

## NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

**EDUCATION FUNDING COMMITTEE**

Thursday, January 25, 2018  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Senator Donald Schaible, Chairman, called the meeting to order at 10:00 a.m.

**Members present:** Senators Donald Schaible, Kyle Davison, Ralph Kilzer, Erin Oban, David S. Rust; Representatives Pat D. Heinert, Richard G. Holman, Dennis Johnson, David Monson, Mark S. Owens, Mark Sanford, Cynthia Schreiber-Beck

**Member absent:** Representative Denton Zubke

**Others present:** Representative Jim Schmidt, Huff, member of the Legislative Management  
Emily L. Thompson, Legislative Council, Bismarck  
See [Appendix A](#) for additional persons present.

**It was moved by Senator Rust, seconded by Representative Owens, and carried on a voice vote that the minutes of the September 21, 2017, meeting be approved as distributed.**

**ELEMENTARY AND SECONDARY EDUCATION  
STATE AID AND FUNDING FORMULA STUDY**

At the request of Chairman Schaible, Ms. Emily L. Thompson, Counsel, Legislative Council, presented a memorandum entitled [Voter Approval for School District Excess Levy Authority](#) relating to a history of the requirements for school district voter approval of excess mill levies. She said unless excess levy authority is approved by the voters pursuant to North Dakota Century Code Section 57-15-14, a school district is limited to the levy authority provided under Section 57-15-14.2. She said excess levy authority must be approved by a majority of the qualified electors voting in a school district having a population of over 4,000, and 55 percent of the qualified electors voting in a school district having a population of fewer than 4,000. Excess or unlimited levy authority approved by the electors of a school district before July 1, 2009, was terminated effective for taxable years beginning after 2015. She said as originally enacted by 1929 House Bill No. 97, the percentage of voter approval required to authorize excess levy authority was 60 percent of the electors voting without regard to school district population. She said in 1961, a minimum population of 7,500 was set for districts to pose the excess mill levy question and voter approval was lowered to a majority of the electors voting. She said in 1965, the population threshold was lowered to 4,000. She said school districts with a population of less than 4,000 were allowed to authorize excess levies in 1975 by Senate Bill No. 2026, but were required to meet a higher percentage of voter approval than districts over 4,000. She said the legislative history of the bill did not provide a reason for the different levels of approval based on school district size. She said the final provisions of the bill reflect a compromise in allowing excess levy authority to be approved in low-population school districts, as long as a higher percentage of voter approval is received.

At the request of Chairman Schaible, Mr. Adam Tescher, Director, School Finance and Organization, Department of Public Instruction, provided information ([Appendix B](#)) regarding the status of 2017-19 biennium state school aid, enrollment and resident birth trends, preliminary 2019-21 biennium state school aid projections, the cost of transitioning to "on-time" funding of state school aid, and analyses of in lieu of property tax revenue and special education contract costs. He said the department estimates actual state school aid and transportation aid obligations for the first year of the 2017-19 biennium will be less than budgeted and based on second year estimates, funding for the biennium may exceed obligations by \$14.7 million. He said average daily membership during the first year of the biennium was 563 students fewer than estimated and the second year of the biennium, based on 2017 fall enrollment, will be approximately 219 students more than estimated. Mr. Tescher said costs related to special education contracts have increased significantly and the department spent a portion of the funding appropriated for 2017-19 biennium special education contracts to pay 2015-17 biennium claims.

In response to a question from Senator Davison, Mr. Tescher said prior to 2017, the department had authority to borrow funds from the Bank of North Dakota to cover shortfalls in the appropriation for special education contracts.

He said the department was required to request funding from the next Legislative Assembly to repay the Bank loans. He said because many of the special education claims for the biennium are submitted at or near the end of the biennium, the department never exercised the Bank loan option. He said in 2017 the Legislative Assembly repealed the provision authorizing the department to borrow money from the Bank. He said the Legislative Assembly allowed the department to transfer excess funding available in the state school aid line item for the 2015-17 biennium for 2015-17 biennium special education contract claims in excess of the appropriation. He said the funding transferred from the state school aid line item was not sufficient for all of the 2015-17 biennium claims; however, the department paid the remaining claims in August 2017 from special education contract funding provided for the 2017-19 biennium. He said if special education contract costs continue to increase, the department may seek a deficiency appropriation or line item transfer authority to meet its 2017-19 biennium special education contract obligations.

