
F I N A L D R A F T

REPORT TO: GOVERNOR JOHN HOEVEN

and the

**NORTH DAKOTA
INTERIM LEGISLATIVE COMMITTEE
ON EDUCATION FINANCE**

and the

**NORTH DAKOTA
LEGISLATIVE ASSEMBLY**

as ordered by

SENATE BILL 2200

(2007 SESSION LAWS)

**FROM: NORTH DAKOTA COMMISSION
 ON EDUCATION IMPROVEMENT**

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*December 1, 2008
Bismarck · North Dakota*

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- Exhibit A** Agreement to Stay Litigation
- Exhibit B** Amended Executive Order Creating the North Dakota Commission on Education Improvement
- Exhibit C** SB 2200 Section 51: Legislative Directive to North Dakota Commission on Education Improvement
- Exhibit D** Executive Summary from the Picus and Associates study, *Funding Schools Adequately in North Dakota*
- Exhibit E** Comparison of proposed North Dakota high school diplomas and their requirements

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INTRODUCTION

On December 16, 2003, an amended complaint was filed by nine North Dakota school districts requesting that the state's public school finance system be declared unconstitutional. The state has denied and continues to deny the core complaint brought forward by the plaintiffs.

On January 10, 2006, the parties in opposition determined that it was desirable for them to stay the action and provide the North Dakota Legislative Assembly with the opportunity to settle, compromise, and resolve this action on certain terms and conditions. Consequently, the parties executed an "Agreement to Stay Litigation." The document is attached as Exhibit A.

The first condition accepted by both parties was that the Governor issue an Executive Order creating a North Dakota Commission on Education Improvement. The document, as currently amended, is attached as Exhibit B. The Commission members include the Superintendent of Public Instruction, four school district administrators, and four legislators. The Commission also includes four non-voting members. Three represent the state's teachers, school boards, and school administrators, and the remaining individual serves as a special advisor on the school funding formula.

The Commission was instructed to prepare a report recommending ways to improve the current system of delivering and financing elementary and secondary education,

including the equitable distribution of state education dollars. The first report was delivered to the Governor and the Legislative Assembly on January 3, 2007 and became the basis for Senate Bill 2200, which was passed by the 60th Legislative Assembly. It enacted almost all of the recommendations included in the Commission's report.

This report, which reflects the second phase of the Commission's work, contains recommendations to further improve the equity of the state's school funding system and recommendations to ensure the overall adequacy of funding for all North Dakota school districts. It will provide the basis for additional legislation which will be considered by the 61st Legislative Assembly in the 2009 Session.

EXECUTIVE SUMMARY

BACKGROUND

On January 10, 2006, the plaintiff districts and the State agreed to a “Stay of Litigation” based on two conditions: one, the Governor would include at least \$60,000,000 in new State funds in his Executive Budget for the 2007-2009 biennium; and two, the Governor would form a Commission comprised of the Governor, the Superintendent of Public Instruction, four school district administrators, and four legislators to work through the period of 2006-2009 and prepare for the 2007 and 2009 legislative sessions its recommendations to improve the equity and adequacy of school funding.

ADEQUACY AND EQUITY

During the interim period leading up to the 2007 legislative session, the Commission concentrated its efforts on the issue of “equity” in school funding. With the passage of Senate Bill 2200 the equity issue was largely laid to rest; however, the Commission has continued to make recommendations to improve equity because the fairness of the school funding formula is a never ending goal. During this interim period leading up to the 2009 session the Commission focused on the issue of school funding “adequacy.” The question was whether the total funding per student is sufficient to ensure that every student has the opportunity to achieve an acceptable level of proficiency in the state curriculum, and

therefore be considered ready for college and ready for work. The Commission contracted with Picus and Associates, a nationally recognized firm specializing in issues of school funding adequacy. The Commission is recommending to the Legislative Assembly those provisions of the Picus study they found to be worthy and appropriate for adoption in North Dakota, as well as its own recommendations for improving the state's funding formula and policies that will provide adequacy, equity, and better student performance. The Picus study concluded that every student in North Dakota requires financial support of \$7,293 from state and local sources. Of this amount \$3,774 was expected to come from district mill levies and \$3,519 from the state. The Picus report also recommended a number of education strategies to improve student performance that is included in the \$7,293 they say is sufficient. The Commission does support the Picus funding recommendation and proposes to achieve and exceed that level by Year 2 of the 2010-2011 biennium. The Commission also recommends a manageable start on a number of education strategies suggested by Picus including core curriculum enhancement, counselors, tutors, coaches/mentors, and extra weighting for "at risk" students; it provides full state funding for all of these strategies in the funding proposal. The Commission believes that this level of funding, in combination with the incentives and requirements that help focus resources on student performance, will ensure an "adequate" education for all K-12 students in North Dakota. In the end this definition of "adequate" means far more than adequate; it means a system capable of dramatically improving student performance and ensuring that students are ready for college and ready for work.

MAIN FUNDING FORMULA

The Commission makes the following recommendations in regard to the main school funding formula:

- 1) Special education factor increase from .067 to .07.
- 2) A new weighting factor of .05 for “at risk” students.
- 3) English language learners (ELL) factor increase from two tiers of .14 and .02 to three tiers of .20, .05, and .02.
- 4) The minimum mill levy offset be discontinued.
- 5) The ending fund balance deduct be applied after all other adjustments and to transportation payments.
- 6) \$110,960,000 be appropriated for per student payments which includes a \$4,000,000 increase in equity payments, a \$12,000,000 increase for two years of full day kindergarten, and \$10,000,000 for the “at risk” factor.
- 7) Minimum funding increase of 108% of the baseline in Year 1 and 112.5% of the baseline in Year 2.
- 8) Maximum funding increase of 120% of the baseline in Year 1 and 134% of the baseline in Year 2.
- 9) \$10,000,000 in matching grants for deferred maintenance contingent on a \$30,000,000 increase in the forecast ending fund balance.
- 10) Districts in reorganizations continue to receive historic equity payments.

PRE-KINDERGARTEN

The Commission makes the following recommendations in regard to pre-kindergarten:

- 1) Establish a North Dakota Early Learning Council.
- 2) Provide a pre-kindergarten student factor in the formula that funds a half-day program at least two times per week. The factor should be available in the 2010-2011 school year on a voluntary basis for both districts and students. State statutes should be revised to authorize public education for 4 year-olds.

REGIONAL EDUCATION ASSOCIATIONS

The Commission makes the following recommendations:

- 1) Regional Education Association (REA) funding support of \$3,000,000 should be provided through a base grant of \$25,000 for each REA and through a factor in the formula of .004 times the number of K-12 students served by an REA, and then times the per student payment. The amount earned by the calculation should be held by the Department of Public Instruction (DPI) and distributed directly to the REA.
- 2) REAs should be authorized to hire employees.

EQUITY PAYMENT

The Commission recommends that the calculation of the Equity Payment remain the same for 2009-2011.

SPECIAL EDUCATION CONTRACTS

The Commission makes the following recommendations:

- 1) Continue to cover the excess costs of the most costly 1% of all students receiving special education services.
- 2) Reduce the multiplier from 4.5 to 4.0 times the cost of education to achieve the benchmark.
- 3) Appropriate \$15,500,000 for the 2009-2011 biennium for special education contracts.
- 4) Provide a contingency source of funds in the event of a cost over-run.

PROFESSIONAL DEVELOPMENT

The Commission makes the following recommendations:

- 1) Authorize up to four early dismissal days during the school year for teacher collaboration and professional development. Recognize the days as full contact and employment days.
- 2) Increase the number of student contact days from 173 to 174 beginning in 2010-2011 to offset the four early dismissal days.

- 3) Consider, if resources allow, an additional contact day and an additional professional development day.
- 4) The existing requirement of a Professional Development Plan for every school district for accreditation should be properly monitored and made effective. The administrator in DPI with this responsibility should be guided by a Professional Development Advisory Committee.
- 5) Expand the mentorship grant program by providing \$2,300,000 to the Education Standards and Practices Board for mentorship grants to train protégé teachers that are new to the profession.
- 6) Provide matching grant support to three pilot programs to initiate model instructional coaching activities. \$500,000 should be appropriated in Year 2 to cover the state's proportionate share of the cost of hiring and placing instructional coaches.

STUDENT PERFORMANCE STRATEGIES

Picus and Associates identified 15 distinct elements that go into providing an adequate education, which they define as providing the tools necessary to double student performance. The Commission found that the state is currently doing a reasonable good job of covering nine of these elements. They also found that three other elements were not applicable to the situation in North Dakota's schools. However, the Commission did find

that three of the 15 recommendations were worthy of advancement in North Dakota:

- 1) instructional coaches and mentors for professional development;
- 2) tutors for struggling students; and
- 3) additional counselors and career advisors.

The Commission makes the following recommendations:

- 1) As stated in the Professional Development summary, provide \$2,300,000 to the Education Standards and Practices Board (ESPB) to expand mentorship grants to train new teachers, and provide matching grants of \$500,000 to three pilot programs to initiate model instructional coaching activities.
- 2) Require and provide state funding for one FTE licensed teacher to serve as a tutor for every 400 students in ADM in grades K-3 starting with the 2010-2011 school year. Districts with adequate tutoring may substitute instructional coaches.
- 3) The total staffing level for counselors in an accredited school district should be increased from one FTE counselor for every 450 students to one FTE counselor for every 300 students in grades 7-12. State law should authorize school districts to fill up to one third of the required counselor positions in grades 7-12 with a new sub-category of counselors called “career advisors” with different credentials certified by the Department of Career and Technical Education (CTE).
- 4) \$390,000 should be included in the CTE budget to provide the necessary training and certification of the new career advisors. \$123,618 should be included in the Department of Public Instruction (DPI) budget to monitor accreditation requirements of counseling staffs including the role of the new “career advisors.”

