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**F I N A L   R E P O R T   T O :**

**GOVERNOR JACK DALRYMPLE**  
*and the*  
**NORTH DAKOTA**  
**INTERIM LEGISLATIVE COMMITTEE**  
**ON EDUCATION FINANCE**

*and the*  
**NORTH DAKOTA**  
**LEGISLATIVE ASSEMBLY**

*as ordered by*  
**HOUSE BILL 1400**  
(2009 SESSION LAWS)

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

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*December 30, 2010*  
*Bismarck · North Dakota*

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# INTRODUCTION

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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 denied and continued 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 first condition accepted by both parties was that the Governor issue an Executive Order creating a North Dakota Commission on Education Improvement. The Commission members included the Lieutenant Governor, Superintendent of Public Instruction, four school district administrators, and four legislators. The Commission also included four non-voting members. Three represented the state's teachers, school boards, and school administrators, and the remaining individual served 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 60<sup>th</sup> Legislative Assembly. It enacted almost all of the recommendations included in the Commission's report.

A second report, which reflected the second phase of the Commission's work, was delivered on January 6, 2009 and contained 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 provided the basis for House Bill 1400 which was passed by the 61<sup>st</sup> Legislative Assembly in the 2009 Session.

These two bills resolved all of the issues brought forward by the plaintiffs, and no further conditions for dismissal remained after the close of the 61<sup>st</sup> Legislative Assembly in April, 2009. Nevertheless, HB1400 included a provision continuing the work of the Commission and in particular its effort to improve education in North Dakota.

The membership of the Commission was revised to include 10 voting members: the Lieutenant Governor, the Superintendent of Public Instruction, three district superintendents selected by the chairman of the Legislative Council, four legislators, and the director of the Department of Career and Technical Education. It also included six non-voting members: three representing teachers, school boards, and administrators; the president of a private college; the manager of a business; and the Commissioner of Higher Education.

The Commission was charged with the responsibility of examining equity and adequacy in school finance, graduation and curricular standards, seamless transition from high school to college, student performance measures, and the quality of instruction.

## TERMINOLOGY: K - 12 FUNDING FORMULAS

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- 1) ADJUSTED GENERAL FUND MILL LEVY      A district's general fund mill levy after being reduced by the mills paid by the state property tax relief program.
- 2) BASE ADM      The figure that represents the number of students in grades K-12 together with the number of students enrolled in pre-kindergarten 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 payment to school districts to offset the deficiency of revenues caused by inadequate taxable valuation and lack of other revenues.
- 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 a district's non-state revenue

received from sources other than property by the district's combined education mill levy for taxable year 2008. These sources specifically include 70% of the district's mineral and tuition revenue, 70% of US flood settlement payments, 70% of in-lieu of tax payments from REC's, mobile home tax revenue, and telecommunications tax revenue.

- 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 cost 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 provided 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 and 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 2009 HOUSE BILL 1400

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MAIN FUNDING FORMULA

COMMISSION RECOMMENDATIONS 2008

2009 HOUSE BILL 1400

- |   |   |
|---|---|
| 1) Provide “adequacy” in education funding with an increase of over \$100,000,000 in K-12 funding.  | Enacted.  |
| 2) \$10 million should be made available to school districts for deferred maintenance provided the revised forecast ending fund balance forecast exceeds the original forecast by \$30 million. | \$85.6 million appropriated as one-time state grants for maintenance. |
| 3) Revise the weighting factor for regular special education students from .067 to .07  | Enacted.  |
| 4) Establish a factor of .05 for “at risk” students (i.e. those considered eligible for the free or reduced cost lunch program).  | Enacted effective 7/1/11 with a factor of .025.                       |

RECOMMENDATIONS

2009 HOUSE BILL 1400

- |  |  |
|--|--|
| 5) Establish three levels of English language proficiency and apply factors of .20 for Level I, .05 for Level II, and .02 for Level III students based on a proficiency test approved by DPI.  | Enacted with factors of .30 for Level I, .20 for Level II, and .07 for Level III students. |
| 6) Discontinue the minimum mill levy offset, which triggered at 155 mills.   | Enacted.   |
| 7) Apply the ending fund balance deduct from state aid after all other calculations except those revenues specifically excluded by law (and if depleted apply the deduct to transportation payments).  | Enacted by HB 1400 and by rule.  |
| 8) State aid per weighted student unit in 2009-10 should be no less than 108% of the baseline funding per weighted student unit, which is defined as the adjusted state aid received during the 2006-07 school year divided by the 2007-08 weighted student units (increased from 106% the previous year). | Enacted.   |

RECOMMENDATIONS

2009 HOUSE BILL 1400

- |   |   |
|---|---|
| 9) State aid per weighted student unit in 2010 -11 should be no less than 112.5% of the baseline funding per weighted student unit.           | Enacted.  |
| 10) State aid per weighted student unit in 2009 – 10 should not exceed 120% of the baseline funding per weighted student unit.                | Enacted.  |
| 11) State aid per weighted student unit in 2010 – 11 and thereafter should not exceed 134% of the baseline funding per weighted student unit. | Enacted.  |
| 12) Re-authorize school district planning grants and the membership and duties of the North Dakota Commission on Education Improvement.       | Enacted.  |
| 13) 70% of all new money, excluding certain payments, should be used to increase teacher compensation.  | Enacted with an additional exclusion for new one-time state grants for maintenance. |

RECOMMENDATIONS

HOUSE BILL 1400

14) Any district that experienced an abnormal drop in federal fund revenues in the base year 2006-2007 should be allowed a base year computed as a two-year average.

Enacted.

15) The equity payment should remain unchanged. Districts that re-organize and districts that receive land from a dissolved district should receive no decrease in equity payments for two years.

Enacted.

