

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### **EDUCATION FINANCE COMMITTEE**

Monday, October 27, 1997  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Senator Layton Freborg, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Senators Layton Freborg, Dwight C. Cook, Jerome Kelsh, Rolland W. Redlin, Jim Yockim; Representatives James Boehm, Michael Brandenburg, Lois Delmore, Pat Galvin, William E. Gorder, Howard Grumbo, Lyle L. Hanson, Dennis Johnson, Richard Kunkel, David Monson

**Members absent:** Senators Tony Grindberg, Les J. LaFountain, Terry M. Wanzek; Representatives Rick Berg, Bette E. Grande, RaeAnn Kelsch

**Others present:** See Appendix A

**It was moved by Senator Yockim, seconded by Representative Kunkel, and carried on a voice vote that the minutes of the August 25, 1997, meeting be approved as mailed.**

At the request of Chairman Freborg, Dr. Gary Gronberg, Assistant Superintendent for Instructional Services, Department of Public Instruction, presented testimony regarding the funding of special education. He distributed a document entitled *State Special Education Funding 1996-97*. The document is attached as Appendix B. He said during the 1995 session, the method of funding special education was changed so that available dollars would be distributed on a per student basis, using the same distribution method as that of foundation aid. He said a pool of money was set aside for the education of special needs students who incurred very high costs. He said during the 1997 legislative session, \$40.55 million was appropriated for special education, of which \$30.15 million will be distributed via average daily membership (ADM) and the remainder will be used for student contracts. He said this amounts to a distribution of \$128 per student during the first year of the 1997-99 biennium and \$134 per student during the second year of the biennium. He said during the 1996-97 school year, five special education units were held harmless. He said this year only two special education units are being held harmless. He said we are finally getting to the point where the formula is catching up with the funds available and with the distribution system.

In response to a question from Senator Yockim, Dr. Gronberg said the Superintendent of Public Instruction takes a headcount to determine the number of students being identified as needing special services. He said that number keeps going up each year despite overall declining populations. He said we do not yet track students who are being served but who are not necessarily identified as having special needs.

In response to a question from Representative Monson, Dr. Gronberg said during the 1995-97 biennium, \$10 million was available for student contracts. He said approximately 48 percent was spent during the first year of the biennium and 52 percent was spent during the second year.

At the request of Chairman Freborg, Mr. Dan Huffman, Business Manager, Fargo Public School District, presented testimony regarding the amount of special education funding received by the Fargo Public School District. He distributed a document entitled *Fargo Public School District - Special Education Finance*. The document is attached as Appendix C.

Mr. Huffman said the idea behind the per student distribution was that students would not need to be identified in order to receive services. He said in theory this sounds good, but the reality is there are limited funds and the students who have been identified must be served first. He said with respect to teacher credentialing, the requirements are extremely tight. He said there is no flexibility in how students may be served.

Mr. Huffman said the Fargo School Board also has a concern about the manner in which residency determinations are made. He said Fargo must pay the cost of educating several special needs students in districts other than Fargo, and he used the example of a student's mother who uses her brother's mailbox as her residential address. He said another concern lies with the provision of educational services to emotionally disturbed students. He said these students are often extremely disruptive to the educational process of other students. He said the Fargo School District is currently building additional

classrooms to provide facilities within which such students can be educated. He said this is costly.

In response to a question from Representative Delmore, Mr. Huffman said Fargo is seeing an immigration of students with extremely severe needs. He said it takes money to serve these students.

In response to a question from Senator Yockim, Dr. Gronberg said an increase in the identification of special needs students is taking place nationwide.

In response to a question from Representative Delmore, Dr. Gronberg said increases in the number of special needs students tend to be the areas of speech and learning disabilities, not in the severe disability categories.