In response to a question from Chairman Schaible, Mr. Tescher said the department estimates the property tax contribution to the state school aid formula will be \$3 million less than anticipated in the budget.

Mr. Tescher said fall enrollment for the 2018 school year totaled 108,945 students. He said in 2019 and in 2020, enrollment is projected to grow by 2,945 and 3,357, respectively. He said to project future enrollment, the department analyzes resident births and determines cohort survival rates by examining annual changes in enrollment by grade for the previous 2 years. He said in the years from 2007 to 2011, the increase in resident births ranged from 43 births to 202 births. He said in 2012, resident births increased 838 from 2011 and have since tapered off. He said children born in 2012 have entered, or will be entering kindergarten next year. He said in 2000, total enrollment in the nine largest school districts exceeded the total enrollment of the remaining districts and they are now growing faster than the remaining districts. He said the number of homeschooled students has steadily increased since 2010. He said 3,025 students were homeschooled in 2017.

In response to a question from Senator Rust, Mr. Tescher said the number of homeschooled students reported is based on those who have reported to school districts their intent to homeschool.

Senator Rust said because there is no penalty for neglecting to report homeschooled students, the number of homeschooled children could be higher than reported.

In response to a question from Senator Rust, Mr. Tescher said children ages 7 to 16 must attend school or be homeschooled; however, children outside of that age range would not be counted if they are not reported.

Mr. Tescher said based on updated enrollment and property tax projections, the department estimates the cost to continue state school aid in the 2019-21 biennium will total approximately \$78 million. He said the department's estimate includes an average 3 percent increase in average daily membership each year, but no changes to weighting factors, per-student payment rates, or transition adjustments.

Mr. Tescher said the current formula uses spring average daily membership and prior year property tax data to calculate state school aid. He said assuming a hold-harmless provision at 2017-18 school year levels, transitioning to "on-time" funding, using the higher of 2016-17 school year spring average daily membership or fall enrollment each year of the current biennium, would result in an additional one-time state school aid funding cost of approximately \$69 million in the 2017-19 biennium. He said the estimate is based on using property tax contributions from the prior year. He said if the formula were to use current year property tax contributions in each of the school years, the transition cost would be less. He said if the formula were transitioned to both "on-time" enrollment and "on-time" property tax contributions, the department would not know the true state school aid formula amount until property tax information becomes available in December or January.

In response to a question from Chairman Schaible, Mr. Tescher said in the department's "on-time" funding estimate, schools with declining enrollment are held harmless at the 2016-17 average daily membership levels. He said if all schools would be moved to "on-time" funding for fall enrollment, the cost would be less.

Mr. Tescher said the cost to the state of offsetting all in lieu of taxes revenue in the state school aid formula at 75 percent is approximately \$3 million annually or \$6 million for a biennium. He said savings to the state, resulting from offsetting all in lieu of taxes revenue in the state school aid formula at 100 percent, is approximately \$15.3 million annually or \$30.6 million for the biennium.

Mr. Tescher said the number of qualifying special education contracts has increased from 400 in the 2013-14 school year to 620 in the 2016-17 school year. He said reasons for the increase include--increasing enrollments; transient population changes; increasing need for behavioral health services; lack of home- and community-based mental health services; medical advances that allow medically fragile children to live longer; increasing autism

spectrum disorder diagnoses; and increasing special education child counts. He said the number of students on an individual education program increased from 13,403 in 2013, to 14,429 in 2016, and the number of students with an autism spectrum diagnosis increased from 837 in 2013, to 1,174 in 2016. He said the average contract cost of \$19,500 has not varied much; however, the average cost at residential facilities serving the most complex cases has increased significantly. He said the average contract cost at one facility increased from \$57,433 per year during the 2014-15 school year to \$67,029 per year during the 2016-17 school year. He said the state has approximately 60 high-cost contracts. He said the number of small contracts has also increased as schools become more aware of the program.

In response to a question from Representative Holman, Mr. Tescher said "on-time" funding will benefit growing school districts; however, small declining schools, without a hold-harmless provision, will experience reductions in funding immediately. He said under the previous state school aid formula there was a payment on the higher of the spring average daily membership or the fall enrollment and then an adjustment at the end of the year. He said this practice makes budgeting very complex.

In response to a question from Representative Sanford, Mr. Tescher said he will provide additional information regarding special education contracts that may qualify for Medicaid waivers.

Senator Davison said teacher safety and serving students with behavioral health needs in grade school is a challenge, especially in rural areas of the state. He said there is limited access to services and the challenge is aligning policies with special education reimbursement and Medicaid to create the least restrictive environment to provide services to the student and family.