## STUDENT PERFORMANCE STRATEGIES

### COMMISSION RECOMMENDATIONS 2008

### 2009 HOUSE BILL 1400

- |  |  |
|--|--|
| 1) Require one licensed tutor for every 400 students in grades K-3 beginning in 2010, in addition to tutors funded by Federal Title I. School districts may substitute an additional instructional coach if it is more beneficial.   | Enacted using the term “Student Performance Strategist”. |
| 2) Increase the staffing level for counselors in an accredited school district from one FTE counselor per 450 students to one per 300 students in grades 7-12 and allow up to one third of these positions to be filled by “career advisors”, who must have a bachelors’ degree, work experience, and a certificate in career development from the department of career and technical education. | Enacted.   |

COMMISSION RECOMMENDATIONS 2008

2009 HOUSE BILL 1400

- |   |          |
|---|----------|
| 3) Appropriate \$390,000 to the department of career and technical education for the training, certification, and supervision of career advisors. CTE may issue provisional certificates. A national Career Development Facilitator credential should be obtained within two years. | Enacted. |
| 4) Appropriate \$123,618 to the Superintendent of Public Instruction for one FTE administrator to monitor the new counselor/career advisor requirement.   | Enacted. |
| 5) Provide summer program funding for K-8 remedial mathematics and remedial reading. Effective July 1, 2010 provide science and social studies courses in addition to mathematics and reading for students in grades 5-8.   | Enacted. |

## CURRICULUM

### COMMISSION RECOMMENDATIONS 2008

### 2009 HOUSE BILL 1400

- |  |  |
|--|--|
| 1) Create a merit diploma that requires three years of math, three years of science, and three years of focused electives emphasizing languages, fine arts, and career and technical education, for a total of 22 units required.  | Enacted as the requirements for a high school diploma. |
| 2) Allow certain students to select an optional high school curriculum with two years of math, two years of science, and three years of focused electives under a specific set of circumstances, for a total of 21 units required.   | Enacted.   |
| 3) Provide a career and technical education scholarship of \$750 per semester to any high school graduate who completes additional career and technical education units, achieves a grade point average of 3.0, and receives a 24 on the ACT or a 5 on each of three WorkKeys assessments. | Enacted.   |

RECOMMENDATIONS

- 4) Provide an academic scholarship of \$750 per semester to any high school graduate who completes additional academic requirements, achieves a 3.0 grade point average, and receives a 24 on the ACT.
- 5) Begin awarding scholarships to eligible graduates from the class of 2012.
- 6) Forward scholarships directly to institutions of higher education beginning with the 2012-13 academic year.

HOUSE BILL 1400

Enacted.

Enacted effective for the class of 2011. For the class of 2010, curriculum requirements are waived.

Scholarship funding begins with the 2010-11 year.

## ASSESSMENTS

### COMMISSION RECOMMENDATIONS 2008

- 1) Require for accreditation and cost share a formative or interim assessment such as “Measures of Academic Progress” for grades 2-10.
- 2) Require for accreditation that a “career interest inventory” be given to all students at least once in grades 7-10.
- 3) Require and fund the cost of a summative test (e.g. ACT, SAT, or WorkKeys) before graduation.
- 4) Provide \$560,000 in state aid for the summative test and \$535,000 in state aid for the interim assessment.

### 2009 HOUSE BILL 1400

Enacted as a requirement for all students in grades 2-10 at least once per year.

Enacted as a requirement for all students at least once in grade 7 or 8 and at least once in grade 9 or 10.

Required all students in grade 11 to take the ACT or 3 WorkKeys assessments.

Provided districts with additional state aid to reimburse districts for the cost of the required assessments.

## INFORMATION TECHNOLOGY

### STUDENT DATA

#### COMMISSION RECOMMENDATIONS 2008

- 1) Fund Information Technology Department budget requests for PowerSchool, the Longitudinal Data system, the Wide Area Network, and the Center for Distance Education.

- 2) Require that all districts use PowerSchool by September, 2010.

#### 2009 HOUSE BILL 1400

Enacted without two FTE for PowerSchool implementation.

Enacted without a deadline date.

## PRE – KINDERGARTEN

### COMMISSION RECOMMENDATIONS 2008

### 2009 HOUSE BILL 1400

- |   |              |
|---|--------------|
| 1) Establish a North Dakota Early Learning Council.   | Enacted.     |
| 2) Provide a Pre-K funding factor of .20 for any four year old attending an approved program for at least two half-days per week. | Not enacted. |

## REGIONAL EDUCATION ASSOCIATIONS

### COMMISSION RECOMMENDATIONS 2008

### 2009 HOUSE BILL 1400

- |  |   |
|--|---|
| 1) \$25,000 should be provided each year to each of eight REAs, and \$2.6 million through a formula factor of .004 for each participating student, paid directly to the REA. | Enacted. Funds appropriated by HB 1013. |
|--|---|

## SPECIAL EDUCATION

### COMMISSION RECOMMENDATIONS 2008

### 2009 HOUSE BILL 1400

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|--|---|
| 1) Adjust the multiplier from 4.5 to 4.0 times the state average cost of education for the 1% of special education students requiring the greatest expenditures, and appropriate \$15.5 million. | Enacted. Funds appropriated by HB 1013. |
| 2) Transfer savings from special education contracts to the state aid line item prior to June 30, 2009 and June 30, 2011.  | Enacted.                                |
| 3) Authorize transfer from the Bank of North Dakota to guarantee funding for the cost of special education contracts.  | Enacted.                                |

## PROFESSIONAL DEVELOPMENT

### COMMISSION RECOMMENDATIONS 2008

### 2009 HOUSE BILL 1400

- |  |  |
|--|--|
| 1) Authorize four early dismissal days beginning with the 2010-11 school year to provide two hours for teacher collaboration.  | Enacted.   |
| 2) Increase the number of instructional days from 173 to 174 days to offset the new early dismissal days in 2010.  | Enacted.   |
| 3) Add an additional instructional day if resources allow.   | Enacted effective July 1, 2011.                              |
| 4) Add a third day dedicated to teacher professional development.  | Not enacted.   |
| 5) Require that each school district adopt a professional development plan and have it reviewed by the Superintendent of Public Instruction and a Professional Development Advisory Committee. | Enacted. (Superintendent to appoint the advisory committee). |

RECOMMENDATIONS

- 6) Provide \$219,032 to DPI for one administrative staff position and one support staff position to review and propose improvements to professional development plans, manage instructional coaching grants, and oversee compliance with new curricular requirements.
  
- 7) Expand the mentorship grant program administered by ESPB to a funding level of \$2.3 million for the training of first year teachers.
  
- 8) Provide \$500,000 in grant funds for three pilot programs featuring model instructional coaching.

HOUSE BILL 1400

Enacted.

Enacted with flexibility to also train experienced teachers. Labeled “Teacher Support System Program.”

Replaced with \$500,000 for a National Board Certification Fund to be administered by the Education Standards and Practices Board.

## TRANSPORTATION PAYMENTS

### COMMISSION RECOMMENDATIONS 2008

- 1) Set transportation payments at \$.81 per mile for large school bus miles; \$.42 for small vehicle miles; and \$.22 per ride for students transported.
  
- 2) Increase the transportation grants by \$5 million.

