

FISCAL NOTE
Requested by Legislative Council
04/03/2017

Amendment to: SB 2272

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$6,500,000		
Appropriations				\$6,500,000		

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts		\$6,500,000	
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2272 provides language for definitions, uses, transfers and appropriations related to the foundation aid stabilization fund. It also sets capitalization and loan criteria for low interest school construction loan programs.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 13 provides for transfers of \$75 million from the foundation aid stabilization fund to the school construction assistance revolving loan fund and authorizes up to \$50 million to refinance loans made under the Bank of North Dakota loan program.

Section 14 appropriates \$6,000,000 from the foundation aid stabilization fund to the department of public instruction for rapid enrollment grants to school districts and removes Tier 2 schools from being eligible to receive a grant.

Section 15 appropriates \$500,000 from the foundation aid stabilization fund to the department of public instruction for supplemental English language learner grants to school districts.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The bill appropriates a total of \$6,500,000 from the foundation aid stabilization fund.

Name: Jerry Coleman

Agency: Dept of Public Instruction

Telephone: 701-328-4051

Date Prepared: 04/04/2017

FISCAL NOTE
Requested by Legislative Council
02/14/2017

Amendment to: SB 2272

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$11,000,000		
Appropriations				\$11,000,000		

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
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Townships			

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Section 13 provides for transfers of \$75 million from the foundation aid stabilization fund to the school construction assistance revolving loan fund and authorizes up to \$50 million to refinance loans made under the Bank of North Dakota loan program.

Section 14 appropriates \$10,000,000 from the foundation aid stabilization fund to the department of public instruction for rapid enrollment grants to school districts.

Section 15 appropriates \$1,000,000 from the foundation aid stabilization fund to the department of public instruction for supplemental English language learner grants to school districts.

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The bill appropriates a total of \$11,000,000 from the foundation aid stabilization fund.

Name: Jerry Coleman

Agency: Dept of Public Instruction

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Date Prepared: 02/14/2017

FISCAL NOTE
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Section 15 appropriates \$1,000,000 from the foundation aid stabilization fund to the department of public instruction for supplemental English language learner grants to school districts.

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Name: Jerry Coleman

Agency: Dept of Public Instruction

Telephone: 701-328-4051

Date Prepared: 02/14/2017

FISCAL NOTE
Requested by Legislative Council
01/16/2017

Amendment to: SB 2272

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
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Appropriations				\$13,477,000		

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Section 13 provides for transfers of \$75 million from the foundation aid stabilization fund to the school construction assistance revolving loan fund and authorizes up to \$50 million refinance loans made under the Bank of North Dakota loan program.

Section 14 appropriates \$2,477,000 from the foundation aid stabilization fund to the department of career and technical education for grants to school districts.

Section 15 appropriates \$10,000,000 from the foundation aid stabilization fund to the department of public instruction for rapid enrollment grants to school districts.

Section 16 appropriates \$1,000,000 from the foundation aid stabilization fund to the department of public instruction for supplemental English language learner grants to school districts.

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Name: Jerry Coleman

Agency: Dept of Public Instruction

Telephone: 701-328-4051

Date Prepared: 01/20/2017

FISCAL NOTE
Requested by Legislative Council
01/16/2017

Bill/Resolution No.: SB 2272

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

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Name: Jerry Coleman

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Telephone: 701-328-4051

Date Prepared: 01/20/2017

2017 SENATE EDUCATION

SB 2272

2017 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

SB 2272
1/25/2017
Job Number 27352

- Subcommittee
 Conference Committee

Committee Clerk Signature

Sandy Baumgardner

Explanation or reason for introduction of bill/resolution:

Relating to definitions for the foundation aid stabilization fund

Minutes:

#1, #2, #3, #4, #5, #6, #7

Chairman Schaible: Committee will come to order:

Roll taken: all present, except Senator Davison.

Vice-Chairman Rust: Looking at the bill. Senator Schaible will introduce SB 2272.

Senator Schaible: District 31. Introduce SB 2272. Testimony #1.

Eric Hardmeyer: President and CEO of the Bank of North Dakota. Testimony #2. On first page #4, the word "to" should be taken out. It should say "continue close cooperation". The big spread sheet lays it out. The sponsor wanted new money built in for every year. There is 30 million every year for new school construction. By 2024, the Bank of North Dakota will be completely out of the loans we carry on our books today. It will all be absorbed by the SCALF fund.

Vice-Chairman Rust: These means on these funds will carry through for a long time. SCALF means School Construction Assistance Loan Fund.

Eric Hardmeyer: This is the nuts and bolts of how we want to consolidate into one program that is uniform. In the existing program we have rates all over the place. This will be a standard rate of 2%. I can back up and tell some issues we had with the BND program. When worked this through with you last session, we agreed to do this with the interest rate. The BND gets 5%. The school district pays 2%. The difference between the 5 and 2 is made up by the BND.

Vice-Chairman Rust: This deals with the Coal Development Trust Fund.

Jeff Engleson: Chief Investment Officer of ND Dept. of Trust Lands: Testimony #3. I am here to provide you with some information on coal development trust fund primarily. I might be able to answer questions on the history of school loans programs. I have been involved since 1995 when they first started. Funds grow by about a million a year. School construction loans are at an all-time high. If the coal ceases being produced the loan is forgiven. They don't get a subsidized rate, but if the coal is no longer produced, the debt goes away. It also helps with emergency loans. 60 million will remain in the fund.

Senator Schaible: If school loans will be elsewhere, we don't need a 60 million in the fund for emergencies. I believe the intent is to lower it to 10 million dollars.

Jeff Engleson: I understand the 60 million will remain there.

Vice-Chairman Rust: Basically section 2 ends two old construction loans and sets up a new one for what would be called unanticipated, as small construction, replacement, or emergency repair. Sixty

million dollars in the Coal Development Trust Fund are administrated by the authority from the Board of University and School Lands or the Land Board. Maximum of a \$2 million loan over 20 years with interest rate at about 2% or less. Is that essentially what section 2 of this bill does?

Jeff Engleson: Yes, except it really only gets rid of 1 loan program, because the 150 million, that's in section 1-B. That already ended in 2015. That is when you created the SCALF. Now we turned it into BND this month. This is just related to the coal part, section 2.

Vice-Chairman Rust: I had looked at this Coal Development Trust fund. Did it begin with school construction loans or did that come later on?

Jeff Engleson: That came later on.

Vice-Chairman Rust: Any other questions?

Senator Schaible: I gave you a flow sheet that shows how the money would be spent. Explanation followed. It was for new construction, not just for schools already in construction. It is to help critical needs and help where we can. Going forward as we have a fund of \$500 million and it is for school construction. If we don't need that, we have the option of doing that. It is not going anywhere; it is not being spent. It is still coming back to this fund. It is \$10 million, not \$100 million. Any questions?

Senator Oban: Is that 2 ½ million for keeping CTE whole included in the cost to continue? Or is that not listed in here?

Senator Schaible: It would have to be added at the end of this list. An oversight on my part.

Vice-Chairman Rust: We passed a bill that deals with school construction loans that will probably have to be amended into this one.

Senator Schaible: Yes, the other intent of this revolving school loan program, instead of having three languages out there, three sets of rules, different requirements, is to have one loan fund with the same language, same criteria, same protections that are out there. They are listed in there and reporting requirements and applications to do that. It's the neediest to do it first. The improvements we made to the other bill, I would assume they would want to do this one also.

Vice-Chairman Rust: That is basically page 6-7. Any other questions? It is a big idea, taking 3 funds with different rules, timelines and putting it into one loan into SCALF. It is for school construction loans.

Senator Schaible: Yes, we will do school construction, but the people of measure 2 said what we could do is spend this money on K-12 purposes. Some of that language has to be determined. My vision of the Foundation Stabilization Aid Fund is never to supplement a budget. \$160 million is going to reinforce the budget. I don't think we have a choice in that. Is that the right purpose of it? I think as financial responsible elected officials, we should spend within our means. That's not taking out of special funds.

Vice-Chairman Rust: I believe funds will continuously be put into the fund. Basically, what happens in the future, is that we have to keep 15 % of the previous years' general fund appropriation and that other money that's beyond, that is money that we can use for other educational related items.

Senator Oban: After all of these things, there would still be an addition \$100 million left in the Foundation Stabilization Fund over the top of the requirements that were passed in measure 2?

Senator Schaible: That \$100 million in the last sentence of my page is money that is projected to come in over the biennium. This fund has money that comes in monthly and that money could be available to spend also. That is the intention. It is coming money.

Chairman Schaible: Is there any other testimony in favor of?

Aimee Copas: Director of ND Council of Educational Leaders; Testimony #4. We recommend a Do Pass on SB 2272. Questions and answers followed on assessment on EL.

Mark Lemer, Business Manager of West Fargo Schools: Testimony #5 in support of SB 2272.

Wayne Kutzer: Director of the Department of Career and Technical Education: Testimony #6.

ELRoy Burkle: Executive Director of the ND Small Organized Schools: Testimony #7 in support of SB 2272. An error in testimony, put in "for transportation" after funding bill on p.1.

Chairman Schaible: Any other testimony in favor, opposition, or agency?

Closed hearing.

2017 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

SB 2272
1/25/2017
Job Number 27399

- Subcommittee
 Conference Committee

Committee Clerk Signature

Sandy Baumgartner

Explanation or reason for introduction of bill/resolution:

Relating to definitions for the foundation aid stabilizations fund

Minutes:

Chairman Schaible: Meeting for SB 2272. Looking to make the language for the school construction loan exactly the same and with CTE, there is a question that says schools, but it should also include centers. I have asked for these amendments.

Senator Oban: I will likely be looking into an amendment on the EL, allowing more flexibility with the levels that provides. Because I know if a student moves in, who is in the 8th grade, they are more likely to already be proficient to the first and second level of the ELL, but absolutely cannot be successful in those upper level courses without more.

Chairman Schaible: Problems I have with submitting it was with the appropriation of both sides. Looking at this at the same time, some agreed, the picture I have now is that everybody is okay with it. With not knowing the full picture of the financial structure and with the moving parts, and getting appropriations leadership on both sides to agree on anything, you are doing okay. That was the dilemma to get this bill in on time. There were a lot of moving parts we had to wait for.

Senator Vedaa: Is this money protected? Is it just the interest we are going after?

Chairman Schaible: This is protected just for this biennium.

Senator Oban: Jeff's testimony from the trust funds said there is no guidance in what would take priority. Do you have any concern over that?

Chairman Schaible: We have fifty million dollars that can be loaned out. That was delegated in the former bill. That is just about done. I think there is about seven million of that that can be used. The other thing is that, we are asking for 10 million to expand that to do these emergency loans for two million for special needs. The only reason is, is that there is not a lot of room in that fund to do that. The idea was why not put all the money into a revolving loan fund and not even use that. Let them get paid off and get out of that. The thing is, is that, that is what the Coal Development Funds were set up for. We thought it was better to leave the small loans, the emergency loans to come out of that. It is still a loan. The money all comes back. So it is not going away. The problem is, that it is almost capped. I would say in six years, we could lower that down to 50 and keep lowering it because we will no longer need that school construction loan. In 20 years, those loans should run out. It is going to get less as we go. The only reason for the 10 to add to that, is to have room for the next 2 years. After that we should be going the other direction.

Senator Oban: Jeff said that both coal impact and school construction loans are at an all-time high. You are saying there will be an influx of 10 million for the emergency school construction loans.

Chairman Schaible: We will raise the limit from 50 to 60. Emergency loans will come out of that fund, and there again, that is money that is still going to come in. But the other thing is, within 2-3 years we will be going backwards on that. So we will be way over that amount and paying that off. The other thing, what is the other uses that money can be used for? There are very limited uses for that. Jeff showed that with the sheet that he had. If Richardton would move over their loan, they would save on interest rates. We will have school loans in one spot. Discussion held on endowments funds.

Senator Rust: As I see this, this bill does set up 2 funds. One for unanticipated construction repair or replacement and it also sets up the SCALF.

Chairman Schaible: It sets the school revolving loan fund from the coal trust for emergencies. There will be 2 distinct funds.

Senator Rust: Is there a name for the unanticipated funds? So the Coal Development Trust Fund will have within it a fund for emergency of \$2 million or less, with an interest rate of less than 2%. It is for unanticipated construction, replacement or emergency repair. The board of University School Lands has the authority to loan that. It is not bonded by the vote of the people. It does eliminate a loan application before a vote and giving Department of Public Instruction 180 days for the school district to get that vote passed. Right now under the loan, what happens is you get put on a waiting list. You are on that waiting list. If it doesn't pass, they get another chance to vote on it in, however, many days. The bill allows 180 days and this takes that away.

Chairman Schaible: School construction had to be voted on, and they were higher limits.

Senator Rust: This one does not have to go to them. No vote of the people on the emergency loan.

Senator Kannianen: Unanticipated, could there be a different language? Discussion on language held.

Chairman Schaible: Adjourn till Monday.

2017 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

SB 2272
1/30/2017
Job Number 27589

- Subcommittee
 Conference Committee

Committee Clerk Signature

Sandy Baumgarter

Explanation or reason for introduction of bill/resolution:

Relating to definitions for the foundation aid stabilizations fund

Minutes:

#1, #2

Chairman Schaible: Meeting on SB 2272

Any discussion on SB 2272?

Senator Rust: One of the amendments that Mark Lemer gave a testimony on aligns the language in SB 2272 with a bill we already passed, and it has been passed in the Senate. It deals with section 4, page 8.

You will recall that this has to do with two sets of numbers that must be given to the taxpayers when they need a school construction loan passed. One is dealing with county information and the other deals with school district information. I think we would want to get those pieces the same.

Senator Rust: Correct

Chairman Schaible: You mean amending the language in SB 2272 to be the same as SB 2150?

Senator Oban: I will pass out amendment 01001 for discussion. #1. This amendment is pertaining to the section regarding one-time funding for schools, that the schools would have the highest number of English Language learners in their school district. It does not change the one-time funding amount of million dollars, but it does give them flexibility to have that money be applied to students at the first, second and third level of English language proficiency. Based on discussions with Bismarck Public Schools, the problem is that when you get older kids coming in, often times they are already proficient at the first and second level. But they cannot be successful at the high school level without reaching that third level of proficiency. It doesn't change the amount of the one-time funding, but it does let them apply it to the third level students. The other change would be determining that the following criteria would be based on results of the WIDA test. The WIDA is the test that is given when a kid comes in and finds out where they are to begin with. It is a national test.

Senator Oban: This is used by every school. This is language that have I discussed with Aimee Copas, and that has been used in discussions with those administrators.

Senator Oban: I would amendment 17.0919.01001.

Senator Rust: I second.

Other discussion on the WIDA test was held.

Chairman Schaible: It gives school districts the choice of allowing another level of their English language learners. They can best determine how it is used. I don't see it as a deterrent. I am in favor of it.

Clerk take roll on 01001 on SB 2272: 5 yeas, 0 nays, 1 absent

Chairman Schaible: I will have an amendment prepared so we have the same language as SB 2150.

Hopefully we can pass this out.

Aimee Copas: Executive Director for NDCEL. WIDA test is given in the fall to establish the level of the EL that we are going to instruct the students on. In the spring, there is another test that is given called the Access Test. The WIDA test is conducted by every school. We do have certified people to give the WIDA (World Class Instructional Design Assessment) every fall and the Access Test in the spring. This measures how we are making progress. The WIDA test is the best evidence-based test which is the best test to give to get an accurate placement for the students at the beginning of the school year. It is one that is nationally recognized to be one where we can have trainers on. Discussion on WIDA test was held.

Chairman Schaible: I did pass out amendment 01002. #2

Senator Rust: I move amendment 17.0919.01002.

Senator Oban: I second

Chairman Schaible: We have a motion and second on the 01002 amendment on SB 2272.

This amendment is to make the language in SB 2150, that changed the language of the notification for school districts of the increase in taxes for the proposed bond issue. Senator Rust assured that the language is the same.

Senator Rust: Now of course, you realize, that page 12, line 15, we are adding some information that is different from the other bill. Anything below page 9 is not in SB 2150. What that does is, it adds an "area centers" after school districts, and then it adds into the piece dealing with the Foundation Aid Stabilization Fund, CTE to school district and area centers. That is outside of 2150. More explanation followed.

Chairman Schaible: Explains operational language in bill for K-12.

Clerk take roll on Amendment 01002.

5 yeas, 0 nays and 1 absent.

Discussion on 2272

Chairman Schaible: Explains the school construction loan, its history and how it will continue to support itself in the future.

Senator Rust: Move "Do Pass" SB 2272 as amended.

Senator Kannianen: Second

Chairman Schaible: There are 3 changes in the 2 amendments. First, clarify we will expand the EL to 3 levels. We will be changing language for the notification for bond issues to be exactly the same as SB 2150, and second, only have one notice district wide instead of county wide. Three is to include CT area centers after the word districts in two locations. No other discussion.

Clerk take roll:

5 yeas, 0 nays, 1 absent

Senator Schabile will carry

It is to be referred to Appropriations

PROPOSED AMENDMENTS TO SENATE BILL NO. 2272

Page 15, line 28, replace "and" with a comma

Page 15, line 28, after "second" insert ", and third"

Page 15, line 30, after "1." insert: "The WIDA test.

2."

Page 16, line 1, replace "and" with a comma

Page 16, line 1, after "second" insert ", and third"

Page 16, line 3, replace "2." with "3."

Page 16, line 4, replace "and" with a comma

Page 16, line 4, after "second" insert ", and third"

Page 16, line 8, replace "3." with "4."

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2272

Page 8, line 15, remove "Request from the tax commissioner a statement of the estimated tax"

Page 8, remove lines 16 through 26

Page 8, line 27, remove "(3)"

Page 8, line 27, remove "from the"

Page 8, line 28, replace "statements required by this subdivision" with "regarding the proposed estimated additional millage and the dollar increase per one thousand of taxable valuation in accordance with section 21-03-13 along"

Page 9, line 1, replace "(4)" with "(2)"

Page 9, line 1, after "Post" insert "the information"

Page 9, line 1, remove "the information from the statements"

Page 12, line 15, after "districts" insert "and area centers"

Page 12, line 18, after "districts" insert ", career and technical education grants to school districts and area centers."

Page 14, line 16, after "districts" insert "and area centers"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes the requirement for the Tax Commissioner to provide estimates for tax increases related to bond issuance and clarifies the requirements for publishing information related to a school district bond issuance. This amendment also clarifies that grants for career and technical education are provided to both school districts and area centers.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2272

Page 8, line 15, remove "Request from the tax commissioner a statement of the estimated tax"

Page 8, remove lines 16 through 26

Page 8, line 27, remove "(3)"

Page 8, line 27, remove "from the"

Page 8, line 28, replace "statements required by this subdivision" with "regarding the proposed estimated additional millage and the dollar increase per one thousand dollars of taxable valuation in accordance with section 21-03-13 along"

Page 9, line 1, replace "(4)" with "(2)"

Page 9, line 1, after "Post" insert "the information"

Page 9, line 1, remove "the information from the statements"

Page 12, line 15, after "districts" insert "and area centers"

Page 12, line 18, after "districts" insert ", career and technical education grants to school districts and area centers,"

Page 14, line 16, after "districts" insert "and area centers"

Page 15, line 28, replace "and" with a comma

Page 15, line 28, after "second" insert ", and third"

Page 15, line 30, after "1." insert: "The WIDA test.

2."

Page 16, line 1, replace "and" with a comma

Page 16, line 1, after "second" insert ", and third"

Page 16, line 3, replace "2." with "3."

Page 16, line 4, replace "and" with a comma

Page 16, line 4, after "second" insert ", and third"

Page 16, line 8, replace "3." with "4."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes the requirement for the Tax Commissioner to provide estimates for tax increases related to bond issuance and clarifies the requirements for publishing information related to a school district bond issuance. This amendment also clarifies that grants for career and technical education are provided to both school districts and area centers.

Date: 1-30-17
Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2270

Senate Education Committee

Subcommittee

Amendment LC# or Description: 17.0919.01001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Oban Seconded By Rust

Senators	Yes	No	Senators	Yes	No
Chairman Schaible	✓		Senator Oban	✓	
Vice-Chairman Rust	✓				
Senator Davison	ab				
Senator Kannianen	✓				
Senator Vedaa	✓				

Total (Yes) 5 No 0

Absent 1

Floor Assignment N/A

If the vote is on an amendment, briefly indicate intent:

Date: L 30-17
Roll Call Vote #: 2

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2272

Senate Education Committee

Subcommittee

Amendment LC# or Description: 17.0919 .01002

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Rust Seconded By Oban

Senators	Yes	No	Senators	Yes	No
Chairman Schaible	✓		Senator Oban	✓	
Vice-Chairman Rust	✓				
Senator Davison	ab				
Senator Kannianen	✓				
Senator Vedaa	✓				

Total (Yes) 5 No 0

Absent 1

Floor Assignment N/A

If the vote is on an amendment, briefly indicate intent:

Date: 6-30-17
Roll Call Vote #: 3

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2272

Senate Education Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Rust Seconded By Kannianen

Senators	Yes	No	Senators	Yes	No
Chairman Schaible	✓		Senator Oban	✓	
Vice-Chairman Rust	✓				
Senator Davison	ab				
Senator Kannianen	✓				
Senator Vedaa	✓				

Total (Yes) 5 No 0

Absent 1

Floor Assignment Senator Schaible

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2272: Education Committee (Sen. Schaible, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2272 was placed on the Sixth order on the calendar.

Page 8, line 15, remove "Request from the tax commissioner a statement of the estimated tax"

Page 8, remove lines 16 through 26

Page 8, line 27, remove "(3)"

Page 8, line 27, remove "from the"

Page 8, line 28, replace "statements required by this subdivision" with "regarding the proposed estimated additional millage and the dollar increase per one thousand dollars of taxable valuation in accordance with section 21-03-13 along"

Page 9, line 1, replace "(4)" with "(2)"

Page 9, line 1, after "Post" insert "the information"

Page 9, line 1, remove "the information from the statements"

Page 12, line 15, after "districts" insert "and area centers"

Page 12, line 18, after "districts" insert ", career and technical education grants to school districts and area centers,"

Page 14, line 16, after "districts" insert "and area centers"

Page 15, line 28, replace "and" with a comma

Page 15, line 28, after "second" insert ", and third"

Page 15, line 30, after "1." insert: "The WIDA test.

2."

Page 16, line 1, replace "and" with a comma

Page 16, line 1, after "second" insert ", and third"

Page 16, line 3, replace "2." with "3."

Page 16, line 4, replace "and" with a comma

Page 16, line 4, after "second" insert ", and third"

Page 16, line 8, replace "3." with "4."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes the requirement for the Tax Commissioner to provide estimates for tax increases related to bond issuance and clarifies the requirements for publishing information related to a school district bond issuance. This amendment also clarifies that

grants for career and technical education are provided to both school districts and area centers.

2017 SENATE APPROPRIATIONS

SB 2272

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2272
2/7/2017
JOB # 27969

- Subcommittee
 Conference Committee

Committee Clerk Signature

Sandy Baumgartner for Aimee Deichert

Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to definitions for the foundation aid stabilization fund; relating to school construction loans from the coal development trust fund and the school construction assistance revolving loan fund, control of the rate of expenditures, and the transfer of interest from the coal development trust fund; relating to scholarship endowment fund, the uses of the foundation aid stabilization fund, and school construction loans.

Minutes:

1. Senator Donald Schaible Testimony
2. Dr. Aimee Copas Testimony
3. Wayne Kutzer Testimony
4. Superintendent Brandt J. Dick Testimony

Vice Chairman Krebsbach: Called the Committee to order on SB 2272. Roll call was taken. All committee members were present except Chairman Holmberg. Becky Deichert, OMB and Adam Mathiak, Legislative Council and Sheila M. Sandness, Legislative Council were also present.

Senator Donald Schaible: Senator from District 31: Introduce SB 2272 and provided written testimony #1 – which is a detailed description of the implementation legislation for the foundation aid stabilization fund and fulfills the promise made to voters with the passage of Measure 2 in the November election. This bill will combine all of the school construction loans into one revolving loan fund that in the end will pay off the BND of the loans that they had during the 2015-17. It will roll the Land Trust loans for the 2013-15 into the revolving School Construction Loan Fund and will ask for 3 x \$75 million transfers over the next three sessions that will create a fund that will produce \$30 million of new school construction per year that will be self-sustaining. He then explained the bill by each Section to the committee. (7.17 – 12.41) on page 4 – Current Balance in Foundation Aid Stabilization Fund. The amount of \$116,000,000 has to keep going forward. (14.22) Continued explanation of bill in testimony. The problem with the BND loan is that they take the money out of their unreserved profits. They could only lock in interest for the next 10 years. In essence we are taking more money out of Bank of North Dakota. We would take the 3 existing loan funds and roll them into one fund and pay off the Bank of North Dakota. With those 3 payments of \$75 million over 3 sessions we would build up a revolving loan fund that would be self-sufficient and would generate \$30 million worth of new construction every year. It would take all these others off the books.

Senator Mathern: What is the reason we cannot be specific about the interest beyond 10 years?

Senator Schaible: They can only secure that rate for 10 years. They are buying that down. They can only lock interest rates for 10 years. These are 20-year loan programs. There is no way to do that. The way the bill was written before, the bank would just eat that interest.

Senator Sorvaag: When you talk about the coal development money in section 8, we are looking at taking half of that and using it for another use. There is no designation, it is just going to the general fund. Is that correct?

Senator Schaible: That has no effect. The effect on a school district in the west, I think it was Richardton that is looking at this fund to do that. The one we are looking at would give them lower interest. There is a sheet on there, called the COVA. If this comes through we don't really buy that fund back, but all the principle that comes into that would go back into that fund. It would no longer be needed for existing school construction. Over time that \$50 million would go down to zero. If this bill would be passed, the only thing that would be used out of that is the \$10 million for emergency revolving loan.

Senator Kilzer: Does this bill match up with the DPI bill budget?

Senator Schaible: Everything in this bill is not in Department of Public Instruction. ELL, Rapid Enrollment, and Career and Tech. I believe, is not included in that. The only thing not covered in the other one is transportation. In this bill we didn't expand any budgets or programs with this. These are all existing and at current level. This foundation aid is not for addition to budget or to increase programs. It is supposed to be used for educational purposes. We didn't think of expanding budgets. We thought with the shortfall that we had with the \$160 million would help us get through this down turn in revenue. I don't think these are duplicates.

Senator Wanzek: Just looking at your numbers on page 4. What about the next biennium?

Senator Schaible: That is exactly the dilemma. That is the problem with supplementing the budget. You have that going forward avenue. What we looked at is this is helping that until we figure out the solutions. We have to spend within our means, but we have to get to that point to do that.

Senator Wanzek: What we are hoping is that things will improve with the economy and we are in better shape two years down the road.

Senator Schnaible: The Foundation Stabilization Fund's intent was to hold it harmless. We will have the stumbling block in the future.

Senator Oehlke: Is there resistance to this idea?

Senator Schnaible: There is no resistance to this. That was our intent. There is nothing new in this.

Dr. Aimee Copas, Executive Director for the ND Council of Educational Leaders testified in favor of SB 2272 and provided written Testimony attached # 2 in support of the bill. (28.05)

Wayne Kutzer, Director of Department of Career and Technical Education testified in support of SB 2272 and recommend a Do Pass and provided written Testimony# 3 explaining some of the sections in the bill (30.23)

Brandt Dick, Superintendent of Underwood School District and Board Member of the North Dakota Small Organized Schools (NDSOS) representing 141 ND Public school systems. Testified in favor of SB 2272 and provided written Testimony # 4, requesting a Do Pass on this bill.

(32.23) **Senator Wanzek**: Do you utilize centers for distance education?

Superintendent Dick: Yes, we do for transfer of students and some that fall behind.

Senator Wanzek: I understand that program has grown quite a bit and is utilized. The reason I am asking, I am chairing a committee for an information technology department. I am hearing that their budget is getting cut and how that might impact some of your schools. It is not an area that is held harmless.

Superintendent Dick: It is possible if those cuts do remain, that the cost to have those classes will increase.

V. Chairman Krebsbach: Is there a number of students that comprise the small organized schools that give you the classification of a small organized school?

Superintendent Dick: We allow any school to join our organization. We have schools as big as Mandan joining our organization. Over time it has become a group that work together for K-12 purposes. It has grown.

Vice Chairman Krebsbach: You are doing a good job so others want to join in with you. Anyone else in support, anyone in neutral or opposition? We are in recess until 9:30 am.


2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2272
2/13/2017
JOB # 28280

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A DO PASS AS AMENDED regarding the Foundation Aid Stabilization Fund.

Minutes:

1. Proposed Amendment # 17.0910.02001

Chairman Holmberg: called the Committee to order on SB 2272. All committee members were present. Brady Larson, Legislative Council and Stephanie Gullickson, OMB were also present.

Chairman Holmberg: We have amendment # 17.0910.02001. the bill that has to do with the foundation stabilization fund. For CTE because that has been included and taken care of in the CTE budget.

V. Chairman Bowman: moved the amendment. 2nd by Senator Robinson.

Chairman Holmberg: Call the roll on the amendment for 2272.

A Roll Call vote was taken. Yea: 14; Nay: 0; Absent: 0.

Chairman Holmberg: Can we have a motion on the bill?

Senator Robinson: Moved a Do Pass as Amended. 2nd by Senator Erbele.

Chairman Holmberg: Discussion? Call the roll on a Do Pass as Amended on SB 2272.

A Roll Call vote was taken. Yea: 14; Nay: 0; Absent: 0.

This goes back to the Education Committee. **Senator Schaible will carry the bill.**

The hearing was closed on SB 2272.

2/13/17 DA

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2272

Page 14, remove lines 1 through 6

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes a section related to an appropriation of \$2,477,000 from the foundation aid stabilization fund to the Department of Career and Technical Education for grants to school districts and area centers.

Date: 2-13-17
Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2272

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 17.0919.02001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Bowman Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Mathern	✓	
Vice Chair Krebsbach	✓		Senator Grabinger	✓	
Vice Chair Bowman	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Wanzek	✓				
Senator Kilzer	✓				
Senator Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 2-13-17
Roll Call Vote #: 2

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2272

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Robinson Seconded By Erbele

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Mathern	✓	
Vice Chair Krebsbach	✓		Senator Grabinger	✓	
Vice Chair Bowman	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Wanzek	✓				
Senator Kilzer	✓				
Senator Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Education Schaible

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2272, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2272 was placed on the Sixth order on the calendar.

Page 14, remove lines 1 through 6

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes a section related to an appropriation of \$2,477,000 from the foundation aid stabilization fund to the Department of Career and Technical Education for grants to school districts and area centers.

2017 HOUSE EDUCATION

SB 2272

2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

SB 2272
3/14/2017
Job 29168

- Subcommittee
 Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

relating to the scholarship endowment fund, the uses of the foundation aid stabilization fund, and school construction loans; to provide an expiration date; to provide contingent transfers; to provide transfers; to provide an appropriation; to provide an effective date; and to declare an emergency.

Minutes:

Attachments 1, 2, 3, 4, 5, 6, and 7

Chairman- Mark S. Owens: opens hearing on SB 2272.

Senator Schaible: see attachment 1 for testimony.

Chairman- Mark S. Owens: are there any questions.

Rep. Brandy Pyle: can you explain a little bit further how it was decided to put or to create with this foundation aid stabilization, that it was the best use to create revolving construction loan fund.

Senator Schaible: yeah, the thing is, first of all we were already in the school loan construction business with the three programs that we had. So the idea over the last 2 sessions, and maybe even farther was to eventually end up into a program that will be one program for school construction, and they have exactly the same language, and come out of a fund that would kind of be self-sufficient. The idea that, was this the best place to go. We were already there with the session of the 2015 session was money coming out of the bank of North Dakota, which was actually allocated from their unreserved profits. So in other words it's state money that we were using for this anyway. It was off the table, like you said it was about 6 Million dollars that we had to pay for the interest payments per session or per year of that to pay down that interest. So we were still taking state money off the table, but it was from the unreserved profits. So the idea was we had an opportunity, and that's when the discussion of the 2015 session of what that money should actually be spent for. School construction kind of rised to the top with that, with the discussions of what's appropriate for foundation aid stabilization, is it a K-12 function of that money, school construction was obviously in that category. So it seemed to, since we were already down the road at school construction and had 3 different loan programs that were all over the board, it just made sense in my opinion to roll that into one program, and that was the original intent of all them

to do that. So this is kind of taking that mess and make it into something that's a uniform consistent, and actually self-sufficient.

Rep. Brandy Pyle: maybe the representatives from the bank can answer this, but 2 percent is pretty good money, and I like the fact that we can kind of in a sense self-fund these projects or whatever we use this money for the school districts, because ultimately our taxpayers benefit from the low interest rates. But what happens when the markets turn, what are we going to do, what happens when the markets turn, and the interest rates start to go up, what are we going to do to protect our taxpayers.