CURRICULUM

The Commission concluded that any student not taking a third year of mathematics and a third year of science in high school will have considerable difficulty demonstrating proficiency in those subject areas on the state assessment and the ACT. The Commission makes the following recommendations:

- 1) Create a new “Merit” diploma for all high school graduates who achieve the new state goals of three years of mathematics, three years of science, and three years of focused electives that emphasize languages, fine arts, and career and technical education. The total number of units required for graduation should be set at 22 units.
- 2) A student should be allowed, but only under strict conditions and circumstances, to opt out of the “Merit” diploma and pursue instead a “General” high school diploma.
- 3) An integrated 3 unit mathematics series of courses should be accepted as an alternative to the traditional mathematics courses of algebra I, geometry, and algebra II.
- 4) The Superintendent should provide, upon request of the student and validation, an “Honors” certificate in both academics and technical education for those students achieving the necessary additional requirements. Students who receive an Honors Certificate are eligible for a special scholarship of \$1,500 per year for four years to any North Dakota college or university.

ASSESSMENTS

The Commission concluded that assessments are necessary to determine if the state's funding, curriculum, and standards are indeed producing high school graduates that are ready for college and ready for work. They also concluded that a career interest inventory is an essential tool in advising a student on course and career plans. Finally, formative assessments were studied and found to be important tools in helping teachers to succeed with their students, as well as serving as a predictor of future performance on summative tests. The Commission makes the following recommendations:

- 1) Require every school district in North Dakota to make available and encourage the use of a “formative” or “interim” assessment, such as the “Measure of Academic Progress” tests, to be used by teachers in grades 2-10.
- 2) Require every school district, as a condition for accreditation, to provide a “career interest inventory” at least one time during the period of grades 7-10.
- 3) Require all students to take, at least once during their high school career, one of the following summative tests: the ACT, the SAT, or WorkKeys.
- 4) The state should include in the state aid formula the full costs of the summative and formative assessments.

INFORMATION TECHNOLOGY AND STUDENT DATA

The Commission concluded that achieving adequacy in K-12 education does require information systems that can track student performance outcomes in relation to a wide range of education inputs and strategies. Ultimately these information systems would compare K-12 education strategies to college and career outcomes. The Commission recommends the following:

- 1) Grant the Information Technology Department (ITD) requests for PowerSchool, Longitudinal Data System, Wide Area Network, and Center for Distance Education.
- 2) All school districts should be required to use the PowerSchool system by September of 2010 unless they are exempted by the Director of ITD.

TRANSPORTATION GRANTS

The Commission recommends that the state increase the appropriation for transportation grants by \$5,000,000 from \$33,500,000 to \$38,500,000. Per mile and per ride rates should be increased proportionately and large bus rates equalized between city and rural.

BUDGET SUMMARY

See page 85 for a summary of recommended and optional budget amounts.

PER STUDENT PAYMENTS FOR MILL LEVY REDUCTION

If the Legislative Assembly decides it wishes to provide property tax relief delivered through the school funding formula, they can consider the Commission's preferred plan which would achieve the stated goal of actual mill levy reductions while also providing equity, workability, and compatibility with the main school funding formula. See page 85 for a complete explanation of the Mill Levy Reduction Program.

TERMINOLOGY: K-12 FUNDING FORMULAS

- 1) ADJUSTED GENERAL FUND MILL LEVY A district's general fund mill levy after being reduced by the state's mill levy reduction program.
- 2) BASE ADM The figure that represents the number of students in grades K-12 together with the number of students enrolled in early childhood special education programs.
- 3) ELL STUDENT A student who is determined to be an English language learner in accordance with a state test in English proficiency, and is enrolled in a remedial English program.
- 4) EQUITY PAYMENT A special payment to school districts to offset the deficiency of revenues caused by inadequate taxable valuation.
- 5) ESY PROGRAM An extended school year program for students with disabilities.
- 6) IMPUTED TAXABLE VALUATION The taxable valuation of real property plus the theoretical valuation created by dividing 75 percent of a district's mineral and unrestricted tuition income by the district's adjusted general fund mill levy.

- 7) MISSING VALUATION PER STUDENT The amount by which a district’s imputed taxable valuation per student falls below the state average imputed taxable valuation per student.
- 8) PER STUDENT PAYMENT The state payment for each weighted student unit.
- 9) SCHOOL DISTRICT SIZE WEIGHTING FACTOR The factor that adjusts for the costs of operating school districts of various sizes.
- 10) STATE AID PAYMENT The total of all state dollars paid to a school district under the main education funding formula. This term does not include transportation payments.
- 11) STATE ASSISTED LOCAL FUNDING The amount of local revenue that is supplanted by the state through the mill levy reduction program.
- 12) TOTAL VALUATION DEFICIENCY The missing valuation per student multiplied by the district’s base ADM.
- 13) WEIGHTED ADM The figure that results from adding the base ADM with the weighting factor adjusted ADM.
- 14) WEIGHTED STUDENT UNITS The student payment units determined by multiplying the weighted ADM by the school district size weighting factor.
- 15) WEIGHTING FACTOR The amount that is added to the base factor of 1.00 and which reflects the added cost of educating a student in each of several categories.

REVIEW OF PREVIOUS
RECOMMENDATIONS AND FINAL
PROVISIONS OF SENATE BILL 2200

MAIN FUNDING FORMULA

RECOMMENDATIONS

SENATE BILL 2200

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| 1) Consolidate previous funding categories into a new comprehensive funding formula, including teacher compensation payments, tuition apportionment payments, and special education ADM distributions. | Enacted. |
| 2) Provide per student payments of \$3,090 in Year 1 and \$3,169 in Year 2. | Per student payments of \$3,250 in Year 1 and \$3,325 in Year 2. |
| 3) Revise statutes to count kindergarten students and Pre-K special education students as regular ADM, base payments on the prior year's closing ADM, and eliminate the requirement for a formal school census. | Enacted. |

RECOMMENDATIONS

SENATE BILL 2200

<p>4) Consolidate all previous special funding categories into weighting factors that reflect the added cost of educating certain categories of students (e.g., special education, English language learners, home educated students) and the costs of providing certain programs and services (e.g., extended school year, alternative high school, summer school, migrant summer school, small and isolated schools, and out-of-state reciprocity).</p>	<p>Enacted.</p>
<p>5) Revise the school size weighting factors to reflect the actual costs of educating students in various size school districts.</p>	<p>Enacted.</p>
<p>6) Ensure a smooth transition to the revised formula by providing a minimum growth in the per student payment of 2% in Year 1 and an additional 1% in Year 2, over the baseline per student payment.</p>	<p>Adopted a minimum per student payment growth of 3.5% in Year 1 and an additional 2.5% in Year 2.</p>

RECOMMENDATIONS

SENATE BILL 2200

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| 7) Ensure a smooth transition to the revised formula by providing a maximum growth in the per student payment, not including any equity payments, of 7% in Year 1 and an additional 3% in Year 2, over the baseline per student payment. | Adopted a maximum state aid payment growth, not including any equity payments, of 7% in Year 1 and an additional 5% in Year 2 (the result of 3% growth plus the regular per student payment increase). |
| 8) Require that 70% of new funding for a school district be expended on teacher compensation. | Enacted. |

EQUITY MEASURES

RECOMMENDATIONS

SENATE BILL 2200

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| 1) Repeal the mill levy deduct and supplemental payment plans, and replace them with an equity payment, calculated as the deficiency in imputed taxable valuation below 90% of the statewide average, multiplied by the district's general fund levy (limited to 185 mills). Special provisions for districts with abnormally low taxable valuations. | Enacted. |
| 2) Require an offset to the main formula payment for districts that have an imputed taxable valuation per student more than 150% of the state average valuation. Calculated as excess imputed taxable valuation, times 185 mills, times .75. | Enacted. |
| 3) Require a reduction in state aid for districts levying fewer than 155 mills in Year 1 and 160 mills in Year 2. | Enacted a reduction for districts levying fewer than 150 mills in Year 1 and 155 mills in Year 2. |

SPECIAL EDUCATION

<u>RECOMMENDATIONS</u>	<u>SENATE BILL 2200</u>
1) Combine special education per student payments with regular per student payments and increase the funding from \$37,000,000 to \$46,000,000.	Enacted.
2) Guarantee payment of the excess costs (i.e., the amount over 4.5 times the average cost per student) of educating the most costly 1% of students in special education statewide, and increase contract funding from \$15,500,000 to \$17,500,000. School districts assume the cost of educating the remaining 99% of all special education students.	Enacted.
3) Reduce the number of special education units in the state.	Not adopted.
4) Allow school districts to provide special education services singly, as a multi-district unit, or as a regional education association.	Enacted.

CAPITAL IMPROVEMENT EQUITY

RECOMMENDATIONS

SENATE BILL 2200

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| 1) Allow capital improvement loans to be drawn from the Coal Development Trust Fund and targeted to the most needy school districts. Increase borrowing to \$50,000,000. | Enacted. |
| 2) Establish an assistance program for consolidating districts to buy down interest payments on capital improvements resulting from a consolidation. | Enacted. |
| 3) Provide a contingent appropriation of \$10,000,000 for deferred maintenance for all school districts. | Enacted at a level of \$5,000,000. |

CAREER AND TECHNICAL EDUCATION

RECOMMENDATIONS

SENATE BILL 2200

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|--|-----------------------------|
| 1) Provide \$1,200,000 in funding for a pilot program to defray the costs of two new area CTE centers. | Enacted in CTE budget bill. |
| 2) Provide \$1,300,000 in cost share incentives for more cooperative delivery of CTE programs. | Enacted in CTE budget bill. |

REGIONAL EDUCATION ASSOCIATIONS

RECOMMENDATIONS

SENATE BILL 2200

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|---|---|
| 1) Increase general fund support for REAs from \$1,000,000 to \$2,000,000 to encourage expansion of REA activity. Authorize an additional \$1,000,000 in contingency funds, ranked second in priority behind special education contracts. | Provided \$1,000,000 general fund appropriations.

Provided \$2,000,000 in contingency funds, which did not become available. |
|---|---|

KINDERGARTEN

RECOMMENDATIONS

- 1) Expand funding for kindergarten by providing an additional half-day payment (.50 ADM) for at risk students attending full day kindergarten.

SENATE BILL 2200

Authorized increasing the weighting factor for all full day kindergarten students up to 1.00, with a pro-rated factor allowed for students enrolled less than full time.