### 2009 HOUSE BILL 1400

Enacted at \$.92 per mile for large school buses carrying 10 or more; \$.42 per mile for smaller vehicles carrying 9 or less; and \$.24 per student for each one-way trip.

Enacted with a \$10 million increase for transportation grants plus an additional \$5 million if the ending fund balance forecast at the close of the 2009 session for 6/30/11 is exceeded by the revised ending fund balance forecast for 6/30/11 by \$30 million on either 7/31/10 or 4/30/11.

# 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

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## BACKGROUND

Significant improvements were made in the equity of school funding through the passage of SB2200 in 2007 and HB 1400 in 2009. The key system for delivering this equity is reflected in the weighting factors which, when multiplied times the per student payment, reflect all of the added costs for certain categories of students (see Table 1, page 27).

In addition to the weighting factor system, equity is provided by means of special equity payments to districts whose imputed taxable valuation per student (ITVPP) is less than 90% of the statewide average imputed taxable valuation per student. Further, state aid payments are reduced to districts whose ITVPP is greater than 150% of the statewide average ITVPP.

HB 1400 also addressed the issue of school funding adequacy by bringing the state's support for K-12 education up to the level recommended by Allan Odden and Lawrence Picus, two nationally recognized authorities in school funding adequacy. Most of the funding recommendations presented in their report, "Funding Schools Adequately in North Dakota", were adopted in HB 1400.

The Picus report also recommended that these additional financial resources be used to improve student performance through several initiatives in student support, professional

development, curriculum, assessments, and scholarships. New funding was provided for licensed tutors in grades K-3, instructional coaches, and a new subcategory of counselors called “career advisors”. Curriculum was strengthened at the core by requiring three years of mathematics, three years of science, and three years of focused electives emphasizing foreign languages, fine arts, and career and technical education. A total of 22 units is now required for a North Dakota high school diploma.

New scholarships were created for students pursuing either an academic path or a career and technical education path, provided the students attained a 3.0 grade point average and received a 24 on the ACT or a 5 on three WorkKeys assessment units. Eligible students receive \$750 per semester up to a total of \$6000.

Opportunities for professional development were strengthened by adding four early dismissal days with two hours each time for teacher collaboration. A professional development plan was required to be developed by every district and feedback must be provided by the Superintendent of Public Instruction and a Professional Development Advisory Committee.

In addition, funding was expanded for a mentorship program designed to assist first year teachers. The program is administered by the Education Standards and Practices Board. Funds were also provided to assist teachers who pursue National Board Certification.

In order to improve student performance, certain assessments were required. All students in grade 11 will take the ACT or 3 WorkKeys assessments. Students in grades 7-10 must take a “career interest inventory” once in grades 7-8 and once in grades 9-10. Students in grades 2-10 must be given a formative or interim assessment at least once each year.

The legislature supported the installation of a Longitudinal Data System to track the progress of students from Kindergarten through grade 12 and on into college or the workplace. This system is needed to determine which student performance strategies are producing the best results and what education policy changes may be needed in the future. The core element of this system at the K-12 level is PowerSchool, the state's required student information program.

This multifaceted approach of adequate funding and new performance strategies will ensure improvement in student performance in North Dakota in the coming years and ensure that students are prepared to maximize their opportunities in postsecondary education or in the workplace.

## RECOMMENDATIONS FOR 2011 - 2013

- 1) The Commission recommends that the .002 technology factor be replaced with a .006 "Data Collection Factor" for each student tracked by the PowerSchool student information system currently required for every school district. Districts in the process of training and implementing PowerSchool at the beginning of the school year would also be eligible for the factor multiplied times their base ADM. Monies attributed to the data collection factor would be forwarded on behalf of a school district directly to the Information Technology Department for the sole purpose of purchasing, installing and supporting services related to the cost of PowerSchool. A general fund appropriation to ITD for this purpose would no longer be needed. Two full-time positions should be authorized at ITD for the 2011 – 2013 biennium only at

a cost of \$330,500 to be funded by the Data Collection Factor. The Commission recommends that all public schools regardless of size continue to be required to use PowerSchool. The Superintendent of Public Instruction should be authorized to waive the PowerSchool requirement for reservation schools that are required to use a specific program by federal law. However, the Superintendent should enforce the general requirement for a compatible reporting system. Funds distributed under this factor are not subject to the requirement that 70 percent of all new funds be used to increase teacher compensation. At such time as all schools are using PowerSchool after the 2011-13 biennium, the Data Collection Factor will no longer be a cost differentiator and may be converted into an additional per student payment.

- 2) The Commission recommends that \$678,400 be appropriated in the operating line in the budget for the Department of Public Instruction to pay the entire cost of the WorkKeys or ACT test, including the writing section, which must be taken once by every 11<sup>th</sup> grade student in every high school in North Dakota. Distribution of funds to school districts for ACT costs should be discontinued. Every school district must report to DPI the number of students who participated and explain the circumstances surrounding those who did not participate and accommodations made.
- 3) The Commission recommends amending Section 15.1-27-11, Paragraph 6b(1) and (2) of the Century Code by clarifying that the divisor in computing the imputed taxable valuation is to be “the district’s general fund levy for the taxable year 2008.”

- 4) The Commission recommends that the method for determining the statewide average imputed taxable valuation per student be amended to reduce volatility in the average caused by one-time surges in revenue or sudden discontinuations of revenue in individual districts. The statewide average also has the potential of being distorted by atypical districts. Specifically, the Commission recommends that in determining the statewide average imputed taxable valuation per student (ITVPP), any district whose ITVPP is more than 3 times the statewide average, or any district whose ITVPP is less than one fifth of the statewide average, should be disregarded in computing the statewide average imputed taxable valuation per student. This adjustment has a minimal impact on the resulting statewide average but does reduce volatility from year to year.
- 5) The Commission recommends that the formula for Isolated Schools should be amended to provide a weighting factor for school districts that meet the definition of “Isolated.” This recommendation is based on several weaknesses found in the current formula. First, the current formula provides payments to schools based on a hypothetical situation, which is the possibility of students needing to be transported to another neighboring school in the event that the original school is closed. There is no stipulation regarding when the school would close, if ever. Secondly, the current formula provides payments for students who do not exist. It is possible that 15 per-student payments could be required from the state for only one student actually being educated. Thirdly, the current formula is based on the circumstances in individual school buildings rather than the complete circumstances of the entire school district,

which reflects the overall financial challenges being encountered. Finally, the current formula for Isolated Schools is a separate formula from the main school funding formula and thereby negates the value of having all added education costs integrated into a single formula.