Senator Schaible: that's exactly the problem we have with the existing loans that we have with the bank of North Dakota now. Like you said 2 percent is a pretty good rate, and we buy it down. The problem with the bank of North Dakota, they can only secure, this is a 20-year term loan, but they can only secure interest rates for 10 years. The fear was is what happens if interest rates go up, and then the cost of that would be even more, now this fund the fund we are proposing, it is not a bygone of that, it's just a. The only thing that the state would be losing is the money, than rather put it into the school construction, if they invest it somewhere else, the difference is what they would get for that. That's the money we lost, but that's not really on the table, we are not losing money by doing this 2 percent, that's what we are charging schools to do that, 2 percent would cover the cost of all the implementation, the cost doing it, and actually make a little money. It all comes back, so that's how that fund becomes. So it's really, we are not buying down the interest rates, we are just opting for those loans at that rate with really, eventually at the end of the three sessions if we make this 75 million dollar 3 times, it's there, it's providing 30 million dollars of new construction a year, and not really taking money off the table that the state could use for something else, so and they can certainly after that discussion.

Rep. Brandy Pyle: thank you.

Chairman- Mark S. Owens: any further questions.

Rep. Rich S. Becker: it's a complex bill, but you did a good job of going through each section, I guess my question is, who's responsibility is it: DPI, bank of North Dakota, legislature, when someone comes in with a request to utilize money from this fund, what is the procedure and the process of going through on an annual basis. Who is responsible for making sure that the buy downs are there, or there that there is money for whatever the situation may be.

Senator Schaible: I guess the decision rides, whatever is not put into statute would be up to the idea of the legislation at the time. Of course we cannot lock into a decision of what future legislation will think, so that's why it's proposed language. Not part of this bill, but because of the measure number 2, we also freed up, which that fund has probably 590 million dollars with the 15 percent of protection for that for foundation aid, that figures with the 1.9 Billion dollars we are looking at for our budget this time. 15 percent of that is what 250 Million dollars, 250 million has to stay in that fund, what's left is what we can spend, and I think as you can see even in our K-12 funding bill, of that 260 Million dollars of this foundation aid money is going to that purpose to sure up our K-12 funding. Without this I don't think we would have had a chance to hold education harmless, and that was kind of our intent, so who's responsibility well I guess right now is every legislation that does that. The other part

of that is it's expected that the foundation aid stabilization fund gets a monthly deposit back into that fund, it's expected to generate about 130 million dollars a biennium, so as that grows there's still opportunities for other uses. I mean I don't know what our long term discussion will be that, we got to get passed out revenue crunch now, and without this we would have had 300 million dollars more trouble without it.

Rep. Rich S. Becker: I understand what you are saying, but is there quarterly semi-annual meetings of representatives of the bank, DPI. Who is looking over this to know where we are, and what needs are going to come up.

Senator Schaible: as far as the school construction portion, that's set by statute, we had these three programs we tried to align the language so the application process, the indebtedness the voting requirements all of that was consistent. That's the goal of this is to make that very clear, very precise, and have it consistent. So I think that language is already set in place, DPI has the authority to manage those to foresee and prioritize, and implement them loans. Once DPI gives the ok of which loans get it, then it's the bank of North Dakota's responsibility to implement the loan. But it's basically the management of the loan, not so much of deciding who gets it. So it's DPI that has the authority to determine the criteria of the priority for the loans, after that is decided then it's the bank of North Dakota's responsibility to, so there's not really a need to review this process, of course we can review it every two years at the session, but I think the history that we have had in school construction, I think we are there in a process that we can handle this now, it's just if we are out of money, then who has to prioritize, and right now it's the Department of Public Instruction that prioritize based on who needs it the most. Those needs were spelled out in additional language somewhere out need is based on obsolescence of rapid enrollment, and safety.

Chairman- Mark S. Owens: any further questions.

Rep. Pat D. Heinert: looking at page 6 of your handout, which is entitled number one coal development trust fund. Number one coal development trust fund. I am looking at the 2015 loans, at the bottom 6 loans of them, and that are listed on there. Can you explain to me how we come up with the differentiation in interest rates on those six loans.

Senator Schaible: I could not, because I think that program is actually managed by the landlord, and that's constitutional fund. So this was a program that would start in the late 1970's, of whatever it was, and it has been ongoing with the formula that adjusts the interest rates. What that formula says, and who implements I cannot tell you that sir.

Rep. Bill Oliver: clarification for the country mind I guess is what I am going to look for, what I get from reading the bill itself, superintendent DPI or DPI itself, when they are given a plan from the school board that needs a building or something done, they prioritize how the money should be used, and then they authorize the bank of North Dakota to make that loan out of this fund, correct? Do I got that so far.

Senator Schaible: there is also required voting, requirement of 60 percent by the school district.

Rep. Bill Oliver: ok, I forgot about that part.

Senator Schaible: and the other criteria that's listed to do that.

Rep. Bill Oliver: ok, then at the end of the bill, it also states that DPI in the first year of the program cannot authorize more than 50 percent of the fund to be used, correct.

Senator Schaible: that's existing language with this fund becomes in that, it would be up to 30 million a year.

Rep. Bill Oliver: ok, alright, then I do understand it. Thank you, I appreciate it.

Chairman- Mark S. Owens: any additional questions, seeing none thank you. Anyone else in support of SB 2272.

Eric Hardmeyer: See attachment 2 for testimony.

Chairman- Mark S. Owens: are there any questions.

Rep. Brandy Pyle: maybe this is just for my clarification, but how is the foundation aid stabilization fund funded, because I can read that 10 percent goes to our general fund, and now we are taking 75 million over the next three sessions to create this construction fund. How do we fill that fund, I mean and maybe that's a question for the state treasurer, I just.

Eric Hardmeyer: yeah it could be, it might be somebody else in the audience that is better off at explaining that, but it has to do with some sort of tax mechanism that creates money that automatically goes, and there will continue to be money going into the foundation aid stabilization trust fund, year in and year out. That probably does not answer it, but somebody else. Oil tax.

Rep. Denton Zubke: I have two questions if I may, so if I understand this correct Mr. Hardmeyer, then you really don't care what the interest rate is, because you will have absolutely no risk in this process.

Eric Hardmeyer: that's correct.

Rep. Denton Zubke: and then a second question if I may is, do you have any, and you don't have to mention names or anything like this. Are you having any collection problems at this point with any of the school construction loans that you are administering, or have directly granted.

Eric Hardmeyer: no we are not. I think as you recognize, these are all approved by a vote of the populist, and so these really are almost GO's of the school district, so we don't anticipate this problem, I remember that coming up two years ago what happens if you get a school back, we are not going to get a school back, because they will have to do whatever is necessary to pay these off.

Rep. Pat D. Heinert: on your page 4, again back to my question I asked earlier, it's under number coal development trust fund page. The graph, I am looking at the last 6 loans of 2015, the differences in the interest rate, can you explain that to me.

Eric Hardmeyer: I would like to, but I think there is a better guy in the audience I think Jeff, Jeff can answer that for you.

Rep. Bill Oliver: Eric, the two percent interest rate that you guys are charging is just for the administration, not your charging, but they are being charged, it's just for the administration of the loans.

Eric Hardmeyer: so the interest rate on this is set on 2 percent, and so that is the interest rate, the bank of North Dakota does receive a portion of that 2 percent to administer it, and we will get half a percent of that to administer this program, and by the way I should also state, in the legislation there is an audit that is required. That will come out of the cost of that, so that is typical of these types of forms that we're going to audit, so you can see and make sure that they are administered properly.

Chairman- Mark S. Owens: any other questions.

Rep. Andrew Marschall: how often are these audits performed.

Eric Hardmeyer: annually.

Chairman- Mark S. Owens: any additional questions, seeing none thank you. Anyone else in support of SB 2272.

Mark Lemer: See attachment 3 for testimony.

Rep. Denton Zubke: you talked in number 3 you said definition of education related purposes, and I don't know why I haven't looked at this bill real closely, but I don't see that in here, is that something you can address for me.

Mark Lemer: I don't have the bill in front of me either, but education related purposes was a part of the original bill, assuming somebody has the bill in front of them.

Chairman- Mark S. Owens: page 11.

Mark Lemer: page 11 section 7, education related purposes means purposes related to public, elementary, and secondary education.

Rep. Denton Zubke: alright thank you.

Chairman- Mark S. Owens: any additional questions, seeing none thank you. Anyone else in support of SB 2272.

Elroy Burkle: See attachment 4 for testimony.

Chairman- Mark S. Owens: are there any questions.

Vice Chairman- Cynthia Schreiber-Beck: I just have one question. Elroy would you, down the line you have the increases, and you have included in their new trends in contract services, could you define a little bit further what that is.

Elroy Burkle: school districts basically have 2 choices with their transportation, they either own their buses or they contract their buses, ok, and what's happening now other than Jamestown, so I read the paper, and Jamestown is one typical example. Schools that I have been at, when I have had contracted services you have a fuel escalator, so in other words the price of fuel goes up, then your charges go up, by the contract services, fuel goes down then your prices goes down for that particular month. What the trend is now, it's a flat rate for route. It's simplicity, in my mind it kind of lends to some, they will protect themselves, and they are not in business to lose money, and I have not walked through.

Chairman- Mark S. Owens: any further questions.

Rep. Dennis Johnson: I can understand the cycle of everything going up, but fuel costs they are about half of what they were three years ago. Aren't they, I mean they keep using the same line that everything keeps going up, and sort of create our own inflation.

Elroy Burkle: when you look at the testimony that was handed out, that is the addendum, and on the first page of that testimony that was to the North Dakota senate appropriations committee, increases in wages, according to the North Dakota DPI management information department, bus drivers employed less than 9 months receive an average of 25 or 26 per hour in the school year. This compares to 21.02 in 13, 14 an increase of 20.1 percent. So I am hearing what you are saying, and when I took this job, I was concerned, because the price of fuel has gone down, when I researched this, and I got it, it's not my data, it's from data that school districts submit to DPI, it's justified, and the price of gas, I used to work at Mount Regent last year, what I am paying for gas now, vs what I paid last year. I had one superintendent say this, you bet Elroy, I lost money, not lost but like my gas bill has gone down. My wages have taken care of that, and to be competitive to find drivers, especially out west, well that's not an out west issue, I have one district in the south eastern part of the state that cut back one route, not because there wasn't a need, they could not find any drivers, and they have tried to keep their salaries competitive. So yes, the price of gas has gone down, but wages have just jumped.

Rep. Dennis Johnson: I realize all the other part of it, wages and lack of employees, but to include the line item of fuel in there too it's, say to the same thing as my farming operation fuel is one of the things that's dropped half what it was a couple of years ago.

Elroy Burkle: I don't mean to debate you, I don't mean it that way, if fuel was to remain what it was, we'd be way short.

Rep. Mary Johnson: I drive a school bus, and those wage numbers surprise me, so I guess when they include all benefits, plus payroll taxes.

Elroy Burkle: I asked for the data, I don't know how they broke that down, all they do is broke it down for nine months, and anybody that was employed over nine months. When I look at the list.

Rep. Mary Johnson: regarding fuel, some school districts have fuel escalator clauses in their contracts, so the schools that are still on the hook for fuel, when it's I can explain the formula, but that's probably outside the scope of this.

Chairman- Mark S. Owens: any further questions.

Rep. Rich S. Becker: Mr. Burkle I am going to make an assumption here, but since this is a proposed amendment on your part, my assumption is that the other stakeholders represented here, the bank of North Dakota, DPI are all in favor of your proposed amendment, you chatted with them, and can this bill meet everybody's approval.

Elroy Burkle: I know NDCL is, and if I ask directly to superintendent Baesler, no I have not, and I don't want to put her on the spot, and the bank of North Dakota I have not asked. But I can guarantee you that 141 of my members support it. They are concerned, look at Kidder county they would lose \$30,000, and that's a wide acreage/miles whatever term you want to put with it. And we are holding harmless. We want to just try to make every effort to keep that whole, because maintaining foundation aid, I understand that I understand the situation that you are in, and I appreciate everybody's efforts, but transportation for the larger districts, that's money that taxpayers will have to be made up, it's got to be made up somehow, and I don't want to theorize, because each school is different. But it has to be made up, districts are cutting back where they can, I am aware of two districts that cut back on routes this year, at the same time we are a rural state, but transportation is also not rural. Look at West Fargo, look at Bismarck, it is a statewide service.

Rep. Rich S. Becker: I would believe that you are right and I would think also that it makes a lot of sense to have this combined into one bill, but is there any reason to believe with DPI or the bank or any other constituency might not be in favor of the proposed amendment.

Elroy Burkle: in my opinion no, I mean it would support schools, its taxpayer. My immediate response is why wouldn't they.

Chairman- Mark S. Owens: any other questions, seeing none thank you. Anyone else in support of SB 2272.

Dr. Aimee Copas: See attachment 5 for testimony.

Chairman- Mark S. Owens: are there any questions.

Rep. Mary Johnson: are you talking about the 5.7 million in transportation cut.

Dr. Aimee Copas: those are the numbers we originally looked at putting into SB 2272, Chairman- Mark S. Owens and Rep. Mary Johnson to replenish those dollars back in there. I know that there, I want to say that Elroy talked about some additional cuts, and we were

closer to that 7-million-dollar mark, but I reference the 5.7 just on the basis of where we were originally.

Chairman- Mark S. Owens: any other questions, seeing none thank you. Anyone else in support of SB 2272.

Wayne Kutzer: See attachment 6 for testimony.

Chairman- Mark S. Owens: anyone else in support of SB 2272.

Brandt Dick: I don't have any written testimony to pass out, I did just want to correct Dr. Copas on the 12 percent that she had, I did some research yesterday, and I looked at the amount of general fund that was put towards K-12 education, the last session it was 1.69 billion dollars, right now in 1324 it's 1.36 billion dollars, so 333 million dollars less toward K-12 education from the general fund which is a 20 percent cut, so I just wanted to share that information.

Chairman- Mark S. Owens: any questions. Anyone else in support of SB 2272.

Kirsten Baesler: No new information to offer, but just want to express my support for the mechanisms that have been worked out in collaboration for the school funding formula, and for the clarification of what education related purposes are. A lot of work has gone into this bill, between or among many people, and the concept is good, and I truly urge you to support and take a look at the mechanisms that are contained within SB 2272.

Chairman- Mark S. Owens: are there any questions. If I can ask just ask a quick question of you, your view and comments on the discussion about transportation funding, please.

Kirsten Baesler: Obviously you have a lot of tough decisions, and the appropriations committee have a lot of tough decisions ahead of you as you try to balance this budget. And I believe balancing the needs of a larger rapidly growing school districts along with our smaller school districts that have transportation needs is going to be something that is challenging for all of you, and all of us. But I would urge as the state superintendent that as you make those decisions that you have the perspective of every student in every zip code, and meeting their needs of both our growing new Americans for EL as well as the needs for our students that are in more rural and isolated school districts.

Chairman- Mark S. Owens: I was looking just a tad more concrete than that, but you know thank you though. Anyone else in support of SB 2272, any opposition to SB 2272. Any neutral testimony to SB 2272.

Jeff Engleson: see attachment 7 for testimony.

Chairman- Mark S. Owens: are there any questions.

Rep. Pat D. Heinert: sire you talked to us about one of my questions earlier, in reference to if you turn to page 4 of Mr. Hardmeyers provided testimony.

Jeff Engleson: the different loan rates are two fold, one the law currently provides different rates and discounts based on the needs of the district, by the taxable evaluation I think the law is. But there is also DPI has a formula they have been using for years that tries to assess the needs of districts, and if you want the details of that DPI will have to talk about it, but it rates districts from 1-5 on really need it to not need it so bad, and the loan rate is based on that. So it is a combination of law, and a formula that DPI has.

Chairman- Mark S. Owens: any further questions. So if I am reading right you get 9 percent of the coal severance tax, that is basically what it is, 30 of 30 you get nine, and that's what the fund retains if SB 2272 over time converts all of these construction loans to this merged construction, and they you listed for emergency repair, being able to go after that for emergency repair, wouldn't that give you greater flexibility in your loans for coal effected regions, and really almost anything else, because you would have more flexibility, you would be doing smaller loans, and have more flexibility in your loan program.

Jeff Engleson: I believe that is correct, as demand for big construction projects goes to the other program, yes there will be runoff of this program, and there will be more money available for either another loan program, because the whole purpose of this fund is to make loans. I think the need for the shorter term, yes there will be less demand there, so there will be more money for coal impacted loans or other purposes as the legislature sees fit.

Chairman- Mark S. Owens: any other questions. Seeing none, thank you. Anyone else with neutral testimony, closing the hearing on SB 2272.

2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

SB 2272
3/14/2017
Job 29167

- Subcommittee
 Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

relating to the scholarship endowment fund, the uses of the foundation aid stabilization fund, and school construction loans; to provide an expiration date; to provide contingent transfers; to provide transfers; to provide an appropriation; to provide an effective date; and to declare an emergency.

Minutes:

No attachments.

Chairman- Mark S. Owens: so committee on the bill we just heard SB 2272 we have, I don't know if you all have SB 2150. Sb 2150 deals with school construction loans, and it has some wording that the 2 bills needs to look just right, and quite frankly once we make that happen, so there is going to be amendments to SB 2272, at least to do that, but there might be 1 or 2 other things added that we can talk about, but so I have to talk to the sponsor to make sure I have the language just right, and we will do an amendment to, and once we do that we can sent SB 2150 to the floor do not pass once we know SB 2272 has passed. Because we won't need to keep it anymore, they want me to keep SB 2150 anymore. Outside of that, I am open to your thoughts and opinions on SB 2272, and so if you want to discuss SB 2272 right now, baring the construction loan language, then by all means, speak up.

Vice Chairman- Cynthia Schreiber-Beck: with making career and tech ed whole, there is one other aspect on the K-12 level that was not made whole in this bill, and we do need to double check what appropriations has done, but center for distance education falls under ITD, and I believe that was heard in appropriations yesterday, and we need to double check that, but I would ascertain that both should be made whole, if they are not already made whole. So that would be my, one of my pieces.

Chairman- Mark S. Owens: If you would like to check into that, and report to the committee, but I will keep everybody in mind, we have to vote this out tomorrow afternoon, and get it to appropriations, so if there is something that you want done, or you want to be considered by the committee on this bill then we need to move on it.

Rep. Corey Mock: while this is more conversation at the appropriations committee will have, I just want to submit for the record, and I will happily make this available so that we don't have to type, and transcribe all of the details, but on page 30, no one has this document in

front of them, at least I would be surprised and disappointed if you did. There is an analysis of the trust fund balance, that is handed out by legislative council as of crossover, and in there it shows the estimates of current, and beginning balance, and estimated expenditures from the various special funds and trust funds that the state controls, one of them is the foundation aid stabilization fund, so I just want to make sure that we are aware, and this is again something that the appropriations committee will have to work on. But the beginning estimated beginning balance for the next biennium is 624 million dollars, approximately. With the projected revenue from oil extraction taxes at just shy of 131 million, bring in a total to 755 million dollars. With this bill along with some other appropriations through the funding, the DPI appropriation bill, and the grants to school districts, and area centers with SB 2019 we bring the fund down to just under 400 million dollars, we have to have a reserve of 265 meaning the ending balance that's available, the unrestricted balance at the end of this biennium will be 131 million dollars. So I just want to make sure, we are.

Chairman- Mark S. Owens: I am sorry , so we have to keep if you remember and unless I am reading something wrong, the premise was 15 percent.

Rep. Corey Mock: and that's the 265 million dollars.

Chairman- Mark S. Owens: that's what I was after, that's at 15 percent so that's 265.

Rep. Corey Mock: it's actually just under 266 million dollars is the, is what is required for us to maintain in reserve. But I think it's important as we are talking about transfers of a fund, that replenishes at about, we are estimated 131 million dollars a biennium, and with oil activity, it's just good and important for us to know what that balance is, as we make appropriations and transfers. Just wanted the committee to be aware of that.

Chairman- Mark S. Owens: understood thank you. And the premise of the bill is to transfer for 3 biennia's, although the bill only does it for this one, but the premise is to continue to transfer 75 million each biennium for 3 biennia's in order to create the self-funding account.

Rep. Corey Mock: that I think will be sustainable, assuming we no longer need to make one-time funding transfers, so if we need to continue to show out the per pupil payment by using the foundation aid stabilization fund that we are doing this biennium, long term that's 75 million dollars may not be available.

Chairman- Mark S. Owens: understood the self-funding revolving construction loan is a wonderful idea, provided we can get passed the first 6 years. Is there any other question or discussion.

Vice Chairman- Cynthia Schreiber-Beck: we were just looking at the numbers that Rep. Corey Mock brought up, and some of them are pulled out of there, but and they mention SB 2272. So but the other comment that in discussion with people, is that the rapid enrollment will likely meet around 6 million vs I believe it's in here at 8 or 10.

Chairman- Mark S. Owens: it said 10.

Vice Chairman- Cynthia Schreiber-Beck: so in if that number has some flex in it, that might free up some funding if it's done the same.

Chairman- Mark S. Owens: where you getting the 6 million from.

Vice Chairman- Cynthia Schreiber-Beck: I am getting from discussions I had out at the audience.

Chairman- Mark S. Owens: oh you are wondering, ok. Well that is something to keep in mind if anyone wants to bring an amendment to replace the 5 million for transportation. Did I say that out loud. It's just a thought. So is there any other discussion about this bill. So please if you have a thought of something you want to change, I am going to talk to the sponsor about the construction information, and I may have a discussion with him on the transportation item, and the CDE quite frankly, but you are going to do some investigation on where that stands now, ok. So we will check on those three things before we get carried away.

Rep. Brandy Pyle: I just have one question, so the rapid enrolment in the bill it proposes 10 million, and that goes to the top 4 school districts. Is that what I remember.

Chairman- Mark S. Owens: I don't remember that.

Rep. Brandy Pyle: did I hear that or did I read that.

Rep. Longmuir: I believe the top 4 schools was with the ELL funding. Not the rapid enrolment.

Chairman- Mark S. Owens: the rapid enrolment should be anybody and everybody. Yeah anybody that qualifies, that should be.

Rep. Brandy Pyle: great so it's at 250,000-dollar grant.

Chairman- Mark S. Owens: keep in mind also that the second year of this biennium the ELL in the per pupil payment, the basis points were increased on all the ELL's and we carried that forward, so that's also an increase from where they were the first year of this current biennium. I am not saying it was a lot, but I mean it was an increase. Any other comments or questions, so we need to get this out, we can take this afternoon to work on amendments if you want to, but then we will meet tomorrow morning at 9am to try to work this out, because if we can work this bill tomorrow morning, we may address some other stuff Wednesday afternoon. We got a couple, is there any further discussion or questions or comments or thoughts, anything else you want to bring up outside of SB 2272 or SB 2150. Ok, we will adjourn.

2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

SB 2272
3/15/2017
Job 29240

- Subcommittee
 Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

relating to the scholarship endowment fund, the uses of the foundation aid stabilization fund, and school construction loans; to provide an expiration date; to provide contingent transfers; to provide transfers; to provide an appropriation; to provide an effective date; and to declare an emergency.

Minutes:

Attachment 1.

Chairman- Mark S. Owens: ok, so does everybody have SB 2272, and do you have the amendment before you (attachment 1). If you would look at the last portion of the amendment where it says page 14 line 6, and on the second line of that where it says to the North Dakota center for distance learning if you would put a period there, and line through 'for the purpose of providing rapid enrolment grants', legislative council got a little confused about that and that is not the purpose of that 1 million dollars. So just line through that if you would. On the last portion of the amendment where it says page 14 line 6 after the first comma insert in the sum of \$1,000,000 or so much of the sum as maybe necessary to the North Dakota center for distance learning period, and line through the rest of that. Distance education yeah. Line through the purpose of providing rapid enrolment grants, that is not what CDE does, and we are not giving them the new job. Like they really want that headache. So, we are trying to hold CDE harmless, and put them under the protection of the fund.

Rep. Denton Zubke: since we are on the topic Mr. Chairman, I wanted an explanation why they are getting these \$1,000,000 dollars.

Chairman- Mark S. Owens: because they were cut \$1.1 Million and we can't get them the .1, but we can, I mean we could it just makes it easier if we just do an even 1 million and we don't worry about the .1, and the goal was to hold them harmless as part of the K-12 umbrella if you will.

Rep. Denton Zubke: and so they were cut in the 10% allotment, is that what it was.

Chairman- Mark S. Owens: I am not sure what percentage it was, but they were cut 1.1 million, I knew the dollar amount, I did not know the percentage. Committee there is one issue with the \$1,000,000 that we want to clear up with legislative management, and make sure it's in the right place in the bill, so we will adjourn here, and we will take it up this

afternoon at 2:30pm, along with our other work that we hope to do, but I want to get the amendment just right, and I want you to understand exactly where it's going, and it's more than just deleting that line. They stuck it in the wrong section, and I think he is going to have to write more to get it in the right section.

Rep. Denton Zubke: do you want to explain the rest of the amendments, and just leave that part out of it.

Chairman- Mark S. Owens: certainly, the rest of the amendments, if you remember in our explanation. Here, remember this? Ok, remember over the side the coal development trust fund, we are pulling the construction out of that in SB 2272, and we are turning that into an emergency repair fund. The premise there was that they did not want \$5,000 and \$10,000 request loans coming to them for little things, like the infamous boiler, but anyway let's try roof, ok the roof of the school, alright. Let them use their ending fund balances for the small things, but the bank actually I don't know if it was the bank or DPI to be honest with you thought it would be better at 350, but the senate and the house both agreed we thought it would be better at 250, so it has to be a minimum loan request of \$250,000 to go to the coal thing for an emergency. The other issue dealt with page 9, line 12 after cost, there seem to be a confusion where it said 10 million dollars or 80 percent, meaning does that mean it would be possibly 12 million, if 12 million was 80 percent, and no it was supposed to be up to 80 percent only dealing with their ending fund balance again. So what happened was in this case is up to a maximum of 8 million of the fall in that 80 percent rule. To ensure that it's not 80 percent of the loan, the construction loan, it's 80 percent of the available of the maximum which is 10 million. And then on page 13, line 17 after loans, where we were taking over that one fund up here in the yellow, ok the fund where the land trust fund where it was 150 million if you would recall, we were briefed that it was 143 million outstanding with 6.something leftover in cash, and the intent of this whole plan, and the merging of the construction loan fund is to take over the 150 million in total, which means the loans, and that available cash of 6.9 million, otherwise appropriations is going to disappear fast, so we are adding that in cash to include that 6.9 million. That's what that's for, and then page 14, line 4 that's the 10 million dollar for rapid enrolment, we are taking 1 million there for CDE, that's where we are getting the 1 million so we don't change the fiscal note on SB 2272, we keep it at 11 million, but in order to do that we had to steal the 1 million from rapid enrolment, it was my understanding that rapid enrolment last year did not reach 10 million, so it should not be a problem. Rep. Brandy Pyle it looks like you have a question. She said we re-referred the money, we did not steal it that's what she said, so. But yes the amendment we appropriate \$1 million out of the \$10 million from rapid enrolment to CDE to try to get them closer to whole, I steal think it's stealing. Anyways, that's just me. So that's the amendment as it sits, but now on the last page unfortunately when they took that million out, and gave it to CDE, they left it under the paragraph, not only did they talk about rapid enrolment, they left it under the section for rapid enrolment, so that's why we got to get moved and adjust it, and not waste your time sitting here while we try to get that adjusted, so we will just take it up at 2:30pm. So, thank you all, and see you at 2:30pm.

2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

SB 2272
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Job 29242

- Subcommittee
 Conference Committee

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Explanation or reason for introduction of bill/resolution:

relating to the scholarship endowment fund, the uses of the foundation aid stabilization fund, and school construction loans; to provide an expiration date; to provide contingent transfers; to provide transfers; to provide an appropriation; to provide an effective date; and to declare an emergency.

Minutes:

No attachments.

Chairman- Mark S. Owens: the current plan is, do you remember HB 1324 when we changed in lieu of on those three prices from 100 to 75, and we sent it through, and we didn't think it would survive appropriations, and it went through appropriations, it went through the floor it passed. The senate is not going to pass that, they are going to return it to 100 percent on those three items this time, they are going to pass the study, at least this is the current plan, they are going to pass the study on the in lieu of, so it is studied during the interim, because the whole focus right now is not about changing a whole lot of the formula, but about holding harmless as much as we possibly can in K-12, so not moving money. They are going to take that money or as much of it as they can and they are going to move it back into transportation in HB 1324. That may not be the full 5.5, but I know it's over 4, so that's going to get it a lot closer than it was, so now if there is a slight cut in transportation it's going to be a lot easier to swallow. At least that is the current plan as I know it today, and I am making that stipulation, because tomorrow is a different day. So, that's what I know about transportation, so we may sit with legislative council a study for the in lieu of, so that we can hopefully when we have a little more money next session fingers crossed, we can correct that as well in the formula. There is constantly discussions about transportation going into the per pupil payment, but I don't see that happening it's very difficult to do it that way. So I mean while people keep mentioning it, and it's an intriguing idea when you first hear it, it's very difficult to adjudicate who needs the money, and who doesn't need the money between large school districts and condensed metropolitan areas vs highly rural areas. I think Rep. Denton Zubke your district is slightly large, is it not?

Rep. Denton Zubke: well.

Chairman- Mark S. Owens: I mean you know for the size of Hawaii, ok. So is there any other questions.

Rep. Mary Johnson: what are the chances along with studying in lieu of they could study transportation, because I have some ideas on how to gain some in transportation. It won't hurt small schools.

Chairman- Mark S. Owens: well keep in mind there's another study that deals with where all the money is coming from, and going. And the actual studying the mechanism of per pupil payment, the formula, and everything. So there's another study dealing with where all the money is coming, but they have to pick it first. So I don't know if transportation will be studied, because that one in lieu of is just about studying the in lieu of factors.

Rep. Mary Johnson: it appears to me that the smaller school districts are suffering.

Chairman- Mark S. Owens: how do you figure that.

Rep. Mary Johnson: well because of the whole (soft audio) there should be floors and caps on mileage.

Chairman- Mark S. Owens: oh, you are specifically talking about transportation, yeah and I don't know if that's in any study right now or not, so I can't answer that question. I would think it would be in the overall study, but.

Rep. Pat D. Heinert: was there any discussion on the career and technical educational side, they had testified that they have lost the 20%, and never received it back, but the new standard for them is the minus the 20%, even though they're in the new bill saying that they are going to be held harmless now too, but they are still at the reduced rate of being held harmless.

Chairman- Mark S. Owens: right, there hasn't been additional talk about them, no because, and I am not sure. Was there something added in another bill through them, I mean it wasn't as much, but I don't recall. Because in SB 2272 they are stuck under for future protection, and of course we are adding CDE to that as well I don't remember.

Vice Chairman- Cynthia Schreiber-Beck: does anybody in the audience know.

Chairman- Mark S. Owens: anybody in the audience got information on the budget for CTE, you are welcome to answer the question for the committee, I would appreciate it.

Kirsten Baesler: I will speak the best that I can to the CTE budget, as the state superintendent I am a member of that board, and the last report that we received from Wayne Kutzer who is the director of that agency is that the, as Rep. Pat D. Heinert said the new baselines, so minus the 20% cut is their new budget, so they have incurred the allotments that ever agency was subject to in August of 2016, and that's their current budget. Going forward they will be held whole.

Chairman- Mark S. Owens: I see, ok thank you. I understand now. We are going back to the August. Ok, anything else for the good of the order.

Rep. Ron Guggisberg: I am trying to remember what was the cost of the in lieu of piece that we sent over to the senate.

Chairman- Mark S. Owens: 5.5 million.

Rep. Ron Guggisberg: so it's the same as the transportation.

Chairman- Mark S. Owens: transportation I believe was 5.7 in reality, so it was a little less than transportation. The senate is having a problem with, while we change the in lieu of, and every single school save tribes and military schools on military bases gets a little bump, they get a piece of the pie sort to speak. When you compare that to the cuts from transportation, senate is looking at winners and losers. In other words, what was cut out of transportation for some rural schools, what they get out of the in lieu of doesn't cover it, and then what was cut for some of the larger schools in transportation was miniscule, so they come out ahead, and that's what the senate was worried about, and that's why they did not really like doing the in lieu of right now, and they so we basically told them if you don't do in lieu of you have to replace the transportation. That's what we were shooting for.

Rep. Ron Guggisberg: well Mr. Chairman we could do both, I understand that the senate also spent that whole, almost that whole fund that we were talking about earlier.

Chairman- Mark S. Owens: the student entrance fund. 19.2 million, the spent 14 ½ million.

Rep. Ron Guggisberg: we have a say too, and the K-12 is our number one priority I thought.

Chairman- Mark S. Owens: it is as far as holding harmless, but when we go to change the, even I would argue this, we are not holding harmless if we go to now change the formula, we are improving it, and I don't disagree that I think the 100 percent needs to be at 75, and that that is an improvement that needs to happen, it's just in this environment I don't know that I can get it through both appropriations committees even though we got it to the first time, I don't think we will get it through the second time in the house, because a few people have, particularly if transportation is added back in, because that was their only weapon, so if the senate adds transportation back in we lost it on the house side as well. Because that's what they use, that was the argument in appropriations. Since we cut transportation, we can do this, and that's what they kept arguing about, that's the only reason it got through house appropriations, because they were ready to pull it, even then.

Rep. Ron Guggisberg: I was just making a point that the senate have its opinions, and they can increase their things that they want to fund, but so can we.