In response to a question from Senator Davison, Mr. Tescher said the department has discussed these challenges, but funding has not been addressed.

Senator Davison suggested the Department of Public Instruction and the Department of Human Services collaborate to determine if districts could use special education funding or Medicaid reimbursement to provide services to more students with behavioral health needs in grade schools.

At the request of Chairman Schaible, Ms. Linda Leadbetter, State Supervisor of Assessments, Director, State Property Division, Tax Department, provided information ([Appendix C](#)) regarding a summary of school district levies and a review of calculations included on the school district general fund maximum levy worksheet. She said school district general fund maximum levy worksheets are created by the headquarter county for each school district. She said if districts cross county lines, only one worksheet is completed for the district with information provided by the other counties. She said mill levy rates are calculated by the headquarter county and shared with the other counties to apply to their tax statements. She reviewed two sample school district general fund maximum levy worksheets, one worksheet for a district experiencing significant growth in taxable value and one for a district with a relatively stable taxable valuation. She reviewed calculations related to determining districts' 12 percent limit on property tax increases, base year taxable value adjustments, voter approved excess mill levy adjustments, and maximum mill levy calculations. She said base-year tax is the higher of taxes levied in the past 3 years and adjustments are made for new construction or losses to taxable valuation. She said base-year tax calculations protect districts by allowing them to maintain a level of funding by increasing the mill rate when property values decrease. In addition, she said, adjustments for new property increase base-year taxes and protect taxpayers by allowing districts to collect the same amount of funding at a lower mill levy rate. She said the additional property tax potential of the new growth is added to base-year taxes and therefore is not subjected to the 12 percent limit placed on existing property. She said the maximum general fund levy authority is determined by comparing the largest of the worksheet calculations to school districts' certified budgets and the final levy is the lesser of the maximum general fund levy authority or the certified budget. She said if a school district's budget is less than the maximum general fund levy authority, the taxpayer is benefiting from a lower mill levy funded by the growth in taxable valuation. She said if the district's budget exceeds the maximum general fund levy authority allowed, the taxpayer is not benefiting from the new property growth. She said districts above 60 mills will likely use the first calculation if there are no drastic changes in taxable value due to property value removed or added to the base year.

In response to a question from Representative Sanford, Ms. Leadbetter said new growth in property value affects the mill levy rate for existing property. She said districts may certify higher budgets in the year of the new growth in property value to collect additional property taxes rather than certifying similar budgets as the prior year and reducing the mill levy rate to collect the same amount of revenue.

Representative Sanford said because some districts levy less than 60 mills, there does not seem to be equal contribution to the local effort in the state school aid formula.

Ms. Leadbetter said even if 60 mills were assessed statewide, the value of property across the state varies significantly.

In response to a question from Chairman Schaible, Ms. Leadbetter said it is likely school districts are seeking information regarding their taxable valuation as they prepare their certification. She said it is very important that new property growth is identified because if not delineated, it is subject to the 12 percent limitation. She said if the new growth is captured, the growth is included in the adjustments to base-year taxes and the district benefits from the increased levy authority.

In response to a question from Senator Rust, Ms. Leadbetter said information regarding the value of property removed and added to the taxable value of the district is not always available to county auditors before school district budgets must be certified. She said school district budgets are determined locally; however, the department discourages districts from adjusting budgets to meet levy maximums because taxpayer protection in the formula is lost.

Ms. Leadbetter provided information ([Appendix D](#)) regarding 2016 taxable valuation subject to the general property tax for various types of property by county. She said taxable valuation by property type is not available by school district. She said the department publishes this information online and the 2017 taxable valuation schedules should be available in April 2018.

At the request of Chairman Schaible, Dr. Aimee Copas, Executive Director, North Dakota Council of Educational Leaders, provided information ([Appendix E](#)) on behalf of Mr. Mark Lemer, Business Manager, West Fargo Public Schools, regarding rapid enrollment grants and funding for "on-time" enrollment. She said the rapid enrollment grant program has provided some financial relief to the fastest growing school districts. However, she said, limited funding and larger than anticipated enrollments reduced the grant from an anticipated \$4,000 per eligible student to \$2,350 per eligible student in the first year of the 2017-19 biennium. She said prior to 2007 the funding formula included adjustments for the greater of fall enrollment or the prior year average daily membership. She said Montana uses a 3-year rolling average to lessen the impact of "on-time" funding to schools with a declining enrollment. She said the cost of transitioning to "on-time" funding could be managed if the transition were done over a number of years. She said the state could start by adding a weighting factor, funded by the current appropriation for rapid enrollment grants, to the state school aid formula. She said the weighting factor could be increased over time until "on-time" payment is fully funded.