MISCELLANEOUS

RECOMMENDATIONS

- 1) Provide transportation funding.
- 2) Provide school district reorganization planning grants.
- 3) Authorize and re-establish membership and duties of the Commission on Education Improvement.

SENATE BILL 2200

Enacted.

Enacted.

Enacted.

ADEQUACY OF K - 12 EDUCATION FUNDING

BACKGROUND

The Commission on Education Improvement was directed by the Legislative Assembly to examine the “adequacy” of school funding in North Dakota. The question asked by the Commission was whether the total funding per student from state, local, and federal sources in every school district is sufficient to ensure that each student has the opportunity to achieve an acceptable level of proficiency in the state prescribed curriculum and therefore to be considered “ready” for college and/or work.

The Commission contracted with Picus and Associates, a nationally recognized firm specializing in issues of school funding adequacy, to make recommendations regarding the achievement of adequacy and to quantify the amount of money per student that would be required. The firm’s recommendations were presented in a comprehensive report to the Commission entitled, Funding Schools Adequately in North Dakota: Resources to Double Student Performance (See Exhibit D, Executive Summary of the Picus and Associates Report).

The Commission carefully and thoughtfully addressed the provisions of the Picus report throughout the 2007-2008 interim period, and is recommending to the Legislative Assembly and the Governor those provisions of the Picus study found to be worthy and appropriate for adoption in North Dakota, together with the Commission’s own

recommendations for improving the state's school funding formula and improving equity, adequacy, and student performance.

The Picus study concluded that every student in North Dakota in average daily membership requires financial support of \$7,293 from state and local sources, based on prevailing costs during the 2007-2008 school year. This amount does not include federal funds which are presumed to be targeted to specific federal priorities and act as an overall subsidy taken into account before determining the state and local cost requirements. Of the \$7,293 needed from state and local sources, \$3,774 was expected to come from district mill levies. The Picus report assumed that every district was willing to adopt, if necessary, a general fund mill levy equal to the statewide average mill levy of 185 mills. The state's required share, therefore, would be \$3,519 per student, based on prevailing costs during the 2007-2008 school year. Assuming the local contribution continues to increase, this would indicate an equivalent state payment of \$3,657 per student in 2009-2010 and \$3,726 per student in 2010-2011 (See Table 1 on page 29).

The Picus report also recommended that these financial resources be used in a manner designed to improve student performance. In fact, the report specifically defines "adequacy" as the ability to double the test scores of North Dakota students on the National Assessment of Educational Progress (NAEP) test. This would presumably mean improving the average combined language and mathematics proficiency percentage from approximately 37% to 74%.

RECOMMENDATIONS

The Commission does not fully agree with the Picus definition of an adequate education. The Commission believes that an adequate education is evidenced by the successful completion of a rigorous core curriculum established by state policy, and achievement of proficiency on a required state assessment aligned with the curriculum. Adequacy is also evidenced by proficiency on a nationally recognized test, such as the ACT, the SAT, or WorkKeys. Ideally a majority of North Dakota seniors should score above the national average, proving that they are in fact “ready for college and/or ready for work.” It is expected that this goal will be discussed by North Dakota policy makers and monitored in the future.

The Commission does, however, agree with the Picus funding benchmark and in fact recommends exceeding it by providing a per student payment of \$3,423 per student in 2009-2010 and \$3,783 per student in 2010-2011, not counting any amounts distributed specifically for mill levy reduction. This will exceed the equivalent amount recommended by Picus and Associates by Year 2 of the 2009-2011 biennium (see Table 1 on page 29), taking into account that all weighting factors are also subsequently applied. The Commission believes that this level of funding, in combination with other incentives and requirements that will help focus resources on student performance, will ensure an adequate education for all K-12 students in North Dakota.

In order to continue to make progress in the future toward a more equitable and adequate school funding formula, the Commission recommends that school district

reorganization grants be re-enacted and that the Legislative Assembly re-authorize and re-establish the membership and duties of the Commission on Education Improvement.

TABLE 1

ADEQUATE FUNDING PER STUDENT:
PICUS PROPOSAL VS. COMMISSION RECOMMENDATION

PICUS AND ASSOCIATES					WEIGHTED
PROPOSAL	2007–08	2008–09	2009–10	2010–11	2010–11
State	\$ 3,519	\$ 3,588	\$ 3,657	\$ 3,726	\$4,352
State Assisted Local			1,579	1,642	1,642 *
Local	3,774	3,924	2,501	2,601	2,601
Total	\$ 7,293	\$ 7,512	\$ 7,737	\$ 7,969	\$8,595 **

COMMISSION					
RECOMMENDATION	2007–08	2008–09	2009–10	2010–11	2010-11
State	\$ 3,250	\$ 3,325	\$ 3,423	\$ 3,783	\$4,418
State Assisted Local			1,579	1,642	1,642
Local	3,774	3,924	2,501	2,601	2,601 ***
Total	\$ 7,204	\$7,249	\$ 7,503	\$ 8,026	\$8,661

* In biennium 2009-2011, assume 38.7% of the local share will be reimbursed by the state.

** By school year 2010-2011, North Dakota exceeds the adequate funding level prescribed by Picus and Associates.

*** By school year 2010-2011, North Dakota's share of the cost per student is \$6,060 out of \$8,661 or 70%.

K - 1 2 E D U C A T I O N : M A I N F U N D I N G F O R M U L A

BACKGROUND

Senate Bill 2200, which was enacted by the Legislative Assembly in the 2007 Session, represented a dramatic improvement in school funding equity, as compared to the previous system. It provided greater transparency, better logic, and more flexibility than the previous methodology.

The hallmarks of these significant improvements included the revision and expansion of weighting factors which, when multiplied times the per student payment, reflected all of the added costs for certain categories of students. This process alone greatly improved the equity of the state's school funding system.

In addition, the school size weighting factors were revised to more accurately adjust for the increased cost of operating smaller and usually less efficient schools. The scale of factors was based on historic cost data collected from all school districts.

Two new offsets to the state formula payments were adopted to provide more equity. Payments to districts with taxable valuation per student greater than 150% of the statewide average were reduced, as were payments to districts with general fund levies well below the state average.

In addition, minimum and maximum allowable growth rates in state distributions were established for all districts in order to provide a more gradual transition to higher payment levels. The minimum payment per student was the base amount from the 2006-

2007 school year plus a percentage increase established as 3.5% in Year 1 and 2.5% in Year 2. The combined minimum increase in per student payments was 103.5% in Year 1 and 106% in Year 2, of the base year payments in 2006-2007.

The maximum increase in state payments per student was 7% over the base year in Year 1 and an additional 5% increase in Year 2. Therefore, the combined allowable state payment per student was 107% of the base year per student amount in Year 1 and 112% of the base year per student amount in Year 2.

A new definition of “English Language Learner” was adopted in 2007 because the Department of Public Instruction was converting to a new English proficiency test and could not adapt factors to levels of proficiency based on test results. Tested levels of English proficiency continue to be the preferred methodology for determining weighting factors for English language learners.

RECOMMENDATIONS FOR 2009-2011

- 1) The Commission recommends that the weighting factor for special education funding be revised from .067 to .07, to reflect the increased cost of educating these students. National studies would indicate that the North Dakota factor is at the low end of the range and should be increased even more over time. Since this factor is applied to the ADM count, it does not affect the total distribution to any given district, assuming a fixed total appropriation.
- 2) The Commission recommends that a new weighting factor be established to reflect the added cost of educating students who are considered “at risk” of failing in school if

they do not receive additional help in the form of counseling, tutoring, and other forms of student support. The Commission recommends a factor of .05 to be multiplied by the number of students in the district considered eligible for the free and reduced cost lunch program offered by the federal government. The “at risk” student count should be established by computing the three year average percentage of students in grades 3-8 receiving free or reduced cost lunches and then applying that percentage to the total ADM in the district. (If data for grades 3-8 is not available, the Superintendent of Public Instruction may use an optional method of determining the percentage of students considered “at risk.”) This calculation is used only for the purpose of computing the amount of additional money that a district needs in total to cover the added costs of its “at risk” students. The Commission determined that this measure is the most accurate and reliable over time in determining the district-wide cost and is preferable to any system that tries to screen and identify individual students in need of various forms of support. As a matter of policy, the Commission would emphasize that these added services should be equally available to every student, regardless of socio-economic background.

- 3) The Commission recommends that the statutory definition of English language learners be changed to accommodate three separate categories:

LEVEL	CATEGORY	FACTOR
First level	“testing least proficient”	.20 factor
Second level	“testing not proficient”	.05 factor
Third level:	“testing somewhat proficient”	.02 factor

The factor categories should be based on an English language proficiency test approved by the Superintendent of Public Instruction and made available to all school districts. Each factor should be multiplied by the number of students who are in that category and are receiving a special program of English instruction.

- 4) The Commission recommends that the minimum mill levy offset, currently triggered at 155 mills, be discontinued. The original intent of this adjustment to the state aid distribution was to encourage local effort in the general fund mill levy, particularly for certain districts not affected by the high valuation offset. In light of the fact that the state will probably be increasing its share of the cost of education by a significant amount, and further that the Legislative Assembly will be considering a property tax relief measure providing funds directly for the reduction of mill levies, the Commission has concluded that this adjustment is no longer useful. The mill levy reduction program, explained on page 87, will restrict all districts to a general fund mill levy of 110 mills unless a vote of the patrons or other exceptions apply.
- 5) The Commission recommends that the ending fund balance deduct, currently one of several adjustments before minimum and maximum applications, must be applied to the state aid distribution after all other calculations, and if the deduct is not entirely depleted it must be applied to any transportation payments.
- 6) The Commission recommends that \$110,960,000 in new state funds be appropriated for the main funding formula and distributed on the basis of weighted student units and adjustments. This amount would include increases of \$4,000,000 to continue

equity payments, \$12,000,000 to continue full day kindergarten, \$10,000,000 for the new at risk factor, \$3,680,000 for one additional school day, \$3,780,000 for new tutors, \$3,000,000 for the REA factor, and \$3,500,000 for pre-kindergarten programs.