Specifically, the Commission recommends that any school district having fewer than 100 students in Average Daily Membership and an area in excess of 275 square miles be defined as an “Isolated” school district. Further, any student in ADM in an “Isolated” school district should be assigned an additional weighting factor of .10, to be multiplied times the school district’s base ADM. The Commission also recommends that a special provision be adopted for those districts that have an area in excess of 600 square miles whereby the state must distribute state aid for no less than 50 ADM. The resulting state aid is still subject to further adjustments for high valuation and an excess ending fund balance. These provisions would replace current statutes governing isolated schools.

For any school formerly defined as an isolated school that is not eligible for the new factor, a transition payment should be provided for the 2011-2012 school year equal to 100 percent of the amount distributed in 2010-2011. Thereafter the payment should be reduced by 25 percent of the 2010-11 amount each of the following three years and then discontinued. If a school that receives the transition payment closes, the transition payment should be discontinued.

- 6) The Commission recommends that the weighting factor for Special Education ADM should be increased from .07 to .073 to reflect more accurately the number of students needing special education services. The factor is applied to the base ADM, which includes Pre-K Special Ed ADM.
- 7) The Commission recommends an increase of \$500,000 in funding for special education contract reimbursements.
- 8) The Commission recommends that, for the 2011-2012 school year, the total amount of state aid payable to a district per weighted student unit not exceed 142% of the baseline funding per weighted student unit. The Commission recommends that for the 2012-2013 school year, and for all years thereafter, the allowable increase in the per student payment should not be subject to a maximum.
- 9) The Commission recommends paralleling of the language in Section 52 of Senate Bill 2200 (2007 Session), so that during the 2011-2013 biennium, the board of each school district must use an amount equal to a least 70 percent of all new money from the state to increase the compensation paid to teachers. This calculation would not include equity payments, transportation payments, contingency payments, mill levy reduction payments, or data collection payments. The Section includes a procedure for the board to become exempt from the requirement under special circumstances.
- 10) The Commission recommends that the state reimbursement for transportation costs be increased by \$5 million. Reimbursement for large school buses should increase from 92¢ per mile to \$1.03 per mile. Reimbursement for small buses should increase from 44¢ per mile to 46¢ per mile, and the rate per student ride should increase from

24¢ to 26¢. Family transportation should be increased to 46¢ for each mile over two miles, one way. This recommendation assumes that the contingent appropriation for \$5 million enacted by the 2009 Legislative Assembly will not be triggered on 4/30/11. However policy makers should monitor the status of the trigger for the contingent appropriation.

- 11) The Commission recommends that the per student payment provided in state aid be increased by \$100 per student in 2011-12 and an additional \$100 per student in 2012-13.

TABLE 1

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

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	<b>BASE ADM</b>			<b>852.00</b>
4	Special Ed ADM <i>(base ADM)</i>	852.00	0.073	62.20
5	Pre-K Special Ed ADM	24.00	0.17	4.08
6	English Language Learners: Level 1	5.00	0.30	1.50
7	English Language Learners: Level 2	6.00	0.20	1.20
8	English Language Learners: Level 3	20.00	0.07	1.40
9	Special Ed ESY	10.00	1.00	10.00
10	Alternative High School	0.00	0.25	0.00
11	Summer School	16.00	0.60	9.60
12	Migrant Summer School	50.00	1.00	50.00
13	Home Education <i>(district supervised)</i>	6.00	0.50	3.00
14	At Risk – Poverty	180.00	0.05	9.00
15	Isolated	0.00	0.10	0.00
16	Cross Border Attendance (MT, MN)	0.00	0.20	0.00
17	Data Collection <i>(base ADM)</i>	852.00	0.006	5.11
18	Regional Education Association <i>(base ADM)</i>	852.00	0.004	3.41
19	<i>Alternative Teacher Compensation Program</i>	-	.060	-
20	<b>WEIGHTED ADM TOTAL</b>			<b>1,012.50</b>
21	<b>SCHOOL SIZE WEIGHTING FACTOR</b>		<b>x</b>	<b>1.01</b>
22	<b>WEIGHTED STUDENT UNITS</b>			<b>1,022.63</b>
23	<b>PER STUDENT PAYMENT</b>		<b>x</b>	<b>\$ 3,779.00</b>
24	<b>TOTAL STATE AID PAYMENT</b>			<b>\$3,864,518.77</b>

Recommended Payment Rate Year 1 = \$3,879

Recommended Payment Rate Year 2 = \$3,979

Alternative Teacher Compensation Program becomes effective year 2.

# CURRICULUM

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## BACKGROUND

The Commission agreed that the concept of an “adequate” education means a large percentage of high school seniors can be shown to be “ready for college” and/or “ready for work” upon graduation. This requires 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.

In the 2009 legislative session the requirements for a high school diploma were changed to include a third year of mathematics and a third year of science. The total number of units required for graduation was set at 22 units. Some focus must also be achieved in electives through a requirement that 3 units of electives be selected only from the following subjects: foreign or native American language; fine arts; and career and technical education.

The Legislative Assembly also made available an “optional curriculum” for academically struggling students, provided the students have received the concurrence of a parent and a counselor to pursue a less rigorous high school curriculum. The number of units for a diploma based on an optional curriculum was set at 21 units.

Providing an array of educational opportunities to students is challenging under any circumstances and particularly so in a sparsely populated state, with a high number of school districts, and a declining number of students. With the continued demand for advanced courses in mathematics and science, additional foreign languages, and greater exposure to

career and technical education, the role of virtual classrooms and virtual schools in the state's educational fabric will only increase. Therefore, it is incumbent upon the state to ensure that the offerings are both high in quality and affordable.

The North Dakota Center for Distance Education, located on the campus of North Dakota University, in Fargo, is an accredited non-profit distance-education high school that has been serving students around the world for 75 years. In order to remain viable, it is requesting both organizational restructuring and budgetary enhancements. Specifically, it is suggesting that it be allowed to: 1) decrease the charge of a one-semester course for North Dakota students to a cost competitive price; 2) narrow the focus of the Center's distance education services; 3) reduce certain staff costs; and 4) increase the staff commitment to marketing and customer services.

Currently the ND Center for Distant Education course offerings are not competitive with other online vendors such as Jeffco and Odysseyware that charge approximately \$125 per semester course. Some might question why the state should not rely entirely on outside vendors. The answer is that the curricula purchased from outside vendors may lack rigor or be incomplete. There is currently no quality assurance mechanism in place to ensure that courses purchased from outside vendors cover the needed curriculum and provide the expected student achievement. In addition, no instructor contact is required with outside vendors, whereas the Center does require oversight and access to a teacher licensed in North Dakota. The goal should not be to discourage the use of outside vendors, but to ensure that quality online course offerings are always available through the ND Center for Distance Education in the event that outside offerings become substandard.