Chairman- Mark S. Owens: oh no no, if you are under the impression that we are not going to fight you are wrong, and I already told Don that, ok. I told Don that yeah ok, you wanted, you supported me becoming chairman, I hope you did not think that was because you were going to tell me what to do, because I will argue with you, so we already had that discussion, and now we have it on record.

Rep. Ron Guggisberg: I am glad to hear that Mr. Chairman.

Chairman- Mark S. Owens: if there is nothing else, just sit at ease while we wait. Ok, so it shouldn't be long and we can get SB 2272 out.

2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

SB 2272
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- Subcommittee
 Conference Committee

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Explanation or reason for introduction of bill/resolution:

relating to the scholarship endowment fund, the uses of the foundation aid stabilization fund, and school construction loans; to provide an expiration date; to provide contingent transfers; to provide transfers; to provide an appropriation; to provide an effective date; and to declare an emergency.

Minutes:

No attachments.

Chairman- Mark S. Owens: let me have your attention, I am sorry to bring to down here something has come up, but what we are going to do is we are trying to get an amendment for SB 2272 to wrap it up, and we are not going to have it this afternoon, but we got to move it out by Friday, so we may do it 8 am or after. We will squeeze something in over the next 2 days just to take care of SB 2272, and we'll save SB 2186 until Monday.

Rep. Mary Johnson: would you squeeze in dinner for all of us on you.

Chairman- Mark S. Owens: I wouldn't hold my breath, I mean you are welcome to hold your breath, but I wouldn't do it. Is anybody aware of their current committee schedules for Thursday and Friday morning. Everybody is 9am except Rep. Pat D. Heinert he has an 8am on Thursday.

Vice Chairman- Cynthia Schreiber-Beck: how about Friday.

Chairman- Mark S. Owens: well that's ok, it can be late afternoon as well, so I mean. Well we are talking about, you know 5 minutes to look it over, and however long it takes us to discuss it, and that is all we will deal with, we won't try to do anything else, we get SB 2272 out, and we will worry about SB 2186 on Monday afternoon. Eddie, committee work next week. We will figure it out. I don't think we have proxy voting but year Rep. Denton Zubke, I have already tried that on the floor myself and it did not go over big. Alright, well sorry to interrupt your afternoon, thank you everybody we will get this fixed.

2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

SB 2272
3/16/2017
Job 29381

- Subcommittee
 Conference Committee

Committee Clerk Signature 

Explanation or reason for introduction of bill/resolution:

relating to the scholarship endowment fund, the uses of the foundation aid stabilization fund, and school construction loans; to provide an expiration date; to provide contingent transfers; to provide transfers; to provide an appropriation; to provide an effective date; and to declare an emergency.

Minutes:

No Attachments

Chairman- Mark S. Owens: opens hearing on SB 2272. So we are here to talk about SB 2272, we were about to do it yesterday when we got sidetracked, so everyone should have a copy of the amendment (), and it's only the first three lines on that amendment, and I have already crossed out for you the others, and I will go over it with you. This is on page 4 line 30 for the coal development trust fund, the issue was if you recall in this bill it is used for emergency problems or situations that pop up, they can get a quick loan, but what happened was they decided they didn't really want somebody coming to them for \$5,000 or \$10,000 loans, so what's being inserted there is a minimum loan value of \$250,000, and then it continues with a maximum loan value to \$2 million. And then page 9 line 12.

Rep. Rich S. Becker: if you can just go back about 60 words, when you said the \$250,000 could go to \$2 million, but it says \$8 million here.

Chairman- Mark S. Owens: no no no, you are looking at a different part, a different change. We are only looking at, up there where it says page 4 line 30 after B you insert so it would read, the minimum loan amount is \$250,000, and the maximum loan amount of which a school district may qualify is \$2 million, and that's at the bottom of page 4, lines 30 and 31. Ok Rep. Rich S. Becker. So if you go to page 9 line 12 if you remember this, as far as new construction loans in the new consolidated program is \$10 million is the maximum, and in the language it also said that the loan amount under this session may not exceed 80 percent of the projects cost, the concern there is that the 80 percent may be read as, oh well if it's \$20 million then you are going to give me \$16 million, so the bank of North Dakota has requested, and it makes sense to eliminate the discussion and the argument and misunderstanding that after cost it would be up to a maximum of loan amount of \$8 million, refereeing to 80 percent of the maximum \$10 million. Any questions. And then finally on page 13, line 17 if you recall the money coming out of the current construction loan, and I forget it's L something I can't

remember that abbreviation. But, if you remember it was 150 out of the land trust department that's what I was trying to think of, they had 150 for school loans, and right now they loaned out 143 it's the way it will be, and that's what will come to the bank. The bill is written to include to take over that entire 150, the 143 plus the 6.9 in cash. To avoid any misunderstandings on page 13, line 17 where it says 150,000 including in the outstanding loans, right after that it says we insert any cash, so that there is no misunderstanding by anybody, and that's what this amendment does. Oh, \$150 million not \$150,000, yeah sorry about that, and that's what this amendment does.

Rep. Corey Mock: I would move the proposed.

Chairman- Mark S. Owens: ok we have a motion to move amendment 03003 by Rep. Corey Mock and seconded by Rep. Bill Oliver. Any further discussion.

Rep. Brandy Pyle: but what did we, what we were doing with transportation.

Chairman- Mark S. Owens: oh, thank you for asking that question. Yes, note transportation is going to be, I talked to the Senate and while there is money going back in for transportation, they are going to put it in a per pupil payment, and they are going to attach it as a paragraph on 1324, we will see that, we will get that back, because they changed the bill so we get that back. I may have a conference committee to assign people to it, just so everybody understands what changed it, and what we got and then we can just if we agree, if the conference committee agrees we can accede to the senate's amendments and bring it to the floor. But just so that everybody's clear on it, but it's my understanding what they put together is, it was 5.7 million that was taken out by appropriations, and the last that I was told is they have 4.9 to put back in, not the whole 5.7 but they have 4.9 to put back in.

Vice Chairman- Cynthia Schreiber-Beck: and they are removing the in lieu of dollars so that's where that transportation money is coming from, correct? That's their intent.

Chairman- Mark S. Owens: and they will be attaching the in lieu of study on 1324, the last plan I heard. So the study is still valid. Any additional questions.

Rep. Rich S. Becker: just for clarification. There is just so many numbers that have been floating around, I thought it was 7.5 million that was taken out, and they had 5. Something to put back in.

Chairman- Mark S. Owens: actually it was 5.7 and what we got in a briefing here the other day was 7.7, but that was them including what, it should be this year if were inflating everything, if we were going with normal increases and costs and everything that would be the recommended amount, remember we are trying to hold everybody harmless, where the option to holding them harmless is cutting, and that's what we are trying to avoid. K-12 anyways, not so much everybody else in the state, but. Any other questions, any other comments. I will try a voice vote, all those in favor of the amendment say I, all those opposed. We have a new amended bill in front of us.

Vice Chairman- Cynthia Schreiber-Beck: I would recommend, I will move a do pass on engrossed senate bill 2272 with amendments 03003 and re-refer to appropriations.

Chairman- Mark S. Owens: we have a motion for a do pass on SB 2272 as amended, and re-referred to appropriations. Is there a second, seconded by Rep. Matthew Ruby. Is there any other discussion on SB 2272, seeing none I will invite the clerk to call the roll for a do pass as amended and re-referred to appropriations for SB 2272. 11-0-3, and Chairman- Mark S. Owens will carry this bill. Ok committee any further discussions. (random committee talk)

3/16/17 DR

17.0919.03003
Title.04000

Prepared by the Legislative Council staff for
House Education Committee
March 16, 2017

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2272

Page 4, line 30, after "The" insert "minimum loan amount is two hundred fifty thousand dollars and the"

Page 9, line 12, after "cost" insert "up to a maximum loan amount of eight million dollars"

Page 13, line 17, after "loans" insert "and cash"

Renumber accordingly

Date: 3/16/17

Roll Call Vote # 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2272

House Education Committee

Subcommittee

Amendment LC# or Description: 17.0919 .03003

- Recommendation: Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Rep. Mock Seconded By Rep. Oliver

Representatives	Yes	No	Representatives	Yes	No
Chairman- Mark S. Owens			Rep. Andrew Marschall		
Vice Chairman- Cynthia Schreiber-Beck			Rep. Bill Oliver		
Rep. Rich S. Becker			Rep. Brandy Pyle		
Rep. Pat D. Heinert			Rep. Matthew Ruby		
Rep. Dennis Johnson			Rep. Denton Zubke		
Rep. Mary Johnson			Rep. Ron Guggisberg		
Rep. Donald W. Longmuir			Rep. Corey Mock		

Total (Yes) _____ No _____

Absent _____

Floor Assignment Rep. _____

If the vote is on an amendment, briefly indicate intent:
Voice vote - Amendment adopted

Date: 3/16/17

Roll Call Vote # 2

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2272

House Education Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Rep. Schreiber-Beck Seconded By Rep. Ruby

Representatives	Yes	No	Representatives	Yes	No
Chairman- Mark S. Owens	✓		Rep. Andrew Marschall	AB	
Vice Chairman- Cynthia Schreiber-Beck	✓		Rep. Bill Oliver	✓	
Rep. Rich S. Becker	✓		Rep. Brandy Pyle	✓	
Rep. Pat D. Heinert	✓		Rep. Matthew Ruby	✓	
Rep. Dennis Johnson	AD		Rep. Denton Zubke	AD	
Rep. Mary Johnson	✓		Rep. Ron Guggisberg	✓	
Rep. Donald W. Longmuir	✓		Rep. Corey Mock	✓	
	6			5	

Total (Yes) 11 No 0

Absent 3

Floor Assignment Rep. Owens

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2272, as reengrossed: Education Committee (Rep. Owens, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Reengrossed SB 2272 was placed on the Sixth order on the calendar.

Page 4, line 30, after "The" insert "minimum loan amount is two hundred fifty thousand dollars and the"

Page 9, line 12, after "cost" insert "up to a maximum loan amount of eight million dollars"

Page 13, line 17, after "loans" insert "and cash"

Renumber accordingly

2017 HOUSE APPROPRIATIONS


SB 2272

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2272
3/23/2017
29640

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the scholarship endowment fund, the uses of the foundation aid stabilization fund, and school construction loans; to provide an expiration date; to provide contingent transfers; to provide transfers; to provide an appropriation

Minutes:



Representative Mark Owens, District 17 Grand Forks: Come be known as the measure 2 bill. It takes all our school construction loans from three different places and consolidates them into one self-funding revolving fund. So it cleans up the language in section 1 and section 2 it takes the Coal development fund and it changes the total from 50 million to 60 million for use and then turns around and takes the projects from the school construction loan, changes the purpose of it from school construction loan to small construction projects for unanticipated replacements. The request must be 250 thousand and no more than 2 million and that would be for 20 years and 2%.

Chairman Delzer You amended the minimum of 250 thousand, the original bill just had the maximum amount of 2 million?

Representative Owens: We requested not to allow those smaller loans for 20 years.

Chairman Delzer Did you check; I am not sure if there is 60 million available in that coal fund.

Representative Owens: I know it had been 50 for a while but it was over 60 million. Those loans would be for 2%.

Chairman Delzer: And those are for maintenance and emergencies?

2:20 Representative Owens: Section 3 sunsets the Bank of ND school of construction loan program as of June 30th 2017. Section 4 establishes the application process,

continuing appropriation from interest principal and interest from all other payments to the fund. Section 6 add the department of career and technology education under the rules of appropriation for the general fund as it relates to transfers from the foundation stabilization fund.

Chairman Delzer Brady will this automatically add to the 15% of general fund?

Brady Larson, Legislative Council: It's my understanding that the 15% is completely a different issue. Then both bills will amend this section and it will be harmonized by the co advisor so they should complement each other.

Chairman Delzer: The way it's worded is 15% of K-12 is held, but when we say this language that it should cover CT&E as well. It's that CT&E money considered part of the 15% or are we lowering our 15% a little?

Mr. Larson: The CT&E would not be part of that so you would be lowering.

Representative Owens: Section 7 defines educational purposes. Establishes codes and use of the fund. Section 8 changes the transfers from the coal development fund for school's construction assistant to the general fund.

Chairman Delzer: Why did they go to general fund and put it in this other new school construction loan?

Representative Owens: That's because the coal development fund in the future will only be handling those emergencies it won't be part of school construction any more.

Chairman Delzer: But why did they go to the general fund for that? The 75 million that's put in there this time is not enough to continue that in the future without adding some more money to it.

Adam Mathiak Legislative Council: During last session it was changed to go the general fund but that's actually contrary to the constitution, the interest should be going from those loans to general fund so this is just a technical correction.

8:05 Representative J. Nelson: If you go the analyst of the coal development trust fund that's 1.7 million dollars?

Mr. Larson: Yes, you're looking at the 1.7 million dollars for the transfer to the general fund, if you're looking at the analyst it would be explained in footnote number 2

Representative J. Nelson: That's this section that we are referring to?

9:15 Representative Owens: Section 9 repeals section 9 & 10 of chapter 153, this is doing away with all the existing school construction loan information.

Representative Owens: Section 10, repeals school construction loans from the Bank of North Dakota. However, that is a delayed repeal, it will not go into effect until July 1 of

2013. Section 11 is contingency transfers; this is where we start moving the money from the different school construction funds into this new revolving account. This is the school construction assistance loan fund. This allows for the new system to pay that money back. Section 12; the SIIF is transferring back to the land trust fund 150 million dollars, taking over 143 million in loans and 6.9 in cash.

Chairman Delzer: That's moving it into this revolving loan?

Representative Owens: Yes, the school construction assistance revolving loan. Section 13; is that initial 75 million dollars. Section 14; rapid enrollment, 10 million.

12:30 Representative Nathe: How many schools would be eligible for the rapid enrollment?

Representative Owens: We did not discuss that.

Chairman Delzer: I think they are leaving everything the same as how it was set up the last time. What was our funding level on rapid enrollment last year? I thought it was 17?

Mr. Larson: I believe it was 16 or 17 million of one-time funding.

Representative Nathe: Did all 16 million get used last biennium? If we can check that out.

Representative J. Nelson: Is this the appropriate vehicle for the next two items? Why isn't that in the funding bill?

Chairman Delzer: I think it's because this was a lot of how we were doing measure two.

Representative Owens: I understood it was so you could see everything coming out of measure two, that was its purpose.

Chairman Delzer: We did add to the original funding bill, that's probably one of the problems with starting this on the Senate side and the funding bill was started on the house side.

Representative Brandenburg: Going back to section 13. Of the 75 million we have up to 50 million going to repave the Bank of North Dakota. You know how much that's going to be?

Representative Owens: What it is; it's a waterfall effect over the course until 2013. This is taking over the new loans and it's working as split dollar system.

Chairman Delzer: And this leaves 30 million, you capped that at 8 million instead of 10 million?

Representative Owens: No it's 10 million per project unless you've met the ending fund balance requirements and then you are restricted to 80% not to exceed 8 million.

Chairman Delzer: But the 10 would just be 3 loans, but somewhere in there might be enough for 3 1/2 or 4 loans.

Representative Owens: I did wonder about that; this bill doesn't set up the future payments.

Representative Brandenburg: That's what I am wondering about the interest buy down.

Chairman Delzer: These are not interest buy downs, we did that 2 years ago and we have to pay that back.

Representative Owens: What it establishes is; if we establish the self-funding revolving school construction loan we can still do the 2% there is no interest buy down anymore because we are managing it ourselves. 1/2 % would go to the Bank of ND for administering it.

Representative Streyle: The half percent amounts to what?

Chairman Delzer: 1/2 % of whatever is borrowed out.

Representative Owens: 1/2 of the new loans they are already taking 1/2 percent of the existing loans.

Chairman Delzer: We are dealing with our own bank if we get this set up. We're looking at taking 140 million out of Bank of ND this year putting it in to our own growing revenue.

Representative Schatz: Why this didn't go through EE?

Chairman Delzer: Because Senator Schaible was the one putting this together all the way through and the bill started in the Senate. And this is all part of how we are going to get out of here this year with a balanced budget.

23:00 Representative Owens: Section 15; 1 million for English, Language and Learner (ELL) grants Section 16 is effective date and section 17 is the emergency.

Chairman Delzer: And there is something about getting rid of the scholarship fund.

Representative Owens: Yes, that's the very first one.

Representative Nathe: How many students are we expecting to increase this biennium in K-12?

Representative Owens: I think around 3400?

Representative Sanford: Even though we don't have schools growing by way of people moving in we have larger classes coming in then what is graduating and going out

Chairman Delzer: K-12 is where we are getting most of our turn back.

Representative Nathe: I think we need to really look at the rapid enrollment money.

Representative Streyle: I think 12, 13, 14 and 15 need some more work, there's just too much money in all of them.

Representative J. Nelson: Brady when you get those numbers on enrollment, I would like to see the estimates and then the actual.

29:15 Mr. Larson: Current biennium appropriation for rapid enrolment grants it was 14.8 million dollars EPI is currently expecting to spend 11.5 million dollars and of the difference they did allot approximately 2.3 million dollars so there will be roughly 1 million in turn back.

Representative Owens: I just want to point out that section 12 and 13, you said that you want to look those section, they involve the revolving self-funding for the school construction loans.

Representative Streyle: I am saying it's too big at this point, should we grow it sure but it's too big now.

Chairman Delzer: That's just to buy it out and it's there to redo what we did two years ago. Further question? We'll close this discussion.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2272
March 30th 2017
Job 29818

- Subcommittee
 Conference Committee

Re Mac Kuehn

Explanation or reason for introduction of bill/resolution:

Relating to definitions for the foundation aid stabilization fund; relating to school construction loans from the coal development trust fund and the school construction assistance revolving loan fund, control of the rate of expenditures, and the transfer of interest from the coal development trust fund; relating to the scholarship endowment fund, the uses of the foundation aid stabilization fund, and school construction loans

Minutes:

Attachment #1

Representative Monson: Amendment 17.0919.03004 (Attachment #1)

This bill deals with money from Measure 2. Rapid Enrollment was in here at \$10 million. The amendment would take it down to \$6 million. It would remove the school districts that would qualify for the 2%. They have to have a rapid enrollment of 4% to qualify. That gives the difference between the \$10 million and \$6 million.

Chairman Delzer: We will leave in the million dollars for English Language Learning. This bill does deal with school construction loans. It uses \$75 million from Foundation Aid Stabilization Fund to buy back what we did two years ago. It also sets up \$30 million available which has now been capped at \$8 million per system if they had a certain ending fund balance.

Representative Monson: Moved to adopt the amendment

Representative Meier: Second

Voice vote. All in favor. Motion carries.

Representative Monson: The main thing we did on the change was rapid enrollment.

Representative J. Nelson: I am going to make a motion to further amend to remove the Rapid Enrollment grants.

Representative Boe: Second.

Representative J. Nelson: I think it is unfair that we are picking pieces of what was a new formula that is working within the budget. Many schools in North Dakota are suffering from stagnant or declining enrollment. They will be looking at less dollars next year. Yet the premise behind the new formula is to pay for students that are there. The growing schools are getting the money although it is delayed a year. The Rapid Enrollment grants were a kick start that built a stronger budget for them. From a fairness standpoint, we should be more equitable in our distribution of dollars.

Chairman Delzer: The House had passed going from 100% to 75%. The Senate went back to 100% and put the money into transportation. We are paying for students in declining enrollments a year after the fact. If we took this out altogether, then we would have the schools that are getting the rapid enrollment hurt the declining enrollment schools even more. I wouldn't support this. I do support going to the 4% because it takes those with the small increases out.

Representative Sanford: When you look at the history of this program over the last four or five years this is what I looked at. When we had the oil boom there were a lot of schools that were impacted. Now as you see the new normal, you look at those that are in the 2% tier and the largest sum of money is \$43,000 and that is McKenzie County which is a school district of 1,600 students.

West Fargo is building a school a year. Even now with the boom gone they are going up 450 to 500 students. Even in a big district it is difficult to take that in.

Chairman Delzer: What are we paying?

Representative Sanford: \$4,000 for tier one.

Chairman Delzer: Would it make any difference if they went to 6%. Is there anything between the 4 and the 6%?

Representative Sanford: West Fargo has a 4 ½% change. They went up 427 students this last year. Even they may be in danger of falling out of the 4 if they go under 400 new students.

Chairman Delzer: Is West Fargo the largest school district or is it Fargo?

Representative Sanford: The other big district is Bismarck. They went up 350 students. They have a bigger base. They probably would be in danger of dropping out of the program. The third one is Williston. They are now in declining enrollment.

Representative Sanford: I think there is a place for the 4%. This is a good amendment.

Representative Nathe: I agree with Representative J. Nelson. We have to look at the Rapid Enrollment grants and phase them out. At some point these schools need to absorb the growth when they budget. We are paying them almost \$10,000 a student.

Representative Boe: If they need to borrow the money they should, because they will get it back the following year.

Representative Boehning: Living in the West Fargo school district, we are building schools at a rate I have never seen before. I am against this second amendment.

Representative J. Nelson: Those school districts that lose 10 students lose \$100,000 a year. Yet a teaching position can't be eliminated because the students are not all in one class/grade. The same overhead is needed but there are less dollars. That is as much of an issue as is the rapid enrollment. We are unable to find a method. We can't simply close these schools. We are down to one school per county already.

Representative Nathe: If schools need more money, they can go to the people and ask for more mills.

Representative Sanford: Historically we got by with a system of funding schools that was static because we were pretty even across the state in enrollment. We now see a stable formula isn't able to manage. I think there's something to be said about going back and looking at the formula which has been in place for six years.

Representative Monson: I always had to deal with the declining enrollment and never had the option of dealing with rapid enrollment. But we need to look at the rest of this bill. This bill has an emergency clause. There is more than just the rapid enrollment.

Chairman Delzer: The repealers need to be in place with the emergency clause.

Representative J. Nelson: I agree with Representative Monson. One area we could come to compromise on for school districts not experiencing the growth is in the transportation payments. If would take the transportation payment and block grant it to the school districts, that would allow the rural school districts to have some flexibility in their budget to find efficiencies and then use those dollars to make up the educational shortages.

Chairman Delzer: There is a section in here that defines the uses of the Foundation Aid Stabilization Fund. It could be used for transportation.

Voice vote on amendment to remove Rapid Enrollment. Motion fails.

(25:40)

Representative Schatz: The one-time funding on page 15 says, "or so much of the sum as may be necessary." What does that mean?

Chairman Delzer: It means that if there weren't enough requests, that the money would not be spent.

Representative Schatz: This was an expense that was imposed on North Dakota. Why are we paying this bill? We are going to have a change in our immigration policy. Do we need to spend a million dollars anymore?

Representative Schatz: Moved to amend \$1 million to \$500,000 on line 12, page 15.

Representative Brabandt: Second.

Representative Streyle: This should be on formula and not just one time.

Representative Boehning: How much money is available in the school funding for ELL (English Language Learners).

Representative Sanford: ELL is built into the formula. The amount of money would be based on the number of students that are involved. It is weighted into the formula. It is based on the student count. Did the House Education Committee add that into the formula?

Chairman Delzer: There is a definition of how it goes out.

A Roll Call vote was taken on changing Line 12 to \$500,000.

Yea: 10 Nay: 9 Absent: 2

Motion Carries.

Representative Monson: Moved Do Pass as Amended.

Representative Meier: Second.

A Roll Call vote was taken. Yea: 16 Nay: 3 Absent: 2

Representative Monson will carry the bill

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2272

In addition to the amendments adopted by the House as printed on page 1016 of the House Journal, Reengrossed Senate Bill No. 2272 is further amended as follows:

Page 14, line 4, replace "\$10,000,000" with "\$6,000,000"

Page 14, line 11, remove "as follows: "

Page 14, line 12, replace "a. For Tier 1 funding, the" with ". The"

Page 14, line 13, remove "; or"

Page 14, remove line 14

Page 14, line 15, remove "students and must be at least ten students"

Page 14, line 22, remove the colon

Page 14, line 23, remove "(1)"

Page 14, line 23, remove "for Tier 1 funding; or"

Page 14, line 24, remove "(2) \$2,000 for Tier 2 funding"

Renumber accordingly

3/31/17 DF

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2272

In addition to the amendments adopted by the House as printed on page 1016 of the House Journal, Reengrossed Senate Bill No. 2272 is further amended as follows:

Page 14, line 4, replace "\$10,000,000" with "\$6,000,000"

Page 14, line 11, remove "as follows:"

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Page 14, line 13, remove "; or"

Page 14, remove line 14

Page 14, line 15, remove "students and must be at least ten students"

Page 14, line 22, remove the colon

Page 14, line 23, remove "(1)"

Page 14, line 23, remove "for Tier 1 funding; or"

Page 14, line 24, remove "(2) \$2,000 for Tier 2 funding"

Page 15, line 6, replace "\$1,000,000" with "\$500,000"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides for the following:

- Reduces funding from the foundation aid stabilization fund for rapid enrollment grants from \$10 million to \$6 million and removes Tier 2 schools from being eligible to receive a grant.
- Reduces funding from the foundation aid stabilization fund for English language learner grants from \$1 million to \$500,000.

Date: 3/30/2017
Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2272**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 17.0919.03004

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Representative Monson Seconded By Representative Meier

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich			Representative Streyle		
Representative: Boehning			Representative Vigesaa		
Representative: Brabandt					
Representative Brandenburg					
Representative Kading			Representative Boe		
Representative Kreidt			Representative Delmore		
Representative Martinson			Representative Holman		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Pollert					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

MOTION CARRIES

Date: 3/30/2017
 Roll Call Vote #: 2

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2272**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: Remove Rapid Enrollment

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By _____ Seconded By _____

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich			Representative Streyle		
Representative: Boehning			Representative Vigesaa		
Representative: Brabandt					
Representative Brandenburg					
Representative Kading			Representative Boe		
Representative Kreidt			Representative Delmore		
Representative Martinson			Representative Holman		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Pollert					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

MOTION FAILS

Date: 3/30/2017
Roll Call Vote #: 3

**2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2272**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: Change line 12 to 500 thousand

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Representative Schatz Seconded By Representative Brabandt

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X		Representative Streyle	X	
Representative: Boehning		X	Representative Vigesaa		X
Representative: Brabandt	X				
Representative Brandenburg	X				
Representative Kading	A		Representative Boe		X
Representative Kreidt	X		Representative Delmore		X
Representative Martinson	X		Representative Holman		X
Representative Meier		X			
Representative Monson		X			
Representative Nathe		X			
Representative J. Nelson	X				
Representative Pollert	X				
Representative Sanford		X			
Representative Schatz	X				
Representative Schmidt	A				

Total (Yes) 10 No 9

Absent 2

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

MOTION CARRIES

Date: 3/30/2017
 Roll Call Vote #: 4

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2272**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Representative Monson Seconded By Representative Meier

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X		Representative Streyle		X
Representative: Boehning	X		Representative Vigesaa	X	
Representative: Brabandt	X				
Representative Brandenburg	X				
Representative Kading	A		Representative Boe	X	
Representative Kreidt	X		Representative Delmore	X	
Representative Martinson	X		Representative Holman		X
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson		X			
Representative Pollert	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	A				

Total (Yes) 16 No 3

Absent 2

Floor Assignment Representative Monson

If the vote is on an amendment, briefly indicate intent:

MOTION CARRIES

REPORT OF STANDING COMMITTEE

SB 2272, as reengrossed and amended: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). Reengrossed SB 2272, as amended, was placed on the Sixth order on the calendar.

In addition to the amendments adopted by the House as printed on page 1016 of the House Journal, Reengrossed Senate Bill No. 2272 is further amended as follows:

Page 14, line 4, replace "\$10,000,000" with "\$6,000,000"

Page 14, line 11, remove "as follows:"

Page 14, line 12, replace "a. For Tier 1 funding, the" with ". The"

Page 14, line 13, remove "; or"

Page 14, remove line 14

Page 14, line 15, remove "students and must be at least ten students"

Page 14, line 22, remove the colon

Page 14, line 23, remove "(1)"

Page 14, line 23, remove "for Tier 1 funding; or"

Page 14, line 24, remove "(2) \$2,000 for Tier 2 funding"

Page 15, line 6, replace "\$1,000,000" with "\$500,000"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides for the following:

- Reduces funding from the foundation aid stabilization fund for rapid enrollment grants from \$10 million to \$6 million and removes Tier 2 schools from being eligible to receive a grant.
- Reduces funding from the foundation aid stabilization fund for English language learner grants from \$1 million to \$500,000.

2017 TESTIMONY

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Senator Donald Schaible District 31
SB 2272

I am here today to introduce SB 2272. There are various sections to this bill and I am going to do my best to summarize them for you. This bill serves as implementation legislation for the foundation aid stabilization fund and fulfills the promises made to voters with the passage of Measure 2 in the November election.

The original work on this bill start over 5 years ago in the Government Finance Interim Committee. That is the first discussions on how the growth of the Foundation Aid Stabilization fund had grown into an amount much larger than the original purpose. That purpose was to protect foundation aid payments to schools in the event of short falls in the budget, just like what happened this last year. With SCR 4003 of the 2015 session, the constitutional measure to change the structure of the Foundation Stabilization Fund was introduced and in November of 2016, that measure passed. That measure assures that 15% of last session foundation aid payment must remain in the fund for protection of foundation aid payments. The other part of Measure 2 allows for spending of additional moneys for educational purposes. Also passed last session was SB 2039 which was the operational part of SCR 4003 that provided Scholarship Endowment Fund and Revolving school loan fund. During this last interim a lot of discussion was held if the real intent of the foundation aid stabilization fund should be used for Higher Ed purposes like Scholarship Endowment fund. That is a brief history how we got to this point.

With an organized effort of most of our education groups and with an overwhelming vote of the people, measure 2 passed. It was with many discussions with these groups along with leadership of the Senate and the House where many of the items in this bill came from.

In addition to my introduction of this bill, Eric Hardmeyer, President of the Bank of North Dakota is here to provide an overview of proposed revisions to the Sections impacting the various school construction loan funds. The concept embodied in this legislation is to create one revolving loan fund for new construction and utilize the Coal Development Trust Fund for emergency repair and replacement. Before Mr. Hardmeyer presents, let me cover the later chapters of SB2272 starting with Section 6.

Section 6 changes the allotment process related to career and technical education grants to school districts. The revisions specify the allotment for these grants may only be made to the extent that it can be offset by transfers from the Foundation Aid Stabilization Fund. You will see in Section 14 of the bill that \$2,477,000 is appropriated for the purpose of providing these grants.

Section 7 provides definitions and uses for the Foundation Aid Stabilization Fund. The section:

- Defines education related purposes to that of public elementary and secondary education.
- Defines State Aid to School Districts
- Defines that accessible funds in the Foundation Aid Stabilization Fund may only be used for education related purposes including state aid to school districts and education related property tax relief.

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Section 8 defines that 30% of the Coal Development Fund Revenues are deposited into the Coal Development Trust Fund. The amendment will transfer future income including interest payments on loans from the Coal Development Trust Fund to the General Fund. Previously, this income was deposited into the school construction assistance loan fund.

Section 9 and 10 repeals list below

SECTION 9. TRANSFER - FOUNDATION AID STABILIZATION FUND TO SCHOOL CONSTRUCTION ASSISTANCE LOAN FUND. During the period beginning with the effective date of this section, and ending June 30, 2017, the office of management and budget shall transfer an amount equal to the lesser of \$200,000,000 or fifty percent of the balance of the foundation aid stabilization fund on December 1, 2016, from the foundation aid stabilization fund to the school construction assistance loan fund.

SECTION 10. TRANSFER - FOUNDATION AID STABILIZATION FUND TO SCHOLARSHIP ENDOWMENT FUND. During the period beginning with the effective date of this section, and ending June 30, 2017, the office of management and budget shall transfer an amount equal to the lesser of \$200,000,000 or fifty percent of the balance of the foundation aid stabilization fund on December 1, 2016, from the foundation aid stabilization fund to the scholarship endowment fund.

15-10-60. Scholarship endowment fund - Rules.

1. The scholarship endowment fund is a special fund in the state treasury. Moneys deposited in the fund must remain in the fund on a permanent basis.
2. All interest and other earnings of the fund are dedicated to the awarding of scholarships to residents of this state attending institutions of higher education in the state.
3. Scholarships may be awarded only from the interest or other earnings of the fund and not from the fund's principal.

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15.1-27-46. Uses of the foundation aid stabilization fund.

Any accessible funds that remain in the foundation aid stabilization fund, after completion of the required transfers to other funds, must be used for educationally-related purposes, including state aid to school districts and educationally-related property tax relief to school district patrons.
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15.1-36-02.1. School construction projects - Reorganized districts - Interest subsidy.

1. If under chapter 15.1-12 two or more school districts prepare a reorganization plan, agree in that plan to pursue a construction project, and obtain the approval of the superintendent of public instruction in accordance with this chapter, the newly reorganized district is eligible to receive up to three hundred basis points of interest rate buydown on the lesser of:

- a. Thirteen million five hundred thousand dollars; or
- b. A percentage of the total project cost determined by:
 - (1) Allowing five percent for each school district that participated in the reorganization;
 - (2) Allowing five percent for each one hundred-square-mile [259-square-kilometer] increment that is added to the square miles [kilometers] of the geographically largest district participating in the reorganization;
 - (3) Allowing five percent for every ten students added to the enrollment of the

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district having the greatest number of enrolled students and participating in the reorganization; and

(4) Capping the allowable percentage at ninety percent of the total project cost.