- 7) The Commission recommends that the “baseline funding per weighted student unit” should continue to be defined as all the state aid received by the district during the 2006-2007 school year, less the amount received by the district during the 2006-2007 school year for transportation aid, special education excess cost reimbursements, special education contracts, prior year funding adjustments, and payments for participation in regional educational associations, divided by the district’s 2007-2008 weighted student units.
- 8) The Commission recommends for the 2009-2010 school year that the total amount of state aid payable to a district per weighted student unit be no less than 108% of the baseline funding per weighted student unit.
- 9) The Commission recommends that the total amount of state aid payable to a district per weighted student unit for the 2010-2011 school year be no less than 112.5% of the baseline funding per weighted student unit. 2.5% of the minimum increase of 4.5% in Year 2 is to cover the full cost of tutors, career advisors, and one additional day in the school calendar.
- 10) The Commission recommends for the 2009-2010 school year that the total amount of state aid payable to a district per weighted student unit, less any amount received as equity payments, not exceed 120% of the baseline funding per weighted student unit.

- 11) The Commission recommends for the 2010-2011 school year that the total amount of state aid payable to a district per weighted student unit not exceed 134% of the baseline funding per weighted student unit.
- 12) The Commission recommends that \$10,000,000 be made available to school districts in the 2009-2011 biennium for deferred maintenance and improvement grants contingent upon the forecasted ending fund balance for the end of the biennium exceeding the 2009 session ending forecasted balance by more than \$30,000,000 and upon evidence of an equal amount of matching funds from the district. The Superintendent of Public Instruction should distribute to each eligible school district \$20,000 plus the district's pro rata share of the remaining appropriation.
- 13) The Commission recommends the adoption of the language in Section 52 of Senate Bill 2200 (2007 Session), that is, during the 2009-2011 biennium the board of each school district shall use an amount equal to at least seventy percent of all new money from the state to increase the compensation paid to teachers. This calculation does not include equity payments, transportation payments, or contingency payments. The Section provides a procedure for the board to become exempt from the requirement under special circumstances.
- 14) Any district that receives an equity payment and becomes part of another district through reorganization or dissolution should receive, for a period of two years, its historic equity payment.

- 15) Any district that experienced an abnormal drop in revenues due to federal funding aberrations in the base year 2006-2007 should be granted an averaged base year computation.

TABLE 2

ILLUSTRATION FOR REVISED MAIN FUNDING FORMULA
 PREPARED FOR THE ND COMMISSION ON EDUCATION IMPROVEMENT
(Based on Grafton School District Prior Year Data Rounded)

KEY	DESCRIPTION	ADM	WEIGHTING FACTOR	WEIGHTED ADM
1	Grades K-12 ADM <i>(based on prior year-end)</i>	828.00	1.00	828.00
2	PK Special Ed ADM	24.00	1.00	24.00
3	BASE ADM			852.00
4	Special Ed ADM <i>(non-contract)</i>	852.00	0.07	61.74
5	Pre-K Eligible ADM <i>(census x .2)</i>	6.00	1.00	6.00
6	Pre-K Special Ed ADM	24.00	0.17	4.08
7	English Language Learners: Level 1	5.00	0.20	1.00
8	English Language Learners: Level 2	6.00	0.05	0.30
9	English Language Learners: Level 3	20.00	0.02	0.40
10	Special Ed ESY	10.00	1.00	10.00
11	Alternative High School	0.00	0.25	0.00
12	Summer School	16.00	0.60	9.60
13	Migrant Summer School	50.00	1.00	50.00
14	Home-Schooled (Supervision)	6.00	0.50	3.00
15	At Risk - Poverty	180.00	0.05	9.00
16	Small Isolated <i>(additional ADM for minimum)</i>	0.00	1.00	0.00
17	Small Isolated <i>(cost factor on actual and phantom)</i>	0.00	0.25	0.00
18	Out-of-State Reciprocity	0.00	0.20	0.00
19	Served by Regional Education Association <i>(K-12 ADM)</i>	828.00	0.005	8.28
20	WEIGHTED ADM TOTAL			1,015.40
21	SCHOOL SIZE WEIGHTING FACTOR		x	1.01
22	WEIGHTED STUDENT UNITS			1,025.55
23	PER STUDENT PAYMENT		x	\$ 3,460.00
24	TOTAL STATE AID PAYMENT <i>(minimum of 2.5% growth and maximum of 8% per student)</i>			\$ 3,548,403.00
25	HIGH VALUATION OFFSET			0

P R E - K I N D E R G A R T E N

BACKGROUND

During the course of the Commission's work, a special subcommittee was delegated to research early childhood education. The subcommittee was chaired by Representative Kelsch and included a number of people active in the area of early childhood education in North Dakota. The subcommittee reported to the Commission that there is a wide variety of early childhood activity in the state, including traditional daytime child care services, privately operated pre-school programs, Head Start programs, licensed home-based programs, and conventional school-based early childhood classes. Some of these programs are coordinated including, on occasion, full integration of Head Start and pre-kindergarten school classes.

The subcommittee contracted with the National Institute for Early Education Research (NIEER), to develop a cost estimate for the state to provide a part-day state Pre-K program that would meet the NIEER quality benchmarks. The conclusion, presented by Mr. Eliot Regenstein, was that such a program would cost approximately the same as providing services to K-12 students. The NIEER made several recommendations as follows:

- 1) The program must have teachers licensed for early childhood education;
- 2) The program should be limited to students who are at least 4 years old;
- 3) The program must ensure proper screening and support for students;

- 4) The program must have proper oversight to be provided by an Early Childhood Learning Council as required under Head Start guidelines;
- 5) The state should start small and develop the program over time.

The Governor announced in October 2008 his interest in moving pre-kindergarten forward in North Dakota. A variety of considerations enter into a decision to propose state support for pre-kindergarten. First and foremost is the body of research confirming that early childhood education does produce lasting improvements in academic performance throughout a child's school career. Secondly, early childhood programs are in demand throughout the state. Many communities are concerned about a shortage of quality day care services and a shortage of early education programs. One reason given for this shortage is the lack of profitability in day care enterprises due to rising costs. A third reason for state involvement in early childhood education is the growing concern for safety and quality assurance in day care and pre-school programs. Any state initiative to screen providers and verify their educational backgrounds would end up being very similar to the procedures for establishing an accredited Pre-K education program and would be just as costly.

RECOMMENDATIONS

- 1) The Legislative Assembly should create a state advisory council to coordinate services for young children. Federal law now requires a council of this type to coordinate federally supported education services such as Head Start. A North Dakota Early Learning Council should be established to coordinate existing services and develop plans for the

future provision of educational services to children below kindergarten age. The Council should be responsible for developing a comprehensive plan to provide state-funded pre-kindergarten education. The Council should also be responsible for assessing early childhood education programs throughout the state, recommending improvements in early education standards, and promoting the availability and quality of early childhood education opportunities in North Dakota. The Council should provide an annual report on its recommendations to the Governor and to the Legislative Assembly.

- 2) The Council should consist of no more than 18 members including:
 - a) A chairman, appointed by the Governor;
 - b) The Superintendent of Public Instruction, or their designee;
 - c) The Director of the ND Health Department, or their designee;
 - d) The Director of the Department of Human Services, or their designee;
 - e) A superintendent from an urban school district (over 1,000 ADM),
appointed by the Governor;
 - f) A superintendent from a rural school district (under 1,000 ADM), appointed
by the Governor;
 - g) A superintendent from a reservation district, appointed by the Governor;
 - h) A member of a school board, appointed by the Governor;
 - i) A school principal, appointed by the Governor;
 - j) An elementary school teacher, appointed by the Governor;
 - k) An individual representing a private pre-school, appointed by the Governor;
 - l) An individual representing a religious pre-school, appointed by the Governor;

- m) An individual representing a licensed private child care center, appointed by the Governor;
- n) An individual representing a licensed private home-based child care, appointed by the Governor;
- o) The Director of the North Dakota Head Start program;
- p) An individual representing an Indian Head Start program, appointed by the Governor;
- q) The chairman of the Senate Education Committee, or the chairman's designee;
- r) The chairman of the House Education Committee, or the chairman's designee.

The gubernatorial appointees should serve staggered three year terms and the Governor should fill vacancies as needed. The Council should meet at least twice each year and at other times at the call of the chairman. Funding in the amount of \$20,000 should be provided in the budget for the Department of Public Instruction to cover expense reimbursements for Council members. Staff support should be provided by the Governor and the Superintendent of Public Instruction, as needed. In order for the Council to begin its work as soon as possible, an emergency clause should be attached to this section.

- 3) Provide a pre-kindergarten student factor in the main school funding formula for any school district that provides at least one-half day (two and three-quarter hours) of education to 4 year-olds, at least two times per week. This factor should be available for

the 2010-2011 school year on a voluntary basis for both districts and students. The estimated cost of this program is \$3,500,000. The cost is based on 4,760 participating students in 2010-2011 (6,800 potential 4 year-olds with an overall participation rate of 70%), multiplied by \$3,700 per student, and then multiplied by a factor of .20 for a minimum of 2 half-days per week. Some school districts may be able to operate a Pre-K program more efficiently by employing one teacher for multiple sections. Teachers must be specifically licensed to provide early childhood education. Any school district claiming the weighting factor must be able to demonstrate appropriate readiness screening of applicants for a Pre-K program and demonstrate an adequate level of support for 4 year-olds in the school setting. Any participating student should be included in claims for transportation payments provided the student is transported to or from their homes, or to or from a licensed day care center in the community. Any school district receiving state funds under this program must demonstrate that it has maximized its opportunities for collaboration with other Pre-K and day care providers in the community, including both public and private programs. The Department of Public Instruction should develop rules for the approval and accreditation of Pre-K programs. State statute should be revised to authorize public education for 4 year-olds in the year preceding kindergarten.

REGIONAL EDUCATION ASSOCIATIONS

BACKGROUND

Financial support for Regional Education Associations (REAs) was recommended by the Commission in 2007 at a level of \$3,000,000, of which \$1,000,000 was to be provided from surplus or contingency funds. The 2007 Legislative Assembly ultimately provided \$3,000,000 as well, but \$2,000,000 of that amount was to be provided from contingency funds. At this time it appears that contingency funds will not be available.