At the request of Chairman Freborg, Mr. Tom Decker, Director of Finance and Reorganization, Department of Public Instruction, presented testimony regarding school construction. He distributed a document entitled *School Construction and School Construction Loans*. The document is on file in the Legislative Council office. He said the Superintendent of Public Instruction must approve school construction projects in excess of \$25,000. He said the construction guidelines issued by the Superintendent of Public Instruction are divided into projects of less than \$150,000 and those of more than \$150,000. He said generally if the Superintendent believes that the school district will be in existence for the next two to five years and the fire laws are complied with, routine approval is given. He said projects in this category are generally repair and maintenance.

Mr. Decker said with respect to larger projects, the Superintendent asks for supporting information of the kind that school boards should have before them as part of their decisionmaking process. He said since the guidelines were adopted, only one project has been denied. He said that project was for the construction of a gymnasium in a multipurpose building.

Mr. Decker said schools are generally designed to be used for 30 to 40 years. He said after that the buildings begin to deteriorate and need major repairs.

In response to a question from Senator Yockim, Mr. Decker said given the fact that we have a large number of schools in the 30- to 50-year-old category, we should anticipate numerous requests to approve major renovations in the coming few years.

Mr. Decker said up to \$25 million from the coal trust fund is set aside for school construction loans. He said that money has just about been exhausted, even though the Superintendent of Public Instruction has limited the loans to \$2.5 million or no more than one-third of the total cost, whichever is less.

In response to a question from Senator Kelsh, Mr. Decker said the school construction fund is a revolving fund. He said most of the loans are made

over 20 years and interest from the loan pool goes back to the state general fund. He said the loan principal will therefore not exceed \$25 million. He said given repayments this makes \$1 to \$2 million available for school construction loans each year.

He said the amount that school districts have spent for capital expenditures during the last five years is found beginning on page 39 of the document entitled *School Construction and School Construction Loans*. He said except for those districts involved in major construction, most have no outstanding capital construction loans.

Mr. Decker said \$19,746,147.65 of the \$25,000,000 has already been loaned. He said there is not enough money left in the fund to loan money for other projects that have already been approved.

Mr. Decker said local bond issues are the principal source of revenue for school construction projects. He said there is a very large difference in the ability of districts to raise the funds necessary for school construction projects. He said the state's contribution amounts to a provision of very limited loan funds at reduced interest rates.

Mr. Decker said the basic ways to finance school buildings include current revenues, reserve funds, general obligation bonds, state support, state and local support, flat grants, equalization aid, state loans, authorities, and lease-purchase financing. He said if a district does not have unlimited mill levies, it would have difficulty making payments on lease-purchase arrangements.

Mr. Decker said in July 1994 Arizona's school funding system was declared unconstitutional. He said this declaration was based solely on the condition of school facilities. He said the Arizona Supreme Court declared that there were "enormous facility disparities among the various districts" and traced those disparities to the statutory scheme, which relies in large part on local property taxation for public school capital requirements. He said there were similar outcomes in the states of Ohio and Texas. He said in light of recent litigation states will have to address equity and funding of school facilities.

With the permission of Chairman Freborg, Dr. Wayne Sanstead, Superintendent of Public Instruction, said the lack of funding for education over the years has meant that school districts had to cut money from repair and maintenance efforts. He said in addition to now desperately needing to fix their buildings, school districts must face the expenditures necessitated by technology. He said a large proportion of school districts in this state are dreadfully behind in terms of expenditures to support technology.

Mr. Decker distributed a document entitled *Public School Enrollment Projections*. It is attached as Appendix D. He said this document shows the

number of school districts which are expected to have high school enrollments of 75 or more in the year 2010.

At the request of Chairman Freborg, Professor Richard Rathge, Department of Agricultural Economics, North Dakota State University, presented testimony regarding demographic changes in North Dakota. He distributed a document entitled *Demographic Changes in North Dakota*. The document is attached as Appendix E. He said in 1900, 90 percent of the people were living in rural areas. He said currently over half of the state's population resides in communities which have populations over 2,500 that are considered "urban."

Professor Rathge said agriculture is still the state's major industry. However, he said, it has changed from being highly labor-intensive to being highly capital-intensive. He said the people who were needed for labor-intensive operations had to move to find other job opportunities. He said this generally meant a move from the western part to the eastern part of the state.