2. In addition to the requirements of subsection 1, the percentage of cost subsidy determined under subdivision b **15.1-36-03. School construction project loans - Management by Bank of North Dakota.**

If the superintendent of public instruction approves a loan application under section

15.1-36-03. School construction project loans - Management by Bank of North Dakota.

If the superintendent of public instruction approves a loan application under section 15.1-36-02, the superintendent shall forward the application to the Bank of North Dakota. The Bank shall manage and service each school construction loan issued under this chapter and shall execute all necessary loan instruments. The Bank may charge a loan recipient a fee for managing and servicing the loan. The Bank shall receive payments of principal and interest from the school districts and shall remit the payments of principal and interest to the board of university and school lands. The board shall use or deposit the payments in accordance with section 57-62-02 and section 21 of article X of the Constitution of North Dakota.

15.1-36-07. School construction loans - Bank of North Dakota.

1. In addition to any construction loans made available under section 15.1-36-02, the Bank of North Dakota may provide up to two hundred million dollars from the school construction assistance loan fund to eligible school districts for school construction loans, except that the total of all loans provided under this section prior to July 1, 2018, may not exceed fifty percent of the total amount authorized under this subsection.

2. To be eligible for a loan under this section, the board of a school district shall:

a. Propose a new construction or remodeling project with a cost of at least one million dollars and an expected utilization of at least thirty years;

b. Obtain the approval of the superintendent of public instruction for the project under section 15.1-36-01;

c. (1) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to a residential parcel of average true and full value within the county in which the school district is headquartered, if a loan under this section and any associated school construction bond issue were to be authorized in accordance with chapter 21-03;

(2) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to an acre of cropland and to an acre of noncropland, of average true and full value within the county in which the school district is headquartered, if a loan under this section and any associated school construction bond issue were to be authorized in accordance with chapter 21-03;

(3) Publish in the official newspaper of the district the information from the statements required by this subdivision with the notice of the election to authorize the school construction bond issuance in accordance with section 21-03-12; and

(4) Post on the school district's website the information from the statements preceding the date of the election to authorize the school construction bond issuance in accordance with chapter 21-03;

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- d. Receive authorization for a bond issuance in accordance with chapter 21-03; and
 - e. Submit a completed application to the Bank of North Dakota.
3. With the advice and consent of the superintendent of public instruction, the Bank of North Dakota shall award the loans in accordance with a prioritization system that is based on a review of all applications filed during the twelve-month period preceding April first and gives consideration to:
- a. Student occupancy and academic needs in the district;
 - b. The age of existing structures to be replaced or remodeled;
 - c. Building design proposals that are based on safety and vulnerability assessments;
 - d. Community support;
 - e. Cost; and
 - f. Any other criteria established in rule by the superintendent of public instruction, after consultation with an interim committee appointed by the legislative management.
4. The term of a loan under this section is twenty years, unless a shorter term is requested by the board of a school district in its application.
5. The interest rate on a loan under this section may not exceed two percent. The legislative assembly shall, however, conduct a biennial review of interest rates applicable to new loans.

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6. If a school district's unobligated general fund balance on the preceding June thirtieth exceeds the limitation set forth under section 15.1-27-35.3, the loan amount to which that district is entitled under this section may not exceed eighty percent of the project's cost.
7. The maximum loan amount to which a school district is entitled under this section is twenty million dollars.
8. a. The Bank of North Dakota shall manage and service each loan under this section and shall execute all necessary loan instruments. The Bank may charge a school district a fee for managing and servicing the loan.
- b. The Bank shall receive payments of principal and interest from school districts and shall deposit such payments in the school construction assistance loan fund.

Section 10 Repeals

15.1-36-06. School construction loans - Bank of North Dakota.

1. In addition to any construction loans made available under section 15.1-36-02, the Bank of North Dakota may provide up to two hundred fifty million dollars to eligible school districts for school construction loans, except that the total of all loans provided under this section during the first year of the 2015-17 biennium may not exceed fifty percent of the total amount authorized under this subsection.
2. To be eligible for a loan under this section, the board of a school district shall:
- a. Propose a new construction or remodeling project with a cost of at least one million dollars and an expected utilization of at least thirty years;
 - b. Obtain the approval of the superintendent of public instruction for the project under section 15.1-36-01;
 - c. (1) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to a residential parcel of average true and full value within the county in which the school district is headquartered, if a loan under this section and any associated school construction bond issue were to be authorized in accordance with chapter 21-03;

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(2) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to an acre of cropland and to an acre of noncropland, of average true and full value within the county in which the school district is headquartered, if a loan under this section and any associated school construction bond issue were to be authorized in accordance with chapter 21-03;

(3) Publish in the official newspaper of the district the information from the statements required by this subdivision with the notice of the election to authorize the school construction bond issuance in accordance with section 21-03-12; and

(4) Post on the school district's website the information from the statements preceding the date of the election to authorize the school construction bond issuance in accordance with chapter 21-03;

d. Receive authorization for a bond issue in accordance with chapter 21-03; and

e. Submit a completed application to the Bank of North Dakota.

3. With the advice and consent of the superintendent of public instruction, the Bank of North Dakota shall award the loans in accordance with a prioritization system that is based on a review of all applications filed during the twelve-month period preceding April first and gives consideration to:

a. Student occupancy and academic needs in the district;

b. The age of existing structures to be replaced or remodeled;

c. Building design proposals that are based on safety and vulnerability assessments;

d. Community support;

e. Cost; and

f. Any other criteria established in rule by the superintendent of public instruction, after consultation with an interim committee appointed by the legislative management.

4. The term of a loan under this section is twenty years, unless a shorter term is requested by the board of a school district in its application.

5. The interest rate on a loan under this section may not exceed two percent, until July 1, 2025. T

hereafter, the interest rate on the remainder of a loan under this section:

a. May not exceed the Bank of North Dakota's base rate; or

b. May be a fixed rate.

6. If a school district's unobligated general fund balance on the preceding June thirtieth exceeds the limitation set forth under section 15.1-27-35.3, the loan amount to which Page No. 4

that district is entitled under this section may not exceed eighty percent of the project's cost.

7. The maximum loan amount to which a school district is entitled under this section is twenty million dollars.

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Section 11 requires OMB to recall any Foundation Aid Stabilization money that was transferred to the school construction assistance loan fund or the scholarship endowment fund after December 1, 2016.

Section 12 enables the transfer of \$150,000,000 and any outstanding loans and cash from the board of university and school lands, school construction assistance revolving loan fund to the School Construction Assistance revolving loan fund.

Section 13 transfers \$75,000,000 from the Foundation Aid Stabilization Fund to the School Construction Assistance Revolving Loan Fund. As you will see if Mr. Hardmeyer's presentation, this proposed transfer is part of a broader plan to create an on-going revolving loan fund for school construction.

Section 14 I covered earlier as it transfers \$2,477,000 for career and technical education grants. Sec 6

Section 15 appropriated \$10,000,000 from the Foundation Aid Stabilization Fund to the Department of Public Instruction for rapid enrollment grants. The section also provides a formula for how these grants are distributed.

Section 16 appropriates \$1,000,000 for the Department of Public Instruction for English language learner grants to the four school districts that have serve the largest number of first and second level English Language learners in Kindergarten through grade 12. The section then provides the criteria for distribution.

Section 17 makes the repeal of 15.1-36-06 (in section 10 of the bill) effective on July 1, 2023. It is essentially, a delayed repealer. 15.1-36-06 is amended in the bill in Section 3. The section addresses the authority of the bank to handle the interest rate buy down of the loans, which will be transitioned to the new program over the next several bienniums. \$50 million of the remaining \$123 million will be addressed this biennium, with the remaining amounts to be addressed in future bienniums. I believe the thought was that by 2023, all of the loans will have transitioned to the new program and 15.1-36-06 will no longer be necessary. So, rather than repeal that section in the future, the section is repealed in this bill...but the repeal of the section will not become effective until July 1, 2023.

Section 18 declares an emergency for sections 4, 5, 8, 9, 11 and 12 of the bill.

As you can see, this bill is the fulfillment of the pledge to voters when Measure 2 was passed last November. It ensures that funding from the Foundation Aid Stabilization Fund is utilized for education and addresses key, pressing issues in our state.

I want to provide you with a brief history of legislation that was enacted to assist local school districts with low interest loans for construction projects.

In the late 1990's the legislature amended the Coal Development Trust Fund and created a school construction fund of Fifty Million Dollars. The first loans were distributed in 1997 and since that time, have funded school district improvements across the state. These loans have varying interest rates but none is over three percent based on a formula in legislation.

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In the past two sessions, with pressing demands for school construction due to rapid population growth, the legislature again created programming to assist local school districts. In the 2013 session, one hundred fifty million dollars was appropriated from the Strategic Investments Investment Fund to the Department of Land Trust for a school construction program.

Then, in the 2015 Session BND was directed to provide up to \$250,000 in loans to school districts. BND utilized its profits to "buy down" the interest rate to 2%. By the end of this biennium, BND will have lent One Hundred Twenty Three Million Dollars to local school districts and will utilize over Six Million Dollars a biennium to buy down these loans. This program was considered a "Stop Gap" and is due to sunset in June of 2017.

Also, last session, the legislature passed a bill for implementation if Measure 2 passed. The School Construction Revolving Loan Fund is permanently established in code. The requirements and criteria of the programming replicate the BND Program except the interest rate is fixed at 2% in a revolving loan that is administered by the Bank of North Dakota.

To provide you with an overview of how the legislature could consolidate the loan funds and provide an overview of the financial model, I want to introduce Eric Hardmeyer, President and CEO of the Bank of North Dakota.

NDCC 15.1-36-06
2015 Session

3 BND School Loan
Construction Fund
\$250m

\$123m Outstanding

NDCC 15.1-36.02

2 SCALF—Land
Trust
\$150m

\$143m Outstanding
\$9.0m Cash

NDCC 15.1-37-07
2015 Session

#4 Foundation Aid
Stabilization Trust
Fund--\$75,000,000
x 3 Sessions

NDCC 15.1-36-02

#1 Coal Development
Trust Fund \$60m
Emergency Repair

Merged
School Construction Loan Fund

Approvals by DPI
Administration by BND

\$60M a Biennium for New
Construction

Fund Becomes Self-
Sustaining

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#1 Coal Development Trust Fund
Proposed as Emergency Repair Fund

<u>Borrowing</u> <u>School District</u>	<u>Date</u> <u>Funded</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Payment</u>	<u>Outstanding</u> <u>6/30/2016</u>
Bismarck #1	8/20/1997	2.96%	6/1/2017	\$ 162,605
Grand Forks #1	9/2/1997	1.00%	6/1/2017	\$ 54,079
Grand Forks #1	9/2/1997	1.00%	6/1/2017	\$ 160,258
Hazleton/Moffit #	11/26/1997	2.78%	6/1/2017	\$ 27,552
United #7	3/17/1998	1.00%	6/1/2018	\$ 166,678
Northern Cass #97	5/1/1998	1.29%	6/1/2018	\$ 292,733
Grand Forks #1	7/1/1998	2.58%	6/1/2018	\$ 81,253
Grand Forks #1	8/17/1999	2.58%	6/1/2018	\$ 135,542
Richland #44	5/24/2000	2.57%	6/1/2020	\$ 185,520
Bismarck #1	7/2/2001	2.45%	6/1/2021	\$ 490,113
St Johns #3	12/17/2001	1.00%	6/1/2021	\$ 53,791
West Fargo #6	5/15/2002	1.00%	6/1/2022	\$ 802,895
Lisbon #19	9/18/2002	3.28%	6/1/2022	\$ 129,189
Bismarck #1	5/22/2003	3.10%	6/1/2023	\$ 289,272
Griggs Co. Central #18	8/1/2003	2.48%	6/1/2023	\$ 378,357
Northwood #129	10/1/2008	1.41%	6/1/2024	\$ 206,972
West Fargo #6	5/9/2005	1.00%	6/1/2025	\$ 1,186,721
Lidgerwood #28	6/1/2006	2.74%	6/1/2021	\$ 81,351
Hankinson	6/1/2006	1.72%	6/1/2026	\$ 623,911
Carrington PSD #49	12/1/2006	2.76%	6/1/2026	\$ 540,920
Stanley PSD	3/22/2007	2.57%	6/1/2027	\$ 489,556
Wahpeton #37	6/27/2007	2.40%	6/1/2017	\$ 44,402
West Fargo PSD #6	11/1/2011	1.97%	6/1/2030	\$ 3,141,228
Nesson PSD #2	8/1/2012	1.97%	6/1/2032	\$ 1,535,850
Stanley PSD #2	8/1/2012	2.20%	6/1/2032	\$ 1,729,086
Minot PSD	12/12/2012	2.57%	12/12/2032	\$ 8,384,144
McKenzie Co #1	2/20/2015	1.00%	6/1/2034	\$ 2,855,845
Powers Lake #27 (GPT)	3/3/2015	1.42%	6/1/2034	\$ 1,914,459
Lewis & Clark #161	5/1/2015	1.00%	6/1/2034	\$ 9,519,482
Max PSD #50	7/27/2015	1.98%	6/1/2035	\$ 1,246,390
Kulm PSD #7	9/17/2015	2.78%	6/1/2035	\$ 875,369
Fargo PSD #1	12/1/2015	1.00%	6/1/2035	\$ 5,727,508

Principal Outstanding - 6/30/16	\$43,513,032
Loans Funded - FY 2017	\$ -
Principal Received FY 2017	\$ 2,334,469
Interest Received FY 2017	\$ 61,100
Total Principal Outstanding	\$41,178,562
Outstanding Commitments	\$ 6,400,000
Loans and Commitments	\$47,578,562
Available to Loan	\$ 2,421,437

Payments	Principal	Interest	Total
2017	\$ 3,340,190.20	\$ 725,120.63	\$ 4,065,310.83
2018	\$ 2,968,600.63	\$ 667,344.59	\$ 3,635,945.22
2019	\$ 2,672,946.23	\$ 616,593.12	\$ 3,289,539.35
2020	\$ 2,719,041.74	\$ 615,965.27	\$ 3,335,007.01

Other Loans in Coal Development Trust Fund

Center	\$ 1,088,803	Infrastructure
Golden Valley	\$ 25,218	Meters
Golden Valley	\$ 47,059	Water Tower
McLean County	\$ 3,683,917	Courthouse
McLean County	\$ 1,610,969	Law Enforcement Center
Mercer County	\$ 6,696,594	Courthouse & Jail
	\$ 13,152,560	

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#2 School Construction Assistance Loan Fund
Loan Balances and Payments - FY '17
As of October 31, 2016

School District	Date Funded	Interest Rate	Final Payment	Outstanding 6/30/2016
Mandan PSD #1	8/1/2013	1.00%	6/1/2033	\$ 9,701,854
No. Cass PSD #97	8/1/2013	1.75%	6/1/2033	\$ 1,524,597
West Fargo PSD #6	8/1/2013	1.00%	6/1/2033	\$ 7,795,979
Richland PSD#44	8/1/2013	1.00%	6/1/2033	\$ 3,701,771
New England PSD #9	8/15/2013	2.95%	6/1/2033	\$ 979,396
Surrey PSD #41	8/15/2013	2.82%	6/1/2033	\$ 794,751
Turtle Lk Mercer #72	11/1/2013	2.55%	6/1/2033	\$ 1,562,255
Grand Forks PSD #1	12/2/2013	1.95%	6/1/2033	\$ 13,102,178
Wahpeton PSD #37	1/22/2014	1.00%	6/1/2033	\$ 17,247,741
Grafton PSD #3	4/1/2014	1.00%	6/1/2033	\$ 12,647,824
West Fargo PSD #6	4/1/2014	1.23%	6/1/2033	\$ 8,510,162
Bismarck PSD #1	6/30/2014	2.42%	6/1/2034	\$ 13,801,774
Powers Lake PSD #27	7/1/2014	1.42%	6/1/2034	\$ 1,806,168
Minot PSD #1	11/13/2014	1.72%	6/1/2034	\$ 18,292,775
South Prairie PSD #28	11/14/2014	1.52%	6/1/2034	\$ 8,015,338
Tioga	12/1/2014	1.30%	6/1/2034	\$ 6,330,694
Westhope PSD	12/1/2014	1.00%	6/1/2034	\$ 2,862,453
McKenzie Co PSD #1	1/28/2015	1.00%	6/1/2034	\$ 6,663,638
Stanley PSD #2 (GPT)	6/25/2015	1.00%	6/1/2035	\$ 7,834,748

School Loan Payments 2017-2020

Payments	Principal	Interest	Total
2017	\$ 7,247,025	\$ 2,069,316	\$ 9,316,340
2018	\$ 7,350,137	\$ 1,966,204	\$ 9,316,340
2019	\$ 7,182,130	\$ 2,134,211	\$ 9,316,340
2020	\$ 7,284,609	\$ 2,031,731	\$ 9,316,340

Principal Outstanding - 6/30/16	\$143,176,093.77
Loans Funded - FY 2017	\$ -
Principal Received FY 2017	\$ 65,612
Interest Received FY 2017	\$ 119,883
Total SIIF Principal Outstanding	\$ 143,110,481
Balance on 6/1/17	\$ 151,737,009
Available to Loan	\$ 8,626,528

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#3 BND School Construction Loans

School District	Date	Loan Amount	Current Balance	Principal Paid	Available
PARK RIVER AREA SCHOOL DIST #8	8/6/2015	8,088,858.00	7,783,228.63	305,629.37	-
MINOT PUBLIC SCH DISTRICT #20	8/7/2015	5,220,000.00	5,033,271.24	186,728.76	
KULM PUBLIC SCHOOL DISTRICT #7	9/15/2015	3,850,000.00	3,688,678.54	161,321.46	-
WILLISTON PUBLIC SCHOOL DIST#1	9/25/2015	20,000,000.00	19,092,208.95		
NEDROSE SCHOOL DISTRICT #4	10/27/2015	10,000,000.00	9,571,323.58	428,676.42	-
GRENORA PUBLIC SCHOOL DIST #99	12/2/2015	6,965,000.00	6,314,280.15	-	650,719.85
ALEXANDER PUBLIC SCHL DIS NO 2	12/15/2015	10,000,000.00	8,192,088.29	1,807,911.71	-
DICKINSON PUBLIC SCHOOL DIS #1	4/1/2016	10,000,000.00	3,823,967.82	-	6,176,032.18
HILLSBORO PUBLIC SCHOOL DIST#9	8/11/2016	1,050,000.00	1,050,000.00		-
SOUTH HEART SCHOOL DIST 9	9/1/2016	7,700,000.00	-	-	7,700,000.00
CARRINGTON SCHOOL DISTRICT	9/22/2016	10,000,000.00	-	-	10,000,000.00
STRASBURG PUBLIC SCHOOL DIST	10/12/2016	2,730,000.00	535,800.36	-	2,194,199.64
FLASHER PUBLIC SCHOOL DISTRICT	5/11/2016	5,400,000.00	-	-	5,400,000.00
DIVIDE COUNTY SCHOOL	5/11/2016	6,930,000.00	-	-	6,930,000.00
STERLING PUBLIC SCHOOL	TBD	1,149,262.00	-	-	1,149,262.00
MAPELTON PUBLIC SCHOOL	5/27/2016	5,135,515.00	-	-	5,135,515.00
MOTT-REGENT SCHOOL	TBD	6,087,200.00	-	-	6,087,200.00
EDGELEY PUBLIC SCHOOL	TBD	2,780,463.00	-	-	2,780,463.00
TOTAL		123,086,298.00	65,084,848.00	3,798,059.00	54,203,392.00

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4 Foundation Aid Stabilization Trust Fund

Anticipated Legislative Contributions

\$75,000,000 in 2017

\$75,000,000 in 2019

\$75,000,000 in 2021

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Current Balance in Foundation Aid Stabilization Fund

as of Dec 1st 2016 \$582,338,903

2015-17 Foundation Aid Payment \$1.7 Billion

the 15% required to maintain in the Foundation Aid Stabilization Fund
\$255,000,000

Projected 2017-19 Foundation Aid Payment \$1.94 Billion

The 15% that would be required to remain in the fund \$291,000,000

How the balance of the money is used.

\$585,000,000 in the fund

\$291,000,000 is the 15% that need to remain to protect foundation aid

\$294,000,000 balance

Proposed spending

\$116,000,000 account for the allotment

\$ 44,000,000 cost to continue for new students

\$ 75,000,000 payments to school construction revolving loan fund

\$100,000,000 rapid enrollment provision

\$ 1,000,000 English Language Learners provision

Can see this is over the amount, balance is money that will come in during the session. Projected to be about \$100,000,000

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Eric Hardmeyer
SB2272 Testimony
Wednesday, January 25, 2017
Senate Education Committee

Chairman Schaible and members of the Committee, I am Eric Hardmeyer, President and CEO of the Bank of North Dakota. My task today is to explain how merging the existing school construction funds will increase efficiency, clarify the administrative process and provide a long-term finance solution to school construction for North Dakota.

As you know, there are currently four school construction funds. Our goals are:

1. To integrate the programming to create one fund for new school construction and one fund for emergency repair and replacement.
2. Create a revolving loan fund that will support Sixty Million a Biennium in School construction.
3. Integrate current BND school loans into the revolving loan fund in a structured buy out.
4. Continue to close cooperation between the Legislature; BND and the Department of Public Instruction in administering and financing the revolving loan fund.

Let me first address Section 3. This section outlines the school construction loan program authorized last session for the Bank of North Dakota. The important amendment to this bill is on Page 6, line 2 where it sunsets the program on June 30 of this year. Last session, the BND program was authorized as a stop gap measure utilizing a buy down formula. BND loaned \$123 Million to local school districts and is utilizing \$6 Million in bank profits to buy down these loans. As I state earlier, our goal is to roll these loans into the permanent trust fund in a structured buy down plan.

Section 4 of the bill creates the School Construction Assistance Revolving Loan Fund to be administered by the Bank of North Dakota. This is really the heart of the bill that allows the various school construction funds to be rolled into one. The initial funding will include the \$150 million from the Department of School Land Trust; the Foundation Aid Stabilization Fund appropriation and the Bank of North Dakota Loans.

Section 4 also includes the approval process for a school board. This is existing language that was integrated into this section. The one change I will note is it reduces the maximum loan amount to a school district from \$20 million to \$10 million. The terms of the loan are set at a 2% interest rate for a maximum term of 20-years. I also note that all interest and principal are returned to the fund.

Now, I'd like to explain the financial structure of the model. As noted earlier, in developing this model, the Bank of North Dakota assumed the merger of the Land Trust Fund School Loans; a structured buy out of the BND School Construction Loans and a capital infusion of Seventy Five Million Dollars in the 2017; 2019 and 2021 Legislative Sessions.

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The result of this model shows that merging these programs creates a revolving fund that makes Thirty Million a year of Sixty Million a biennium available for new school construction loans. In addition, because of the return of principal and interest to the fund, the fund is self-sustaining and projections show it is still viable out through 2035.

If you have questions, I'd be happy to answer them.

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	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	
Legislative Appropriated Funds	75,000,000	-	75,000,000	-	75,000,000	-	-	-
Carry Over - From the SCALF	9,060,000	-	-	-	-	-	-	-
Principal Reduction - BND Buy out Loans	1,000,000	2,000,000	3,000,000	3,250,000	3,500,000	3,750,000	4,000,000	4,250,000
Existing SCALF Principal Reduction	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000
SCALF - New Loans Principal Run-off	1,200,000	2,400,000	3,600,000	4,800,000	6,000,000	7,200,000	8,400,000	9,600,000
SCALF - Interest	3,714,000	4,496,000	5,278,000	5,951,777	6,527,087	7,066,831	7,596,531	8,089,726
New Loans	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
BND Buy Outs	20,000,000	20,000,000	20,000,000	15,788,858	12,065,515	11,487,200	12,185,000	11,559,725
BND - on balance sheet	103,086,298	83,086,298	63,086,298	47,297,440	35,231,885	23,744,685	11,559,685	-
Fund Summary								
Existing SCALF Loans	135,700,000	128,400,000	121,100,000	113,800,000	106,500,000	99,200,000	91,900,000	84,600,000
SCALF - New Loan Origination	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
SCALF - New Loans Principal Run-off	(1,200,000)	(2,400,000)	(3,600,000)	(4,800,000)	(6,000,000)	(7,200,000)	(8,400,000)	(9,600,000)
SCALF - Loan Transfer - BND Buydown	20,000,000	20,000,000	20,000,000	15,788,858	12,065,515	11,487,200	12,185,000	11,559,725
SCALF - New Money - Cash Inflow	97,274,000	16,196,000	94,178,000	21,301,777	98,327,087	25,316,831	27,296,531	29,239,726
SCALF - Cash Outflow (new loans/buyout)	(50,000,000)	(50,000,000)	(50,000,000)	(45,788,858)	(42,065,515)	(41,487,200)	(42,185,000)	(41,559,725)
Net Fund Balance	231,774,000	238,270,000	321,548,000	330,749,777	415,776,865	426,593,696	438,190,228	450,529,954
Total Cash	47,274,000	13,470,000	57,648,000	33,160,919	89,422,492	73,252,123	58,363,655	46,043,656
Total Loans	185,700,000	224,800,000	263,900,000	297,588,858	326,354,373	353,341,573	379,826,573	404,486,298
Waterfall Summary								
Transfers BND Loans	123,086,298	103,086,298	83,086,298	63,086,298	47,297,440	35,231,885	23,744,685	11,559,685
Williston	20,000,000							
Dickinson		10,000,000						
Nedrose		10,000,000						
Carrington			10,000,000					
Alexander			10,000,000					
Park River				8,088,858				
South Heart				7,700,000				
Divide County					6,930,000			
Mapleton					5,135,515			
Mott Regent						6,087,200		
Falsher #1						3,150,000		
Flasher #2						2,250,000		
Genora							6,965,000	
Minot							5,220,000	
Klum								3,850,000
Edgley								2,780,463
Strasburg								2,730,000
Sterling								1,149,262
Hillsboro								1,050,000
Total	20,000,000	20,000,000	20,000,000	15,788,858	12,065,515	11,487,200	12,185,000	11,559,725

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	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035
-	-	-	-	-	-	-	-	-	\$0	\$0
-	-	-	-	-	-	-	-	-	\$0	\$0
7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	\$7,300,000	\$7,300,000
10,800,000	12,000,000	13,200,000	14,400,000	15,600,000	16,800,000	18,000,000	19,200,000	20,400,000	21,600,000	22,800,000
8,327,726	8,541,726	8,731,726	8,897,726	9,039,726	9,157,726	9,251,726	9,321,726	9,367,726	9,389,726	9,387,726
30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
-	-	-	-	-	-	-	-	-	-	-
77,300,000	70,000,000	62,700,000	55,400,000	48,100,000	40,800,000	\$33,500,000	\$26,200,000	\$18,900,000	\$11,600,000	\$4,300,000
30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
(10,800,000)	(12,000,000)	(13,200,000)	(14,400,000)	(15,600,000)	(16,800,000)	(18,000,000)	(19,200,000)	(20,400,000)	(21,600,000)	(22,800,000)
26,427,726	27,841,726	29,231,726	30,597,726	31,939,726	33,257,726	34,551,726	35,821,726	37,067,726	38,289,726	39,487,726
(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)
458,857,679	467,399,405	476,131,131	485,028,857	494,068,583	503,226,309	512,478,035	521,799,761	531,167,487	540,557,213	549,944,939
42,471,381	40,313,107	39,544,833	40,142,559	42,082,285	45,340,011	49,891,737	55,713,463	62,781,189	71,070,915	80,558,641
416,386,298	427,086,298	436,586,298	444,886,298	451,986,298	457,886,298	462,586,298	466,086,298	468,386,298	469,486,298	469,386,298

TESTIMONY OF JEFF ENGLESON
Chief Investment Officer
North Dakota Department of Trust Lands

NEUTRAL ON SENATE BILL NO. 2272

Senate Education Committee
January 25, 2017

The **Coal Development Trust Fund (CDTF)** was established by N.D.C.C. ch. 57-62 pursuant to Section 21 of Article X of the North Dakota Constitution. Thirty percent of coal severance tax collections are deposited into the Fund each month. The Fund retains only thirty percent of the amount of taxes deposited in it; the remaining seventy percent is transferred to other entities for lignite research and clean coal projects.

The CDTF is held in trust and is administered by the Board of University and School Lands (Land Board) for loans to coal impacted counties, cities, and school districts as provided by N.D.C.C § 57-62-03 and for school construction loans pursuant to N.D.C.C. § 15.1-36-02. Any balance not loaned as provided in law is invested according to the policies of the Land Board. Article X, Section 21 provides that the income earned by the Fund must first be used to replace any uncollectable loans; any remaining income must be transferred to the State General Fund each year.

General Information about the Coal Development Trust Fund

Asset Balances as of January 23, 2017	
Cash & Investments	\$ 14,302,000
School Construction Loans	\$ 41,179,000
Coal Impact Loans	\$ 12,988,000
Total Assets	\$ 68,469,000

- Permanent trust fund: corpus cannot be spent
- The CDTF currently grows by approximately \$1.0 million per year (SB 2074 would cut this amount to \$500,000/year and give those funds to lignite research)
- In recent years, the CDTF deposited between \$800,000 and \$1.0 million/year into General Fund
- State Treasurer deposits coal impact loan income directly into General Fund
- Both coal impact and school construction loans are at/near all-time highs
- There is no guidance in law as to priority of one loan program over another
- Total cash/investments available to loan today: \$7.9 million
- The CDTF is invested in a conservative, short-term bond portfolio.

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School Construction Loans: N.D.C.C. § 15.1-36-02

- Program started in 1995, expanded over time
- June 2016 first time fully loaned out
- With \$6.4 million outstanding commitment to Richardton/Taylor, only \$2.4 million available to loan to schools at current \$50 million cap
- Principal pay down: approximately \$3.0 million/year
- Avg. yield of current loans: 1.63%

Coal Impact Loans: N.D.C.C. § 57-62-03

- Loans can be made to political subdivisions to meet initial impacts affecting basic government services and directly necessitated by coal development.
- Energy Infrastructure and Impact Office makes recommendation
- Interest rate can't exceed 6% - recently between 3%-4% (not subsidized)
- Warrants payable only out of allocations of money from the coal development fund (tax distributions)
- The warrant does not constitute a general obligation of the political-sub nor may it be considered indebtedness
- If future coal tax payments to the borrowing political-sub permanently cease, the loan is cancelled

OUTSTANDING COAL IMPACT LOAN BALANCES

City of Center (infrastructure)	1,068,711.37	3.75%
City of Golden Valley (meters)	24,570.08	3.20%
City of Golden Valley (water tower)	45,235.67	3.00%
McLean County (Courthouse)	3,638,272.30	3.75%
McLean County (Law Enforcement Center)	1,581,514.35	3.75%
Mercer County (Courthouse & Jail)	6,630,188.02	3.00%
	<u>12,988,491.80</u>	

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**SB2272 – Foundation Aid Stabilization Fund / School Funding
Testimony in Support
North Dakota Council of Educational Leaders – Dr. Aimee Copas
1/25/2017**

Senator Schaible and members of the Senate Education Committee, for the record my name is Dr. Aimee Copas and I serve as the Executive Director for the North Dakota Council of Educational Leaders (NDCEL). Thank you for allowing me the opportunity to visit with you in support of SB2272 which brings to ND K12 Public education a number of critical components.

Last session, NDCEL and NDASA created the Legislative Focus Group. This group of 12 of some of our best superintendents that represent large, small, east, west, etc. with the focus on being a nimble, solutions orientated team to help solve educational related issues that need legislative attention. This group has continued to work during the interim and we've offered our help and support to any portion of the legislative body that sees it to be valuable to consult with our group.

This group has broken into subcommittees and one of them is the finance subcommittee. After our thoughtful support of Measure 2 during this past election to ensure our schools were held as harmless as possible, we outlined all of our pieces that held significance and force ranked them to truly prioritize our focus during a session with little money.

Members of the committee, this bill does truly reflect that the legislature was just as thoughtful in their process with regard to the Foundation Aid Stabilization Fund. Some of the things truly critical to education in our state was 1) Ensuring the definition of "educational purposes" in relation to Measure 2 was defined as K12 public education purposes. In 1994, the voters of this state put into place this fund to ensure the stability of K12 public education. We believe the voters still truly had that intent in mind when they made it allowable for the legislature to access that fund. With that, we thought it important to appropriately define that term to ensure the usage of the fund would be appropriate moving forward. Ensuring the intent is appropriately defined now and moving forward is a wise choice. In addition to the definition we discussed some things that K12 public education was in need of in the next biennium – thereby asking for the reinstatement of certain programs eliminated in former Governor Dalrymple's budget. These include EL Grants, Transportation dollars, Career and Tech Ed Dollars for K12, Rapid Enrollment dollars for our growing schools, and Pre-K dollars. Within this bill, we see the replenishment of many of those funds in sections 14, 15, and 16. Other pieces reside in other budgets, but overall it is

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important to understand— that this funding is critical to our schools. The creation of the revolving loan fund for school construction is a concept that we've discussed since the last session, and this bill provides for that creation which will serve ND schools well moving forward.