There are currently eight Regional Education Associations in North Dakota, and they serve 95% of all students in the state. Each REA provides to its member districts a variety of student and administrative services from a list of services approved by the Department of Public Instruction. The governing board of each REA is composed of elected school board members or their designees from each participating district. The designees must also be elected school board members. Each dollar of state funding transferred to an REA is pooled with money obtained from the participating districts and from grants.

RECOMMENDATIONS

- 1) The Commission believes that REAs continue to play an important role in providing an adequate education for every student in North Dakota. As demands increase for a rigorous and varied education program for every K-12 student, the role of the REAs will become critical in delivering quality educational opportunities, particularly to rural school

districts with low and declining enrollments. REAs are the only viable alternative to mandatory school consolidation. The Commission recommends that \$400,000 be provided as base grants to REAs, assuming \$25,000 for each of 8 REAs, and \$2,600,000 be appropriated for REAs through the main funding formula.

- 2) This amount should be provided through a factor of the per student payment for each school district. The number of students in grades K-12 whose district participates in an REA should be multiplied by .004, and then multiplied by the base per student payment. All of the resulting amount should be paid directly to the REA by the Superintendent of Public Instruction, in exchange for approved services. ($94,534 \times .98 = 92,643$ eligible ADM in grades K-12, times the per student payment, times .004 = \$2,600,000).
- 3) Regional Education Associations should be authorized to hire employees. The Commission did not research how to implement this recommendation.

EQUITY PAYMENT

BACKGROUND

In 2007, the Commission recommended the establishment of an equity payment to replace the previous mill levy deduct and the supplemental payment plan. It required that all school districts in North Dakota be guaranteed a local tax base per student equal to no less than 90% of the statewide average tax base per student. In defining the tax base available to a district, the Commission included the taxable valuation of real property in the district, plus an imputed taxable valuation created by dividing 75% of a district's cash revenue from minerals and unrestricted tuition by the district's general fund levy (limited to 185 mills). Districts with abnormally low taxable valuations, such as reservation districts, were established at 20% of the statewide average imputed taxable valuation per student, times an assumed levy of 185 mills.

RECOMMENDATIONS

The Commission recommends that the calculation of the Imputed Taxable Valuation Per Student (ITVPS) remain the same. In the context of a school district mill levy reduction program funded by the state, the question arises whether the 185 mill benchmark should be adjusted downward to reflect the new lower general fund levy paid by the taxpayer.

However, further consideration leads to a conclusion that the school district itself does not

receive any additional funds from the mill levy reduction program, and therefore the levy for calculating the equity payment should be left at the district's unadjusted general fund levy, capped at 185 mills.

Over time, a full measure of equity would argue for a guarantee closer to 100% of the statewide average valuation per student. However, one could also argue that districts having excessively high valuations per student, such as those receiving discounted state aid for valuations per student over 150% of the statewide average, should not be included in the computation of a statewide average in the same way as other districts, especially since the excess valuation is not available in its entirety.

The Commission recommends that the benchmark percentage guarantee of the statewide average ITVPS should remain at 90 percent.

TABLE 3

EQUITY PAYMENT ILLUSTRATION
(Based on Dickinson School District Prior Year Data)

KEY	STATEWIDE INFORMATION	2008-2009 ENTITLEMENT
1	Taxable Valuation <i>(imputed)</i>	\$ 2,047,078,234.96
2	Grades Pre-K-12 Base ADM	91,975.51
3	Valuation Per Student <i>(imputed)</i>	22,256.98
4	90% of Statewide Average Imputed Taxable Valuation per Student	20,031.28
KEY	DICKINSON SCHOOL DISTRICT	2008-2009 ENTITLEMENT
5	Taxable Valuation <i>(imputed)</i>	\$ 42,141,679.54
6	Grades Pre-K Base ADM	2,509.45
7	Taxable Valuation per Student <i>(imputed)</i>	16,793.19
8	Missing Imputed Valuation per Student <i>(Line 4 less Line 6)</i>	3,238.09
9	Total Imputed Taxable Valuation Deficiency <i>(Line 8 times Line 6)</i>	8,125,824.95
10	District's General Fund Mill Levy	185.00
11	Equity Payment <i>(Line 9 times Line 10 – up to 185 Mills)</i>	1,503,277.62
12	General Fund Tax Revenue	7,350,850.13
13	Equity Payment <i>(Lesser of Line 11 or Line 12)</i>	1,503,277.62
14	Low Mill Levy Adjustment)	N/A
15	Minimum Equity Payment	N/A

SPECIAL EDUCATION CONTRACTS

BACKGROUND

In 2007 the Legislative Assembly appropriated \$17,500,000 to reimburse school districts for the cost of special education contracts. The stated goal was to cover the excess costs of the most severely disabled 1% of all students receiving special education services. At the time this was estimated to be 140 students statewide. The legislation also provided several funding mechanisms to guarantee that the excess costs would always be reimbursed at no less than 100% of excess costs.

Relying on historic data, the Superintendent of Public Instruction estimated that the excess costs of the most severe 1% of all special education students would be entirely covered by the state if it paid all costs per student in excess of 4½ times the average cost of education statewide. After the first year of the biennium it appears that these excess costs were less than forecast. The number of students triggering some reimbursement was 115 students, which is .96% of the students receiving special education services and is reasonably close to the stated goal. However, the dollar amount of excess costs claimed was considerably less and may result in savings of as much as \$4,500,000 to the state in the 2007-2009 biennium. The Legislative Assembly did not provide any means to redirect these funds to another area of school funding, such as the state aid appropriation.

The reason why the excess costs claimed were lower than forecast has not been fully analyzed. However, one might presume that as the school districts absorbed the excess

costs on a larger number of students than before, there was a greater incentive to find efficiencies and hold down the costs of contract services, thereby resulting in a smaller number of students claiming reimbursement at the threshold of 4.5 times the cost of education.

RECOMMENDATIONS

- 1) Continue to cover the excess costs of the most costly 1% of all students receiving special education services. In order to fit the statutory multiplier to the goal of 1% of special education students, the Legislative Assembly should reduce the multiplier from 4.5 times to 4 times the cost of education in the first year of the biennium, namely 2009-2010. The Commission recommends that the biennial appropriation for 2009-2011 be placed at \$15,500,000.
- 2) Provide in legislation with an emergency clause, that the savings from the 2007-2009 appropriation for special education excess contract costs be transferred to the “State Aid to Schools” line item for 2007-2009 and distributed according to the provisions adopted by the 2007 Legislative Assembly, in other words, added to the funds available for state aid formula payments to the extent needed to fully fund the formula.
- 3) Re-authorize language that any claimed excess costs of special education contracts over the amount appropriated will be advanced by the Bank of North Dakota and a deficiency appropriation will be provided.

PROFESSIONAL DEVELOPMENT

BACKGROUND

Currently the state of North Dakota provides two fully funded professional development days under section 15.1-06-04 of the North Dakota Century Code. A school district may require that its teachers attend the annual conference of the North Dakota Education Association (NDEA) and may pay teachers for attending the conference, provided that the teacher's attendance at the conference is verified. A school district may also consider attendance at the conference to be optional, elect not to pay teachers for attending, and instead direct any resulting savings toward alternate professional development activities according to a professional development plan required for accreditation.

Picus and Associates, in their study of professional development in North Dakota, recommend that the state increase the number of professional development days from two to ten. They cite numerous education studies showing that better instruction is a key aspect of an education system and will improve student learning. They state, "*Indeed, improving teacher effectiveness through high quality professional development is arguably as important as all of the other resource strategies identified.*"

The recommendation for 10 days of professional development would presumably involve the concept of an intensive summer institute and likely use all of the eight additional days they recommend. On the other hand, Picus also emphasized the importance of having time for teacher collaboration, in concert with instructional coaches, as a highly effective

activity intended to take place within the regular school day. Ultimately, Picus and Associates recommended that the Commission employ the services of Ms. Joellen Killion, a nationally recognized authority on the subject of professional development. The Commission arranged the attendance of Ms. Killion at the meeting of the subcommittee on professional development held on September 25, 2008.

Ms. Killion explained to the subcommittee that the current national trend and best practice is toward building into the regular school day more time for teacher collaboration and instructional coaching. This is considered by leading authorities to be more effective than professional development days conducted separately and away from the school setting.

Both Picus and Killion recognized that as North Dakota phases in new, statewide approaches to professional development, the most effective, first investment dollars should focus on teachers in their first five years in the profession. Coaches and trainers could first provide mentoring services to new teachers, with the presumption that these coaches would in the future become part of a more fully developed professional development model that provides services to all teachers.

RECOMMENDATIONS

- 1) Authorize under state law up to four early dismissal days in the school calendar for the purpose of professional development activities. Recognize the days as full student contact days and as full days of employment by the teacher/district contract if they are properly implemented by the district. An “early dismissal day” should be defined as a day when student dismissal takes place one and one-half hours earlier than the normal

dismissal time. The freed up one and one-half hours, together with one-half hour of additional teacher time, must be used for teacher collaboration either within the school or in cooperation with other schools and/or school districts. The collaboration should focus on curriculum, classroom practices, and the use of formative testing data.

Whenever possible, instructional coaches should be included in the collaboration activities.

- 2) Increase the number of student contact days from 173 days to 174 days beginning with the 2010-2011 school year. This is needed to offset the loss of student/teacher contact time resulting from the four early dismissal days. The cost of this additional day is reflected in an increase in the per student payment as shown in the budget summary recommendations on page 85.
- 3) The Legislative Assembly should consider, if resources allow, an additional student contact day to offset the loss of student/teacher contact time that has been caused by increased time devoted to various extracurricular activities and to required assessments. The cost of this additional day is reflected in the optional budget recommendations on page 85.
- 4) The legislature should consider, if resources allow, another professional development day in addition to the two days that are currently required beginning with the 2010-2011 school year. This third day of professional development should be used at the discretion of the school district and incorporated into a complete professional development plan. The cost of this additional day is reflected in the optional budget recommendations on page 85.