At the request of Chairman Schaible, Dr. Copas provided additional information regarding her response to a question from Senator Davison recorded in the minutes of the September 21, 2017, meeting. She said the intent of her response was to indicate school districts have not yet collected data regarding the adequacy of resources.

Senator Davison said if funding is not increased a change to the formula creates winners and losers. He said without evidence of students being unfairly impacted, he is reluctant to support a change to the state school aid formula. Dr. Copas indicated the North Dakota Council of Educational Leaders could collect information regarding how resources compare across districts.

At the request of Chairman Schaible, Dr. Copas provided information ([Appendix F](#)) regarding the effects of in lieu of revenues on the state school aid formula. She said in lieu of tax revenue received by a school district is deducted in the state school aid formula at either 75 or 100 percent depending upon the type of revenue. She said the types of in lieu of revenue deducted in the formula are replacements for property taxes. She said the revenue is deducted from the district's entitlement and redistributed in the funding formula. She said school districts retain the balance of those revenues deducted at 75 percent in the formula. She said in lieu of revenues have long been part of the state school aid formula discussion. She reviewed the history of in lieu of revenues in the formula and changes to the formula related to mineral revenue. She said if in lieu of revenue is to emulate revenue lost to local property tax generation, it is important to treat the in lieu of revenue similarly to the treatment of local property tax. She said this would provide a level of equity in terms of the in lieu of revenue and the revenue it is replacing. She said property tax relief is provided in conjunction with the school funding formula. She said mill levy maximums and the lack of inflationary adjustments to the per-pupil payment make it difficult for school districts to generate adequate revenues to pay increasing expenses. She said school districts have no way to recoup funds and many are deficit spending. She suggested in lieu of revenue could be considered in the state school aid formula as follows:

1. Adjust in lieu of revenue offset in the formula to reflect actual percentage of general fund levy versus total levy. She said statewide 31.3 percent of total mills assessed for school districts are for funds other than the general fund, therefore 69.7 percent may be more appropriate offset in the state school aid formula; or

2. Treat in lieu of revenue as property. She said in lieu of dollars have been imputed to create a taxable valuation in prior state school aid formulas. She said imputing the taxable valuation seems to have the same impact as using the actual percentage of general fund levy versus the total levy. However, she said the higher taxable valuation will increase the 12 percent cap which has caused districts to lower their mill levies.

Dr. Paul Stremick, Superintendent, North Border School District, provided information regarding how limits on property tax increases, increasing property values, and new construction have resulted in lower mill levy rates for certain school districts for the 2017-18 school year. He said many of the districts were levying 60 mills in 2013. He said if the districts were able to assess 60 mills, the state's share of the state school aid entitlement would decrease and the state could use the savings to increase the formula payment for all districts.

Senator Rust said the districts identified are all in the western part of the state. He said the cap allows for a 12 percent increase each year; however, rapidly increasing valuations are outpacing the formula limits.

In response to a question from Representative Schmidt, Dr. Steve Holen, Superintendent, McKenzie County School District, said federal flood control funding is provided for land lost due to the Garrison Dam project and the formation of Lake Sakakawea. He said funding may also include mineral revenue from the development of resources under the lake.

Representative Monson suggested the committee receive information regarding compensation available for school districts in the Fargo-Moorhead area affected by the diversion project and how the compensation would be treated in the state school aid formula.

Senator Rust said pursuant to 33 U.S.C. 701(c)(3), 75 percent of funding received for the lease of lands acquired by the United States for flood control is to be paid to the state for schools, roads, or flood control and drainage improvements as determined by the state legislatures. He said pursuant to Section 21-06-10, the funding is paid to counties entitled to receive the funds and must be distributed one-half to school districts, one-quarter to the county for roads, and one-quarter to organized townships.

Representative Schmidt suggested the committee receive information regarding offsets in the formula for revenue received from the leasing of land acquired by the United States for which compensation is allocated to the state under 33 U.S.C. 701(c)(3), including how much funding has been received and how the funding is distributed and used by counties, townships, and school districts.