Professor Rathge said the state's four largest cities capture two-thirds of the state's sales taxes. He said only nine communities have a population of more than 10,000 and only 17 communities have a population of more than 2,500. He said two-thirds of our state's population reside in 17 towns. He said the state's median-sized community has fewer than 200 people living in it.

Professor Rathge said a frontier county is one having fewer than six people per square mile. He said two-thirds of the counties in North Dakota qualify as frontier counties.

Professor Rathge said nearly one-quarter of the state's population in 1960 was under 10. He said in the 1980s more than half the counties in North Dakota lost over 50 percent of their baby boomers (people in their 20s and 30s). He said these are people in their key childbearing years. He said the number of births has declined. He said in 31 out of 53 counties, the number of deaths now exceed the number of births. He said when outmigration is added to this, the decrease in population is significant. He said there is nothing on the horizon that will reverse this continuing decline in population.

Professor Rathge said between 1990 and 1996 the number of children under six dropped from 9.1 percent to 7.7 percent of the population. He said these figures tell us what our school population will be like in the coming years.

In response to a question from Representative Gorder, Professor Rathge said the most mobile age group is people in their 20s and 30s. He said when these people move out of state, they take their children with them. He said one of our most pressing problems is keeping our young people in the state.

In response to a question from Representative Brandenburg, Professor Rathge said survey work indicates that people would like to stay in North Dakota. However, he said, most leave for employment opportunities. He said it is very hard for most North Dakota communities to provide employment opportunities because they do not have a reasonable population base. He said the population changes are a function of technology. He said when agriculture was labor-intensive, many people were needed to farm the land. With technology, he said, operators could farm much larger tracts of land and their need for labor declined. He said companies that were providing goods and services to the farmers also felt the pinch. He said at this point we cannot return to farming practices that do not rely on technology. He said what we need to do is use technology to provide employment opportunities. He said we need to link higher education with employment opportunities.

In response to a question from Senator Freborg, Professor Rathge said we can use technology to provide education at the K-12 level. He said if we do not pursue this avenue, the handwriting is on the wall in terms of potential litigation regarding facilities and educational opportunities.

At the request of Chairman Freborg, Mr. Jerry Coleman, Department of Public Instruction, presented testimony regarding changes in education funding equity since 1989. He distributed a document entitled *Sources of Current Revenue for North Dakota School Districts*. The document is attached as Appendix F.

In response to a question from Senator Freborg, Mr. Coleman said the property tax per student rose from \$891 to \$1,639 between 1984-85 and 1995-96.

Senator Yockim said that while there appears to have been a reduction in wealth disparity in the last 10 years, the increased reliance on property taxes by districts indicates a move away from equity.

At the request of Chairman Freborg, Professor Gerald Bass, College of Education and Human Development, University of North Dakota, presented testimony regarding equity in education. He said equity deals with fairness, not necessarily equality. He said when we discuss "horizontal equity" in education finance, we are in fact inquiring whether similar entities are similarly treated. He said those entities might be students or taxpayers. He said the other way we look at equity is referred to as "vertical equity." Therein, he said, we determine how dissimilar entities are treated. Are students with different needs and abilities exposed to appropriate programs? Are taxpayers with different abilities to pay treated differently?

Professor Bass said traditionally we look at educational equity in terms of per student revenues and per student expenditures. He said we ask ourselves how

similar school districts are funded. He said in 1995-96, the range of funding per student exceeded \$2,000, after eliminating both the high and low extremes. He said what this means in terms of equity is not truly clear. He said the ratio between funding received by the wealthiest and the poorest districts has narrowed. He said the range, however, has increased over the last decade from \$1,700 to over \$2,000, and this is explained by the increase in overall funding.

Professor Bass said if we as a state want to improve equity, we could increase state funding and concentrate it in a funding formula that includes local property taxation so that the state would pay a greater share of the cost in those districts that cannot levy higher taxes. He said between 1984-85 and 1995-96 the state formula contribution went from 42 percent to 38.4 percent. He said this might be affected by changes in the tax bases, including those resulting from school district consolidation. He said if we consolidated all of our school districts into one unified school district, we would have complete equity.