- 5) The professional development plan that is currently required by rule for state accreditation should be reviewed regularly by the Superintendent of Public Instruction in consultation with a Professional Development Advisory Committee. The Professional Development Advisory Committee should be made up of representatives from the school boards, school administrators and teachers in the state, as well as a representative of the state's teacher colleges. The Legislative Assembly should provide \$219,032 to the budget of the Department of Public Instruction for one administrator and one FTE support staff for the collection, review, and evaluation of school district professional development plans. This administrator will also be responsible for the management of the instructional coaching grant program recommended on page 57, as well as any additional oversight needed for curriculum development. The role of the new professional development administrator, working in consultation with the Professional Development Advisory Committee, is to provide feedback to each school district regarding ways to improve the district's professional development plan, verify its execution, and communicate new information on best practices. If the professional development administrator finds that a school district has not developed and implemented an acceptable professional development plan, they should recommend a loss of points in the accreditation process to the Superintendent of Public Instruction.
- 6) Expand the mentorship grant program authorized by the 2007 Legislative Assembly and administered by the Education Standards and Practices Board (ESPB). \$2,300,000 should be provided to ESPB for mentorship grants to train protégé teachers that are considered new to the profession. Approximately 250 protégé teachers would be

coached by other mentor teachers trained under the supervision of ESPB. Proposals would be solicited for groups of 12-13 protégé teachers organized by region or within large districts. ESPB would hire a mentoring coordinator, oversee training of mentors, approve stipends for mentors and protégé teachers, audit expenses, and evaluate results. ESPB should be authorized to develop and support an advisory committee to assist in the oversight of the program.

- 7) Provide grant funds on a one to one ratio to three pilot programs of model instructional coaching. \$500,000 should be provided in Year 2 of the 2009-2011 biennium to be distributed to school districts that apply for and receive approval from the Superintendent of Public Instruction for an effort to advance instructional coaching in their region. The funds would cover the state's proportionate share of the costs of approximately 16 FTE instructional coaches. Consideration should be given both to multi-district and single district applications. Favorable consideration should be given to applicants that intend to employ highly qualified instructional coaches, intend to promote teacher involvement, and have a plan to verify the effectiveness of the coaching activity.

STUDENT PERFORMANCE STRATEGIES

BACKGROUND

Picus and Associates recommended a number of strategies to boost student performance as part of its overall formula to provide an “adequate” education. In fact, the recommendations were designed to actually make it possible to double student performance in North Dakota.

I. A number of these strategies are already being adequately pursued in North Dakota and Picus, in many cases, acknowledged this fact. Among the strategies that North Dakota is currently using with success are the following:

- 1) Maintaining class sizes in core courses (English, math, science, social studies, world language) of:
 - 18-19 students in grades K-6, and
 - 25 students in grades 7-12.

All but a few classrooms in the state’s largest school districts meet this recommendation for class sizes.

- 2) Ensuring that the number of specialist and elective teachers (art, music, physical education, etc.) equals 20% of the core teachers in grades K-8 and 33% of the core teachers in grades 9-12. The ratio of specialist and elective teachers in North Dakota is very close to this recommended proportion.

- 3) Making summer school available and subsidizing it for all students needing remedial help. Picus and Associates found the state's summer school factor to be satisfactory and recommended no change.
- 4) Making alternative schools available where needed. Picus found the state's weighting factor of 0.25 to be acceptable.
- 5) Providing special education funding in a manner that is consistent with best practices – i.e., having the state fund 100% of the excess costs of the most costly 1% of all special education students, and funding the remainder of the students through a percentage factor multiplied by the regular per student payment.
- 6) Providing separate funding for career and technical education outside of the main school funding formula.
- 7) Employing sufficient personnel to serve as non-instructional aides, librarians, principals, secretaries, and central office staff.
- 8) Providing sufficient funding for technology, instructional materials, operations, and maintenance.
- 9) Exceeding the average or benchmark expenditures for student activities (i.e., \$200 per elementary and middle school ADM and \$250 per high school ADM).

II. Certain strategies for improving student performance were discussed by the Commission and found to be inappropriate, untested, or ineffective for the

circumstances of K-12 education in North Dakota. These strategies included the following:

- 1) Extended day programs funded according to at risk count. Because of the difficulties of extended day logistics in an extremely rural state where transportation and scheduling are already problematic, the Commission determined that statewide extended day programs were not a feasible strategy at this time.
- 2) Increased state funding for gifted and talented programs. Because of the wide variety of gifted and talented programs across the state and the problem of program accountability, the Commission determined that the state contribution to these programs should be left unchanged.
- 3) State funding for substitute teachers equal to ten days of absences for every teacher in North Dakota. Because the state requires each school district to provide ten paid days of leave for every teacher, no additional change is needed.

III. Finally, a number of strategies put forward by Picus and Associates to increase student performance were found by the Commission to have merit. Although some strategies are not being recommended in their entirety, the following strategies were found to be worthy of advancement in North Dakota:

- 1) Instructional coaches and mentors for professional development:

Instructional coaches and mentors are discussed in the section on professional development but are included here as part of the strategies for improved student performance. Picus and Associates state clearly, *“The impact of coaches as part of the professional development program is very large.”* Their studies indicate that teachers receiving instructional coaching become significantly more effective at increasing student skill levels and knowledge. They recommend 1.0 FTE instructional coach for every 200 students and categorize mentors as simply instructional coaches for new teachers.

2) Tutors for struggling students:

Picus and Associates state, *“The most powerful and effective strategy to help struggling students meet performance standards is individual one-on-one tutoring provided by licensed teachers.”*

Individual and small group tutoring is important for the following reasons:

- Tutoring intervenes immediately when a student is struggling to learn;
- Tutoring is explicitly tied to the specific learning problem that has been identified;
- Tutoring by a trained professional provides the precise help the student needs; and
- Tutoring should remedy short-term learning problems and therefore may not be needed on a continuing basis.

The value of returning the student to the regular classroom as quickly as possible has significant benefits to the performance of the school's students as a whole. Picus and Associates recommend a minimum of one FTE tutor position for every school, an additional FTE tutor for every additional 450 students, and another FTE tutor for every 125 at risk students.

3) Counselors and career advisors:

Picus and Associates assert that middle schools and high schools need guidance counselors as an essential element in improving student performance. They emphasize the importance of involving parents in the learning process and ensuring that parents understand what is expected of their children. They state, *“Secondary schools need to help many parents know how to more effectively assist their children in determining both an academic pathway through middle and high school, standards for acceptable performance, and at the high school level, an understanding of the course work necessary for college entrance.”*

North Dakota currently requires a full-time credentialed school counselor for every 450 students. Picus recommends the standard of the American School Counselor Association (ASCA), which is one counselor for every 250 secondary students, with a minimum of one counselor per school.

Picus and Associates also recommend the state allow high schools to allocate up to 30% of the required counseling positions to individuals who would provide career counseling and advising services, with the stipulation that such individuals would need training or “certification” in career counseling and advising, but not necessarily a guidance counselor’s license.

RECOMMENDATIONS

- 1) As stated in the Professional Development recommendations, provide \$2,300,000 to the Education Standards and Practices Board (ESPB) to expand mentorship grants to train new teachers, and provide matching grants of \$500,000 to three pilot programs to initiate model instructional coaching activities.
- 2) Require the presence of one FTE licensed teacher to serve as a tutor for every 400 students in ADM in grades K-3 beginning with the 2010-2011 school year. This level of staffing should be a condition for accreditation. Most school districts in North Dakota probably meet this staffing requirement today if they add up all of the teacher hours spent on one-on-one, one-on-three, and one-on-five tutoring sessions. However, the school district should be required to account for this tutoring time and to demonstrate that it is used as part of a structured plan to provide assistance to struggling K-3 students. School districts that have more demand for tutoring would be helped by the Commission’s recommendation for an at risk factor of .05 multiplied by the number of students eligible for free or reduced lunches. The full cost of these additional tutors,

including state and local costs, is provided as an increase in the per student payment as reflected in the budget recommendation summary on page 85. These state funds for tutoring must be expended over and above any Federal Title I funds received for tutoring. If a school district determines that it would be more beneficial to hire an instructional coach rather than increase tutoring staff, it may substitute FTE coaches for the required tutor staffing.

- 3) The total staffing level for counselors in an accredited school district should be increased from one FTE counselor for every 450 students to one FTE counselor for every 300 students in grades 7-12. Further, statutory language should authorize school districts to fill up to one third of the required FTE counselor positions in grades 7-12 with a sub-category of counselors called “career advisors.” Career advisors would differ from the regular guidance counselors in the following ways:
 - a) Career advisors would not be required to be licensed teachers or to hold a master’s degree in guidance and counseling. Instead, they would be required to have a bachelor’s degree, have appropriate work experience, and obtain certification in career development facilitation from the North Dakota Department of Career and Technical Education.
 - b) Career advisors would focus on helping students in grades 7-12 with career development and work planning activities. They would meet regularly with every student to discuss the student’s academic assessments and career interest surveys. They would assist students in learning to use computer assisted career guidance systems.

The career advisor would be considered a specialist within the counselor staff in the school district, and would work together and under the supervision of counselors on all levels. However, where any difference of opinion may arise regarding a student's behavior or psychological well-being, the judgment of the guidance counselor would prevail.

The full cost of these additional career advisor/counselors, including the state and local costs, is provided as an increase in the per student payment as shown in the budget recommendation summary on page 85.

- 4) \$390,000 should be included in the budget for the Department of Career and Technical Education (CTE) to provide for the necessary training and certification of the new career advisors and for program supervision. CTE should be authorized to issue a provisional two-year certificate to individuals with the requisite education and work experience, provided those individuals undergo an initial screening and demonstrate satisfactory progress toward full certification. Individuals must obtain the national Career Development Facilitator credential within two years of the date of provisional certification.
- 5) \$123,618 should be included in the budget for the Department of Public Instruction to cover the costs of one FTE administrator to monitor the expansion of counseling support in the state's schools and in particular, the role of the new "career advisors." This administrator is needed to monitor the accreditation aspects of counseling staffs and to provide direction for the intended use of the new "career advisors."

- 6) K-8 summer school funding by the state should be limited to remedial coursework.

Expand middle school offerings in summer school to include social studies and science courses.