We are grateful to our legislative body for its history of support for education. Not only are we grateful, but so are our students (even if they might not realize it yet). We ask that the support for education remain and that we continue to fight the good fight for our kids. They are our most precious resource.

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Sp. 1

Testimony on SB 2272
Presented to the Senate Education Committee
By Mark Lemer, Business Manager, West Fargo Schools
January 25, 2017

1 Chairman Schaible and members of the Senate Education Committee, I offer
2 this testimony in support of the provisions of SB 2272 as it relates to a plan to define
3 and implement uses of the Foundation Aid Stabilization Fund (“the Fund”).

4 During the 2015 legislative session, SCR 4003 was adopted to place a
5 constitutional amendment on the ballot to change how the Fund could be used.
6 This became Measure #2 on the ballot, which passed in November, 2016.

7 As a companion to SCR 4003, SB 2039 was also adopted during the 2015
8 legislative session, which included provisions to create transfers to the scholarship
9 endowment fund and the school construction assistance fund.

10 The legislature envisioned a way to unlock the assets of the Fund to make
11 them available to support education-related purposes, but much of the principal
12 was scheduled for transfer to 2 other funds that would continue to make the funds
13 inaccessible for the ongoing support of K-12 education.

14 When the financial condition of the State’s economy became apparent
15 during the interim, former Governor Dalrymple asked that the North Dakota
16 Council of Education Leaders (NDCEL) provide support for Measure #2 as a way to
17 mitigate the impact of budget shortfalls on K-12 education. The NDCEL met with
18 key members of the legislative leadership to develop a plan that would generate
19 the necessary support of its membership, with the understanding that there would
20 be opportunities during the 2017 legislative session to reconsider the provisions of
21 SB 2039 from the 2015 session. The purpose would be to stop the transfers to the
22 2 other permanent funds at this time, and maintain the maximum amount of
23 flexibility with regard to the uses of the Fund.

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1 SB 2272 contains provisions that encompass the discussions that occurred
2 with key leadership regarding the NDCEL position on Measure #2, and conform
3 with the NDCEL's message to its membership and public regarding the
4 implementation of Measure #2.

5 Some of the key provisions of the bill include:

- 6 1) the repeal of the transfer to the scholarship endowment fund, and a
7 reduction in the transfer to the school construction assistance fund;
- 8 2) provisions for the implementation of the loan program funded by the school
9 construction assistance fund;
- 10 3) a definition of education-related purposes for how the Fund should be used;
- 11 4) reinstatement of funding cuts for Career & Technical Education, Rapid
12 Enrollment Grants, and the English Language Learner grant program for
13 Refugee Resettlement communities.

14 The 2017 Legislature has the opportunity to take advantage of the authority
15 granted by the people of North Dakota to use the Foundation Aid Stabilization Fund
16 to protect and support the funding of K-12 public education. The provisions of SB
17 2272 provide a pathway to ensure support for classrooms across the state. The
18 timing of the passage of Measure #2 is fortuitous in light of the current budget
19 forecast. Your support of SB 2272 will reinstate funding cuts that could impact K-
20 12 education during the 2017-2019 biennium, but more importantly, it will ensure
21 that the legislature has access to the funds in the future as well. As the current
22 economy has shown us, the financial condition of the State can change quickly.
23 Keeping the Foundation Aid Stabilization Fund available as a viable funding source,
24 much like the Common Schools Trust Fund, makes good fiscal sense.

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1 We ask for your consideration of a Do Pass recommendation from the
2 committee.

3 I would answer any questions that you have at this time, or you can certainly
4 contact me later by email at lemer@west-fargo.k12.nd.us or by telephone at
5 701-499-1004.

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SB 2272
Sp. 4

Proposed Amendment to SB 2272
Presented to the Senate Education Committee
By Mark Lemer, Business Manager, West Fargo Schools
January 25, 2017

Senate Bill 2150 was introduced and passed the Senate by a vote of 44 – 0. It addressed changes to how information is reported relative to the mill levy impact of a bond issue. The provisions in Section 4 of SB 2272 incorporate the “old” language regarding the calculations and the notice requirements. The following amendment would bring Section 4 of SB 2272 into conformity with the revisions included in SB 2150, as approved by the Senate.

Amend Section 4 of SB 2272 as follows:

Replace Page 8, lines 15 through 30, and Page 9, lines 1 through 3 with the following:

- c. (1) Publish in the official newspaper of the district the information regarding the proposed estimated additional millage and the dollar increase per one thousand of taxable valuation in accordance with section 21-03-13 along with the notice of the election to authorize the school construction bond issuance in accordance with section 21-03-12; and
- (2) Post the information on the school district’s website preceding the date of the election to authorize the school construction bond issuance in accordance with chapter 21-03;

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Testimony on SB2272
Department of Career and Technical Education
January 25, 2017

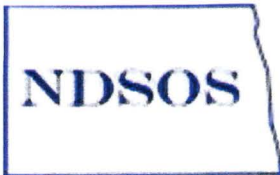
Mr. Chairman and members of the committee, my name is Wayne Kutzer, I am the Director of the Department of Career and Technical Education. CTE is in support of SB2272 and we ask for a Do Pass.

Section 7 on page 12 of the bill sets definitions and uses for the Foundation Aid Stabilization Fund. The new definitions and uses now include secondary CTE as part of its "state aid to school districts", thereby allowing secondary CTE programs to be held harmless during critical budget reduction times.

CTE has always been a part of K-12 education. Our funding to local school districts and Area Centers have helped support CTE programming but we have not been included in the hold harmless provisions that the Foundation Aid Stabilization Fund provides to local school districts. This current biennium we have had to reduce our reimbursement rates to school districts and Area Centers by \$1.6 million to meet the budget allotments put into place. SB2272 will address this concern for future biennium.

Section 14 on page 14 sets an appropriation amount of \$2,477,000 which reflects the 10% budget reduction to secondary programming currently in our appropriation bill. This amount will hold harmless all the secondary CTE programs across the state, enabling us to provide level funding to school districts and Area Centers.

Mr. Chairman and members of the committee I urge a Do Pass on SB2272.



North Dakota Small Organized Schools

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Mr. ElRoy Burkle
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Mr. Larry Zavada
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January 24, 2017

Dear North Dakota Senate Education Committee Members,

For the record, my name is Mr. ElRoy Burkle, Executive Director of the North Dakota Small Organized Schools (NDSOS), representing 141 North Dakota Public School Districts. We go on record of supporting SB 2272.

Current state finances are stressed; this is understood. This bill, in our opinion, assists in meeting the needs of all North Dakota Schools, including small, rural school districts in:

- Construction
- DPI State School Aid
- DPI Special Education Aid
- Career and Technical Education grants to schools
- Rapid Enrollments
- ELL Grants, and
- Transportation.

for the transportation

With the understanding that SB 2272 is not a funding bill, attached you shall find transportation data that supports inclusion as an education-related purpose for your review. Please feel free to contact me with any questions regarding the data provided.

Thank you for your time and NDSOS urges a "Do Pass" on SB 2272.

Respectfully,

Mr. ElRoy Burkle, Executive Director
North Dakota Small Organized Schools (NDSOS)
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The mission of NDSOS is to provide leadership for the small/rural schools in North Dakota and to support legislation favorable to their philosophy while opposing legislation that is harmful.

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SB 2272
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NORTH DAKOTA TRANSPORTATION DATA

I wish to provide data to reinforce the need to include Transportation Grants as an education-related purpose. One comment that was repeatedly shared when school transportation is discussed is how much fuel costs have dropped over the recent years. True. However, there are more inputted costs than fuel in the transportation puzzle.

Increases in wages: According to ND DPI Management Information Department, bus drivers employed less than nine months received on the average \$25.26/hour this school year (2016-17). This compares to \$21.02/per hour in 2013-14 or an increase of 20.1%. Drivers employed greater than nine months on the average experienced an increase of \$2.34/hour from \$19.78/hour to \$22.12/hour for the same time period, or an 11.8% increase.

Increases in repair costs: According to Harlow's, shop hourly rates have increased from \$104 to \$110 from 2012, or an increase of 1%/year. A communication received from one superintendent indicating an increase in maintenance costs due to heavy snow on gravel roads. I expect this from more schools.

New Bus Prices: New bus prices have also increased about 0.5% year from \$82,000 in 2012 to \$85,000 for a 2018 basic model. This price is for a basic bus and does not include add-ons such as 3pt seat belt system (estimated at \$5,000), which is a growing trend. Source - Harlow's

Contracted services – new trend: Schools districts either own their buses or contract out this service. The growing trend with contracted services is to contract by route (run) without a fuel escalator rider.

Unfunded new mandates: The addition of two new Federal Motor Carrier Safety Administration regulations – 1) clearing house for drug and alcohol and 2) requirements for first time bus drivers' standards are effective February 2017 and are to be implemented by 2020. Uncertain as to the fiscal impact of these unfunded mandates. Information forthcoming.

Inflation Rates: According to Kiplinger.com, the annual inflation rate is expected to be at 2.2% for 2016 and increase to 2.7% for 2017.

Increases in both ridership and runs: From 2013 to 2016, ridership has increased by 1,909,547 and runs have increase by 25,486. (Table A). Source DPI

Historical Data: Table B has the historical data specific to state transportation costs and reimbursement to schools using ND School Finance Facts. State-wide transportation costs have reduced from an all-time high of \$60,907,853 for school year 1013/14 to projected \$59,273,937 for school year 2015/16; or a 3.8% reduction. (Note: Table C compares two pieces of data: 1) district transportation costs to state reimbursements to schools in dollars and 2) compares the state transportation support to state support all in percentages.)

Current Fuel Prince Trends: Unleaded price last year, under \$2.00 per gallon. Today's price \$2.29 per gallon; or at least a 14.5 % increase. The percentage increase for diesel fuel appears to be higher.

In sum, the recent decrease in fuel prices is not a direct correlation of the overall picture of transportation costs – not a 50%, 20% or even a 10% reduction. And, based upon current expenditure trends, the 3.8% reduction in expenses has disappeared.

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Table A: Summary Runs and Ridership

Summary of Total Annual Rides and Sum of Total Annual Runs 2013 to 2016 Time Periods					
Total Annual Rides by Route	2013	2014	2015	2016	Difference 2013 to 2016
Extended Year	49,060	47,751	45,969	55,481	6,421
Family - to Bus	20,317	17,616	26,746	26,600	6,283
Family - to School	46,140	52,679	46,833	37,228	-8,912
In City	3,386,730	3,776,503	4,021,605	4,248,587	861,857
Other Purposes	263,235	295,927	234,981	235,816	-27,419
Public Transit	101,101	138,898	146,785	69,388	-31,713
Rural	9,138,532	9,554,904	10,027,077	10,050,685	912,153
Special Ed	394,053	446,230	422,600	473,589	79,536
Vocational Ed	301,912	403,733	407,223	413,253	111,341
Total	13,701,080	14,734,241	15,379,819	15,610,627	1,909,547

Total Annual Runs By Route	School Year 2013	School Year 2014	School Year 2015	School Year 2016	Difference 2013 to 2016
Extended Year	2,991	3,176	2,803	3,160	169
Family - to Bus	18,630	15,965	17,317	17,013	-1,617
Family - to School	27,965	34,132	31,972	26,614	-1,351
In City	99,471	102,440	104,619	113,718	14,247
Other Purposes	16,020	14,974	15,376	13,844	-2,176
Public Transit	3,606	8,454	8,813	4,006	400
Rural	338,097	336,059	337,373	344,348	6,251
Special Ed	58,133	67,525	61,905	64,975	6,842
Vocational Ed	24,275	25,597	27,658	26,996	2,721
Total	589,188	608,322	607,836	614,674	25,486

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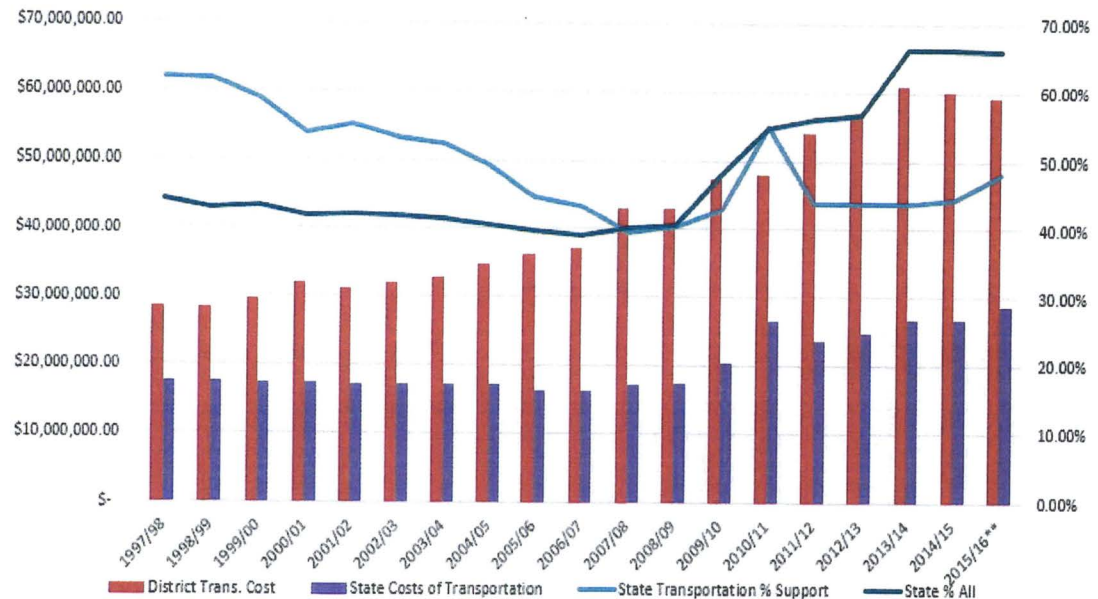
TABLE B – ND PUBLIC SCHOOL TRANSPORTATION DATA SUMMARY OF COSTS AND STATE PAYMENTS

ND PUBLIC SCHOOL DISTRICT TRANSPORTATION DATA - SOURCE: SCHOOL FINANCE FACTS SECTION A											
School Fiscal Year	No. of Pupils Transported	Cost of Transportation	Percent Change in Yearly Cost	Total State Payments to Schools	Percent of State Support	Average Trans. Cost Per Pupil	Average Cost of Trans. Per Mile	Total Annual Mileage	Fall Enr.	Operating School Districts	Percent of State Support All
1992/93	44,116	\$24,830,520.97		\$17,167,452	69.14%	\$ 562.85	\$ 1.00	24,770,652.40		257	47.10%
1993/94	43,754	\$25,101,143.75	1.09%	\$16,766,456	66.80%	\$ 573.69	\$ 1.03	24,482,141.10	118,512	251	46.40%
1994/95	47,105	\$26,296,239.55	4.76%	\$17,196,155	65.39%	\$ 558.25	\$ 1.09	24,169,781.80	118,649	238	45.70%
1995/96	47,580	\$26,668,279.48	1.41%	\$17,498,529	65.62%	\$ 560.49	\$ 1.13	23,539,349.20	118,565	234	46.00%
1996/97	48,236	\$27,779,408.99	4.17%	17,810,492	64.11%	\$ 575.91	\$ 1.17	23,837,566.80	117,816	234	45.70%
1997/98	48,445	\$28,371,324.50	2.13%	\$17,583,138	61.98%	\$ 585.64	\$ 1.18	24,025,594.20	116,103	231	44.26%
1998/99	49,117	\$28,222,184.35	-0.53%	\$17,442,180	61.80%	\$ 574.59	\$ 1.18	23,864,619.50	113,929	229	43.03%
1999/00	46,114	\$29,515,603.00	4.58%	\$17,381,171	58.89%	\$ 640.06	\$ 1.26	23,349,766.00	111,705	229	43.36%
2000/01	44,922	\$31,984,641.00	8.37%	\$17,205,267	53.79%	\$ 712.00	\$ 1.40	22,923,404.00	108,094	227	41.92%
2001/02	43,470	\$31,160,965.00	-2.58%	\$17,198,168	55.19%	\$ 716.84	\$ 1.32	23,583,312.00	105,217	218	42.07%
2002/03	43,249	\$31,901,335.00	2.38%	\$16,994,871	53.27%	\$ 737.62	\$ 1.35	23,614,851.00	103,013	217	41.93%
2003/04	39,022	\$32,743,341.00	2.64%	\$17,152,363	52.38%	\$ 839.10	\$ 1.44	22,784,009.00	101,137	211	41.45%
2004/05	37,257	\$34,668,950.00	5.88%	\$17,118,918	49.38%	\$ 930.54	\$ 1.55	22,337,864.00	99,324	206	40.48%
2005/06	38,096	\$36,228,595.00	4.50%	\$16,213,012	44.75%	\$ 950.99	\$ 1.64	22,039,176.00	97,120	198	39.66%
2006/07	38,442	\$37,133,249.00	2.50%	\$16,147,647	43.49%	\$ 965.96	\$ 1.72	21,584,342.00	95,600	195	38.99%
2007/08	37,748	\$43,119,410.00	16.12%	\$17,011,141	39.45%	\$1,142.29	\$ 2.03	21,218,019.00	94,057	187	40.16%
2008/09	38,371	\$42,995,587.95	-0.29%	\$17,304,869	40.25%	\$1,120.52	\$ 2.06	20,891,084.14	93,406	184	40.46%
2009/10	38,065	\$47,316,652.56	10.05%	\$20,310,472	42.92%	\$1,243.06	\$ 2.23	21,264,227.71	93,715	181	48.15%
2010/11	38,396	\$48,074,295.00	1.60%	\$26,462,498	55.05%	\$1,252.07	\$ 2.27	21,144,812.00	94,729	179	54.79%
2011/12	38,723	\$53,965,769.59	12.25%	\$23,650,074	43.82%	\$1,393.63	\$ 2.59	20,856,898.34	95,778	179	56.07%
2012/13	39,095	\$56,510,606.00	4.72%	\$24,738,009	43.78%	\$1,445.47	\$ 2.70	20,899,150.00	99,192	179	56.69%
2013/14	42,043	\$60,907,853.00	7.78%	\$26,631,842	43.72%	\$1,448.71	\$ 2.85	21,405,557.00	101,656	179	66.30%
2014/15	43,804	\$59,984,125.00	-1.52%	\$26,639,140	44.41%	\$1,369.39	\$ 2.83	21,215,830.00	104,278	179	66.27%
2015/16**	44,465	\$59,273,937.00	-1.18%	\$28,578,109	48.21%	\$1,333.06	\$ 2.73	21,687,446.00	106,070	179	66.10%
1993-2015 Change	1%	139%				137%	173%	-12%	-10%	-30%	
Total Yearly Ave.			4.13%								
Date revised		11.29.2016									
** DPI State School Aid - transportation Report June Payment; ran on 11/4/2016						BOLD - Preliminary Estimates Provided by ND DPI					

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Table C

North Dakota Transportation State/Local Expenses; % State Support Transportation Compared to All State Funding



** 2015-16 is preliminary data provided by ND DPI

Note: The above table compares two pieces of data.

- 1) The bar chart compares District Transportation Costs to State Costs (reimbursements) to schools in dollars.
- 2) The line graphics compares the State Transportations Support to State Support All in percentages.

17.0919.01001
Title.

Prepared by the Legislative Council staff for
Senator Oban

January 25, 2017

A-30-17
H1
SB 2272

PROPOSED AMENDMENTS TO SENATE BILL NO. 2272

Page 15, line 28, replace "and" with a comma

Page 15, line 28, after "second" insert ", and third"

Page 15, line 30, after "1." insert: "The WIDA test.

2."

Page 16, line 1, replace "and" with a comma

Page 16, line 1, after "second" insert ", and third"

Page 16, line 3, replace "2." with "3."

Page 16, line 4, replace "and" with a comma

Page 16, line 4, after "second" insert ", and third"

Page 16, line 8, replace "3." with "4."

Renumber accordingly

17.0919.01002
Title.

Prepared by the Legislative Council staff for #2
Senator Schaible

January 30, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2272

Page 8, line 15, remove "Request from the tax commissioner a statement of the estimated tax"

Page 8, remove lines 16 through 26

Page 8, line 27, remove "(3)"

Page 8, line 27, remove "from the"

Page 8, line 28, replace "statements required by this subdivision" with "regarding the proposed estimated additional millage and the dollar increase per one thousand of taxable valuation in accordance with section 21-03-13 along"

Page 9, line 1, replace "(4)" with "(2)"

Page 9, line 1, after "Post" insert "the information"

Page 9, line 1, remove "the information from the statements"

Page 12, line 15, after "districts" insert "and area centers"

Page 12, line 18, after "districts" insert ", career and technical education grants to school districts and area centers."

Page 14, line 16, after "districts" insert "and area centers"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes the requirement for the Tax Commissioner to provide estimates for tax increases related to bond issuance and clarifies the requirements for publishing information related to a school district bond issuance. This amendment also clarifies that grants for career and technical education are provided to both school districts and area centers.

Senator Donald Schaible District 31
SB 2272

2-7-17 SB2272

#1
p1

I am here today to introduce SB 2272. There are various sections to this bill and I am going to do my best to summarize them for you. This bill serves as implementation legislation for the foundation aid stabilization fund and fulfills the promises made to voters with the passage of Measure 2 in the November election.

The original work on this bill start over 5 years ago in the Government Finance Interim Committee. That is the first discussions on how the growth of the Foundation Aid Stabilization fund had grown into an amount much larger than the original purpose. That purpose was to protect foundation aid payments to schools in the event of short falls in the budget, just like what happened this last year. With SCR 4003 of the 2015 session, the constitutional measure to change the structure of the Foundation Stabilization Fund was introduced and in November of 2016, that measure passed. That measure assures that 15% of last session foundation aid payment must remain in the fund for protection of foundation aid payments. The other part of Measure 2 allows for spending of additional moneys for educational purposes. Also passed last session was SB 2039 which was the operational part of SCR 4003 that provided Scholarship Endowment Fund and Revolving school loan fund. During this last interim a fair amount of discussion was held to what the real intent of the foundation aid stabilization fund should be used for. With much input from Education groups and Legislative Leadership, it is believed that the intended purpose of this fund should be used for k-12 educational purposes.

I will briefly explain our school construction loans.

In the late 1990's the legislature amended the Coal Development Trust Fund and created a school construction fund of Fifty Million Dollars. The first loans were distributed in 1997 and since that time, have funded school district improvements across the state. These loans have varying interest rates but none is over three percent based on a formula in legislation.

In the past two sessions, with pressing demands for school construction due to rapid population growth, the legislature again created programing to assist local school districts. In the 2013 session, one hundred fifty million dollars was appropriated from the Strategic Investments Investment Fund to the Department of Land Trust for a school construction program.

Then, in the 2015 Session BND was directed to provide up to \$250 million in loans to school districts. BND utilized its profits to "buy down" the interest rate to 2%. By the end of this biennium, BND will have lent One Hundred Twenty-Three Million Dollars to local school districts and will utilize over Six Million Dollars a biennium to buy down these loans. This program was considered a "Stop Gap" and is due to sunset in June of 2017. That is a brief history how we got to this point and I have included additional information of each of these loan programs.

This bill will combine all of the school construction loans in to one revolving loan fund that in the end will pay off the BND of the loans that they had during 2015-17, will roll the Land Trust loans of the 2013-15 in to the Revolving School Construction Loan Fund and will ask for 3 x \$75 million transfers over the next three sessions that will create a fund that will produce \$30 million of new school construction per year that will be self-sustaining.

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SB2272

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Section 1 Contains the current school construction language that is consistent with all of our school construct sections in code. The omitted language is no longer needed and there are no other substances changes in this section.

Section 2 Increases the appropriation to \$60 million from \$50 million which provides loans from the coal development trust fund to be used for unanticipated emergency repairs. There is a limit on the loans from the fund of \$2 million with and interest rate of 2%. This interest rate is reviewable by the legislature each biennium. This fund has been providing loans to schools since 1997 and is a current balance of \$43,513,032 that is committed to school construction loans with a commitment of \$6.4Million committed (I believe Richardton). If the rest of this bill would become law, we would no longer need to have a school construction fund from the Coal Development Trust Fund. The \$50 million would all come back to this fund which no longer would be needed for school construction. That would leave \$10 million for the unanticipated emergency repairs loans that was discussed earlier.

Section 3 This section ends one of the school construction loan programs from the BND after June 30, 2017 for all the loans will be rolled into one program.

Section 4 Defines loan eligibility for new construction, outlines the approval process by the superintendent of public instruction, requires the school district to demonstrated the need and the capacity to pay for the project, outlines public notification process, provides for review by DPI and BND and establishes \$10 million maximum loan with a 20-year term.

Sec 5 Outlines evidences of indebtedness under Chapter 21-03 and that it constitutes a general obligation of the school district.

Section 6 changes the allotment process related to career and technical education grants to school districts. The revisions specify the allotment for these grants may only be made to the extent that it can be offset by transfers from the Foundation Aid Stabilization Fund. You will see in Section 14 of the bill that \$2,477,000 is appropriated for the purpose of providing these grants.

Section 7 provides definitions and uses for the Foundation Aid Stabilization Fund. The section:

- Defines education related purposes to that of public elementary and secondary education.
- Defines State Aid to School Districts
- Defines that accessible funds in the Foundation Aid Stabilization Fund may only be used for education related purposes including state aid to school districts and education related property tax relief.

Section 8 defines that 30% of the Coal Development Fund Revenues are deposited into the Coal Development Trust Fund. The amendment will transfer future income including interest payments on loans from the Coal Development Trust Fund to the General Fund. Previously, this income was deposited into the school construction assistance loan fund.

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Sec 9 and 10 are repealers and are attached

Section 11 requires OMB to recall any Foundation Aid Stabilization money that was transferred to the school construction assistance loan fund or the scholarship endowment fund after December 1, 2016.

Section 12 enables the transfer of \$150,000,000 and any outstanding loans and cash from the board of university and school lands, school construction assistance revolving loan fund to the School Construction Assistance revolving loan fund.

Section 13 transfers \$75,000,000 from the Foundation Aid Stabilization Fund to the School Construction Assistance Revolving Loan Fund. As you will see if Mr. Hardmeyer's presentation, this proposed transfer is part of a broader plan to create an on-going revolving loan fund for school construction.

Section 14 I covered earlier as it transfers \$2,477,000 for career and technical education grants. Sec 6

Section 15 appropriated \$10,000,000 from the Foundation Aid Stabilization Fund to the Department of Public Instruction for rapid enrollment grants. The section also provides a formula for how these grants are distributed.

Section 16 appropriates \$1,000,000 for the Department of Public Instruction for English language learner grants to the four school districts that have serve the largest number of first, second and third level English Language learners in Kindergarten through grade 12. The section then provides the criteria for distribution.

Section 17 makes the repeal of 15.1-36-06 (in section 10 of the bill) effective on July 1, 2023. It is essentially, a delayed repealer. 15.1-36-06 is amended in the bill in Section 3. The section addresses the authority of the bank to handle the interest rate buy down of the loans, which will be transitioned to the new program over the next several bienniums. \$50 million of the remaining \$123 million will be addressed this biennium, with the remaining amounts to be addressed in future bienniums. I believe the thought was that by 2023, all of the loans will have transitioned to the new program and 15.1-36-06 will no longer be necessary. So, rather than repeal that section in the future, the section is repealed in this bill...but the repeal of the section will not become effective until July 1, 2023.

Section 18 declares an emergency for sections 4, 5, 8, 9, 11 and 12 of the bill.

As you can see, this bill is the fulfillment of the pledge to voters when Measure 2 was passed last November. It ensures that funding from the Foundation Aid Stabilization Fund is utilized for education and addresses key, pressing issues in our state.

I have added additional reference materials that may help better explain certain sections of this bill. The repealers are also included.

2-7-17
SB 2072

\$1
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Current Balance in Foundation Aid Stabilization Fund

As of Dec 1st 2016 \$582,338,903

2015-2017 Foundation Aid Payment \$1.7 Billion

The 15% required to maintain in the Foundation Aid Stabilization Fund \$255 Million

Projected 2017-2019 Foundation Aid Payment \$1.94 Billion

The 15% that would be required to remain in the fund \$291 Million

Example of how the balance of money could be used

\$585,000,000 in the fund

\$291,000,000 is the %15 that need to remain to protect foundation aid

\$294,000,000

Proposed spending from this bills

\$116,000,000 accounts for allotment going forward

\$ 44,000,000 cost to continue for new students

\$ 75,000,000 payments to school construction revolving loan fund

\$ 10,000,000 rapid enrollment grants to continue for 2017-2019

\$ 1,000,000 grants to continue the English Language Learners grants

\$246,000,000 total

NDCC 15.1-36-06
2015 Session

3 BND School Loan
Construction Fund
\$250m

\$123m Outstanding

NDCC 15.1-36.02

2 SCALF—Land
Trust
\$150m

\$143m Outstanding
\$9.0m Cash

NDCC 15.1-37-07
2015 Session

#4 Foundation Aid
Stabilization Trust
Fund--\$75,000,000
x 3 Sessions

5

Merged
School Construction Loan Fund

Approvals by DPI
Administration by BND

NDCC 15.1-36-02

#1 Coal Development
Trust Fund \$60m
Emergency Repair

\$60M a Biennium for New
Construction

Fund Becomes Self-
Sustaining

2-7-17
SB 2272

#1
P5

#1 Coal Development Trust Fund
Proposed as Emergency Repair Fund

<u>Borrowing</u> <u>School District</u>	<u>Date</u> <u>Funded</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Payment</u>	<u>Outstanding</u> <u>6/30/2016</u>
Bismarck #1	8/20/1997	2.96%	6/1/2017	\$ 162,605
Grand Forks #1	9/2/1997	1.00%	6/1/2017	\$ 54,079
Grand Forks #1	9/2/1997	1.00%	6/1/2017	\$ 160,258
Hazelton/Moffit #	11/26/1997	2.78%	6/1/2017	\$ 27,552
United #7	3/17/1998	1.00%	6/1/2018	\$ 166,678
Northern Cass #97	5/1/1998	1.29%	6/1/2018	\$ 292,733
Grand Forks #1	7/1/1998	2.58%	6/1/2018	\$ 81,253
Grand Forks #1	8/17/1999	2.58%	6/1/2018	\$ 135,542
Richland #44	5/24/2000	2.57%	6/1/2020	\$ 185,520
Bismarck #1	7/2/2001	2.45%	6/1/2021	\$ 490,113
St Johns #3	12/17/2001	1.00%	6/1/2021	\$ 53,791
West Fargo #6	5/15/2002	1.00%	6/1/2022	\$ 802,895
Lisbon #19	9/18/2002	3.28%	6/1/2022	\$ 129,189
Bismarck #1	5/22/2003	3.10%	6/1/2023	\$ 289,272
Griggs Co. Central #18	8/1/2003	2.48%	6/1/2023	\$ 378,357
Northwood #129	10/1/2008	1.41%	6/1/2024	\$ 206,972
West Fargo #6	5/9/2005	1.00%	6/1/2025	\$ 1,186,721
Lidgerwood #28	6/1/2006	2.74%	6/1/2021	\$ 81,351
Hankinson	6/1/2006	1.72%	6/1/2026	\$ 623,911
Carrington PSD #49	12/1/2006	2.76%	6/1/2026	\$ 540,920
Stanley PSD	3/22/2007	2.57%	6/1/2027	\$ 489,556
Wahpeton #37	6/27/2007	2.40%	6/1/2017	\$ 44,402
West Fargo PSD #6	11/1/2011	1.97%	6/1/2030	\$ 3,141,228
Nesson PSD #2	8/1/2012	1.97%	6/1/2032	\$ 1,535,850
Stanley PSD #2	8/1/2012	2.20%	6/1/2032	\$ 1,729,086
Minot PSD	12/12/2012	2.57%	12/12/2032	\$ 8,384,144
McKenzie Co #1	2/20/2015	1.00%	6/1/2034	\$ 2,855,845
Powers Lake #27 (GPT)	3/3/2015	1.42%	6/1/2034	\$ 1,914,459
Lewis & Clark #161	5/1/2015	1.00%	6/1/2034	\$ 9,519,482
Max PSD #50	7/27/2015	1.98%	6/1/2035	\$ 1,246,390
Kulm PSD #7	9/17/2015	2.78%	6/1/2035	\$ 875,369
Fargo PSD #1	12/1/2015	1.00%	6/1/2035	\$ 5,727,508

School Loan Payments 2017-2020

Payments	Principal	Interest	Total
2017	\$ 3,340,190.20	\$ 725,120.63	\$ 4,065,310.83
2018	\$ 2,968,600.63	\$ 667,344.59	\$ 3,635,945.22
2019	\$ 2,672,946.23	\$ 616,593.12	\$ 3,289,539.35
2020	\$ 2,719,041.74	\$ 615,965.27	\$ 3,335,007.01

Other Loans in Coal Development Trust Fund

Center	\$ 1,088,803	Infrastructure
Golden Valley	\$ 25,218	Meters
Golden Valley	\$ 47,059	Water Tower
McLean County	\$ 3,683,917	Courthouse
McLean County	\$ 1,610,969	Law Enforcement Center
Mercer County	\$ 6,696,594	Courthouse & Jail
	\$ 13,152,560	

