 31, 2022, and must be spent by June 30, 2023.
- The Department of Career and Technical Education received 17 applications totaling approximately \$117 million.
- A nine-person grant review team was established to provide recommendations to the State Board for Career and Technical Education.
- The State Board for Career and Technical Education approved 3 of the more "shovel ready" project applications in January 2022, funded by \$20 million from the State Fiscal Recovery Fund, and 13 additional applications in March, funded by \$68.3 million from the Coronavirus Capital Projects Fund. Selection criteria included consideration of the facility and governance, including information regarding location and allocation of space and partner school districts; needs assessment and programming, including workforce needs and student interests and how proposed and expanding programs align with needs assessment results; post-secondary and workforce partners, including post-secondary and workforce offerings to be housed within the facility; and budget proposal, including a detailed budget and match commitments.
- The Office of Management and Budget submitted the application for funding from the Coronavirus Capital Projects Fund to the United States Department of the Treasury on December 27, 2021, and the grant agreement was executed. The grant plan, which will be used by the Department of the Treasury to assess the proposed use of funds, was submitted February 1, 2022. Federal guidance requires projects must directly enable work, education, and health monitoring; address a critical need that resulted from or was made apparent by the COVID-19 public health emergency; and address a critical need of the community.
- As of June 2022, the state's grant plan was still awaiting approval from the Department of Treasury.
- Grantees expressed concern the grant plan has not yet been approved by the Department of the Treasury. Inflation is causing increases in construction costs and grantees anticipate asking for additional funds to complete the projects as submitted.
- Delays in funding and supply chain issues may make the June 30, 2023, biennium end deadline difficult to meet and the Department of Career and Technical Education may request carryover authority to complete the projects.
- The timeline of the availability of the federal funding is unknown. Loan funds from the Bank of North Dakota could provide immediate cash; however, if the grant plan is not approved by the federal government, the projects would be in debt. While the grant plan meets the federal criteria, there is no guarantee it will be approved.
- CTE centers have indicated additional support for ongoing operations is vital. The Department of Career and Technical Education is reviewing program costs for the 2023-25 biennium budget and in addition to new programs coming online, the department must consider the increase in reimbursement rates for current programs that may move from a high school to a career center.
- Because inflation is a concern and most of the CTE teachers are coming from the workforce, salaries must be competitive.
- Career centers included in the grant program will benefit 99 partner school districts.

### **Committee Recommendation**

The committee makes no recommendation related to its study of CTE.

### **OTHER COMMITTEE RESPONSIBILITIES**

The committee received, pursuant to Section 15.1-02-09, a report from the Superintendent of Public Instruction regarding the financial condition of schools. The annual report is published in February for the preceding school year and includes statewide and district information regarding fund balances, mill levy rates, taxable valuation, revenues,

expenditures, student enrollment, ADM, average cost per student, teachers, average salaries, state aid, transportation statistics, open enrollment, and number of graduates.

The committee received, pursuant to Section 15.1-02-13, a report from the Superintendent of Public Instruction regarding school district employee compensation. The *2020-21 Employee Compensation Report* includes data electronically submitted through the state automated reporting system (STARS) for school years ending in June of 2019, 2020, and 2021, and is available in an Excel format on the department's website. For comparison purposes, the report only includes full-time licensed school district employees who worked more than 144 days, down from 175 days in 2019 due to school districts transitioning from days to hours. The report does not include employees earning less than \$27,500, the minimum salary allowed for a teacher. Pursuant to Section 15.1-02-13, school districts are required to submit employee compensation information before September 11 of each year. Administrators include principals, superintendents, directors, assistant principals, assistant or deputy superintendents, and assistant directors. The average base salary for administrators increased from \$99,337 to \$103,439, or 4.13 percent, from 2019 to 2021. The average base salary for teachers increased 3.53 percent, from \$54,154 to \$56,063, over the same period. Teachers include coordinators, counselors, instructional programmers, library media specialists, special education consultants, pupil personnel, psychologists, speech and language pathologists, supervisors, teachers, and tutors in training. The number of administrators statewide increased from 643 in 2019 to 696 in 2021, while the number of teachers increased from 9,176 to 9,613 during the same period.