Dr. Holen said his school district uses gross production tax revenue for debt service on infrastructure, but the funding is offset at 75 percent in the formula payment deposited in the district's general fund. He said because of the volatile nature of the revenue, districts refrain from using this funding for operating expenses associated with the general fund. He said if in lieu of revenue deposited in the general fund were imputed into taxable valuation, there would be no need for the discussion regarding a 75 versus 100 percent offset in the formula.

In response to a question from Representative Heinert, Dr. Holen said select districts have been analyzed, but neither in lieu of revenue approach has been analyzed for all of the districts.

In response to a question from Chairman Schaible, Dr. Copas said the North Dakota Council of Educational Leaders has not stated its position on either in lieu of revenue approach.

In response to a question from Chairman Schaible, Dr. Holen said imputing revenue would increase the calculation of mills assessed and provide a more accurate measure of the local contribution.

In response to a question from Chairman Schaible, Dr. Stremick said based on limited calculations, neither approach would affect state funding in the first year resulting in the local contribution increasing and the state experiencing savings in subsequent years.

At the request of Chairman Schaible, Mr. Luke Schaefer, Director, Mid Dakota Education Cooperative and Missouri River Education Cooperative provided information ([Appendix G](#)) regarding the structure and funding of regional education associations (REAs), including fee structure; revenues; and federal, state, and local sources of funding. He said 93 percent of school districts and 98 percent of the students in the state are served by REAs. He said REAs facilitate professional development; enhance technology support services; support school improvement goals; assist with student achievement data collection, analysis, and interpretation; and expand curriculum offerings. He said REAs receive \$19.29 per student enrolled in member school districts (.002 multiplied by the \$9,646 formula rate) through the state school aid formula. In addition, he said, each REA receives a state grant of



\$31,250 per year. He said during the 2015-17 biennium, state funding, including line item grants, formula payments, and funding from various state agencies, totaled \$28.4 million, approximately 23 percent of total REA funding. He said charges for membership fees, bundled services, and a la carte services vary by REA. He said REAs seek grants to supplement funding, but the expiration of a 5-year grant and reduced state grants have resulted in reductions in REA funding. He said REAs use technology and share space, personnel, and consultants to create efficiencies.

In response to a question from Representative Schmidt, Mr. Schaefer said REAs regularly collect performance data and can provide the information to the committee.

In response to a question from Senator Davison, Mr. Schaefer said REAs facilitate collaboration by coordinating training and sharing personnel. He said REAs have the time to perform the research administrators do not. He said challenges include the funding of behavioral health services in schools and offering the services schools are requesting in light of funding reductions.

In response to a question from Representative Sanford, Mr. Schaefer said REAs assist with the recruitment of hard-to-find educators. He said counselor and special education positions are the most difficult to fill. He said REAs have the ability to hire professionals that can be shared among districts, providing full-time employment when individual districts could only provide part-time employment. He said virtual centers can increase the number of students to keep a teacher full time and digital nursing can provide remote access to a school nurse.

In response to a question from Senator Oban, Mr. Schaefer said some small schools may not join an REA because of the cost. He said others may feel the REA does not meet their needs. He said a school district would likely need a waiver to join an REA outside of the designated boundary. He said some school districts may use REAs outside of their designated area by participating in a la carte services offered by other REAs.

Senator Rust provided information ([Appendix H](#)) regarding the taxable valuation of the Tioga School District. He said taxable valuation in the district has grown from \$6.3 million in 2009, to \$69 million in 2017. He said the school district deposits tax revenue in various funds, including the general fund. He said in the Tioga School District, 68 percent of property tax collections are deposited in the general fund, but gross production tax allocations are offset at 75 percent in the state school aid formula. He said the nine largest oil-producing counties in the state allocate an average of 65 percent of their property taxes to the general fund. He said gross production tax allocations are offset in the state school aid formula as if it is only deposited in the general fund.

## OTHER COMMITTEE RESPONSIBILITIES

At the request of Chairman Schaible, Mr. Tescher reviewed a compilation of annual school district employee compensation reports ([Appendix I](#)) prepared by the Department of Public Instruction. He said the report is based on data reported by school districts for school years ending in June of 2015, 2016, and 2017. He said data reported includes teachers, administrators, and other district employees, but does not include part-time teachers. He said the average base salary for administrators increased from \$90,598 to \$96,372, or 6.37 percent, from 2015 to 2017. He said the average base salary for teachers increased 6.4 percent, from \$50,057 to \$53,261, over the same period. He said the number of administrators statewide increased from 603 in 2015 to 625 in 2017, while the number of teachers increased from 8,691 to 8,936 during the same period. He said administrators include principals, superintendents, directors, assistant principals, assistant or deputy superintendents, administrative assistants, and assistant directors. He said teachers include coordinators, library media specialists, pupil personnel, school counselors, school psychologists, speech and language pathologists, supervisors, and instructional programmers. He said the report also includes information regarding base salary and compensation by school district for administrators and teachers and 1- and 2-year comparisons of the average base teacher salary and average total compensation by district.