## RECOMMENDATIONS

- 1) The Commission recommends an increase of \$780,000 in the budget for the ND Center for Distance Education to further subsidize tuition for North Dakota students enrolling in online courses. It also recommends a \$290,000 increase in salaries and benefits for the reorganized staff, and a \$318,000 increase for enhanced customer service for school districts statewide. The total increase of \$1,388,000 is offset by budget reductions of \$155,000, for a net cost of \$1,233,000. The Commission recommends that all distance education curricula offered in North Dakota meet state standards and that Advanced Placement and Dual Credit course offerings be increased.
- 2) The Commission recommends that the language of NDCC Section 15.1-21-0.1 be amended to clarify that the statutory requirements for North Dakota high school diploma are a minimum of 22 credits and that any school district, non-public school, or the ND for Distance Education may increase the required number of credits beyond 22 or impose a more rigorous set of course requirements. However, the requirements for a high school diploma based on an “optional curriculum” may not be increased beyond 21 credits or in regard to course requirements.
- 3) As the state moves toward a common core curriculum in high school, it becomes more important to have consistent standards for student placement in North Dakota’s 11 colleges and universities. Every high school graduate should know they are destined for a developmental course at any ND campus if they score below a certain level on the ACT or COMPASS tests. The Commission recommends that the North Dakota University

System adopt, and continuously evaluate uniform standards for placement in first year courses. The following scores are suggested:

	<u>2 year College</u>	<u>4 year College</u>
– Language arts Required scores for English 110	ACT 18 or COMPASS 77	ACT 18 or COMPASS 77
– Mathematics Required scores for Math 103	ACT 21 or COMPASS 47	ACT 22 or COMPASS 52
– Social Sciences 50% chance of “B” or higher in introductory course	ACT 21	ACT 21
– Physical Sciences 50% chance of “B” or higher in introductory course	ACT 24	ACT 24

- 4) The Commission recommends that the state continue to cooperate with other states in the development of common core standards and assessments that can be used to compare student progress with other states.
- 5) The Commission recommends that every student at least once in the 7<sup>th</sup> or 8<sup>th</sup> grade be required to take a course or undergo a consultation process relating to career and school planning. A school district may offer an 9 week course in the 7<sup>th</sup> or 8<sup>th</sup> grade or schedule individual discussions with students about the results of their career interest inventory, about the appropriate high school courses for their career interests, and about an individual education plan for their high school years. Each school district will be required to verify that these courses or consultations have taken place during the 7<sup>th</sup> or 8<sup>th</sup> grade.

The Commission further recommends that each student may request and receive a review of an individual education plan at least once during each year of high school.

- 6) The Commission recommends that American sign language be considered an alternative to foreign or native American languages in the statutory requirements for a North Dakota academic scholarship.
- 7) The Commission recommends that grants be provided for two pilot projects to improve language arts alignment between high schools and institutions of higher education. Each project must produce a report of their findings to be submitted to the Superintendent of Public Instruction. The Commission recommends that \$100,000 for this purpose be included in the line item for grants in the DPI budget bill to share in the cost of alignment conferences. One grant should be available to a 4-year college and one grant to a 2-year college.
- 8) The Commission recommends that the state Board of Higher Education consider developing a plan for “advising centers” on each campus, to improve student access to trained academic and career advisors, with hours extending into the evening and with online answers to questions. It further recommends that the ND University System move forward to an online degree audit report system.

# ASSESSMENT

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## BACKGROUND

The Commission determined that the final step in determining whether a student has received an “adequate” education is to ascertain whether the desired results have been achieved through the use of a variety of assessments.

In 2009 the Legislative Assembly provided funding and required that “formative” or “interim” assessments, such as the “Measures of Academic Progress”, be administered to students grades 2-10.

2009 House Bill 1400 also required every school district to provide a “career interest inventory” assessment at least once during grade 7 or grade 8 and at least one time during grade 9 or grade 10.

Finally, the Legislative Assembly provided funding for and required each student to take either the ACT or WorkKeys test prior to graduation.

The Commission received testimony that the writing skills of students have deteriorated over time and an assessment is needed to determine what curriculum and instructional changes need to be made to improve the writing skills of high school graduates. The writing component of the ACT test requires an additional 45 minutes at the time the regular ACT test is administered. The cost is an additional \$8.00 per student. The entire added cost to the state for the writing section of the ACT would be \$59,200, annually or \$118,400 per biennium.

## RECOMMENDATIONS

- 1) The Commission recommends that for those taking the ACT assessment, the writing section also be required of all high school students. The full ACT biennial cost of \$678,400, including \$118,400 for the writing section, should be included in the operating line of the appropriation bill for the Superintendent of Public Instruction, beginning with the 2011 – 2012 school year. All costs of the ACT test should be paid by the state directly. Every school district must report to DPI the number of students who participated and explain the circumstances surrounding those who did not participate and report accommodations made.

# SCHOLARSHIPS

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## BACKGROUND

In 2009, the Legislative Assembly made two significant improvements in the availability of scholarships for North Dakota high school graduates: one was a \$12.8 million increase in the state's funding for needs-based scholarships; the second was the creation of an academic scholarship and a career and technical education scholarship, both named the North Dakota Scholarships for graduates who take the required high school curriculum, obtain a 3.0 grade point average, and receive a composite score of at least 24 on the ACT or a score of at least 5 on three WorkKeys assessments. Students can receive \$750 per semester if they are enrolled full-time at an accredited institution of higher education in this state and maintain a grade point average of 2.75. The maximum amount that a student is eligible to receive is \$6000.