Principal Outstanding - 6/30/16	\$43,513,032
Loans Funded - FY 2017	\$ -
Principal Received FY 2017	\$ 2,334,469
Interest Received FY 2017	\$ 61,100
Total Principal Outstanding	\$41,178,562
Outstanding Commitments	\$ 6,400,000
Loans and Commitments	\$47,578,562
Available to Loan	\$ 2,421,437

Richardson

2-1-17
SR 2017

#1
96

2 School Construction Assistance Loan Fund

Loan Balances and Payments - FY '17

As of October 31, 2016

School District	Date Funded	Interest Rate	Final Payment	Outstanding 6/30/2016
Mandan PSD #1	8/1/2013	1.00%	6/1/2033	\$ 9,701,854
No. Cass PSD #97	8/1/2013	1.75%	6/1/2033	\$ 1,524,597
West Fargo PSD #6	8/1/2013	1.00%	6/1/2033	\$ 7,795,979
Richland PSD#44	8/1/2013	1.00%	6/1/2033	\$ 3,701,771
New England PSD #9	8/15/2013	2.95%	6/1/2033	\$ 979,396
Surrey PSD #41	8/15/2013	2.82%	6/1/2033	\$ 794,751
Turtle Lk Mercer #72	11/1/2013	2.55%	6/1/2033	\$ 1,562,255
Grand Forks PSD #1	12/2/2013	1.95%	6/1/2033	\$ 13,102,178
Wahpeton PSD #37	1/22/2014	1.00%	6/1/2033	\$ 17,247,741
Grafton PSD #3	4/1/2014	1.00%	6/1/2033	\$ 12,647,824
West Fargo PSD #6	4/1/2014	1.23%	6/1/2033	\$ 8,510,162
Bismarck PSD #1	6/30/2014	2.42%	6/1/2034	\$ 13,801,774
Powers Lake PSD #27	7/1/2014	1.42%	6/1/2034	\$ 1,806,168
Minot PSD #1	11/13/2014	1.72%	6/1/2034	\$ 18,292,775
South Prairie PSD #28	11/14/2014	1.52%	6/1/2034	\$ 8,015,338
Tioga	12/1/2014	1.30%	6/1/2034	\$ 6,330,694
Westhope PSD	12/1/2014	1.00%	6/1/2034	\$ 2,862,453
McKenzie Co PSD #1	1/28/2015	1.00%	6/1/2034	\$ 6,663,638
Stanley PSD #2 (GPT)	6/25/2015	1.00%	6/1/2035	\$ 7,834,748

Principal Outstanding - 6/30/16	\$143,176,093.77
Loans Funded - FY 2017	\$ -
Principal Received FY 2017	\$ 65,612
Interest Received FY 2017	\$ 119,883
Total SIIF Principal Outstanding	\$ 143,110,481
Balance on 6/1/17	\$ 151,737,009
Available to Loan	\$ 8,626,528

School Loan Payments 2017-2020

Payments	Principal	Interest	Total
2017	\$ 7,247,025	\$ 2,069,316	\$ 9,316,340
2018	\$ 7,350,137	\$ 1,966,204	\$ 9,316,340
2019	\$ 7,182,130	\$ 2,134,211	\$ 9,316,340
2020	\$ 7,284,609	\$ 2,031,731	\$ 9,316,340

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3 BND School Construction Loans

School District	Date	Loan Amount	Current Balance	Principal Paid	Available
PARK RIVER AREA SCHOOL DIST #8	8/6/2015	8,088,858.00	7,783,228.63	305,629.37	-
MINOT PUBLIC SCH DISTRICT #20	8/7/2015	5,220,000.00	5,033,271.24	186,728.76	
KULM PUBLIC SCHOOL DISTRICT #7	9/15/2015	3,850,000.00	3,688,678.54	161,321.46	-
WILLISTON PUBLIC SCHOOL DIST#1	9/25/2015	20,000,000.00	19,092,208.95		
NEDROSE SCHOOL DISTRICT #4	10/27/2015	10,000,000.00	9,571,323.58	428,676.42	-
GRENORA PUBLIC SCHOOL DIST #99	12/2/2015	6,965,000.00	6,314,280.15	-	650,719.85
ALEXANDER PUBLIC SCHL DIS NO 2	12/15/2015	10,000,000.00	8,192,088.29	1,807,911.71	-
DICKINSON PUBLIC SCHOOL DIS #1	4/1/2016	10,000,000.00	3,823,967.82	-	6,176,032.18
HILLSBORO PUBLIC SCHOOL DIST#9	8/11/2016	1,050,000.00	1,050,000.00		-
SOUTH HEART SCHOOL DIST 9	9/1/2016	7,700,000.00	-	-	7,700,000.00
CARRINGTON SCHOOL DISTRICT	9/22/2016	10,000,000.00	-	-	10,000,000.00
STRASBURG PUBLIC SCHOOL DIST	10/12/2016	2,730,000.00	535,800.36	-	2,194,199.64
FLASHER PUBLIC SCHOOL DISTRICT	5/11/2016	5,400,000.00	-	-	5,400,000.00
DIVIDE COUNTY SCHOOL	5/11/2016	6,930,000.00	-	-	6,930,000.00
STERLING PUBLIC SCHOOL	TBD	1,149,262.00	-	-	1,149,262.00
MAPELTON PUBLIC SCHOOL	5/27/2016	5,135,515.00	-	-	5,135,515.00
MOTT-REGENT SCHOOL	TBD	6,087,200.00	-	-	6,087,200.00
EDGELEY PUBLIC SCHOOL	TBD	2,780,463.00	-	-	2,780,463.00
TOTAL		123,086,298.00	65,084,848.00	3,798,059.00	54,203,392.00

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Overview of Coal Development Trust Fund

Prepared by Jeff Engleson
Department of Trust Lands

The **Coal Development Trust Fund (CDTF)** is a permanent fund from which the Land Board issues loans to energy impacted counties, cities and school districts as provided in NDCC 57-62-03, and lends to school districts pursuant to NDCC 15.1-36-02.

The Land Board is responsible for investing all funds that have not been loaned to political subdivisions. The CDTF has historically been invested in a conservative short-term fixed income portfolio

Balance sheet as of 1/23/17

Cash & Investments	\$ 14,302,000
School Construction Loans	\$ 41,179,000
Coal Impact Loans	\$ 12,988,000
Total Assets	\$ 68,469,000

- Trust currently grows by approximately \$1.0 million per year (SB 2074 would cut this amount to \$500,000/year and give those funds to lignite research)
- Income must first be used to replace uncollectable loans and the balance must be transferred to the State General Fund each year (Article 10, Sec. 21)
- State Treasurer deposits Coal Impact Loan income directly into General Fund
- Both Coal Impact and School Construction Loans are at/near all-time highs
- No guidance in law as to priority of one loan program over another
- Total cash/investments available to loan today: \$7.9 million

School Construction Loans: 15.1-36-02

- Program first started in 1995, expanded over time
- June, 2016 first time fully loaned out
- With \$6.4 million outstanding commitment to Richardton/Taylor, only \$2.4 million available to loan to schools at current \$50 million cap. (see attached)
- Principal pay down: approximately \$3.0 million/year
- Avg. yield of current loans: 1.63%

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Coal Impact Loans: 57-62-03

- Loans can be made for which a grant can be made under 57-62-03
- Energy Infrastructure and Impact Office makes recommendation
- Interest rate can't exceed 6%, currently around 3% (not subsidized)
- Warrants payable only out of allocations of money from the coal development fund (tax distributions)
- The warrant does not constitute a general obligation of the political-sub nor may it be considered indebtedness
- List of outstanding coal impact loans below

City of Center (infrastructure)	1,068,711.37	3.75%
City of Golden Valley (meters)	24,570.08	3.20%
City of Golden Valley (water tower)	45,235.67	3.00%
McLean County (Courthouse)	3,638,272.30	3.75%
McLean County (Law Enforcement Center)	1,581,514.35	3.75%
Mercer County (Courthouse & Jail)	6,630,188.02	3.00%
	12,988,491.80	

Repeals

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SECTION 9. TRANSFER - FOUNDATION AID STABILIZATION FUND TO SCHOOL CONSTRUCTION ASSISTANCE LOAN FUND. During the period beginning with the effective date of this section, and ending June 30, 2017, the office of management and budget shall transfer an amount equal to the lesser of \$200,000,000 or fifty percent of the balance of the foundation aid stabilization fund on December 1, 2016, from the foundation aid stabilization fund to the school construction assistance loan fund.

SECTION 10. TRANSFER - FOUNDATION AID STABILIZATION FUND TO SCHOLARSHIP ENDOWMENT FUND. During the period beginning with the effective date of this section, and ending June 30, 2017, the office of management and budget shall transfer an amount equal to the lesser of \$200,000,000 or fifty percent of the balance of the foundation aid stabilization fund on December 1, 2016, from the foundation aid stabilization fund to the scholarship endowment fund.

15-10-60. Scholarship endowment fund - Rules.

1. The scholarship endowment fund is a special fund in the state treasury. Moneys deposited in the fund must remain in the fund on a permanent basis.
2. All interest and other earnings of the fund are dedicated to the awarding of scholarships to residents of this state attending institutions of higher education in the state.
3. Scholarships may be awarded only from the interest or other earnings of the fund and not from the fund's principal.

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15.1-27-46. Uses of the foundation aid stabilization fund.

Any accessible funds that remain in the foundation aid stabilization fund, after completion of the required transfers to other funds, must be used for educationally-related purposes, including state aid to school districts and educationally-related property tax relief to school district patrons.
Page No.

15.1-36-02.1. School construction projects - Reorganized districts - Interest subsidy.

1. If under chapter 15.1-12 two or more school districts prepare a reorganization plan, agree in that plan to pursue a construction project, and obtain the approval of the superintendent of public instruction in accordance with this chapter, the newly reorganized district is eligible to receive up to three hundred basis points of interest rate buydown on the lesser of:
 - a. Thirteen million five hundred thousand dollars; or
 - b. A percentage of the total project cost determined by:
 - (1) Allowing five percent for each school district that participated in the reorganization;
 - (2) Allowing five percent for each one hundred-square-mile [259-square-kilometer] increment that is added to the square miles [kilometers] of the geographically largest district participating in the reorganization;
 - (3) Allowing five percent for every ten students added to the enrollment of the district having the greatest number of enrolled students and participating in the reorganization; and
 - (4) Capping the allowable percentage at ninety percent of the total project cost.

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2. In addition to the requirements of subsection 1, the percentage of cost subsidy determined under subdivision b **15.1-36-03. School construction project loans - Management by Bank of North Dakota.**

If the superintendent of public instruction approves a loan application under section

15.1-36-03. School construction project loans - Management by Bank of North Dakota.

If the superintendent of public instruction approves a loan application under section 15.1-36-02, the superintendent shall forward the application to the Bank of North Dakota. The Bank shall manage and service each school construction loan issued under this chapter and shall execute all necessary loan instruments. The Bank may charge a loan recipient a fee for managing and servicing the loan. The Bank shall receive payments of principal and interest from the school districts and shall remit the payments of principal and interest to the board of university and school lands. The board shall use or deposit the payments in accordance with section 57-62-02 and section 21 of article X of the Constitution of North Dakota.

15.1-36-07. School construction loans - Bank of North Dakota.

1. In addition to any construction loans made available under section 15.1-36-02, the Bank of North Dakota may provide up to two hundred million dollars from the school construction assistance loan fund to eligible school districts for school construction loans, except that the total of all loans provided under this section prior to July 1, 2018, may not exceed fifty percent of the total amount authorized under this subsection.

2. To be eligible for a loan under this section, the board of a school district shall:

a. Propose a new construction or remodeling project with a cost of at least one million dollars and an expected utilization of at least thirty years;

b. Obtain the approval of the superintendent of public instruction for the project under section 15.1-36-01;

c. (1) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to a residential parcel of average true and full value within the county in which the school district is headquartered, if a loan under this section and any associated school construction bond issue were to be authorized in accordance with chapter 21-03;

(2) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to an acre of cropland and to an acre of noncropland, of average true and full value within the county in which the school district is headquartered, if a loan under this section and any associated school construction bond issue were to be authorized in accordance with chapter 21-03;

(3) Publish in the official newspaper of the district the information from the statements required by this subdivision with the notice of the election to authorize the school construction bond issuance in accordance with section 21-03-12; and

(4) Post on the school district's website the information from the statements preceding the date of the election to authorize the school construction bond issuance in accordance with chapter 21-03;

d. Receive authorization for a bond issuance in accordance with chapter 21-03; and

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- e. Submit a completed application to the Bank of North Dakota.
- 3. With the advice and consent of the superintendent of public instruction, the Bank of North Dakota shall award the loans in accordance with a prioritization system that is based on a review of all applications filed during the twelve-month period preceding April first and gives consideration to:
 - a. Student occupancy and academic needs in the district;
 - b. The age of existing structures to be replaced or remodeled;
 - c. Building design proposals that are based on safety and vulnerability assessments;
 - d. Community support;
 - e. Cost; and
 - f. Any other criteria established in rule by the superintendent of public instruction, after consultation with an interim committee appointed by the legislative management.
- 4. The term of a loan under this section is twenty years, unless a shorter term is requested by the board of a school district in its application.
- 5. The interest rate on a loan under this section may not exceed two percent. The legislative assembly shall, however, conduct a biennial review of interest rates applicable to new loans.

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- 6. If a school district's unobligated general fund balance on the preceding June thirtieth exceeds the limitation set forth under section 15.1-27-35.3, the loan amount to which that district is entitled under this section may not exceed eighty percent of the project's cost.
- 7. The maximum loan amount to which a school district is entitled under this section is twenty million dollars.
- 8. a. The Bank of North Dakota shall manage and service each loan under this section and shall execute all necessary loan instruments. The Bank may charge a school district a fee for managing and servicing the loan.
- b. The Bank shall receive payments of principal and interest from school districts and shall deposit such payments in the school construction assistance loan fund.

Sec 10

Section 10 Repeals

15.1-36-06. School construction loans - Bank of North Dakota.

- 1. In addition to any construction loans made available under section 15.1-36-02, the Bank of North Dakota may provide up to two hundred fifty million dollars to eligible school districts for school construction loans, except that the total of all loans provided under this section during the first year of the 2015-17 biennium may not exceed fifty percent of the total amount authorized under this subsection.
- 2. To be eligible for a loan under this section, the board of a school district shall:
 - a. Propose a new construction or remodeling project with a cost of at least one million dollars and an expected utilization of at least thirty years;
 - b. Obtain the approval of the superintendent of public instruction for the project under section 15.1-36-01;
 - c. (1) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to a residential parcel of average true and full value within the county in which the school district is headquartered, if a loan under this section and any associated



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**SB2272 – Foundation Aid Stabilization Fund / School Funding
Testimony in Support
North Dakota Council of Educational Leaders – Dr. Aimee Copas
2/7/2017**

Senator Holmberg and members of the Senate Appropriations Committee, for the record my name is Dr. Aimee Copas and I serve as the Executive Director for the North Dakota Council of Educational Leaders (NDCEL). Thank you for allowing me the opportunity to visit with you in support of SB2272 which brings to ND K12 Public education a number of critical components.

Last session, NDCEL and NDASA created the Legislative Focus Group. This group of 12 of some of our best superintendents that represent large, small, east, west, etc. with the focus on being a nimble, solutions orientated team to help solve educational related issues that need legislative attention. This group has continued to work during the interim and we've offered our help and support to any portion of the legislative body that sees it to be valuable to consult with our group.

This group has broken into subcommittees and one of them is the finance subcommittee. After our thoughtful support of Measure 2 during this past election to ensure our schools were held as harmless as possible, we outlined all of our pieces that held significance and force ranked them to truly prioritize our focus during a session with little money.

Members of the committee, this bill does truly reflect that the legislature was just as thoughtful in their process with regard to the Foundation Aid Stabilization Fund. Some of the things truly critical to education in our state was 1) Ensuring the definition of "educational purposes" in relation to Measure 2 was defined as K12 public education purposes. In 1994, the voters of this state put into place this fund to ensure the stability of K12 public education. We believe the voters still truly had that intent in mind when they made it allowable for the legislature to access that fund. With that, we thought it important to appropriately define that term to ensure the usage of the fund would be appropriate moving forward. Ensuring the intent is appropriately defined now and moving forward is a wise choice. In addition to the definition we discussed some things that K12 public education was in need of in the next biennium – thereby asking for

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the reinstatement of certain programs eliminated in former Governor Dalrymple's budget. These include EL Grants, Transportation dollars, Career and Tech Ed Dollars for K12, Rapid Enrollment dollars for our growing schools, and Pre-K dollars. Within this bill, we see the replenishment of many of those funds in sections 14, 15, and 16 including EL Grants, Rapid Enrollment Dollars and Career and Technical Education dollars. Other pieces reside in other budgets, but overall it is important to understand— that this funding is critical to our schools. The creation of the revolving loan fund for school construction is a concept that we've discussed since the last session, and this bill provides for that creation which will serve ND schools well moving forward.

We've learned since last week that House Appropriations which was intending to replenish the \$5.7 million that former Governor Dalrymple had cut from the budget decided to in fact cut that amount. Additionally, the CTE budget was replenished separately saving from this bill a little over 2 million. Since the voters were given a promise that the Foundation Aid Stabilization Fund's use was to hold K12 harmless, we must consider a few things. The cuts made by appropriations on the house side – otherwise stated – the shift in dollars from the general budget from 2015-16 biennium to the shoulders of the Foundation Aid Stabilization fund to replenish is about 10%. So K12 has also take the same 10% hit as other agencies, we are just lucky enough to have a voter-approved fund (thank you to the foresight of legislators and the public in the early 90's). To execute that promise we ask that the things currently asked for in this bill to be passed through. In addition to that, although the best place may or may not be with this funding bill, it is important that we mention that we are additionally asking that the recent cut of Transportation dollars (\$5.7 million dollars additional), NDLEAD Center and REA cuts of \$200k and \$800^k, be considered in the big picture.

We are grateful to our legislative body for its history of support for education. Not only are we grateful, but so are our students (even if they might not realize it yet). We ask that the support for education remain and that we continue to fight the good fight for our kids. They are our most precious resource.

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Senate Appropriations
Testimony on SB2272
February 7, 2017

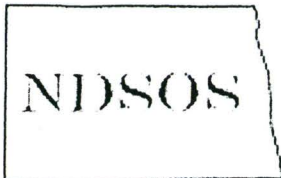
Mr. Chairman and members of the committee, my name is Wayne Kutzer, I am the Director of the Department of Career and Technical Education. CTE is in support of SB2272 and we ask for a Do Pass.

Section 7 on starting on the bottom of page 11 and going to the top of page 12 of the engrossed bill sets definitions and uses for the Foundation Aid Stabilization Fund. The new definitions and uses now include secondary CTE as part of its "state aid to school districts", thereby allowing secondary CTE programs to be held harmless during critical budget reduction times.

CTE has always been a part of K-12 education. Our funding to local school districts and Area Centers have helped support CTE programming but we have not been included in the hold harmless provisions that the Foundation Aid Stabilization Fund provides to local school districts. This current biennium we have had to reduce our reimbursement rates to school districts and Area Centers by \$1.6 million to meet the budget allotments put into place. SB2272 will address this concern for future biennium.

Section 14 on the top of page 14 sets an appropriation amount of \$2,477,000 which reflects the 10% budget reduction to secondary programming currently in our appropriation bill. This amount has been incorporated into the amendment for SB2019 will hold harmless all the secondary CTE programs across the state, enabling us to provide level funding to school districts and Area Centers.

Mr. Chairman and members of the committee I urge a Do Pass on SB2272. I would be glad to answer any questions you may have.



North Dakota Small Organized Schools

SB 2272
2-7-17

of
PI

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February 7, 2017

Chairman Holmberg and Senate Appropriations Committee Members,

For the record, my name is Brandt Dick, Superintendent of Underwood School District and Board Member of the North Dakota Small Organized Schools (NDSOS), representing 141 North Dakota Public School Districts. NDSOS goes on record to support SB 2272.

North Dakota Citizens saw the need in 1994 and 2016 to assist public education during stressful financial times. SB 2272 allows for financial voids to be filled in construction; one time funding for ELL, Rapid Enrollment, Career and Technical Education; in addition to defining "Education-related Purposes" to include general fund appropriations to the ND DPI for state school aid, transportation aid and special education.

Serving on the Finance Focus Group that Dr. Copas mentioned, much time was spent on discussion with Measure 2 and also prioritizing needs that are present in ND Schools. SB 2272 does a good job of addressing the highest priorities by utilizing the Foundation Aid Stabilization Fund to reinstate cuts that were made. Each cut that has been reinstated in SB 2272 will allow K-12 schools to remain at hold harmless levels that has been communicated as a goal by many legislators. We appreciate the high priority funding for K-12 schools has with this legislative body. Thank you for your time and consideration. I stand for questions.

Respectfully,

Brandt J. Dick
Superintendent/AD
Underwood School District
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Ms. Leslie Bieber, Alexander

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Mr. Tom Retting, Supt. Enderlin

The mission of NDSOS is to provide leadership for the small/rural schools in North Dakota and to support legislation favorable to their philosophy while opposing legislation that is harmful.

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Title.

Prepared by the Legislative Council staff for
Senate Appropriations Committee
February 13, 2017

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PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2272

Page 14, remove lines 1 through 6

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes a section related to an appropriation of \$2,477,000 from the foundation aid stabilization fund to the Department of Career and Technical Education for grants to school districts and area centers.

Attachment 1

SB 2272

3/14/17

Senator Donald Schaible District 31
SB 2272

I am here today to introduce SB 2272. There are various sections to this bill and I am going to do my best to summarize them for you. This bill serves as implementation legislation for the foundation aid stabilization fund and fulfills the promises made to voters with the passage of Measure 2 in the November election.

The original work on this bill start over 5 years ago in the Government Finance Interim Committee. That is the first discussions on how the growth of the Foundation Aid Stabilization fund had grown into an amount much larger than the original purpose. That purpose was to protect foundation aid payments to schools in the event of short falls in the budget, just like what happened this last year. With SCR 4003 of the 2015 session, the constitutional measure to change the structure of the Foundation Stabilization Fund was introduced and in November of 2016, that measure passed. That measure assures that 15% of last session foundation aid payment must remain in the fund for protection of foundation aid payments. The other part of Measure 2 allows for spending of additional moneys for educational purposes. Also passed last session was SB 2039 which was the operational part of SCR 4003 that provided Scholarship Endowment Fund and Revolving school loan fund. During this last interim a fair amount of discussion was held to what the real intent of the foundation aid stabilization fund should be used for. With much input from Education groups and Legislative Leadership, it is believed that the intended purpose of this fund should be used for k-12 educational purposes.

I will briefly explain our school construction loans.

In the late 1990's the legislature amended the Coal Development Trust Fund and created a school construction fund of Fifty Million Dollars. The first loans were distributed in 1997 and since that time, have funded school district improvements across the state. These loans have varying interest rates but none is over three percent based on a formula in legislation.

In the past two sessions, with pressing demands for school construction due to rapid population growth, the legislature again created programing to assist local school districts. In the 2013 session, one hundred fifty million dollars was appropriated from the Strategic Investments Investment Fund to the Department of Land Trust for a school construction program.

Then, in the 2015 Session BND was directed to provide up to \$250 million in loans to school districts. BND utilized its profits to "buy down" the interest rate to 2%. By the end of this biennium, BND will have lent One Hundred Twenty-Three Million Dollars to local school districts and will utilize over Six Million Dollars a biennium to buy down these loans. This program was considered a "Stop Gap" and is due to sunset in June of 2017. That is a brief history how we got to this point and I have included additional information of each of these loan programs.

This bill will combine all of the school construction loans in to one revolving loan fund that in the end will pay off the BND of the loans that they had during 2015-17, will roll the Land Trust loans of the 2013-15 in to the Revolving School Construction Loan Fund and will ask for 3 x \$75 million transfers over the next three sessions that will create a fund that will produce \$30 million of new school construction per year that will be self-sustaining.

Section 1 Contains the current school construction language that is consistent with all of our school construct sections in code. The omitted language is no longer needed and there are no other substances changes in this section.

Section 2 Deals with the Coal Development Trust Fund where there was \$50 million designated for school construction loans. This fund has been providing loans to schools since 1997 and is a current balance of \$43,513,032 that is committed to school construction loans with a future commitment of \$6.4Million committed (I believe to Richardton HS). If the rest of this bill would become law, we would no longer need to have a school construction fund from the Coal Development Trust Fund. The existing loans from this fund must be repaid back into the Coal Development Trust Fund for it is a constitutional fund. Though this fund is no longer needed to provide for school construction loans, this fund would now provide for unanticipated emergency repair loans of up to \$2 million and with an interest rate of 2%. This rate would could be review every session and adjusted as needed. Since the \$50 million that was designated in this fund is all allocated, \$10 million of addition allocation is needed. This additional allocation will only be required for a short amount of time as the existing school loans mature and make payment back into this fund.

Section 3 This section ends one of the school construction loan programs from the BND after June 30, 2017 for all the loans will be rolled into one program.

Section 4 Defines loan eligibility for new construction, outlines the approval process by the superintendent of public instruction, requires the school district to demonstrated the need and the capacity to pay for the project, outlines public notification process, provides for review by DPI and BND and establishes \$10 million maximum loan with a 20-year term.

Sec 5 Outlines evidences of indebtedness under Chapter 21-03 and that it constitutes a general obligation of the school district.

Section 6 changes the allotment process related to career and technical education grants to school districts. The revisions specify the allotment for these grants may only be made to the extent that it can be offset by transfers from the Foundation Aid Stabilization Fund.

Section 7 provides definitions and uses for the Foundation Aid Stabilization Fund. The section:

- Defines education related purposes to that of public elementary and secondary education.
- Defines State Aid to School Districts
- Defines that accessible funds in the Foundation Aid Stabilization Fund may only be used for education related purposes including state aid to school districts and education related property tax relief.

Section 8 defines that 30% of the Coal Development Fund Revenues are deposited into the Coal Development Trust Fund. The amendment will transfer future income including interest payments on loans from the Coal Development Trust Fund to the General Fund. Previously, this income was deposited into the school construction assistance loan fund.

Sec 9 and 10 are repealers and are attached

Section 11 requires OMB to recall any Foundation Aid Stabilization money that was transferred to the school construction assistance loan fund or the scholarship endowment fund after December 1, 2016.

Section 12 enables the transfer of \$150,000,000 and any outstanding loans and cash from the board of university and school lands, school construction assistance revolving loan fund to the School Construction Assistance revolving loan fund.

Section 13 transfers \$75,000,000 from the Foundation Aid Stabilization Fund to the School Construction Assistance Revolving Loan Fund. As you will see if Mr. Hardmeyer's presentation, this proposed transfer is part of a broader plan to create an on-going revolving loan fund for school construction.

Section 14 appropriated \$10,000,000 from the Foundation Aid Stabilization Fund to the Department of Public Instruction for rapid enrollment grants. The section also provides a formula for how these grants are distributed.

Section 15 appropriates \$1,000,000 for the Department of Public Instruction for English language learner grants to the four school districts that have serve the largest number of first, second and third level English Language learners in Kindergarten through grade 12. The section then provides the criteria for distribution.

Section 16 makes the repeal of 15.1-36-06 (in section 10 of the bill) effective on July 1, 2023. It is essentially, a delayed repealer. 15.1-36-06 is amended in the bill in Section 3. The section addresses the authority of the bank to handle the interest rate buy down of the loans, which will be transitioned to the new program over the next several bienniums. \$50 million of the remaining \$123 million will be addressed this biennium, with the remaining amounts to be addressed in future bienniums. I believe the thought was that by 2023, all of the loans will have transitioned to the new program and 15.1-36-06 will no longer be necessary. So, rather than repeal that section in the future, the section is repealed in this bill...but the repeal of the section will not become effective until July 1, 2023.

Section 17MJHN V declares an emergency for sections 4, 5, 8, 9, 11 and 12 of the bill.

As you can see, this bill is the fulfillment of the pledge to voters when Measure 2 was passed last November. It ensures that funding from the Foundation Aid Stabilization Fund is utilized for education and addresses key, pressing issues in our state.

I have added additional reference materials that may help better explain certain sections of this bill. The repealers are also included.

NDCC 15.1-36-06
2015 Session

3 BND School Loan
Construction Fund
\$250m

\$123m Outstanding

NDCC 15.1-36.02

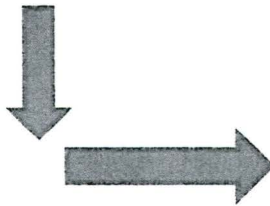
2 SCALF—Land
Trust
\$150m

\$143m Outstanding
\$9.0m Cash

NDCC 15.1-37-07
2015 Session

#4 Foundation Aid
Stabilization Trust
Fund--\$75,000,000
x 3 Sessions

4



Merged
School Construction Loan Fund

Approvals by DPI
Administration by BND

NDCC 15.1-36-02

#1 Coal Development
Trust Fund \$60m
Emergency Repair

\$60M a Biennium for New
Construction

Fund Becomes Self-
Sustaining

See 2

Coal Development Trust Fund

SCLP - Projected Fund Balance (2017-2037)

FYE	Annual Payment		Annual Decrease in Fund Balance	Net Fund Balance
	Principal	Interest		
6/1/2017	3,340,190.20	725,120.63	2,615,069.57	44,963,492.64
6/1/2018	3,232,003.63	795,344.59	2,436,659.04	42,526,833.60
6/1/2019	2,941,587.29	739,325.06	2,202,262.23	40,324,571.37
6/1/2020	2,993,086.22	733,323.79	2,259,762.43	38,064,808.94
6/1/2021	2,750,581.10	576,442.61	2,174,138.49	35,890,670.45
6/1/2022	2,663,932.68	528,732.15	2,135,200.53	33,755,469.92
6/1/2023	2,546,514.05	483,542.73	2,062,971.32	31,692,498.60
6/1/2024	2,484,276.88	439,630.57	2,044,646.31	29,647,852.29
6/1/2025	2,498,605.56	397,761.99	2,100,843.57	27,547,008.72
6/1/2026	2,402,363.45	355,465.80	2,046,897.65	25,500,111.07
6/1/2027	2,313,019.99	313,726.96	1,999,293.03	23,500,818.04
6/1/2028	2,347,684.90	274,062.06	2,073,622.84	21,427,195.20
6/1/2029	2,393,132.17	233,614.78	2,159,517.39	19,267,677.81
6/1/2030	2,434,378.81	192,368.15	2,242,010.66	17,025,667.15
6/1/2031	2,476,442.17	150,304.78	2,326,137.39	14,699,529.76
6/1/2032	2,156,160.59	107,406.95	2,048,753.64	12,650,776.12
6/1/2033	1,547,035.91	70,811.10	1,476,224.81	11,174,551.31
6/1/2034	1,567,767.04	50,079.97	1,517,687.07	9,656,864.24
6/1/2035	1,729,866.89	44,028.80	1,685,838.09	7,971,026.15
6/1/2036	376,204.35	15,198.65	361,005.70	7,610,020.45
6/1/2037	383,728.33	7,674.67	376,053.66	7,233,966.79
Total	47,578,562.21	7,233,966.79	40,344,595.42	-
AVAILABLE TO LOAN	\$ 2,421,437.79			

5

#1 Coal Development Trust Fund
Proposed as Emergency Repair Fund

<u>Borrowing</u> <u>School District</u>	<u>Date</u> <u>Funded</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Payment</u>	<u>Outstanding</u> <u>6/30/2016</u>
Bismarck #1	8/20/1997	2.96%	6/1/2017	\$ 162,605
Grand Forks #1	9/2/1997	1.00%	6/1/2017	\$ 54,079
Grand Forks #1	9/2/1997	1.00%	6/1/2017	\$ 160,258
Hazleton/Moffit #	11/26/1997	2.78%	6/1/2017	\$ 27,552
United #7	3/17/1998	1.00%	6/1/2018	\$ 166,678
Northern Cass #97	5/1/1998	1.29%	6/1/2018	\$ 292,733
Grand Forks #1	7/1/1998	2.58%	6/1/2018	\$ 81,253
Grand Forks #1	8/17/1999	2.58%	6/1/2018	\$ 135,542
Richland #44	5/24/2000	2.57%	6/1/2020	\$ 185,520
Bismarck #1	7/2/2001	2.45%	6/1/2021	\$ 490,113
St Johns #3	12/17/2001	1.00%	6/1/2021	\$ 53,791
West Fargo #6	5/15/2002	1.00%	6/1/2022	\$ 802,895
Lisbon #19	9/18/2002	3.28%	6/1/2022	\$ 129,189
Bismarck #1	5/22/2003	3.10%	6/1/2023	\$ 289,272
Griggs Co. Central #18	8/1/2003	2.48%	6/1/2023	\$ 378,357
Northwood #129	10/1/2008	1.41%	6/1/2024	\$ 206,972
West Fargo #6	5/9/2005	1.00%	6/1/2025	\$ 1,186,721
Lidgerwood #28	6/1/2006	2.74%	6/1/2021	\$ 81,351
Hankinson	6/1/2006	1.72%	6/1/2026	\$ 623,911
Carrington PSD #49	12/1/2006	2.76%	6/1/2026	\$ 540,920
Stanley PSD	3/22/2007	2.57%	6/1/2027	\$ 489,556
Wahpeton #37	6/27/2007	2.40%	6/1/2017	\$ 44,402
West Fargo PSD #6	11/1/2011	1.97%	6/1/2030	\$ 3,141,228
Nesson PSD #2	8/1/2012	1.97%	6/1/2032	\$ 1,535,850
Stanley PSD #2	8/1/2012	2.20%	6/1/2032	\$ 1,729,086
Minot PSD	12/12/2012	2.57%	12/12/2032	\$ 8,384,144
McKenzie Co #1	2/20/2015	1.00%	6/1/2034	\$ 2,855,845
Powers Lake #27 (GPT)	3/3/2015	1.42%	6/1/2034	\$ 1,914,459
Lewis & Clark #161	5/1/2015	1.00%	6/1/2034	\$ 9,519,482
Max PSD #50	7/27/2015	1.98%	6/1/2035	\$ 1,246,390
Kulm PSD #7	9/17/2015	2.78%	6/1/2035	\$ 875,369
Fargo PSD #1	12/1/2015	1.00%	6/1/2035	\$ 5,727,508