In response to a question from Senator Rust, Mr. Bob Marthaller, Assistant Superintendent, Department of Public Instruction, said the department is required to collect the data and occasionally receives questions regarding the information. He said the department has been reviewing data collected from school districts and has considered discontinuing the compensation report.

In response to a question from Representative Holman, Mr. Marthaller said data is only collected from public schools. He said Bureau of Indian Affairs' schools are not included.

Senator Oban said as the committee reviews state funding provided for public education, it is important to review these reports, even if the state has no control over the policies.

Senator Oban expressed concern over the disproportionate increase in the number of administrators compared to the increase in the number of teachers.

Representative Holman said the report allows administrators to review statewide information and creates uniformity in compensation.

Representative Sanford said the information is valuable when determining national and regional rankings. He said there should be an effort to increase awareness regarding the information available.

Representative Owens said the data is valuable to those hiring for teacher positions where there is a shortage. He said the department may not be receiving many requests for the information because districts may not know the data has been compiled into a report.

At the request of Chairman Schaible, Mr. Jim Upgren, Assistant Director, Office of School Approval and Opportunity, Department of Public Instruction, presented, on behalf of Mr. Joe Kolosky, Assistant Director, School Approval and Opportunity, Department of Public Instruction, the department's annual report ([Appendix J](#)) regarding the use of teacher loan forgiveness funds received under Senate Bill No. 2037 (2017). He said the North Dakota University System and the Department of Public Instruction have collaborated to implement the program. He said policies and procedures for the program have been established and University System procedure 508.1.2 relating to the teacher shortage loan forgiveness program is posted on the University System website. He said school districts may apply for teacher loan forgiveness for up to two vacant positions in shortage and critical need areas and qualifying teachers may receive up to 4 years of teacher loan forgiveness benefits. He said the amount of loan forgiveness ranges from \$3,000 to \$6,500 per year and is dependent on the category of the district - rural/remote or nonrural/nonremote - as defined under the National Center for Education Statistics Locale codes. He said to date no funds have been spent. He said a list of shortage and critical need areas is being compiled and applications will be available in February 2018.

Ms. Brenda Zastoupil, Financial Aid Director, North Dakota University System, provided information regarding teacher shortage loan forgiveness applicants. She said school districts, not teachers, will apply for the loan forgiveness program. She said the number of applications will determine the number of loan repayments that can be approved.

In response to a question from Representative Sanford, Ms. Zastoupil said \$2,103,393 from the general fund was appropriated for the teacher shortage loan forgiveness program during the 2017-19 biennium.

In response to a question from Senator Oban, Chairman Schaible said the funding was made available by revising a previous loan program.

Senator Oban said legislators have received calls from participants that are no longer eligible. She said the University System has contacted the approximately 1,300 teachers that no longer qualify for the program.

Ms. Zastoupil said she too received concerns regarding the program changes and the University System is working to explain the changes. She provided a copy of the letter ([Appendix K](#)) the University System sent to 2017 applicants.

Senator Rust said the goal is to recruit teachers to rural areas where there is critical need. He said the previous program did not meet that goal so the program was changed.

### **COMMITTEE DISCUSSION AND STAFF DIRECTIVES**

Representative Heinert suggested the committee receive information regarding additional options for the treatment of in lieu of revenue in the state school aid formula and the effect on state funding and property tax, including the effect on districts across the state.

Senator Oban suggested the committee receive information from school districts regarding their expectation for per-pupil payment increases.

Chairman Schaible said the committee has to balance the cost of changes to the formula. He said increasing the per-pupil payment benefits the most students.

Senator Davison suggested the committee receive additional information regarding how Medicaid funding is used to provide services in schools and the ability to provide certain special education services.

Chairman Schaible said the next committee meeting has not been scheduled, but the committee will plan to meet once in Fargo during the interim.

No further business appearing, Chairman Schaible adjourned the meeting at 3:23 p.m.

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Sheila M. Sandness  
Senior Fiscal Analyst

ATTACH:11