Professor Bass said only one-sixth of a school district's operating revenue is included in the distribution formula.

Professor Bass said another perspective on equity features facility equity. He said the inequity in facility funding is even greater than the per student funding equity, in part because states do not have equity factors built into the funding of school districts. He said the question to be asked is whether school districts can provide similar facilities for similar student populations with the imposition of similar tax burdens. He said if every district in North Dakota would levy 10 mills for building facilities, the district at the 95th percentile would raise \$152.98 and the district at the fifth percentile would raise \$38.30. He said that is a difference of 4 to 1.

Professor Bass said another issue in school finance is taxpayer equity. He said we need to ask if taxpayers with similar abilities to pay are similarly burdened throughout the state. He said in North Dakota taxpayers in the school district at the 95th percentile would pay \$1,479.10 for a piece of property worth \$50,000. He said taxpayers in the school district at the fifth percentile would pay \$758.90 if that same property were in their district. He said that is nearly a 2 to 1 difference. He said one of the major factors in school district finance is the great disparity in mill levies. He said if one includes all school districts, the difference in mill levies is over 6 to 1. He said nearly perfect taxpayer equity could be achieved by requiring all local taxing entities to levy exactly the same number of mills. He said if all school districts would levy 200 mills, that would be equitable. He said that is not a very popular

approach to take because the number of mills levied by many school districts would have to be substantially increased.

Professor Bass said the local leeway given to mill levies seriously affects the degree of equity one can obtain. He said if the Legislative Assembly required every school district to levy at least 150 mills, a sizable amount would be generated and equity would be significantly increased.

In response to a question from Senator Freborg, Professor Bass said if one wanted to create a truly equitable funding formula, one should require a minimum levy of 150 mills and deduct 150 mills in the formula. He said that would turn some money back to the state for redistribution to less wealthy school districts. He said there would have to be a recapture provision and then there would have to be a cap on those districts that levy excessive mills. He said these might be politically imponderable, but if one wants to discuss achieving equity, these are the issues on the table.

Professor Bass said the goal is to have a system of funding that is equitable enough to allow the students to be exposed to programs that meet their needs and talents. He said if one is going to equalize funding on a traditional per student dollar basis, it would take considerably more state control. He said if one is going to equalize facility funding, it will take more state control over which facilities will be built, at what costs, and at what locations. He said if one is going to look at achieving taxpayer equity, there will have to be greater state control. He said if one is going to look at programming equity, there will have to be greater state control with respect to content standards and curriculum. He said in North Dakota we are at a federal range ratio of approximately 2 to 1. He said we achieved this by putting more students in fewer school districts. He said we have terrible equity in facility funding. In terms of taxpayer equity, he said we have considerable inequities.

Senator Freborg said assuming that there are two districts whose mill levies are capped, if one school district loses 10 percent of its students while enrollment in the other grows by 10 percent, their costs probably do not change but there is already a 20 percent difference in state funding.

At the request of Chairman Freborg, Dr. Roger Worner, Roger Worner Associates, presented testimony regarding school district efficiencies. He distributed a document entitled *Twelve Factors Suggesting the Need for Restructuring*. The document is attached as Appendix G.

Dr. Worner said if there is a small critical mass of students, that in and of itself points to the possibility of restructuring down the road. Other factors include declining enrollments, declining fund balances, prior or projected budgetary reductions, escalating tax

rates, inflation, cost ineffectiveness in class sizes, minimal or declining course offerings or programs, minimal or declining educational support services, staff members teaching multiple preparations, antiquated facilities or equipment, and cost ineffectiveness in operating school facilities.

Dr. Worner said the cycle of decline with respect to school districts generally follows an inevitable pattern. He said the cycle begins with declining enrollment. He said that leads to a declining budget, which in turn begets declining staff. He said because the number of staff is reduced, the programs and services must also be reduced. He said typically people become frustrated and then seek to move elsewhere. Hence, he said, the cycle continues.