CURRICULUM

BACKGROUND

The Commission agreed that the term “adequate” means a large percentage of high school seniors can be shown to be “ready for college” and/or “ready for work” upon graduation. This suggests the need for quality instruction as well as the curriculum necessary to ensure that students perform well on the state assessment and on a nationally recognized test such as the ACT. Therefore, the Commission carefully examined the current curriculum requirements for graduation in North Dakota and whether those requirements would result in acceptable performance on state and national assessments.

The Commission concluded that any student not taking a third year of mathematics and a third year of science in high school would have considerable difficulty demonstrating proficiency in those subject areas on the state assessment or the ACT. The difficulty arises not only from the lack of expanded knowledge after 10th grade, but also from the lack of practice in solving problems and reasoning effectively in those subject areas for two years prior to college or a work experience.

In order to ensure a graduating class in which every student has successfully completed three years of mathematics and three years of science, the Commission discussed a variety of incentives and sanctions that would produce the desired result without causing an increase in high school dropout rates.

RECOMMENDATIONS

1) Create a diploma that reflects the targeted goals for the mainstream of students graduating from North Dakota high schools. The Commission suggests a “Merit” diploma for all high school graduates who achieve the new state goals of three years of mathematics, three years of science, and three years of focused electives that emphasize languages, fine arts, and career and technical education. The total number of units required for graduation should be set at 22 units for the “Merit” diploma and existing statutes for units required for graduation should be repealed. Of the 22 units required for the awarding of the “Merit” diploma, the following units of study must be completed successfully by the student:

- 1) 4 units of English or language arts that includes a balance of literature, composition, and speech.
- 2) 3 units of mathematics including one of the following sequences:
 - a. algebra I; geometry; algebra II or consumer/applied math;
 - b. an integrated mathematics series of math I, math II, math III approved by the state Superintendent.
- 3) 3 units of science that includes: 1 unit of physical science; 1 unit of biology; and 1 additional unit from the following subjects: life sciences, chemistry, physics, earth science, or space science.
- 4) 3 units of social studies that includes: 1 unit of U.S. history; $\frac{1}{2}$ unit of U.S. government and $\frac{1}{2}$ unit of economics (1 unit of problems of democracy may

be substituted for U.S. government and economics); 1 additional unit from the following subjects: world history/civilization, geography/history of the world, psychology or sociology (up to ½ unit may be substituted in this unit from either North Dakota studies or multicultural studies).

- 5) 1 unit of physical education (½ unit of health and wellness may be substituted for ½ unit of physical education).
- 6) 3 units of focused electives selected from the following subjects: foreign language; native American language; fine arts; and career and technical education.
- 7) 5 units of non-focused electives.

The Commission is confident that the state’s required course offerings and alternative learning opportunities ensure that the curriculum necessary for a “Merit” diploma is available.

- 2) In order to avoid any added pressure on certain students to drop out of high school rather than complete the requirements of a “Merit” diploma, the Commission recommends that any student be allowed to opt out of the “Merit” diploma curriculum and instead pursue a North Dakota “General” high school diploma, which would be identical to the current North Dakota high school diploma except one additional unit must be in languages, fine arts, or career and technical education. However, the student should be allowed to opt out only if:
 - a) The student, the student’s parent or guardian, and the student’s guidance counselor meet to discuss the student’s course plan and progress to date;

- b) The student has completed at least two years of high school;
 - c) The student's grade point average is in the bottom quartile of the class, or the student has already failed to pass 3 semester courses required for the "Merit" diploma; and
 - d) The student's parent consents in writing to the student's opting out of the "Merit" diploma curriculum and pursuing a "General" diploma.
- 3) The Superintendent of Public Instruction must provide, upon request of the student and upon validation, an Honors Certificate, in both academics and technical education. The Honors Certificate in technical education requires the following differences from the requirements for a "Merit" diploma:
- 1) 4 units of focused electives including: 2 units of a focused career and technical education program; and 2 additional units of technical education related to the focused curriculum, as determined by the Department of Career and Technical Education.
 - 2) 1 additional unit of non-focused elective.
 - 3) Earn a grade of "C" or better in each course that will count toward the 24 units required.
 - 4) Have a cumulative grade point average of "B" or better.
 - 5) Score a 24 or higher composite score on the ACT, or earn a combined score of 1100 or higher on the SAT, or score a 20 or higher on WorkKeys.

The Honors Certificate in academics requires the following differences from the requirements for a "Merit" diploma:

- 1) 4 units of mathematics including the following: 1 unit of algebra I; 1 unit of geometry; 1 unit of algebra II; 1 unit of additional math above the level of algebra II (8th grade algebra I taken from a high school teacher must be counted toward high school math requirements for all diploma categories).
- 2) 4 units of focused electives including the following: 2 units of foreign or native American language which is the same language for both units; 1 unit of fine arts or career and technical education; 1 additional unit of language, fine arts, or career and technical education.
- 3) Earn a grade of “C” or better in each course that will count toward the 24 units required.
- 4) Have a cumulative grade point average of “B” or better.
- 5) Score a 24 or higher composite score on the ACT, or earn a combined score of 1100 or higher on the SAT.

It shall be the legislative intent that a student seeking the academic Honors Certificate attempt to complete an AP course (1 unit) or high school unit of dual credit where the course rigor and test scores earn a corresponding college credit.

The school district shall forward the necessary information upon request of the student.

This Certificate is required to be eligible for the Honors scholarship.

- 4) The “Merit” diploma and the accompanying Honors Certificate should be awarded to eligible graduates beginning with the Class of 2012 upon request and validation.

- 5) It shall be the legislative intent that a student's educational training include team problem solving and at least $\frac{1}{2}$ unit taken by an electronic distance delivery method (IVN, webcast, podcast, etc.).
- 6) Beginning with the 2012-2013 academic year, the budget for the North Dakota University System should include sufficient funds to provide \$1,500 per year, for four years, as a special scholarship for any North Dakota high school graduate who receives an Honors Certificate and attends a North Dakota college or university.

ASSESSMENTS

BACKGROUND

Adequacy in school funding requires three distinct elements:

- 1) The availability of resources to place quality instructors together with students in a positive learning environment;
- 2) The provision of a strong curriculum that is aligned with state standards and designed to expose students to the material they are expected to learn; and
- 3) The ability to ascertain that the desired results have been achieved.

This brought the Commission to examine the use of assessments in the state's schools.

Currently, every student in grades 3-8 and in grade 11 is required by law to take a test that measures the student's yearly progress. Overall, North Dakota students score higher in relation to the national averages in math and language tests in both the 4th and 8th grades.

The 11th grade assessment conducted by the state is the only comprehensive test at the high school level designed to measure proficiency in relation to the state's standards. It is valued for its aggregate results, since it is the only comprehensive test of the state's education system as a whole. The Commission heard numerous complaints that the state assessment, when given in the fall of 11th grade, did not produce results in time to be constructively used during the school year.

The Commission also studied the possibility of using the ACT, the SAT, and WorkKeys as summative tests. 80-85% of North Dakota high school graduates took the

ACT test. It is without doubt the most widely used national test to determine readiness for college and work. WorkKeys is a newer test designed by ACT and is targeted to students who are interested in entering the workplace upon graduation or who are contemplating a career and technical education.

The Commission reviewed assessments that include a career interest inventory and received testimony that they are a very valuable tool in advising a student on course plans and work plans, and should be used in conjunction with an advisor.

Finally, considerable time was spent studying formative assessments, which are conducted during a semester and are designed to give the classroom teacher immediate feedback to adjust ongoing teaching to improve the student's mastery of the subject. Teachers and superintendents voiced strong praise for the "Measures of Academic Progress" or MAP tests that are supplied by the Northwest Evaluation Association. This education tool is already widely used across North Dakota. The Commission wondered whether the MAP tests could be used to predict future results on an ACT and thereby serve as a coaching tool for 8th and 9th grade advisors. The Fargo public school district and the University of North Dakota did an extensive statistical analysis and determined that multiple MAP tests, taken over a period of years, serve as a highly reliable predictor of a student's future ACT score. This becomes a very useful tool in the hands of a trained advisor seeking to identify a student's strengths and weaknesses and to provide appropriate advice.

RECOMMENDATIONS

- 1) Require every school district in North Dakota, as a condition for accreditation, to make available and encourage the use of a “formative” or “interim” assessment, such as the “Measures of Academic Progress” test, or a similar test approved by the Superintendent of Public Instruction, to be used by teachers in grades 2-10. Failure to use a formative assessment should also result in a deduction from their state aid distribution for every student not receiving the benefit of formative tests. Over time these assessments should become aligned as much as possible with the state standards.
- 2) Require every school district, as a condition for accreditation, to provide a “career interest inventory” assessment at least one time during the period of grades 7-10. This type of assessment includes one of the interest inventories that are included in the North Dakota Career Information Delivery System (CIDS) that is provided by the Bank of North Dakota (currently known as “Choices”), or those interest inventories that accompany the “PLAN,” or the Pre-SAT test. No state reimbursement need be provided because “Choices” is available free of charge through the Bank of North Dakota.
- 3) Provide funding to every school district to cover the cost of requiring their students to take, at least once during their high school career, one of the following summative tests: the ACT, the SAT, or WorkKeys. This requirement will enable policy makers to determine whether high school graduates are ready for college and/or ready for work. The tests may be taken on school premises or at approved testing sites, at the discretion

of each school board. Exceptions to this requirement should be available for students having individualized education program plans and for students with other special circumstances. The results of the selected test should be discussed with the school district's career advisor.

- 4) The state should include in the state aid distribution formula, the costs of the summative tests (7,500 students x \$40 x 2 years = \$560,000) and the formative assessments (28,000 students x \$8.50 x 2 years = \$476,000). This will add approximately \$1,000,000 to the per student payments and is reflected in the budget summary recommendations on page 85.

INFORMATION TECHNOLOGY AND STUDENT DATA

BACKGROUND

The North Dakota Information Technology Department (ITD) currently operates and supports various information systems that are important to K-12 education. In addition to the state data network (STAGEnet), which is made available to all schools for a number of purposes, the state supports the Center for Distance Education, which greatly helps to fill gaps in required course offerings, and Education Technology Services (EduTech) which provides technology support, e-mail, filtering, anti-virus software, Blackboard, and PowerSchool support staff.