The committee received, pursuant to Section 24 of House Bill No. 1013 (2021), a report from the Superintendent of Public Instruction regarding an aggregated report of school districts receiving allocations from the ESSER Fund. Section 24 of House Bill No. 1013 required school districts to report information regarding learning loss, including subgroup gaps; school district plans to accelerate learning recovery for all students, including closing subgroup gaps; uses of ESSER funds, including the percentage of those funds expended by category; and the impact ESSER Fund expenditures had on accelerating learning recovery to the Superintendent by December 1, 2021. The Superintendent was required to present an aggregated report to the Legislative Management by June 1, 2022. School districts are required to submit a second report to the Superintendent by December 1, 2022, and the aggregated report must be presented by the Superintendent to the 68<sup>th</sup> Legislative Assembly.

The committee was informed school districts reported significant learning loss among students with disabilities and students with an IEP (48 percent of the school districts), low-income students (39 percent of the school districts), English language learners (17 percent of the school districts), and one or more racial or ethnic subgroups (30 percent of the school districts). The department used discretionary ESSER funds to partner with SAS Institute, Inc., to employ the education visualization and analytics solution (SAS EVAAS) tools, which leveraged existing assessment data to project what student assessment scores would have been without the pandemic disruption. Projected assessment scores were compared to students' actual performance on the 2021 state assessment. The analysis investigated learning decline across subjects and grades, schools and districts, and student groups. Findings included:

- English language arts test scores for students in grades 5 through 8 and 10 were close to prepandemic expectations. The impact in this subject area was less in North Dakota than was noted in similar analyses in North Carolina, Ohio, and nationally.
- Mathematics test scores for students in grades 5 through 8 and 10 suffered observable learning decline.
- About 40 percent of schools met or exceeded prepandemic expectations in English language arts and about 30 percent of schools met or exceeded prepandemic expectations in mathematics.
- Overall, students at all levels of achievement experienced similar levels of learning decline. Some student groups saw differences in learning decline compared to their peers, but most mirrored prepandemic differences. However, the gap widened for English language learners, students with disabilities, low-income students, homeless students, Native American students, and male students.

The committee was informed districts plan a variety of strategies to address learning loss, most common are new or additional technology (80 percent of school districts), hiring additional personnel (78 percent of school districts), health-related supports (71 percent of school districts), and new curricula (70 percent of school districts). Districts' plans to close subgroup gaps varied widely including reviewing IEPs, increasing minutes of service for students showing significant loss, and incentivizing teachers to earn credentials or endorsements to serve students with disabilities or English language learners. Districts reported a range of positive outcomes resulting from accelerating learning recovery funding, including increased learning in mathematics and English language arts (43 percent of school districts) and increased learning in other subjects (14 percent of school districts). North Dakota state assessment data from spring 2021 indicated a reduction in the percentage of proficient and advanced students, when compared to assessment data from spring 2019, in all grades tested for English and mathematics. There was no assessment in 2020. Preliminary state assessment data from spring 2022 indicates an increase in proficient and advanced students in some grades; however,

the percentage of proficient or advanced students continued to decrease in grade 8 English and grades 7, 8, and 10 mathematics.

The committee was informed students in a virtual learning environment will have their data separately identified in future assessments. In 2022, data will be available to compare virtual and in-person learning.

### **OTHER REPORTS AND INFORMATION RECEIVED BY THE COMMITTEE**

In addition to the committee's other responsibilities, the committee received other reports, including reports from:

- CDE 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.
- DPI regarding the role of school counselors, including required counselors and credentialing.
- The Department of Career and Technical Education regarding career counselors, including training and reimbursements.
- Various stakeholders and providers regarding school districts' behavioral health challenges and services.
- The Information Technology Department regarding the status of Project Lighthouse, the information technology project sponsored by DPI, the State Department of Health, and DHS, to upgrade STARS and the statewide longitudinal data system.
- The Tax Department regarding school district budget timelines, budget deadlines, and the availability of budget information.