Dr. Worner said because most districts have high personnel costs, restructuring can achieve cost efficiencies by combining undersized classes, thereby eliminating personnel, and by reducing duplicative programs and services. He said costs can also be reduced by closing antiquated or cost-ineffective facilities and including specialty rooms. He said by bringing together larger masses of students through restructuring, class sizes that are effective and cost-efficient can be achieved.

Dr. Worner said when school districts restructure, the end result is generally a larger school district fund balance; a more equalized tax rate; a reduction in taxes; the option to expand the availability of courses, programs, and services; and fewer course preparations for teachers which in turn also increase the educational quality. He said other features of restructuring include cost-effective class sizes, expanded equipment, enhanced curriculum and programs, more favorable salaries, and a more attractive area for the location of businesses and new homeowners.

Dr. Worner said if the Legislative Assembly attempts to sustain multiple programs that are in rapid decline, it will miss the opportunity to bolster middle-sized districts and before long only the largest districts--those based in the 17 largest communities in this state--will exist. He said the key to restructuring is timely restructuring. He said all too often school districts wait until their economic base, facilities, and equipment are beyond the point of salvage before considering restructuring. He said at that point a restructured district is not viable either.

Dr. Worner said school district restructuring is a heart-wrenching experience. He said without some initiative, incentive, or other significant push, school districts will tend not to pursue restructuring on their own.

Chairman Freborg called on Dr. Sanstead, who said a nationwide study showed that there is a \$115 billion need nationally to combat school building deterioration. He said President Clinton has set aside \$5 billion in his latest budget to assist

schools with necessary repairs. He said unless an amendment is added which would guarantee a minimum amount for schools in the rural states, the horrific needs of the large urban schools around the country will utilize this amount quite rapidly, thereby leaving nothing for our facilities.

Senator Yockim said we need to look at revenue sharing funds that currently benefit cities and counties and use such funds to reduce property taxes for school districts. He said the Legislative Assembly gave counties and cities additional options for raising revenues. He said we have not done this for school districts.

At the request of Chairman Freborg, Professor Kendall Nygard, Department of Computer Science, North Dakota State University, presented testimony regarding school district locations and populations. He distributed a document entitled *Districts With 75 or More in High School in 1996*. The document is attached as Appendix H. Professor Nygard said school districts having 75 or more students in high school cover 41,300 of North Dakota's 70,300 square miles. He said this is approximately 59 percent of the state's land area. He said the total high school enrollment in these districts is 34,060. The total high school enrollment in North Dakota is 37,595.

Professor Nygard said there are 75 districts that have high schools with a population of fewer than 75 students. He said the total high school enrollment in these districts is 3,535 and the average high school enrollment in these districts is 47. He said these districts cover 29,010 square miles. He said this is about 41 percent of the state's land area.

Professor Nygard said using census data for students who will be in high school in the year 2010 (without accounting for any outmigration, immigration, or moves between districts), it appears there are only 52 school districts that will have 75 or more students in high school in the year 2010. He said the school districts that are not maintaining at least 75 students in high school appear to be large contiguous land masses. He said by the year 2010, the districts that have 75 or more in high school will cover only 30 percent of the state's land mass. He said that group today covers nearly 60 percent.

Professor Nygard said by the year 2010 there will be 130 high school districts that have fewer than 75 students.

In response to a question from Senator Yockim, Mr. Decker said students along the southern and western borders of North Dakota already attend school in South Dakota and Montana, respectively.

Professor Nygard said when 25-mile circles are drawn around school districts having 75 or more students, 95 percent of the state's land mass is covered. He said when 25-mile circles are drawn around school districts having fewer than 75

students, their coverage of the state's land mass is almost as large.

Professor Nygard said an 11-mile radius is about 380 square miles. He said 185 units of this size would cover the state. He said a 15-mile radius is about 707 square miles and 99 units of this size would cover the state. He said a 20-mile radius is about 1,256 square miles and 56 units of this size would cover the state. He said a 25-mile radius is about 1,963 square miles and 36 units of this size would cover the state.