In its current budget request, ITD is asking for funds to expand the state's Ethernet circuit by 10 megabytes, in order to meet the growing demand in the state for broadband capacity. ITD is also requesting an appropriation of \$3,200,000 to provide every school with student information software called PowerSchool. The state would absorb the cost of licensing, implementation, and support for the package.

PowerSchool is the leading student information system designed specifically for K-12 schools. It has several features including state reporting, scheduling, gradebook, attendance, meal tracking, and parental access. Parents can access their child's grades and attendance, school announcements, assignments, schedules, class registration, and teacher comments. Teachers can use PowerSchool to take attendance, enter grades, post assignments, view assessment information, and communicate with parents and students. Administrators can

use PowerSchool to report to the Department of Public Instruction, report to Career and Technical Education, monitor students' attendance and academic progress, and create and maintain master schedules. They can also use it to generate reports including transcripts, discipline logs, class population, demographics, grade point averages, assessment reports, and required state and federal reports.

In addition ITD is requesting the launch of a state Longitudinal Data System that will allow K-12 student information to be placed in a data warehouse and combined later with information from higher education and Job Service, to produce a comprehensive picture of the effectiveness of state education programs and workforce development initiatives. This information becomes the key to future policy decisions by the Governor and the Legislative Assembly. PowerSchool is therefore a very important foundation for supplying K-12 student data to the Longitudinal Data System.

RECOMMENDATIONS

- 1) The Commission recommends that the ITD budget requests for PowerSchool, Longitudinal Data System, Wide Area Network, and Center for Distance Education be granted. As strategies to improve student performance are implemented, including strategies for teacher mentoring, tutors, career advisors, core curriculum, and assessments, it becomes increasingly important to gather reliable student data to confirm whether or not the strategies are producing the desired results. PowerSchool has been selected by over 3,000 schools across the country and is currently used by 93 schools in North Dakota. A uniformly managed student data system would be an excellent tool in

ensuring equity, adequacy, and accountability in the state's K-12 education effort. All school districts should be required to use the PowerSchool system by September of 2010 unless they are specifically exempted by the Director of the Information Technology Department.

- 2) The ongoing staffing and support for these IT needs is \$4,270,000 and should be appropriated.

TRANSPORTATION PAYMENTS

BACKGROUND

The 2007 Legislative Assembly appropriated \$33,500,000 for transportation grants for the 2007-2009 biennium. Over the past ten years transportation grants have rotated back and forth from amounts based on miles traveled and students transported to block grants based on prior years' grants. The intent has been to encourage an entrepreneurial approach to transportation management while at the same time ensuring that the state pays a significant portion of the actual cost of transporting students. Over time the per student payment has been given priority over the transportation grants, and the state's share of transportation costs has declined. Picus and Associates did not make a recommendation regarding adequacy of transportation funding.

RECOMMENDATIONS

- 1) The Commission recommends that the state increase its share of transportation costs by increasing the state's allowable reimbursement rates to
 - a. 83¢ per mile for rural school bus miles,
 - b. 59¢ for in-city school bus miles,
 - c. 45¢ for rural small vehicle miles,
 - d. 29¢ for in-city small vehicle miles, and

- e. 23¢ per ride for students transported.

There is no increase recommended for family transportation. This change requires an increase of \$5,000,000 to the transportation grants line in the budget for the Department of Public Instruction.

RECOMMENDED BUDGET SUMMARY AND OPTIONAL FUNDING PRIORITIES

STATE AID FORMULA FUNDING INCREASES

MAIN FUNDING FORMULA AT \$3,460 YEAR 1 and \$3,585 YEAR 2	\$ 93,300,000
<i>Includes:</i> Cost to continue equity payment at \$4,000,000;	
Cost to continue kindergarten at \$12,000,000;	
New at risk factor at \$10,000,000	
PRE-K FACTOR IN 2 ND YEAR OF .20	3,500,000
7,000 eligible 4 year-olds x 70% participation x \$3,600/student	
x .20 factor for 2 half-days per week; Year 2 start-up	
ONE EXTRA DAY	3,680,000
1/180 x \$7,200 x 92,000 ADM (Year 2)	
TUTORS AT 1 PER 400 ADM IN GRADES K-3 (YEAR 2)	3,780,000
70 FTE x \$54,000 = \$3,780,000	
CAREER ADVISORS: 1 COUNSELOR PER 300 ADM GRADES 7-12	2,700,000
50 FTE x \$54,000 = \$2,700,000 (Year 2)	
REIMBURSEMENT FOR REQUIRED ASSESSMENTS	1,000,000
REGIONAL EDUCATION ASSOCIATIONS (BASE ADM)	2,600,000
	\$ 110,560,000

GRANT PROGRAM INCREASES

MENTORING PROGRAM	2,300,000
INSTRUCTIONAL COACHING PILOT PROJECT	500,000
REA BASE GRANTS	400,000
INCREASE IN TRANSPORTATION PAYMENTS	5,000,000
	\$ 8,200,000

TOTAL INCREASE K-12 FUNDING	\$ 118,760,000
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OPTIONAL FUNDING PRIORITIES

POWERSCHOOL, WAN, LDS, AND CDE STAFFING AND SUPPORT	\$ 3,966,000
EACH ADDITIONAL CALENDAR DAY FULLY FUNDED	\$ 3,680,000

PER STUDENT PAYMENTS FOR MILL LEVY REDUCTION

BACKGROUND

Since 2006 there has been strong interest by the Governor and the Legislative Assembly in providing property tax relief to the citizens of North Dakota. In the 2007 legislative session several different approaches to property tax relief were presented, and there were great difficulties in arriving at a consensus about the best overall method. Eventually Senate Bill 2032 was passed and provided a credit against state income tax for a percentage of property taxes paid. The bill, despite providing substantial financial benefit to property tax payers, was viewed as having some weaknesses, the greatest of which was that the actual property taxes assessed were not reduced in any way.

Both political parties have voiced interest in a plan whereby state funds would be distributed to school districts in the normal fashion, with all or a portion of those funds for the exclusive purpose of reducing school mill levies on a dollar for dollar basis. This would in fact result in actual reductions in local property taxes and increase the state's overall share of the cost of education.

If the Legislative Assembly decides it wishes to provide property tax relief delivered through the school funding formula, they can consider the Commission's preferred plan which would achieve the stated goal of actual mill levy reductions in a structure that would provide optimal equity and workability. This plan would function completely separate from the rest of the K-12 funding formula, although it is designed to be compatible with the main

formula and ready for full integration into the K-12 funding formula in the future, if the state's policy makers so desire.

RECOMMENDATIONS

- 1) Provide to every school district in the state an allocation of state funds for the sole purpose of reducing the amount of money that the school district would need to raise from general fund levying authority or, secondarily, from tuition levying authority if the allocation allows. The allocation should be determined by multiplying the district's weighted student units, by a gross per student amount which is limited by several parameters. In order to achieve an ongoing distribution rate of approximately \$150,000,000 in property tax relief by Year 2 of the biennium, the net per student amount would need to average approximately \$1,600 per ADM. The distribution of the funds is according to the size of the education mission, or according to the number of weighted student units just as all other school funding is distributed. In order to net this amount after all minimum levy requirements and maximum levy reductions are taken into account, the gross distribution per weighted student will need to be (approximately?) equal to the per student payment for the main funding formulas.
- 2) Require each school district to include on its certificate of levy form, which must be filed with the county auditor each year by August 15, the state revenue distribution to be received from the state mill levy reduction measure. The Department of Public Instruction should be required to report to each school district, by July 15 of each year, the amount of dollars available from the state for mill levy reduction. Many people do

not realize that a school board does not actually set the general fund mill levy. The school board merely determines the amount of general funds needed to operate the district and the county auditor establishes the appropriate general fund levy.

- 3) The amount of mill levy reduction should be limited in three ways:
 - a) No district is eligible if it levies fewer than 100 mills combined for general fund, tuition, and transportation purposes;
 - b) The number of mills eligible for reduction is the number of mills levied over 100 mills for general fund, tuition, and transportation purposes; and
 - c) The number of total mills eligible for reduction may not exceed 75 mills.

For formula purposes the school district will receive the smallest of the following three computations:

- a) Weighted student units multiplied by maximum dollars allowed per student (full amount);
 - b) Combined levies for general fund, tuition, and transportation purposes less 100 mills, multiplied by the total taxable valuation;
 - c) 75 mills multiplied by the total taxable valuation.
- 4) In order to be eligible for state funds for mill levy reduction, the school district must also agree to establish a spending level that does not result in a general fund mill levy over 110 mills. Any district with an adjusted mill levy higher than 110 mills may retain the higher levy if it qualifies under one of the following four exceptions:

- a) The district has received the approval of a majority of the patrons as provided under state law, either for the historic general fund levy or for a new levy higher than 110 mills;
- b) The district has been designated as an “isolated” school district under state law;
- c) The higher mill levy is the result of a reorganization; or
- d) Prior upward adjustment allowed due to section →_____←, which allows the amount of dollars generated from the mill levy to remain the same from one year to the next.

If the school district does not meet these requirements and does not have a general fund levy between 100 and 110 mills, it is not eligible for the mill levy reduction payment for that year.

- 5) In establishing mill levies under the certificate of levy process, the county auditor shall apply the allocated state funds for mill levy reduction first to the computation of the general fund levy and then, if allocation funds remain, the balance may be applied to the reduction of the tuition levy.
- 6) Section →_____← of state law, which allows the amount of dollars generated from the general fund mill levy to remain the same from one year to the next, should be amended to clarify that this law’s calculation is based on the “Base Year Mill Levy,” which is the mill levy established for school year 2009-2010, and must include as revenue any funds received from the state “Mill Levy Reduction Program.” The state program must also

include a provision that the payment will be no less than the amount paid the prior year unless the property boundaries of the school district change from year to year.

- 7) The allocated funds for mill levy reduction must be distributed in five equal monthly payments as soon as the Superintendent has verified that the district's Certificate of Levy has established a general fund levy between 100 and 110 mills.