Principal Outstanding - 6/30/16	\$43,513,032
Loans Funded - FY 2017	\$ -
Principal Received FY 2017	\$ 2,334,469
Interest Received FY 2017	\$ 61,100
Total Principal Outstanding	\$41,178,562
Outstanding Commitments	\$ 6,400,000
Loans and Commitments	\$47,578,562

Available to Loan \$ 2,421,437

School Loan Payments 2017-2020

Payments	Principal	Interest	Total
2017	\$ 3,340,190.20	\$ 725,120.63	\$ 4,065,310.83
2018	\$ 2,968,600.63	\$ 667,344.59	\$ 3,635,945.22
2019	\$ 2,672,946.23	\$ 616,593.12	\$ 3,289,539.35
2020	\$ 2,719,041.74	\$ 615,965.27	\$ 3,335,007.01

Other Loans in Coal Development Trust Fund

Center	\$ 1,088,803	Infrastructure
Golden Valley	\$ 25,218	Meters
Golden Valley	\$ 47,059	Water Tower
McLean County	\$ 3,683,917	Courthouse
McLean County	\$ 1,610,969	Law Enforcement Center
Mercer County	\$ 6,696,594	Courthouse & Jail
	\$ 13,152,560	

2 School Construction Assistance Loan Fund
 Loan Balances and Payments - FY '17
 As of October 31, 2016

School District	Date Funded	Interest Rate	Final Payment	Outstanding 6/30/2016
Mandan PSD #1	8/1/2013	1.00%	6/1/2033	\$ 9,701,854
No. Cass PSD #97	8/1/2013	1.75%	6/1/2033	\$ 1,524,597
West Fargo PSD #6	8/1/2013	1.00%	6/1/2033	\$ 7,795,979
Richland PSD#44	8/1/2013	1.00%	6/1/2033	\$ 3,701,771
New England PSD #9	8/15/2013	2.95%	6/1/2033	\$ 979,396
Surrey PSD #41	8/15/2013	2.82%	6/1/2033	\$ 794,751
Turtle Lk Mercer #72	11/1/2013	2.55%	6/1/2033	\$ 1,562,255
Grand Forks PSD #1	12/2/2013	1.95%	6/1/2033	\$ 13,102,178
Wahpeton PSD #37	1/22/2014	1.00%	6/1/2033	\$ 17,247,741
Grafton PSD #3	4/1/2014	1.00%	6/1/2033	\$ 12,647,824
West Fargo PSD #6	4/1/2014	1.23%	6/1/2033	\$ 8,510,162
Bismarck PSD #1	6/30/2014	2.42%	6/1/2034	\$ 13,801,774
Powers Lake PSD #27	7/1/2014	1.42%	6/1/2034	\$ 1,806,168
Minot PSD #1	11/13/2014	1.72%	6/1/2034	\$ 18,292,775
South Prairie PSD #28	11/14/2014	1.52%	6/1/2034	\$ 8,015,338
Tioga	12/1/2014	1.30%	6/1/2034	\$ 6,330,694
Westhope PSD	12/1/2014	1.00%	6/1/2034	\$ 2,862,453
McKenzie Co PSD #1	1/28/2015	1.00%	6/1/2034	\$ 6,663,638
Stanley PSD #2 (GPT)	6/25/2015	1.00%	6/1/2035	\$ 7,834,748

School Loan Payments 2017-2020

Payments	Principal	Interest	Total
2017	\$ 7,247,025	\$ 2,069,316	\$ 9,316,340
2018	\$ 7,350,137	\$ 1,966,204	\$ 9,316,340
2019	\$ 7,182,130	\$ 2,134,211	\$ 9,316,340
2020	\$ 7,284,609	\$ 2,031,731	\$ 9,316,340

Principal Outstanding - 6/30/16	\$143,176,093.77
Loans Funded - FY 2017	\$ -
Principal Received FY 2017	\$ 65,612
Interest Received FY 2017	\$ 119,883
Total SIFF Principal Outstanding	\$ 143,110,481
Balance on 6/1/17	\$ 151,737,009
Available to Loan	\$ 8,626,528

3 BND School Construction Loans

School District	Date	Loan Amount	Current Balance	Principal Paid	Available
PARK RIVER AREA SCHOOL DIST #8	8/6/2015	8,088,858.00	7,783,228.63	305,629.37	-
MINOT PUBLIC SCH DISTRICT #20	8/7/2015	5,220,000.00	5,033,271.24	186,728.76	
KULM PUBLIC SCHOOL DISTRICT #7	9/15/2015	3,850,000.00	3,688,678.54	161,321.46	-
WILLISTON PUBLIC SCHOOL DIST#1	9/25/2015	20,000,000.00	19,092,208.95		
NEDROSE SCHOOL DISTRICT #4	10/27/2015	10,000,000.00	9,571,323.58	428,676.42	-
GRENORA PUBLIC SCHOOL DIST #99	12/2/2015	6,965,000.00	6,314,280.15	-	650,719.85
ALEXANDER PUBLIC SCHL DIS NO 2	12/15/2015	10,000,000.00	8,192,088.29	1,807,911.71	-
DICKINSON PUBLIC SCHOOL DIS #1	4/1/2016	10,000,000.00	3,823,967.82	-	6,176,032.18
HILLSBORO PUBLIC SCHOOL DIST#9	8/11/2016	1,050,000.00	1,050,000.00		-
SOUTH HEART SCHOOL DIST 9	9/1/2016	7,700,000.00	-	-	7,700,000.00
CARRINGTON SCHOOL DISTRICT	9/22/2016	10,000,000.00	-	-	10,000,000.00
STRASBURG PUBLIC SCHOOL DIST	10/12/2016	2,730,000.00	535,800.36	-	2,194,199.64
FLASHER PUBLIC SCHOOL DISTRICT	5/11/2016	5,400,000.00	-	-	5,400,000.00
DIVIDE COUNTY SCHOOL	5/11/2016	6,930,000.00	-	-	6,930,000.00
STERLING PUBLIC SCHOOL	TBD	1,149,262.00	-	-	1,149,262.00
MAPELTON PUBLIC SCHOOL	5/27/2016	5,135,515.00	-	-	5,135,515.00
MOTT-REGENT SCHOOL	TBD	6,087,200.00	-	-	6,087,200.00
EDGELEY PUBLIC SCHOOL	TBD	2,780,463.00	-	-	2,780,463.00
TOTAL		123,086,298.00	65,084,848.00	3,798,059.00	54,203,392.00

Sections being repealed.

Section 9 and 10 are from SB 2039 from 2015 session, intent that scholarships are not k-12 purposes and with the revenue short fall, is not the right time or fund for scholarship. All the school construction loans are rolled into one program.

SECTION 9. TRANSFER - FOUNDATION AID STABILIZATION FUND TO SCHOOL CONSTRUCTION ASSISTANCE LOAN FUND. During the period beginning with the effective date of this section, and ending June 30, 2017, the office of management and budget shall transfer an amount equal to the lesser of \$200,000,000 or fifty percent of the balance of the foundation aid stabilization fund on December 1, 2016, from the foundation aid stabilization fund to the school construction assistance loan fund.

SECTION 10. TRANSFER - FOUNDATION AID STABILIZATION FUND TO SCHOLARSHIP ENDOWMENT FUND. During the period beginning with the effective date of this section, and ending June 30, 2017, the office of management and budget shall transfer an amount equal to the lesser of \$200,000,000 or fifty percent of the balance of the foundation aid stabilization fund on December 1, 2016, from the foundation aid stabilization fund to the scholarship endowment fund.

Also from SB 2039 2015 session

15-10-60. Scholarship endowment fund - Rules.

1. The scholarship endowment fund is a special fund in the state treasury. Moneys deposited in the fund must remain in the fund on a permanent basis.
2. All interest and other earnings of the fund are dedicated to the awarding of scholarships to residents of this state attending institutions of higher education in the state.
3. Scholarships may be awarded only from the interest or other earnings of the fund and not from the fund's principal.

Page

Definitions and usages are now in section 7

15.1-27-46. Uses of the foundation aid stabilization fund.

Any accessible funds that remain in the foundation aid stabilization fund, after completion of the required transfers to other funds, must be used for educationally-related purposes, including state aid to school districts and educationally-related property tax relief to school district patrons.

All remain section pertain to school construction loans and these will all be rolled into one program or just run their course and end.

15.1-36-02.1. School construction projects - Reorganized districts - Interest subsidy.

1. If under chapter 15.1-12 two or more school districts prepare a reorganization plan, agree in that plan to pursue a construction project, and obtain the approval of the superintendent of public instruction in accordance with this chapter, the newly reorganized district is eligible to receive up to three hundred basis points of interest rate buydown on the lesser of:

- a. Thirteen million five hundred thousand dollars; or
 - b. A percentage of the total project cost determined by:
 - (1) Allowing five percent for each school district that participated in the reorganization;
 - (2) Allowing five percent for each one hundred-square-mile [259-square-kilometer] increment that is added to the square miles [kilometers] of the geographically largest district participating in the reorganization;
 - (3) Allowing five percent for every ten students added to the enrollment of the district having the greatest number of enrolled students and participating in the reorganization; and
 - (4) Capping the allowable percentage at ninety percent of the total project cost.
2. In addition to the requirements of subsection 1, the percentage of cost subsidy determined under subdivision b **15.1-36-03. School construction project loans - Management by Bank of North Dakota.**

If the superintendent of public instruction approves a loan application under section

15.1-36-03. School construction project loans - Management by Bank of North Dakota.

If the superintendent of public instruction approves a loan application under section 15.1-36-02, the superintendent shall forward the application to the Bank of North Dakota. The Bank shall manage and service each school construction loan issued under this chapter and shall execute all necessary loan instruments. The Bank may charge a loan recipient a fee for managing and servicing the loan. The Bank shall receive payments of principal and interest from the school districts and shall remit the payments of principal and interest to the board of university and school lands. The board shall use or deposit the payments in accordance with section 57-62-02 and section 21 of article X of the Constitution of North Dakota.

15.1-36-07. School construction loans - Bank of North Dakota.

1. In addition to any construction loans made available under section 15.1-36-02, the Bank of North Dakota may provide up to two hundred million dollars from the school construction assistance loan fund to eligible school districts for school construction loans, except that the total of all loans provided under this section prior to July 1, 2018, may not exceed fifty percent of the total amount authorized under this subsection.

2. To be eligible for a loan under this section, the board of a school district shall:

- a. Propose a new construction or remodeling project with a cost of at least one million dollars and an expected utilization of at least thirty years;
- b. Obtain the approval of the superintendent of public instruction for the project under section 15.1-36-01;
- c. (1) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to a residential parcel of average true and full value within the county in which the school district is headquartered, if a loan under this section and any associated school construction bond issue were to be authorized in accordance with chapter 21-03;
- (2) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to an acre of cropland and to an acre of noncropland, of average true and full value within the county in which the school district is headquartered, if a loan under this

section and any associated school construction bond issue were to be authorized in accordance with chapter 21-03;

(3) Publish in the official newspaper of the district the information from the statements required by this subdivision with the notice of the election to authorize the school construction bond issuance in accordance with section 21-03-12; and

(4) Post on the school district's website the information from the statements preceding the date of the election to authorize the school construction bond issuance in accordance with chapter 21-03;

d. Receive authorization for a bond issuance in accordance with chapter 21-03; and

e. Submit a completed application to the Bank of North Dakota.

3. With the advice and consent of the superintendent of public instruction, the Bank of North Dakota shall award the loans in accordance with a prioritization system that is based on a review of all applications filed during the twelve-month period preceding April first and gives consideration to:

a. Student occupancy and academic needs in the district;

b. The age of existing structures to be replaced or remodeled;

c. Building design proposals that are based on safety and vulnerability assessments;

d. Community support;

e. Cost; and

f. Any other criteria established in rule by the superintendent of public instruction, after consultation with an interim committee appointed by the legislative management.

4. The term of a loan under this section is twenty years, unless a shorter term is requested by the board of a school district in its application.

5. The interest rate on a loan under this section may not exceed two percent. The legislative assembly shall, however, conduct a biennial review of interest rates applicable to new loans.

Page No. 5

6. If a school district's unobligated general fund balance on the preceding June thirtieth exceeds the limitation set forth under section 15.1-27-35.3, the loan amount to which that district is entitled under this section may not exceed eighty percent of the project's cost.

7. The maximum loan amount to which a school district is entitled under this section is twenty million dollars.

8. a. The Bank of North Dakota shall manage and service each loan under this section and shall execute all necessary loan instruments. The Bank may charge a school district a fee for managing and servicing the loan.

b. The Bank shall receive payments of principal and interest from school districts and shall deposit such payments in the school construction assistance loan fund.

Section 10 Repeals

15.1-36-06. School construction loans - Bank of North Dakota.

1. In addition to any construction loans made available under section 15.1-36-02, the Bank of North Dakota may provide up to two hundred fifty million dollars to eligible school districts for school construction loans, except that the total of all loans provided under this section during the first year of the 2015-17 biennium may not exceed fifty percent of the total amount authorized under this subsection.

2. To be eligible for a loan under this section, the board of a school district shall:

a. Propose a new construction or remodeling project with a cost of at least

- one million dollars and an expected utilization of at least thirty years;
- b. Obtain the approval of the superintendent of public instruction for the project under section 15.1-36-01;
 - c. (1) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to a residential parcel of average true and full value within the county in which the school district is headquartered, if a loan under this section and any associated school construction bond issue were to be authorized in accordance with chapter 21-03;
 - (2) Request from the tax commissioner a statement of the estimated tax increase, in mills and dollars, which would be applicable to an acre of cropland and to an acre of noncropland, of average true and full value within the county in which the school district is headquartered, if a loan under this section and any associated school construction bond issue were to be authorized in accordance with chapter 21-03;
 - (3) Publish in the official newspaper of the district the information from the statements required by this subdivision with the notice of the election to authorize the school construction bond issuance in accordance with section 21-03-12; and
 - (4) Post on the school district's website the information from the statements preceding the date of the election to authorize the school construction bond issuance in accordance with chapter 21-03;
 - d. Receive authorization for a bond issue in accordance with chapter 21-03; and
 - e. Submit a completed application to the Bank of North Dakota.
3. With the advice and consent of the superintendent of public instruction, the Bank of North Dakota shall award the loans in accordance with a prioritization system that is based on a review of all applications filed during the twelve-month period preceding April first and gives consideration to:
- a. Student occupancy and academic needs in the district;
 - b. The age of existing structures to be replaced or remodeled;
 - c. Building design proposals that are based on safety and vulnerability assessments;
 - d. Community support;
 - e. Cost; and
 - f. Any other criteria established in rule by the superintendent of public instruction, after consultation with an interim committee appointed by the legislative management.
4. The term of a loan under this section is twenty years, unless a shorter term is requested by the board of a school district in its application.
5. The interest rate on a loan under this section may not exceed two percent, until July 1, 2025. Thereafter, the interest rate on the remainder of a loan under this section:
- a. May not exceed the Bank of North Dakota's base rate; or
 - b. May be a fixed rate.
6. If a school district's unobligated general fund balance on the preceding June thirtieth exceeds the limitation set forth under section 15.1-27-35.3, the loan amount to which that district is entitled under this section may not exceed eighty percent of the project's cost.
7. The maximum loan amount to which a school district is entitled under this section is twenty million dollars.

Attachment 2 SB 2272

3/14/17

Eric Hardmeyer, President BND
SB2272 Testimony
March 14, 2017
House Education Committee

Chairman Owens and members of the Committee, I am Eric Hardmeyer, President and CEO of the Bank of North Dakota. My task today is to explain how merging the existing school construction funds will increase efficiency, clarify the administrative process and provide a long-term finance solution to school construction for North Dakota.

As you know, there are currently four school construction funds. Our goals are:

1. To integrate the programming to create one fund for new school construction and one fund for emergency repair and replacement.
2. Create a revolving loan fund that will support \$60 Million a Biennium in school construction.
3. Integrate current BND school loans into the revolving loan fund in a structured buy out.
4. Continue to close cooperation between the Legislature; BND and the Department of Public Instruction in administering and financing the revolving loan fund.

Let me first address Section 3. This section outlines the School Construction Loan Program authorized in the 2015 Legislative Session for BND. The important amendment to this bill is on Page 6, line 2 where it sunsets the program on June 30, 2017. Last session, the BND program was authorized as a stop gap measure utilizing a buy down formula. BND loaned \$123 Million to local school districts and is utilizing \$6 Million in bank profits to buy down these loans. As I stated earlier, our goal is to roll these loans into the permanent trust fund in a structured buy down plan.

Section 4 of the bill creates the School Construction Assistance Revolving Loan Fund to be administered by the Bank of North Dakota. This is really the heart of the bill that allows the various school construction funds to be rolled into one. The initial funding will include the \$150 million from the Department of School Land Trust; the Foundation Aid Stabilization Fund appropriation and the Bank of North Dakota Loans.

Section 4 also includes the approval process for a school board. This is existing language that was integrated into this section. The one change I will note is it reduces the maximum loan amount to a school district from \$20 million to \$10 million. The terms of the loan are set at a 2% interest rate for a maximum term of 20-years. I also note that all interest and principal are returned to the fund.

Now, I would like to explain the financial structure of the model. As noted earlier, in developing this model, the Bank of North Dakota assumed the merger of the Land Trust Fund School Loans; a structured buy out of the BND School Construction Loans and a capital infusion of \$75 Million Dollars in the 2017; 2019 and 2021 Legislative Sessions.

The result of this model shows that merging these programs creates a revolving fund that makes \$30 Million a year of \$60 Million a biennium available for new school construction loans. In addition, because of the return of principal and interest to the fund, the fund is self-sustaining and projections show it is still viable out through 2035.

If you have questions, I'd be happy to answer them.

NDCC 15.1-36-06
2015 Session

**# 3 BND School Loan
Construction Fund**
\$250m

\$123m Outstanding

NDCC 15.1-36.02

**# 2 SCALF—Land
Trust**
\$150m

\$143m Outstanding
\$9.0m Cash

NDCC 15.1-37-07
2015 Session

**#4 Foundation Aid
Stabilization Trust
Fund--\$75,000,000
x 3 Sessions**

3

**Merged
School Construction Loan Fund**

Approvals by DPI
Administration by BND

NDCC 15.1-36-02

**#1 Coal Development
Trust Fund \$60m**
Emergency Repair

\$60M a Biennium for New
Construction

Fund Becomes Self-
Sustaining



#1 Coal Development Trust Fund
Proposed as Emergency Repair Fund

Borrowing School District	Date Funded	Interest Rate	Final Payment	Outstanding 6/30/2016
Bismarck #1	8/20/1997	2.96%	6/1/2017	\$ 162,605
Grand Forks #1	9/2/1997	1.00%	6/1/2017	\$ 54,079
Grand Forks #1	9/2/1997	1.00%	6/1/2017	\$ 160,258
Hazleton/Moffitt #	11/26/1997	2.78%	6/1/2017	\$ 27,552
United #7	3/17/1998	1.00%	6/1/2018	\$ 166,678
Northern Cass #97	5/1/1998	1.29%	6/1/2018	\$ 292,733
Grand Forks #1	7/1/1998	2.58%	6/1/2018	\$ 81,253
Grand Forks #1	8/17/1999	2.58%	6/1/2018	\$ 135,542
Richland #44	5/24/2000	2.57%	6/1/2020	\$ 185,520
Bismarck #1	7/2/2001	2.45%	6/1/2021	\$ 490,113
St Johns #3	12/17/2001	1.00%	6/1/2021	\$ 53,791
West Fargo #6	5/15/2002	1.00%	6/1/2022	\$ 802,895
Lisbon #19	9/18/2002	3.28%	6/1/2022	\$ 129,189
Bismarck #1	5/22/2003	3.10%	6/1/2023	\$ 289,272
Griggs Co. Central #18	8/1/2003	2.48%	6/1/2023	\$ 378,357
Northwood #129	10/1/2008	1.41%	6/1/2024	\$ 206,972
West Fargo #6	5/9/2005	1.00%	6/1/2025	\$ 1,186,721
Lidgerwood #28	6/1/2006	2.74%	6/1/2021	\$ 81,351
Hankinson	6/1/2006	1.72%	6/1/2026	\$ 623,911
Carrington PSD #49	12/1/2006	2.76%	6/1/2026	\$ 540,920
Stanley PSD	3/22/2007	2.57%	6/1/2027	\$ 489,556
Wahpeton #37	6/27/2007	2.40%	6/1/2017	\$ 44,402
West Fargo PSD #6	11/1/2011	1.97%	6/1/2030	\$ 3,141,228
Nesson PSD #2	8/1/2012	1.97%	6/1/2032	\$ 1,535,850
Stanley PSD #2	8/1/2012	2.20%	6/1/2032	\$ 1,729,086
Minot PSD	12/12/2012	2.57%	12/12/2032	\$ 8,384,144
McKenzie Co #1	2/20/2015	1.00%	6/1/2034	\$ 2,855,845
Powers Lake #27 (GPT)	3/3/2015	1.42%	6/1/2034	\$ 1,914,459
Lewis & Clark #161	5/1/2015	1.00%	6/1/2034	\$ 9,519,482
Max PSD #50	7/27/2015	1.98%	6/1/2035	\$ 1,246,390
Kulm PSD #7	9/17/2015	2.78%	6/1/2035	\$ 875,369
Fargo PSD #1	12/1/2015	1.00%	6/1/2035	\$ 5,727,508

Payments	Principal	Interest	Total
2017	\$ 3,340,190.20	\$ 725,120.63	\$ 4,065,310.83
2018	\$ 2,968,600.63	\$ 667,344.59	\$ 3,635,945.22
2019	\$ 2,672,946.23	\$ 616,593.12	\$ 3,289,539.35
2020	\$ 2,719,041.74	\$ 615,965.27	\$ 3,335,007.01

Other Loans in Coal Development Trust Fund

Center	\$ 1,088,803	Infrastructure
Golden Valley	\$ 25,218	Meters
Golden Valley	\$ 47,059	Water Tower
McLean County	\$ 3,683,917	Courthouse
McLean County	\$ 1,610,969	Law Enforcement Center
Mercer County	\$ 6,696,594	Courthouse & Jail
	\$ 13,152,560	

Principal Outstanding - 6/30/16	\$43,513,032
Loans Funded - FY 2017	\$ -
Principal Received FY 2017	\$ 2,334,469
Interest Received FY 2017	\$ 61,100
Total Principal Outstanding	\$41,178,562
Outstanding Commitments	\$ 6,400,000
Loans and Commitments	\$47,578,562
Available to Loan	\$ 2,421,437

2 School Construction Assistance Loan Fund
Loan Balances and Payments - FY '17
As of October 31, 2016

School District	Date Funded	Interest Rate	Final Payment	Outstanding 6/30/2016
Mandan PSD #1	8/1/2013	1.00%	6/1/2033	\$ 9,701,854
No. Cass PSD #97	8/1/2013	1.75%	6/1/2033	\$ 1,524,597
West Fargo PSD #6	8/1/2013	1.00%	6/1/2033	\$ 7,795,979
Richland PSD#44	8/1/2013	1.00%	6/1/2033	\$ 3,701,771
New England PSD #9	8/15/2013	2.95%	6/1/2033	\$ 979,396
Surrey PSD #41	8/15/2013	2.82%	6/1/2033	\$ 794,751
Turtle Lk Mercer #72	11/1/2013	2.55%	6/1/2033	\$ 1,562,255
Grand Forks PSD #1	12/2/2013	1.95%	6/1/2033	\$ 13,102,178
Wahpeton PSD #37	1/22/2014	1.00%	6/1/2033	\$ 17,247,741
Grafton PSD #3	4/1/2014	1.00%	6/1/2033	\$ 12,647,824
West Fargo PSD #6	4/1/2014	1.23%	6/1/2033	\$ 8,510,162
Bismarck PSD #1	6/30/2014	2.42%	6/1/2034	\$ 13,801,774
Powers Lake PSD #27	7/1/2014	1.42%	6/1/2034	\$ 1,806,168
Minot PSD #1	11/13/2014	1.72%	6/1/2034	\$ 18,292,775
South Prairie PSD #28	11/14/2014	1.52%	6/1/2034	\$ 8,015,338
Tioga	12/1/2014	1.30%	6/1/2034	\$ 6,330,694
Westhope PSD	12/1/2014	1.00%	6/1/2034	\$ 2,862,453
McKenzie Co PSD #1	1/28/2015	1.00%	6/1/2034	\$ 6,663,638
Stanley PSD #2 (GPT)	6/25/2015	1.00%	6/1/2035	\$ 7,834,748

School Loan Payments 2017-2020

Payments	Principal	Interest	Total
2017	\$ 7,247,025	\$ 2,069,316	\$ 9,316,340
2018	\$ 7,350,137	\$ 1,966,204	\$ 9,316,340
2019	\$ 7,182,130	\$ 2,134,211	\$ 9,316,340
2020	\$ 7,284,609	\$ 2,031,731	\$ 9,316,340

Principal Outstanding - 6/30/16	\$143,176,093.77
Loans Funded - FY 2017	\$ -
Principal Received FY 2017	\$ 65,612
Interest Received FY 2017	\$ 119,883
Total SIIF Principal Outstanding	\$ 143,110,481
Balance on 6/1/17	\$ 151,737,009
Available to Loan	\$ 8,626,528

3 BND School Construction Loans

School District	Date	Loan Amount	Current Balance	Principal Paid	Available
PARK RIVER AREA SCHOOL DIST #8	8/6/2015	8,088,858.00	7,783,228.63	305,629.37	-
MINOT PUBLIC SCH DISTRICT #20	8/7/2015	5,220,000.00	5,033,271.24	186,728.76	
KULM PUBLIC SCHOOL DISTRICT #7	9/15/2015	3,850,000.00	3,688,678.54	161,321.46	-
WILLISTON PUBLIC SCHOOL DIST#1	9/25/2015	20,000,000.00	19,092,208.95		
NEDROSE SCHOOL DISTRICT #4	10/27/2015	10,000,000.00	9,571,323.58	428,676.42	-
GRENORA PUBLIC SCHOOL DIST #99	12/2/2015	6,965,000.00	6,314,280.15	-	650,719.85
ALEXANDER PUBLIC SCHL DIS NO 2	12/15/2015	10,000,000.00	8,192,088.29	1,807,911.71	-
DICKINSON PUBLIC SCHOOL DIS #1	4/1/2016	10,000,000.00	3,823,967.82	-	6,176,032.18
HILLSBORO PUBLIC SCHOOL DIST#9	8/11/2016	1,050,000.00	1,050,000.00		-
SOUTH HEART SCHOOL DIST 9	9/1/2016	7,700,000.00	-	-	7,700,000.00
CARRINGTON SCHOOL DISTRICT	9/22/2016	10,000,000.00	-	-	10,000,000.00
STRASBURG PUBLIC SCHOOL DIST	10/12/2016	2,730,000.00	535,800.36	-	2,194,199.64
FLASHER PUBLIC SCHOOL DISTRICT	5/11/2016	5,400,000.00	-	-	5,400,000.00
DIVIDE COUNTY SCHOOL	5/11/2016	6,930,000.00	-	-	6,930,000.00
STERLING PUBLIC SCHOOL	TBD	1,149,262.00	-	-	1,149,262.00
MAPELTON PUBLIC SCHOOL	5/27/2016	5,135,515.00	-	-	5,135,515.00
MOTT-REGENT SCHOOL	TBD	6,087,200.00	-	-	6,087,200.00
EDGELEY PUBLIC SCHOOL	TBD	2,780,463.00	-	-	2,780,463.00
TOTAL		123,086,298.00	65,084,848.00	3,798,059.00	54,203,392.00

4 Foundation Aid Stabilization Trust Fund

Anticipated Legislative Contributions

\$75,000,000 in 2017

\$75,000,000 in 2019

\$75,000,000 in 2021

	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035	
Legislative Appropriated Funds	75,000,000	-	75,000,000	-	75,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	\$0	\$0
Carry Over - From the SCALF	9,060,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$0	\$0
Principal Reduction - BND Buy out Loans	1,000,000	2,000,000	3,000,000	3,250,000	3,500,000	3,750,000	4,000,000	4,250,000	-	-	-	-	-	-	-	-	-	-	\$0	\$0
Existing SCALF Principal Reduction	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	\$7,300,000	\$7,300,000
SCALF - New Loans Principal Run-off	1,200,000	2,400,000	3,600,000	4,800,000	6,000,000	7,200,000	8,400,000	9,600,000	10,800,000	12,000,000	13,200,000	14,400,000	15,600,000	16,800,000	18,000,000	19,200,000	20,400,000	21,600,000	22,800,000	22,800,000
SCALF - Interest	3,714,000	4,496,000	5,278,000	5,951,777	6,527,087	7,066,831	7,596,531	8,089,726	8,327,726	8,541,726	8,731,726	8,897,726	9,039,726	9,157,726	9,251,726	9,321,726	9,367,726	9,389,726	9,387,726	9,387,726
New Loans	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
BND Buy Outs	20,000,000	20,000,000	20,000,000	15,788,858	12,065,515	11,487,200	12,185,000	11,559,725	-	-	-	-	-	-	-	-	-	-	-	-
BND - on balance sheet	103,086,298	83,086,298	63,086,298	47,297,440	35,231,885	23,744,685	11,559,685	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Summary																				
Existing SCALF Loans	135,700,000	128,400,000	121,100,000	113,800,000	106,500,000	99,200,000	91,900,000	84,600,000	77,300,000	70,000,000	62,700,000	55,400,000	48,100,000	40,800,000	\$33,500,000	\$26,200,000	\$18,900,000	\$11,600,000	\$4,300,000	\$0
SCALF - New Loan Origination	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
SCALF - New Loans Principal Run-off	(1,200,000)	(2,400,000)	(3,600,000)	(4,800,000)	(6,000,000)	(7,200,000)	(8,400,000)	(9,600,000)	(10,800,000)	(12,000,000)	(13,200,000)	(14,400,000)	(15,600,000)	(16,800,000)	(18,000,000)	(19,200,000)	(20,400,000)	(21,600,000)	(22,800,000)	(22,800,000)
SCALF - Loan Transfer - BND Buydown	20,000,000	20,000,000	20,000,000	15,788,858	12,065,515	11,487,200	12,185,000	11,559,725	-	-	-	-	-	-	-	-	-	-	-	-
SCALF - New Money - Cash Inflow	97,274,000	16,196,000	94,178,000	21,301,777	98,327,087	25,316,831	27,296,531	29,239,726	26,427,726	27,841,726	29,231,726	30,597,726	31,939,726	33,257,726	34,551,726	35,821,726	37,067,726	38,289,726	39,487,726	39,487,726
SCALF - Cash Outflow (new loans/buyout)	(50,000,000)	(50,000,000)	(50,000,000)	(45,788,858)	(42,065,515)	(41,487,200)	(42,185,000)	(41,559,725)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)
Net Fund Balance	231,774,000	238,270,000	321,548,000	330,749,777	415,776,865	426,593,696	438,190,228	450,529,954	458,857,679	467,399,405	476,131,131	485,028,857	494,068,583	503,226,309	512,478,035	521,799,761	531,167,487	540,557,213	549,944,939	549,944,939
Total Cash	47,274,000	13,470,000	57,648,000	33,160,919	89,422,492	73,252,123	58,363,655	46,043,656	42,471,381	40,313,107	39,544,833	40,142,559	42,082,285	45,340,011	49,891,737	55,713,463	62,781,189	71,070,915	80,558,641	80,558,641
Total Loans	185,700,000	224,800,000	263,900,000	297,588,858	326,354,373	353,341,573	379,826,573	404,486,298	416,386,298	427,086,298	436,586,298	444,886,298	451,986,298	457,886,298	462,586,298	466,086,298	468,386,298	469,486,298	469,386,298	469,386,298
Waterfall Summary																				
Transfers BND Loans	123,086,298	103,086,298	83,086,298	63,086,298	47,297,440	35,231,885	23,744,685	11,559,685	-	-	-	-	-	-	-	-	-	-	-	-
Williston	20,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dickinson	-	10,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nedrose	-	10,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrington	-	-	10,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alexander	-	-	10,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Park River	-	-	-	8,088,858	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South Heart	-	-	-	7,700,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Divide County	-	-	-	-	6,930,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mapleton	-	-	-	-	5,135,515	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mott Regent	-	-	-	-	-	6,087,200	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Falsher #1	-	-	-	-	-	3,150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Flasher #2	-	-	-	-	-	2,250,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Genora	-	-	-	-	-	-	6,965,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Minot	-	-	-	-	-	-	5,220,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Klum	-	-	-	-	-	-	-	3,850,000	-	-	-	-	-	-	-	-	-	-	-	-
Edgley	-	-	-	-	-	-	-	2,780,463	-	-	-	-	-	-	-	-	-	-	-	-
Strasburg	-	-	-	-	-	-	-	2,730,000	-	-	-	-	-	-	-	-	-	-	-	-
Sterling	-	-	-	-	-	-	-	1,149,262	-	-	-	-	-	-	-	-	-	-	-	-
Hillsboro	-	-	-	-	-	-	-	1,050,000	-	-	-	-	-	-	-	-	-	-	-	-
Total	20,000,000	20,000,000	20,000,000	15,788,858	12,065,515	11,487,200	12,185,000	11,559,725	-	-	-	-	-	-	-	-	-	-	-	-

8

3/14/17

Testimony on SB 2272
Presented to the House Education Committee
By Mark Lemer, Business Manager, West Fargo Schools
March 14, 2017

1 Chairman Owens and members of the House Education Committee, I offer this testimony
2 in support of the provisions of SB 2272 as it relates to a plan to define and implement uses of the
3 Foundation Aid Stabilization Fund ("the Fund").