Professor Nygard said school districts in North Dakota currently use radial bus routes with no transfer points. He said some districts could enlarge up to about a 15-mile radius and still utilize radial bus routes. However, he said, districts having a radius in excess of 15 miles probably have to start relying on transfer points to keep the ride times below 60 minutes one way.

Mr. Decker said school districts having increased size could, using computer analysis, ensure ride times that do not exceed 60 minutes and, in most instances, provide such transportation using existing equipment.

Professor Nygard said the Wyoming guidelines are 30-minute ride times for elementary students, 45-minute ride times for middle school, and 60-minute ride times for high school students. He said Wyoming has 49 school districts.

Mr. Decker said if the committee members would make the determination that a 25-mile radius is a reasonable distance, the state would have almost full coverage by districts having 75 students or more. He said the state also has almost total coverage with districts having 75 or fewer students. He said this duplication has serious financial consequences.

Mr. Decker said in 1970 there were 64,000 people under the age of 18 on farms. Today, he said, there are fewer than 17,000.

Mr. Decker said we need to define which secondary schools are important to us for purposes of education and community economics. He said we need to make sure that those schools remain viable, otherwise people will hopscotch over those secondary centers, thereby hastening their decline, and proceed straight to the handful of our state's largest cities. He said if we do not support them, the secondary economic centers will die as well.

In response to a question from Representative Brandenburg, Mr. Decker said one of the reasons for beginning to shore up those places having 75 or more students in high school is because they now provide almost total land mass coverage. He said we will need to maintain those facilities well into the future because of basic geography.

Representative Brandenburg said we have to make a determination about how we are going to provide education to our children in the future.

Mr. Decker said districts such as Wing, Tuttle, Pettibone, and Robinson could logically become one district. He said, however, a combination would not likely support four separate school facilities.

In response to a question from Senator Yockim, Mr. Decker said the Superintendent of Public Instruction and his staff can develop scenarios but they will need some time and money from the Legislative Council during the interim and from the Legislative Assembly during the session.

In response to a question from Senator Freborg, Mr. Decker said it would be useful for the Superintendent of Public Instruction and his staff to have a specific direction from the interim Education Finance Committee so that their time is spent productively.

Senator Freborg said we could mandate that all land must be in a high school district and that no district may have fewer than 75 students. He said it is one thing to talk about solutions. It is entirely another thing to vote for it. He said it is radical to tell 50 school districts that they are not going to be around in two to five years.

Mr. Decker said in a restructuring process the number of administrators would not be reduced dramatically, but the kinds of administrators would be changed. He said there would be a lot more building level administrators, rather than main office administrators.

In response to a question from Senator Cook, Mr. Decker said if the Wing, Tuttle, Pettibone, and Robinson School Districts were to come together, they could build and maintain a central facility for less money than they are paying now to maintain their separate facilities. He said we probably should have kept the old school district revolving loan fund. However, he said, today that would have to be overlaid with some pretty stringent needs requirements. He said we need to ensure that we are not spending dollars for buildings that will not be used in a few years. He said the Hazelton facility will not be used at more than 50 percent of its capacity and in a few years might not be used at all.

In response to a question from Senator Freborg, Mr. Decker said there needs to be a development of guidelines regarding the types of facilities and the location of facilities. He said if the Superintendent of Public Instruction denied a request for construction, that denial would be appealed to the state board. He said the state board would then be put in an awkward situation.

Mr. Decker said there are 187 single-facility districts now. He said if two such districts tried to combine, the closure of one facility would be viewed as the death of a town. He said if four districts such

as Wing, Tuttle, Pettibone, and Robinson were under one school board, the decision to operate or to close certain facilities could be made more easily.

In response to a question from Representative Gorder, Mr. Decker said we have an aging population with an increasing inability to pay for schools and other services. He said if we allow school districts to engage in attrition naturally and to make their own decisions about consolidating, we will be bordering on fiscal and educational negligence. He said even if we depend on technology, we would have to put extra money into already extremely high cost schools and the results would be educationally questionable.