## RECOMMENDATIONS

- 1) The Commission recommends that any North Dakota high school graduate meeting all the requirements for a North Dakota Scholarship, other than the required grade point average, may become eligible in one of two ways: first, any student with a transcript showing a 3.0 grade point average or higher over four years with no "D's" or "F's" automatically qualifies for the scholarship; secondly, any student not qualifying in the

initial analysis may file an appeal with the Superintendent of Public Instruction showing the completion of 22 units of high school work qualifying the student for a high school diploma and scholarship. The grades received on the 22 units presented to the Superintendent must compute to an average of 3.0 or better and include no “D’s” or “F’s”. The Superintendent shall be responsible for the determination of a student’s eligibility for the scholarship for their first full time semester at a North Dakota college or university. The Commission recommends funding be included in the Department of Public Instruction for the Registrar tracking software. (\$5000)

- 2) The Commission recommends that the ND University System office monitor all students receiving the North Dakota Scholarship and determine whether they are achieving a 2.75 grade point average as a full time student. The University System shall notify the student within 5 days of determining that a student has achieved less than a 2.75 average for the previous semester. Any student failing to achieve a 2.75 grade point average is permanently ineligible thereafter for the North Dakota Scholarship.
- 3) As more students become eligible for the North Dakota Scholarship, the annual cost will increase to \$5 million in 2011-2012 and \$7.5 million in 2012-13. The required dollars will eventually come into competition with other priorities in higher education and K-12 education. In order to ensure the long-term sustainability of the North Dakota Scholarship, the Commission recommends that an ongoing funding source be identified, whereby moneys will be appropriated on the continuing basis to fund the North Dakota Scholarship program. The Commission recommends that the necessary funding be made available from the Land and Minerals Trust Fund as a continuing appropriation to the

North Dakota University System. Each semester the NDUS shall request from the state Land Department the amount needed to fund the North Dakota Scholarship program and upon receipt shall transfer the necessary funds to the appropriate college or university financial office.

# INFORMATION TECHNOLOGY AND STUDENT DATA

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## 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, and PowerSchool support staff.

In 2009, the Legislative Assembly appropriated \$2.38 million in general funds to ITD to implement the installation of PowerSchool software in every North Dakota school district. They also amended HB1400 to include a “technology factor” in the formula with the intent that those funds could be used by school districts to help pay for PowerSchool. Some districts that did not go forward with PowerSchool are currently experiencing a windfall from the new factor. For those school districts moving forward with PowerSchool, the cost is approximately \$24.00 per student per year, with \$12.00 per student being paid to ITD by the school district from the new technology factor, and approximately \$12.00 being paid by state general funds in ITD

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 submit report to the Superintendent of Public Instruction and the Department of 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 data, demographics, grade point averages, assessment reports, and required state and federal reports.

PowerSchool is also the key data collection system for the state's new Longitudinal Data System that will allow K-12 student information to be placed in a data warehouse and later combined with information from the ND University System and Job Service to produce a comprehensive picture of the effectiveness of state education programs and workforce development initiatives. This information will become 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 .002 Technology factor be replaced with a .006 "Data Collection Factor" for each student tracked by the PowerSchool student information system currently required for every school district. School districts in the process of training and implementing PowerSchool at the beginning of the school year

would also be eligible for the factor multiplied times their base ADM. These funds would be withheld by the Superintendent of Public Instruction and when approved may only be used to purchase installation and support services from the Information Technology Department equal to their actual costs related to the implementation of PowerSchool. A general fund appropriation to ITD for this purpose would no longer be needed. The Commission also recommends that two full-time positions be authorized at ITD exclusively for the 2011 – 2013 biennium at an estimated cost of \$330,500. Any remaining amount generated by the data collection factor that is not needed to reimburse ITD should be distributed as additional state aid. The Superintendent of Public Instruction should be authorized to waive the PowerSchool requirement for reservation districts that are required by the Federal government to use a different software program.

- 2) The Commission recommends that the state Longitudinal Data System continue to receive the support needed to continue the implementation of this project. Analysis of data will in the future be necessary to answer queries about the relative success of various policy initiatives and to suggest appropriate policy changes. Trends will emerge from the data as well as comparative information that will be helpful to school districts. The Commission recommends that 1 full-time position be added to the Information Technology Department for the second year of the 2011-13 biennium at a cost of \$145,000. This individual will analyze data, answer queries from school districts and policy makers, and develop strategies to add value to the data analysis.

- 3) The Commission recommends the reform and reorganization of the North Dakota Center for Distance Education as discussed in recommendation #1 of the curriculum section on page 31.

# REGIONAL EDUCATION ASSOCIATIONS

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## BACKGROUND

The Commission believes that regional education associations continue to play an important role in providing an adequate education for every student in North Dakota. As demands increase to make available rigorous and varied courses of study for every student, REA's have become an important tool in curriculum delivery and student support, especially in rural school districts with low or declining enrollment.

There are currently eight regional education associations in North Dakota, and they serve 98 percent of all students in the state. Each REA provides to its member districts a variety of student and administrative services, as approved by its governing board, which is composed of elected school board members from each participating district. In some situations the REA is the only viable alternative to school consolidation.

2009 HB 1400 provided \$25,000 to each of eight REA's, and \$2.6 million through a formula factor of .004 for each participating student. This amount is paid directly to the REA from the State Aid budget line.

## RECOMMENDATIONS

- 1) The Commission recommends that NDCC Section 15.1 – 09.1 -02.4 be replaced with a new set of services that each REA must offer to its member school districts. The services include:

1. Professional development – Each REA shall coordinate and facilitate professional development activities for teachers and administrators employed by its member districts.
2. Technology support – Each REA shall supplement human and financial resources needed by member districts to provide adequate technology support to their users.
3. School improvement – Each REA shall assist member districts in achieving their school improvement goals as identified by the Division of School Improvement and Accreditation at DPI.
4. Data Collection and Analysis – Each REA shall assist school districts in the collection and analysis of student achievement data for the purpose of aligning instruction to student performance.
5. Curriculum enrichment – Each REA shall facilitate expansion and enrichment of the curriculum in its member districts through technological or other innovative methods.

Each REA may provide within the limits of its resources any additional educational and administrative services requested by its member districts.

- 2) The Commission recommends that the \$25,000 per year in base support for each REA be replaced with funding for 70% of the cost of a coordinator position up to a maximum cost share of \$50,000 per REA per year funded from the state aid line. Each coordinator, whether full-time or part-time, must be under contract for a 12-month period.

# EARLY CHILDHOOD EDUCATION

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## BACKGROUND

2009 HB 1400 established an Early Childhood Education Council to study the provision of educational services to children below kindergarten age. Their report is attached as Appendix A.

The 2009 legislative assembly rejected a special funding factor for Pre-K education to be delivered by school districts. Some legislators felt that the state had only recently become involved in funding full day kindergarten and should not become involved in the care and education of 4 year old children. Other legislators noticed that there was already a strong Head Start program in North Dakota serving a large number of underprivileged 4 year olds. It also became clear that the private pre-school providers and the day care providers would not be advocates for public school based pre-kindergarten education. At this point, it appears that there needs to be greater appreciation of the great value that education programs for 4 year old children can have in their overall academic and social development. If a consensus builds in the future to support Pre-K education in a more formal way, it may be possible to bring forward a proposal for Pre-K education in North Dakota public schools.