4 During the 2015 legislative session, SCR 4003 was adopted to place a constitutional
5 amendment on the ballot to change how the Fund could be used. This became Measure #2 on
6 the ballot, which passed in November, 2016.

7 As a companion to SCR 4003, SB 2039 was also adopted during the 2015 legislative
8 session, which included provisions to create transfers to the scholarship endowment fund and
9 the school construction assistance fund.

10 The legislature envisioned a way to unlock the assets of the Fund to make them available
11 to support education-related purposes, but much of the principal was scheduled for transfer to
12 2 other funds that would continue to make the funds inaccessible for the ongoing support of K-
13 12 education.

14 When the financial condition of the State's economy became apparent during the interim,
15 former Governor Dalrymple asked that the North Dakota Council of Education Leaders (NDCEL)
16 provide support for Measure #2 as a way to mitigate the impact of budget shortfalls on K-12
17 education. The NDCEL met with key members of the legislative leadership to develop a plan that
18 would generate the necessary support of its membership, with the understanding that there
19 would be opportunities during the 2017 legislative session to reconsider the provisions of SB 2039
20 from the 2015 session. The purpose would be to stop the transfers to the 2 other permanent
21 funds at this time, and maintain the maximum amount of flexibility with regard to the uses of the
22 Fund.

23 SB 2272 contains provisions that encompass the discussions that occurred with key
24 leadership regarding the NDCEL position on Measure #2, and conform with the NDCEL's message
25 to its membership and public regarding the implementation of Measure #2.

26 Some of the key provisions of the bill include:

- 1 1) the repeal of the transfer to the scholarship endowment fund, and a reduction in the
- 2 transfer to the school construction assistance fund;
- 3 2) provisions for the implementation of the loan program funded by the school construction
- 4 assistance fund;
- 5 3) a definition of education-related purposes for how the Fund should be used;
- 6 4) reinstatement of funding cuts for Career & Technical Education, Rapid Enrollment Grants,
- 7 and the English Language Learner grant program for Refugee Resettlement communities.

8 The 2017 Legislature has the opportunity to take advantage of the authority granted by
9 the people of North Dakota to use the Foundation Aid Stabilization Fund to protect and support
10 the funding of K-12 public education. The provisions of SB 2272 provide a pathway to ensure
11 support for classrooms across the state. The timing of the passage of Measure #2 is fortuitous in
12 light of the current budget forecast. Your support of SB 2272 will reinstate funding cuts that
13 could impact K-12 education during the 2017-2019 biennium, but more importantly, it will ensure
14 that the legislature has access to the funds in the future as well. As the current economy has
15 shown us, the financial condition of the State can change quickly. Keeping the Foundation Aid
16 Stabilization Fund available as a viable funding source, much like the Common Schools Trust
17 Fund, makes good fiscal sense.

18 We ask for your consideration of a Do Pass recommendation from the committee.

19 I would answer any questions that you have at this time, or you can certainly contact me
20 later by email at lemer@west-fargo.k12.nd.us or by telephone at 701-499-1004.



North Dakota Small Organized Schools

Attachment 4 SB2272

3/14/17

Mr. ElRoy Burkle
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701-230-1973
March 10, 2017

Mr. Larry Zavada
President
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Chairman Owens and House Education Committee Members,

For the record, my name is Mr. ElRoy Burkle, Executive Director of North Dakota Small Organized Schools (NDSOS), representing 141 North Dakota Public School Districts. We go on record of supporting SB 2272 and request consideration to amend this bill to keep transportation funding whole by retaining the current transportation rates for the 2017-19 biennium (Rate Comparisons Included at end of testimony).

This bill assists in meeting the needs of all North Dakota Schools, including small, rural school districts in school construction and defining education related purposes, which include DPI State School Aid, DPI Special Education, Career and Technical Education Grants to schools and career technology centers, Rapid Enrollment Grans, ELL Grants, and Transportation.

All the above defined education related purposes have dollars attached using the Foundation Aid Stabilization Fund, with one exception – transportation. SB 1019 (CTE), HB 1013 (DPI Budget), and this bill (ELL and Rapid Enrollment Grants) ensure that they are funded whole.

The recently released ND School Finance Facts showed the 2015-16 transportation costs increased from the previous year to \$60,722,287. This is only \$185,566 less than the 2013-14 record high. Per mile cost for 15-16 (\$2.79) is only 2.1% below the record high of \$2.85/mile. Based upon verbal input from several schools, the cost per mile will increase by more than 2.1% this school year. Increases in ridership/runs, wages, repair costs, new bus prices, and new trends in contract services have attributed to overall increase in transportation costs. This is compounded by fuel costs rising this school year by 20 to 25%. HB 1013 reduced transportation grants by 10% from \$57 million dollars to \$51.3 million. The proposed rates in HB 1013 would result in an estimated 12.64% state-wide average reduction in transportation revenue to schools. (Attached: copy of the testimony from Senate Appropriations Committee HB 1013 Hearing for your reference.) To fund transportation whole would require an additional \$2 million (projected) above the 2015-17 amount of \$57 million. Therefore, we ask consideration to amend SB 2272 to fund transportation whole in the amount of \$7.7 million dollars to maintain current transportation grant rates. This amount is equal to the proposed reduction in transportation grants (\$5.7M), plus the projected \$2 million to maintain current funding transportation rates in the 2017-19 biennium.

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The mission of NDSOS is to provide leadership for the small/rural schools in North Dakota and to support legislation favorable to their philosophy while opposing legislation that is harmful.

Thank you for your time and consideration to the proposed amendment to keep transportation funding in whole and recommends a "Do Pass" on SB 2272. I stand for questions.

Respectfully,



Mr. ElRoy Burkle, Executive Director
North Dakota Small Organized Schools (NDSOS)
1419 9th Ave NE
Jamestown, ND
701-230-1973
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Transportation Rate Comparisons				
Type	2015/17 Rates	HB 1013	Reduction	% Reduced
Large Bus	\$ 1.18	\$ 1.03	\$ 0.15	12.71%
Small Bus	\$ 0.55	\$ 0.48	\$ 0.07	12.73%
Family to/from school	\$ 0.27	\$ 0.24	\$ 0.03	11.11%
IEP	\$ 0.54	\$ 0.48	\$ 0.06	11.11%
Ridership	\$ 0.32	\$ 0.28	\$ 0.04	12.50%

Proposed Amendment: Appropriation – Department of Public Instruction – Foundation Aid Stabilization Fund – One-Time Funding – Transportation Grants. There is appropriated out of any moneys in the foundation aid stabilization Fund in the state treasury, not otherwise appropriated, the sum of \$7,700,000, or as much of the sum as may be necessary, to the department of public instruction for the purpose of providing addition funds to maintain 2015-17 rates in the NDPI transportation grant at the rate of:

- a) One dollar and ~~three~~ eighteen cents per mile for school buses having a capacity of ten or more passengers;
- b) ~~Forty-eight~~ Fifty-five cents per mile for vehicles having a capacity of nine or fewer passengers;
- c) ~~Forty-eight~~ Fifty-four cents per mile provided:
 - 1) The student being transported is a student with a disability, as defined in chapter 15.1-32;
 - 2) The student's individualized education program plan requires that the student attend a public or nonpublic school located outside the student's school district of residence;
 - 3) The student is transported by an adult member of the student's family;
 - 4) The student is transported in a vehicle furnished by the student's family;
 - 5) The student's transportation is paid for by the student's parents; and
 - 6) The reimbursement does not exceed two round trips daily between the student's home and school.
- d. ~~Forty-eight~~ Fifty-four cents per mile, one way, provided:
 - 1) The student being transported resides more than two miles from the public school that the student resides;
 - 2) The student is transported by an adult member of the student's family;
 - 3) The student is transported in a vehicle furnished by the student's parents; and
 - 4) The student's transportation is paid for by the student's parents.
- e. ~~Twenty~~ Thirty-two cents per student for each one-way trip.

Mr. ElRoy Burkle
Executive Director
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Jamestown, 58401
elroy.burkle@k12.nd.us
701-230-1973
March 8, 2017

Mr. Larry Zavada
President
401 3rd Ave SW
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701-583-2387

Mrs. Janet Brown
Business Manager
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Valley City, ND 58072
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701-845-2910

Chairman Holmberg and members of the North Dakota Senate Appropriations Committee,

For the record, my name is Mr. ElRoy Burkle, Executive Director North Dakota Small Organized Schools (NDSOS), representing 141 North Dakota Public School Districts. Overall, we are supportive of HB 1013 and appreciate everyone's efforts during these difficult times. However, we request consideration to amend HB 1013 to keep current transportation grant rates in place for the 2017-19 biennium.

Per the ND DPI February 2017 School District Finance Facts, state-wide cost of transportation for school year 2015-16 increased from the previous school year to \$60,722,287 which is \$185,566 less than the record 2013-14 high of \$60,907,853. The downward trend in state-wide transportation expenditures (Table A) has elapsed due to increases in ridership/runs, wages, repair costs, new bus prices, and new trends in contracted services.

The following table compares current transportation rates with HB 1013 proposed rates for the 2017-19 Biennium and clearly illustrates that the proposed reduction in DPI Transportation Grant will exceed the 10% (\$5.7M) reduction proposed in this bill.

Transportation Rate Comparisons				
Type	2015/17 Rates	HB 1013	Reduction	% Reduced
Large Bus	\$ 1.18	\$ 1.03	\$ 0.15	12.71%
Small Bus	\$ 0.55	\$ 0.48	\$ 0.07	12.73%
Family to/from school	\$ 0.27	\$ 0.24	\$ 0.03	11.11%
IEP	\$ 0.54	\$ 0.48	\$ 0.06	11.11%
Ridership	\$ 0.32	\$ 0.28	\$ 0.04	12.50%

As a former school superintendent, my past practice has been to compare "apples to apples" as much as possible. Using the February 2, 2017 State School Aid Transportation Report, the proposed HB 1013 transportation rates were imputed resulting in an estimated reduction of \$3,601,818 (12.64%) state-wide for this particular year's data, or an estimated \$7,203,637 for the upcoming biennium. Please note: 2016-17 payments are based on the previous year's report. This estimation assumes no increases or decreases in transportation categories; purely "apples for apples."

Fuel prices have dropped from records highs and have contributed to cost savings. However, there are additional input costs other than fuel. A short synopsis of current trends are as follows.

Increases in wages: According to ND DPI Management Information Department, bus drivers employed less than nine months received on the average \$25.26 per hour this school year (2016-17). This

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compares to \$21.02 in 2013-14 or an increase of 20.1%. Drivers employed greater than nine months on the average experienced an increase of \$2.34 per hour from \$19.78 to \$22.12 for the same time period, or an 11.8% increase.

Increases in repair costs: According to Harlow's, shop hourly rates have increased from \$104 to \$110 from 2012, or an increase of 1% per year.

New Bus Prices: New bus prices have also increased about 0.5% per year from \$82,000 in 2012 to \$85,000 for a 2018 basic model. Add-ons such as 3pt seat belt system (estimated at \$5,000) is a growing trend. Source: Harlow's

Contracted services – new trend: Schools districts either own their buses or contract out this service. The growing trend with contracted services is to contract by route (run) without a fuel escalator rider.

Current Fuel Prices: Both gasoline and diesel fuel have increased by 20 to 25% over the last year.

Increases in both ridership and runs: From 2013 to 2016, ridership has increased by 1,909,547 and runs have increase by 25,486. (Table C).

The trends of these six input transportation costs clearly indicate that the 2015-16 cost per mile of \$2.79 will increase this school year; erasing the six cents (2.1%) reduction from the \$2.85 record high of 2013/14. Drake (12%), Scranton (12%), Lisbon (12.6%), Enderlin (4%), Anamoose (26.7%), Larimore (19%), and Hazen (13.7%) all reported increased transportation expenditures (fuel, wages and labor – not bus replacement) when comparing year-to-date expenditures from 2016-17 to 2015-16 (December/January).

According to ND School Finance Facts, state transportation reimbursement to schools was at 69.14% in 1992-93 and 45.79% for the 2015-16 school year. While State support (all) has increased from 47.1% to 66.10% for the respective school years listed (Table A). However, with the proposed rates in HB 1013 and the anticipated increases in transportation costs this percentage could fall below 40%. This is a concern of the NDSOS.

Passage of Measure 2 allows for keeping K-12 education funding whole by transferring funds from the Foundation Aid Stabilization Fund. SB 2272 does include transportation as one of the allowable education-related purposes. Current trends and future uncertainties provide a clear justification to keep transportation funding whole at the current rates, which would equate to \$59M (projection). This will greatly assist all North Dakota schools.

In closing, thank you for your time and consideration to the request retaining school transportation rates whole and using the Foundation Aid Stabilization Fund (\$7.7M) as the funding mechanism to make-up the difference from \$51.3M (HB 1013). I shall stand for questions.

Respectfully,



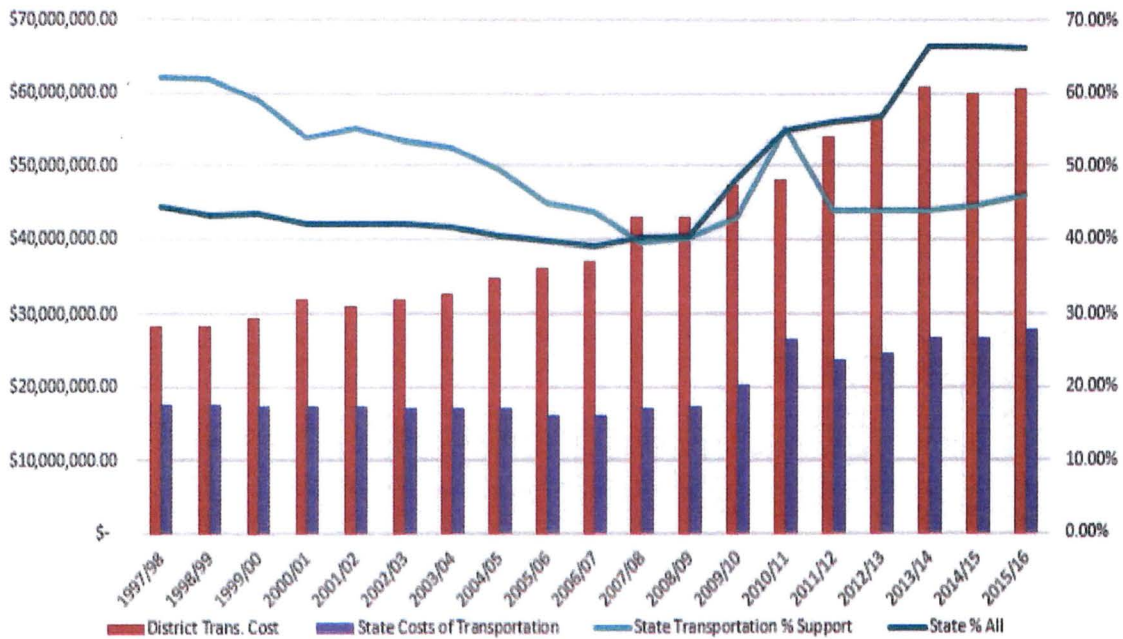
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Table A: ND SCHOOL DISTRICT TRANSPORTATION DATA

ND PUBLIC SCHOOL DISTRICT TRANSPORTATION DATA - SOURCE: SCHOOL FINANCE FACTS SECTION A											
School Fiscal Year	No. of Pupils Transported	Cost of Transportation	Change in Yearly Cost	Total State Payments to Schools	Percent of State Support	Average Trans. Cost Per Pupil	Average Cost of Trans. Per Mile	Total Annual Mileage	Fall Enrollment	Operating School Districts	State Support All
1992/93	44,116	\$ 24,830,520.97		\$ 17,167,452	69.14%	\$ 562.85	\$ 1.00	24,770,652.40		257	47.10%
1993/94	43,754	\$ 25,101,143.75	1.09%	\$ 16,766,456	66.80%	\$ 573.69	\$ 1.03	24,482,141.10	118,512	251	46.40%
1994/95	47,105	\$ 26,296,239.55	4.76%	\$ 17,196,155	65.39%	\$ 558.25	\$ 1.09	24,169,781.80	118,649	238	45.70%
1995/96	47,580	\$ 26,668,279.48	1.41%	\$ 17,498,529	65.62%	\$ 560.49	\$ 1.13	23,539,349.20	118,565	234	46.00%
1996/97	48,236	\$ 27,779,408.99	4.17%	\$ 17,810,492	64.11%	\$ 575.91	\$ 1.17	23,837,566.80	117,816	234	45.70%
1997/98	48,445	\$ 28,371,324.50	2.13%	\$ 17,583,138	61.98%	\$ 585.64	\$ 1.18	24,025,594.20	116,103	231	44.26%
1998/99	49,117	\$ 28,222,184.35	-0.53%	\$ 17,442,180	61.80%	\$ 574.59	\$ 1.18	23,864,619.50	113,929	229	43.03%
1999/00	46,114	\$ 29,515,603.00	4.58%	\$ 17,381,171	58.89%	\$ 640.06	\$ 1.26	23,349,766.00	111,705	229	43.36%
2000/01	44,922	\$ 31,984,641.00	8.37%	\$ 17,205,267	53.79%	\$ 712.00	\$ 1.40	22,923,404.00	108,094	227	41.92%
2001/02	43,470	\$ 31,160,965.00	-2.58%	\$ 17,198,168	55.19%	\$ 716.84	\$ 1.32	23,583,312.00	105,217	218	42.07%
2002/03	43,249	\$ 31,901,335.00	2.38%	\$ 16,994,871	53.27%	\$ 737.62	\$ 1.35	23,614,851.00	103,013	217	41.93%
2003/04	39,022	\$ 32,743,341.00	2.64%	\$ 17,152,363	52.38%	\$ 839.10	\$ 1.44	22,784,009.00	101,137	211	41.45%
2004/05	37,257	\$ 34,668,950.00	5.88%	\$ 17,118,918	49.38%	\$ 930.54	\$ 1.55	22,337,864.00	99,324	206	40.48%
2005/06	38,096	\$ 36,228,595.00	4.50%	\$ 16,213,012	44.75%	\$ 950.99	\$ 1.64	22,039,176.00	97,120	198	39.66%
2006/07	38,442	\$ 37,133,249.00	2.50%	\$ 16,147,647	43.49%	\$ 965.96	\$ 1.72	21,584,342.00	95,600	195	38.99%
2007/08	37,748	\$ 43,119,410.00	16.12%	\$ 17,011,141	39.45%	\$ 1,142.29	\$ 2.03	21,218,019.00	94,057	187	40.16%
2008/09	38,371	\$ 42,995,587.95	-0.29%	\$ 17,304,869	40.25%	\$ 1,120.52	\$ 2.06	20,891,084.14	93,406	184	40.46%
2009/10	38,065	\$ 47,316,652.56	10.05%	\$ 20,310,472	42.92%	\$ 1,243.06	\$ 2.23	21,264,227.71	93,715	181	48.15%
2010/11	38,396	\$ 48,074,295.00	1.60%	\$ 26,462,498	55.05%	\$ 1,252.07	\$ 2.27	21,144,812.00	94,729	179	54.79%
2011/12	38,723	\$ 53,965,769.59	12.25%	\$ 23,650,074	43.82%	\$ 1,393.63	\$ 2.59	20,856,898.34	95,778	179	56.07%
2012/13	39,095	\$ 56,510,606.00	4.72%	\$ 24,738,009	43.78%	\$ 1,445.47	\$ 2.70	20,899,150.00	99,192	179	56.69%
2013/14	42,043	\$ 60,907,853.00	7.78%	\$ 26,631,842	43.72%	\$ 1,448.71	\$ 2.85	21,405,557.00	101,656	179	66.30%
2014/15	43,804	\$ 59,984,125.00	-1.52%	\$ 26,639,140	44.41%	\$ 1,369.39	\$ 2.83	21,215,830.00	104,278	179	66.27%
2015/16	44,602	\$ 60,722,287.00	1.23%	\$ 27,803,637	45.79%	\$ 1,361.43	\$ 2.79	21,757,879.00	106,070	179	66.10%
1993-2016	1%	145%				142%	179%	-12%	-10%	-30%	
Total Yearly Ave.			4.24%								
Date revised		3.2.17 6.23 pm	Updated with 2017 School District Financial Facts Information								
Acknowledgement and Appreciation Noted: 2009 HB 1013 authorized a \$5M supplemental payment to schools SY 2010/11 - Emission Upgrades.											

Table B

North Dakota Transportation State/Local Expenses; % State Support Transportation
Compared to All State Funding



Note: The above table compares two pieces of data.

1) The bar chart compares District Transportation Costs to State Costs (reimbursements) to schools in dollars.

2) The line graphics compares the State Transportation Support to State Support All in percentages.

Table C: Summary Runs and Ridership

Summary of Total Annual Rides and Sum of Total Annual Runs 2013 to 2016 Time Periods					
Total Annual Rides by Route	2013	2014	2015	2016	Difference 2013 to 2016
Extended Year	49,060	47,751	45,969	55,481	6,421
Family - to Bus	20,317	17,616	26,746	26,600	6,283
Family - to School	46,140	52,679	46,833	37,228	-8,912
In City	3,386,730	3,776,503	4,021,605	4,248,587	861,857
Other Purposes	263,235	295,927	234,981	235,816	-27,419
Public Transit	101,101	138,898	146,785	69,388	-31,713
Rural	9,138,532	9,554,904	10,027,077	10,050,685	912,153
Special Ed	394,053	446,230	422,600	473,589	79,536
Vocational Ed	301,912	403,733	407,223	413,253	111,341
Total	13,701,080	14,734,241	15,379,819	15,610,627	1,909,547

Total Annual	School Year	School Year	School Year	School Year	Difference 2013 to 2016
Runs By Route	2013	2014	2015	2016	2016
Extended Year	2,991	3,176	2,803	3,160	169
Family - to Bus	18,630	15,965	17,317	17,013	-1,617
Family - to School	27,965	34,132	31,972	26,614	-1,351
In City	99,471	102,440	104,619	113,718	14,247
Other Purposes	16,020	14,974	15,376	13,844	-2,176
Public Transit	3,606	8,454	8,813	4,006	400
Rural	338,097	336,059	337,373	344,348	6,251
Special Ed	58,133	67,525	61,905	64,975	6,842
Vocational Ed	24,275	25,597	27,658	26,996	2,721
Total	589,188	608,322	607,836	614,674	25,486

Attachment 5

SB 2272

3/14/17



**SB2272 – Foundation Aid Stabilization Fund / School Funding
Testimony in Support
North Dakota Council of Educational Leaders – Dr. Aimee Copas
3/14/2017**

Chair Owens and members of the House Education Committee, for the record my name is Dr. Aimee Copas and I serve as the Executive Director for the North Dakota Council of Educational Leaders (NDCEL). Thank you for allowing me the opportunity to visit with you in support of SB2272 which brings to ND K12 Public education critical funding components.

Last session, NDCEL and NDASA created the Legislative Focus Group. This group of 12 of some of our best superintendents that represent large, small, east, west, etc. with the focus on being a nimble, solutions orientated team to help solve educational related issues that need legislative attention. This group has continued to work during the interim and we've offered our help and support to any portion of the legislative body that sees it to be valuable to consult with our group.

This group has broken into subcommittees and one of them is the finance subcommittee. After our thoughtful support of Measure 2 during this past election to ensure our schools were held as harmless as possible, we outlined all of our pieces that held significance and force ranked them to truly prioritize our focus during a session with little money.

Members of the committee, this bill does truly reflect that the legislature was just as thoughtful in their process with regard to the Foundation Aid Stabilization Fund. Some of the things truly critical to education in our state was 1) Ensuring the definition of "educational purposes" in relation to Measure 2 was defined as K12 public education purposes. In 1994, the voters of this state put into place this fund to ensure the stability of K12 public education. We believe the voters still truly had that intent in mind when they made it allowable for the legislature to access that fund. With that, we thought it important to appropriately define that term to ensure the usage of the fund would be appropriate moving forward. Ensuring the intent is appropriately defined now and moving forward is a wise choice. In addition to the definition we discussed some things that K12 public education was in need of in the next biennium – thereby asking for

the reinstatement of certain programs eliminated in former Governor Dalrymple's budget. These include EL Grants, Transportation dollars, Career and Tech Ed Dollars for K12, Rapid Enrollment dollars for our growing schools, and Pre-K dollars. Within this bill, we see the replenishment of many of those funds in sections 14, 15, and 16 including EL Grants, Rapid Enrollment Dollars and Career and Technical Education dollars. Other pieces reside in other budgets, but overall it is important to understand— that this funding is critical to our schools. The creation of the revolving loan fund for school construction is a concept that we've discussed since the last session, and this bill provides for that creation which will serve ND schools well moving forward.

We've learned in recent week that House Appropriations which was intending to replenish the \$5.7 million that former Governor Dalrymple had cut from the budget decided to in fact cut that amount. Since the voters were given a promise that the Foundation Aid Stabilization Fund's use was to hold K12 harmless, we must consider a few things. The cuts made by appropriations on the house side – otherwise stated – the shift in dollars from the general budget from 2015-16 biennium to the shoulders of the Foundation Aid Stabilization fund to replenish is about 10%. So K12 has also take the same 10% hit as other agencies, we are just lucky enough to have a voter-approved fund (thank you to the foresight of legislators and the public in the early 90's). To execute that promise we ask that the things currently asked for in this bill to be passed through.

We've worked closely with the sponsor of this bill and will continue to do so to ensure that K12 is able to operate as efficiently as possible while not cutting things critical to the success of our children.

We are grateful to our legislative body for its history of support for education. Not only are we grateful, but so are our students (even if they might not realize it yet). We ask that the support for education remain and that we continue to fight the good fight for our kids. They are our most precious resource.

Attachment 6 SB2272

3/14/17

House Education Committee
Testimony on SB2272
March 14, 2017

Mr. Chairman and members of the committee, my name is Wayne Kutzer, I am the Director of the Department of Career and Technical Education. CTE is in support of SB2272 and we ask for your support with a Do Pass.

Section 6 on page 10 of the bill, lines 26 and 27, includes the new language that identifies CTE in the allotment process as it applies to the Foundation Aid Stabilization Fund. Section 7, starting on the bottom of page 11 and going to the top of page 12 of the reengrossed bill, sets definitions and uses for the Foundation Aid Stabilization Fund. The new definitions and uses now include secondary CTE as part of its "state aid to school districts", thereby allowing secondary CTE programs to be held harmless during critical budget reduction times.

CTE has always been a part of K-12 education. Our funding to local school districts and Area Centers have helped support CTE programming but we have not been included in the hold harmless provisions that the Foundation Aid Stabilization Fund provides to local school districts. This current biennium we have had to reduce our funding to school districts and Area Centers by \$1.3 million to meet the budget allotments put into place. SB2272 will address this concern for future biennium by including CTE in the definition of "state aid to school districts" making CTE eligible to receive funds from the Foundation Aid Stabilization Fund.

Mr. Chairman and members of the committee I urge a Do Pass on SB2272. I would be glad to answer any questions you may have.

Attachment 7

SB 2272

3/14/17



Lance D. Gaebe, Commissioner

**TESTIMONY OF JEFF ENGLESON
Chief Investment Officer
North Dakota Department of Trust Lands**

NEUTRAL ON SENATE BILL NO. 2272

**House Education Committee
March 14, 2017**

The **Coal Development Trust Fund (CDTF)** was established by N.D.C.C. ch. 57-62 pursuant to Section 21 of Article X of the North Dakota Constitution. Thirty percent of coal severance tax collections are deposited into the Fund each month. The Fund retains only thirty percent of the amount of taxes deposited in it; the remaining seventy percent is transferred to other entities for lignite research and clean coal projects.

The CDTF is held in trust and is administered by the Board of University and School Lands (Land Board) for loans to coal impacted counties, cities, and school districts as provided by N.D.C.C § 57-62-03 and for school construction loans pursuant to N.D.C.C. § 15.1-36-02. Any balance not loaned as provided in law is invested according to the policies of the Land Board. Article X, Section 21 provides that the income earned by the Fund must first be used to replace any uncollectable loans; any remaining income must be transferred to the State General Fund each year.

General Information about the Coal Development Trust Fund

Asset Balances as of January 23, 2017	
Cash & Investments	\$ 14,302,000
School Construction Loans	\$ 41,179,000
Coal Impact Loans	\$ 12,988,000
Total Assets	\$ 68,469,000

- Permanent trust fund: corpus cannot be spent
- The CDTF currently grows by approximately \$1.0 million per year (SB 2074 would cut this amount to \$500,000/year and give those funds to lignite research)
- In recent years, the CDTF deposited between \$800,000 and \$1.0 million/year into General Fund
- State Treasurer deposits coal impact loan income directly into General Fund
- Both coal impact and school construction loans are at/near all-time highs
- There is no guidance in law as to priority of one loan program over another
- Total cash/investments available to loan today: \$7.9 million
- The CDTF is invested in a conservative, short-term bond portfolio.

School Construction Loans: N.D.C.C. § 15.1-36-02

- Program started in 1995, expanded over time
- June 2016 first time fully loaned out
- With \$6.4 million outstanding commitment to Richardton/Taylor, only \$2.4 million available to loan to schools at current \$50 million cap
- Principal pay down: approximately \$3.0 million/year
- Avg. yield of current loans: 1.63%

Coal Impact Loans: N.D.C.C. § 57-62-03

- Loans can be made to political subdivisions to meet initial impacts affecting basic government services and directly necessitated by coal development.
- Energy Infrastructure and Impact Office makes recommendation
- Interest rate can't exceed 6% - recently between 3%-4% (not subsidized)
- Warrants payable only out of allocations of money from the coal development fund (tax distributions)
- The warrant does not constitute a general obligation of the political-sub nor may it be considered indebtedness
- If future coal tax payments to the borrowing political-sub permanently cease, the loan is cancelled

OUTSTANDING COAL IMPACT LOAN BALANCES

City of Center (infrastructure)	1,068,711.37	3.75%
City of Golden Valley (meters)	24,570.08	3.20%
City of Golden Valley (water tower)	45,235.67	3.00%
McLean County (Courthouse)	3,638,272.30	3.75%
McLean County (Law Enforcement Center)	1,581,514.35	3.75%
Mercer County (Courthouse & Jail)	6,630,188.02	3.00%
	<u>12,988,491.80</u>	

17.0919.03002
Title.

Prepared by the Legislative Council staff for
Representative Owens

March 15, 2017

3/15/17

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2272

Page 4, line 30, after "The" insert "minimum loan amount is two hundred fifty thousand dollars and the"

Page 9, line 12, after "cost" insert "up to a maximum loan amount of eight million dollars"

Page 13, line 17, after "loans" insert "and cash"

Page 14, line 4, replace "\$10,000,000" with "\$9,000,000"

Page 14, line 6, after the first comma insert "and the sum of \$1,000,000, or so much of the sum as may be necessary, to the North Dakota center for distance education for the purpose of providing rapid enrollment grants,"

Renumber accordingly

#1
3/30/17

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2272

In addition to the amendments adopted by the House as printed on page 1016 of the House Journal, Reengrossed Senate Bill No. 2272 is further amended as follows:

Page 14, line 4, replace "\$10,000,000" with "\$6,000,000"

Page 14, line 11, remove "as follows: "

Page 14, line 12, replace "a. For Tier 1 funding, the" with ". The"

Page 14, line 13, remove "; or"

Page 14, remove line 14

Page 14, line 15, remove "students and must be at least ten students"

Page 14, line 22, remove the colon

Page 14, line 23, remove "(1)"

Page 14, line 23, remove "for Tier 1 funding; or"

Page 14, line 24, remove "(2) \$2,000 for Tier 2 funding"

Reorder accordingly