In response to a question from Representative Gorder, Professor Bass said considering the vast disparities we have in school district size, we are not that far off base in terms of our equity funding. He said we do less well when it comes to the equitable funding of school facilities. He said he does not believe that another lawsuit could be successfully brought on the issue of funding equity. He said he believes the next discussion will be concerned with educational adequacy.

In response to a question from Representative Gorder, Professor Bass said if one uses income taxes to replace property taxes on a dollar-for-dollar basis, one has not done anything to change equity. He said if one redistributes the dollars, the effects will be noted on the printouts. There will be winners and losers and those are the political realities.

Professor Bass said there needs to be a decision as to what the proper balance should be with respect to state versus local control of education. He said the state clearly has the legal authority over public education and there is no dispute over that. He said when the state was formed, local education units were created and in them was vested most of the authority for operating the schools. He said for many years the state did not take an active interest or role in the operation of schools. He said we created a historical role for local school districts within which they could control their schools. He said we need to determine to what degree the balance between state and local control will be changed.

Professor Bass said a carrot and stick process could be used. He said the Legislative Assembly could use funds to encourage interdistrict cooperation and consolidation. However, he said, it needs to go beyond a consortium for planning. He said another option would be to deprive districts of carrots. He said one could change weighting factors. He said one could deny small school districts construction approval. He said one could mandate larger administrative units, but if the result is five or six communities, each of which wants to maintain the sole surviving school, they will fight for years. He said one can mandate the location of school districts and

that, looking into the future, will result in the most efficient operations.

Professor Bass said in many areas our population is not going to increase. He said the query is whether the state leadership will make the decisions for the future or allow the local entities to set their own future. He said we have heard from many speakers today and all have indicated that we no longer have the time to allow things to happen in their natural course.

Dr. Worner said debt service equalization in Minnesota requires that the school district have 66 students per grade level. He said if a poor school district needs construction funds, it must look at combining with another school district to meet the minimum enrollment requirements. He said with respect to consortiums, there was a requirement imposed that if a consortium was undertaken but not completed to reorganization, the consorting school districts would have to pay back the extra dollars that the state had given to them.

Dr. Worner said he is particularly concerned that, as time goes by and enrollment declines occur, the secondary enrollment centers--the Mayvilles, the Edgeleys, the Cooperstowns, the Ellendales--will be the next to close, unless they can capture the families and the youth from the small school systems that are closing. He said it will then be an 80-mile drive to any stores or services. He said the individual person in the individual community and in the individual school system does not see this big picture. He said time is an enemy and it is incumbent upon this group to make the decisions that need to be made.

In response to a question from Senator Freborg, Mr. Decker said at this point the committee's authorization is needed to develop a capital construction proposal and to develop two to three reorganization proposals.

In response to a question from Representative Galvin, Mr. Decker said the concept of classroom unit funding was at one point thought to be a viable solution for small districts. However, he said, that system was tried in Wyoming and declared unconstitutional by the Wyoming Supreme Court.

Senator Cook requested that the Superintendent of Public Instruction and his staff prepare various capital construction and reorganization proposals and, if needed, prepare a request for funding any necessary consultants.

Mr. Decker said before the state puts significantly more dollars into capital construction, the state needs to decide who has access to the dollars and for what purpose.

Chairman Freborg said the Superintendent of Public Instruction and his staff should determine how large a revolving fund is needed to make available \$2 to \$3 million each year for school construction.

In response to a question from Representative Brandenburg, Mr. Decker said there is a large concern about which construction projects are approved, particularly given the enrollment trends.

In response to a question from Representative Kunkel, Mr. Decker said given the weighting factors, some schools choose to stay small in order to receive the higher payments. He said the payment for the smallest category is \$550 more than the next higher category. He said we could rethink the weighting categories.

Chairman Freborg suggested that the committee consider touring various schools in late March or early April 1998. Chairman Freborg adjourned the meeting at 4:30 p.m.

---

L. Anita Thomas  
Committee Counsel

ATTACH:8