The Commission believes that with the absence of Pre-K in the state, there is a need for a program to help parents prepare their 4 year old child for kindergarten. A large number

of 4 year olds are not eligible for Head Start, and do not have the opportunity to attend private pre-school or high quality day care with an education component. The Commission found a program offered through the North Dakota State Extension Service that meets this need. The program is called “Gearing Up For Kindergarten.” It provides a session of 15 weekly classes for 4 year olds and their parents that are taught by a certified kindergarten teacher during the hours after regular school. Parents learn, along with their child, how to become familiar with some of the concepts that will be introduced in kindergarten. Research has shown that the child who has had this preparation will have a much more successful kindergarten experience and even perform better in elementary school.

## RECOMMENDATIONS

- 1) The Commission recommends that support for this program be made available to as many 4 year old children as possible across the state. Specifically, the Commission recommends an increase in the general fund appropriation for Extension of \$330,000 for the 2011-13 biennium to support the administrative and organizational costs of expanding “Gearing Up For Kindergarten” across the state. The Commission also recommends state funding for  $\frac{1}{3}$  of the cost of a 15 week session, estimated at \$2000 or roughly equal to the cost of the teacher, times 125 sessions per year is a total cost of \$500,000. The remaining costs of the session, which is approximately \$4000, will be covered by fees, grants, and other funding sources.

- 2) The Commission recommends an incentive for schools to make safety compliant space available for new licensed pre-kindergarten programs. Up to \$5000 per classroom would be granted for as many as 25 classrooms and used to mitigate the costs of providing the space. The Commission recommends \$125,000 be included in the DPI Grants line for this purpose.
- 3) The Commission recommends that school districts be given the authority to spend locally raised funds for pre-kindergarten programs.
- 4) The Commission recommends that \$150,000 be added to the appropriation for Continuing Education grants for pre-school teachers for whom a baccalaureate degree will be required in the future.
- 5) The Commission recommends funding for 125 scholarship grants to individuals working in the childcare industry who wish to obtain a Child Development Associate credential. At a cost of \$1200 per person the total cost is \$150,000. The Workforce Division of the Department of Commerce should be authorized to work with an organization capable of distributing and administering these grants.

# QUALITY INSTRUCTION

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## BACKGROUND

The 2009 Legislative Assembly enacted several measures to improve the proficiency of North Dakota classroom teachers. They established a mentorship grant program called the “ND Teacher Support System” in which the Education Standards and Practice Board (ESPB) provides grants to train protégé teachers in their first year, and teachers beyond their first year as funds allow. An evaluation study done by Learning Point Associates confirms that this program is succeeding with very high ratings from participating mentors, protégés, and administrators. They also provided \$500,000 to ESPB to support teachers working for their National Board Certification.

The legislature also attempted to improve the frequency and effectiveness of professional development activities among teachers in the state. They authorized the use of four early dismissal days during the year to allow for 2 hours of teacher collaboration on 4 separate occasions. They also required every school district to develop a professional development plan for their teaching staff to be reviewed and evaluated by the state Superintendent and a Professional Development Advisory Committee. The purpose of this process is to develop a consensus throughout the state on the best practices in professional development for North Dakota. While the facts are still being gathered from school districts, it is becoming increasingly clear that collegial involvement in professional development within the school building is the most effective approach.

## RECOMMENDATIONS

- 1) The Commission recommends that funding for the ND Teacher Support System be continued and that the teachers eligible for grants include those employed by Career and Technical Education centers, special education units, Rural Education Associations, Bureau of Indian Affairs schools, and Bureau of Indian Education schools.
- 2) The Commission recommends that the DPI budget include \$122,000 to cover the operating expenses of the Professional Development Advisory Committee for the 2011-13 biennium. This committee is expected to develop a professional development model for the state.
- 3) The Commission learned that the number of new principals hired each year is considerable. It is evident that good principal leadership has great value as it relates to the success of both teachers and students. In order to accelerate the proficiency of principals in North Dakota, the Commission recommends the establishment of a Principal Mentoring Program in which each new principal will have an assigned mentor trained by the ND LEAD Center. Specifically the Commission recommends that \$461,500 be appropriated in the Other Grants line of the budget bill for the Superintendent of Public Instruction for this purpose. Each year LEAD should submit a request to the Superintendent for the Principal Mentoring Program, and upon approval the funds should be transferred to the LEAD Center. Any surplus funds should be available as a continuing appropriation to mentor principals beyond their first year.

- 4) The Commission believes that the overriding determinant in student success is having a highly effective teacher in the classroom every day. The Commission also believes that North Dakota's current system of paying teacher salaries based solely upon years of experience and education attainment is no longer adequate as the compensation piece of a successful teacher development strategy. Professional development and teacher evaluation are the other two essential elements in developing highly effective teachers, both of which need progress in North Dakota and are addressed in other sections of this report.

Education research in the USA and other countries indicates that an Alternative Teacher Compensation System should provide for teacher pay based upon multiple components including, but not limited to pay for: hard-to-staff positions; added knowledge, skills or professional development; student educational growth; and added responsibilities such as mentoring, coaching or instructional leadership.

The Commission recommends that the state aid formula include a factor of .06 for each student unit that is instructed by a teaching staff participating in an Alternative Teacher Compensation System (ATCS). The factor should be initiated with the 2012 – 2013 school year and is expected to fund 30,000 – 50,000 wsu in alternative compensation plans approved by the ATCS Review Panel. All applications for funding in the 2012-13 school year should be received no later than April 1, 2012.

ATCS funding may be for an entire district or for individual buildings within a district. All teachers associated with a particular application must be eligible for additional compensation. No teacher should suffer a reduction in pay as a result of ATCS funding.

The plan for alternative compensation must be determined by mutual consent of the school district and the exclusive representative. Compensation plans may be developed by a joint committee made up of representative stakeholders of the school district and teachers, including the authorized exclusive representative, or by any other methods as mutually agreed. The negotiations to develop an ATCS should be exempt from impasse and fact finding requirements. Failure to agree on an ATCS means that no qualifying application will be filed and no funds will be available.

Upon successful completion of a plan for Alternative Teacher Compensation, the agreement should be forwarded to ATCS Review Panel. The ATCS Review Panel should be composed of two representatives from the Department of Public Instruction appointed by the state Superintendent, two representatives appointed by the North Dakota Education Association, two representatives appointed by the North Dakota School Board Association, and two representatives appointed by the North Dakota Council of Education Leaders. The ATCS Review Panel should approve or deny applications for funding and provide a written explanation in the case of a denial. Schools may reapply after revising their application. The Legislative Assembly should appropriate \$20,000 to cover the out-of-pocket expenses of the Panel members.

The Review Panel should develop the criteria and requirements for alternative compensation funding to be included in the application for funding. The criteria must include a requirement that each of the four major components of evaluation are included to some degree in the process. These components include: hard-to-staff positions; added knowledge, skills or professional development; student educational growth; and added

responsibilities such as mentoring, coaching or instructional leadership. The criteria must also include a requirement that the application demonstrates how the evaluation system is tied directly to the resulting distribution of additional compensation. The guidelines should also include suggestions for improving the application that are not mandatory for acceptance by the ATCS Review Panel.

In addition the Legislative Assembly should appropriate \$280,000 to the ATCS Review Panel to cover the cost of program administration and to develop and distribute guidelines for the preparation of a successful application. The Panel should provide for face-to-face coaching with the local joint committee on plan development. The Panel should develop written materials that offer suggestions for a successful funding application. Specifically, the Commission recommends that \$280,000 be included in a line item for the ATCS Review Panel (in the budget bill of the Superintendent of Public Instruction) to contract for the cost of the program administration.

At the end of the first year of implementing the Alternative Teacher Compensation System, each funding recipient should provide a written review of their plan to the ATCS Review Panel. Such review, filed jointly by the district and the exclusive representative, should discuss how the program has improved the outcomes in each of the four major evaluation categories. The review should point out any changes that could make the plan more effective, and should include a request for continued funding if so desired. The ATCS Panel should then approve or deny the request for continued future funding.

The Commission recommends an appropriation of \$7.5 million for the Alternative Teacher Compensation System in the 2012-13 school year. This amount of funding should be considered dedicated to this program and not available for any other purpose.

- 5) The Commission recommends that the provisions of HB 1127 approved by the Employee Benefits Committee, regarding increased contributions to the Teachers Fund for Retirement on July 2012 be enacted by the Legislative Assembly. These increases are 2 percent by the school district and 2 percent by the school employees. The Commission also recommends the Bill's other provisions regarding adjustments to the pension plan terms.

The Commission advances this as a first step in an incremental approach toward restoring 100 percent actuarial funding to the Retirement Fund for Teachers. We believe this action in the upcoming biennium, combined with good investment management, will move the funding line in the right direction. Should additional steps be needed, the Benefits Committee will review those with an eye toward making additional adjustments in the following biennium.

## RECOMMENDED BUDGET SUMMARY AND OPTIONAL FUNDING PRIORITIES

<b>Cost to Continue Existing Formula</b>	
Cost to continue state aid formula payments in excess of 2009-10 appropriation levels per student payment base at \$3779 for both school years 2011-12 & 2012-13	\$40,248,599
Implementation of second calendar day per legislative action (\$3,680,000 x 2 years)	7,360,000
Implementation of At Risk Factor of .025 per legislative action (\$3,100,000 x 2 years)	6,200,000
Cost to continue excess cost reimbursements for agency placed students	<u>500,000</u>
<b>Subtotal</b>	<b>\$54,308,599</b>
<b>Formula Revisions</b>	
Revised computation of Statewide Average Imputed Taxable Valuation Per Student	\$530,000
Savings from discontinuation of distribution for ACT test	(560,000)
Revision of Isolated School formula	115,000
Savings from reduced cost of transition minimum	(6,000,000)
Reduced savings from transition maximum of 142%	500,000
Change .002 Technology factor to .006 Data Collection factor	<u>3,000,000</u>
<b>Subtotal</b>	<b>(\$2,415,000)</b>
<b>Increases in K-12 Funding</b>	
Increase weighting factor for Special Education ADM from .07 to .073	\$2,500,000
Fund .06 factor for every WSU in an approved plan for Alternative Teacher Compensation (30,000 – 50,000 WSU in year two only)	7,500,000
Increase the per student payment by \$100 per student each year of the 2011-13 biennium, to \$3,879 in 11-12 and \$3,979 in 12-13 (net of \$9.0 million proposed carryover from 2009-11)	32,000,000
Increase REA Base grants for 70% cost share of the cost of coordinators	<u>400,000</u>
<b>Subtotal</b>	<b>42,400,000</b>
<b>Total increase in state aid - All funds</b>	<b>\$94,293,599</b>
Less common schools trust fund increase	<u>(\$15,338,000)</u>
<b>Total increase in state aid - General fund</b>	<b>\$78,955,599</b>

<b>GRANT &amp; OTHER EDUCATION PROGRAM INCREASES</b>	
Increase transportation cost reimbursements	\$5,000,000
Increase funding for special education contracts	500,000
Increase the budget for assessments in the Department of Public Instruction to \$678,400 to pay the entire cost of ACT, including the writing section, for all 11 <sup>th</sup> grade students in North Dakota	678,400
Fund two pilot projects in the DPI grants line to improve curriculum alignment between high school and college and track scholarships	105,000
Principal Mentoring Program	461,500
Fund expenses of Professional Development Advisory Committee (DPI)	122,000
Increase Continuing Education grants for pre-school educators	150,000
Fund cost of full-time program adviser to ATCS (DPI)	280,000
Fund expenses of ATCS Review Panel (DPI)	20,000
Grants to schools providing space for Pre-K	<u>125,000</u>
<b>TOTAL</b>	<b>\$7,441,900</b>

<b>OTHER RECOMMENDED FUNDING PRIORITIES</b>	
<b>Information Technology Department (ITD)</b>	
Increase general fund support for the Center for Distance Education (ITD budget)	\$1,233,000
Fund one full-time position at ITD in the second year of the biennium to manage the new Longitudinal Data System	145,000
ITD general fund budget reduction relating to PowerSchool administration (funded through state aid formula for 2011-13)	<u>(2,400,000)</u>
<b>Total ITD</b>	<b>(\$1,022,000)</b>
<b>NDSU Extension Service</b>	
Expansion of “Gearing Up For Kindergarten” program at NDSU Extension to statewide scope	\$830,000
<b>Total NDSU Extension Service</b>	<b>\$830,000</b>
<b>Commerce Department</b>	
Scholarship grants for Child Development Associate credential (Department of Commerce to be administered by Childcare Resource & Referral)	<u>\$150,000</u>
<b>Total Commerce Department</b>	<b>\$150,000</b>