

**2023 HOUSE EDUCATION**

**HB 1125**

# 2023 HOUSE STANDING COMMITTEE MINUTES

**Education Committee**  
Coteau AB Room, State Capitol

HB 1125  
1/30/2023

Relating to withholding school district state aid payments and the school district credit enhancement program
---

2:39 PM Chairman Heinert opened the hearing.

Members present: Chairman Heinert, Vice Chairman Schreiber-Beck, Representatives Conmy, Dyk, Hager, Hauck, Heilman, Hoverson, Jonas, Longmuir, Marschall, Murphy, Novak, and Timmons.

**Discussion Topics:**

- Proposed amendment 23.0317.01002
- Bonds and loans to school districts

Rep Richter, District 1, presented HB 1125 and amendment, orally testified in support of HB 1125 (#19087)

Leslie Bieber, Superintendent of Alexander Public School, Testimony (#17787)

Scott Wegner, Bond counsel to school district, Arntson and Stewart Law Firm (#17785)

3:00 PM Chairman Heinert closed the meeting

*Kathleen Davis, Committee Clerk*

# 2023 HOUSE STANDING COMMITTEE MINUTES

**Education Committee**  
Coteau AB Room, State Capitol

HB 1125  
1/31/2023

Relating to withholding school district state aid payments and the school district credit enhancement program
---

11:00 AM

Chairman Heinert opened the hearing. Members present: Chairman Heinert, Vice Chairman Schreiber-Beck, Representatives Conmy, Dyk, Hager, Hauck, Heilman, Hoverson, Jonas, Longmuir, Marschall, Murphy, Novak, and Timmons.

**Discussion Topics:**

- Committee Action

Rep Murphy moved to adopt Amendment 23.0317.01002, seconded by Rep Hauck. Voice vote. Motion carried.

Rep Murphy moved a Do Pass as Amended, seconded by Rep Novak.

<b>Representatives</b>	<b>Vote</b>
Representative Pat D. Heinert	Y
Representative Cynthia Schreiber-Beck	Y
Representative Liz Conmy	Y
Representative Scott Dyk	Y
Representative LaurieBeth Hager	Y
Representative Dori Hauck	Y
Representative Matt Heilman	Y
Representative Jeff A. Hoverson	AB
Representative Jim Jonas	Y
Representative Donald W. Longmuir	Y
Representative Andrew Marschall	Y
Representative Eric James Murphy	Y
Representative Anna S. Novak	Y
Representative Kelby Timmons	Y

13-0-1 Motion carried. Rep Hauck is carrier.

11:05 AM Chairman

*Kathleen Davis, Committee Clerk*

JA 1-31-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1125

Page 1, line 9, remove "or the state treasurer"

Page 1, line 14, remove "or the state treasurer"

Page 1, line 18, remove "or the state treasurer"

Page 1, line 21, remove "or the state treasurer"

Page 2, line 1, after "2." insert "If the public finance authority or a paying agent notifies the state treasurer, in writing, that a school district has failed to pay when due the principal or interest on any evidence of indebtedness issued after July 31, 2023, or that the public finance authority, school district, or the paying agent has reason to believe a school district will not be able to make a full payment of the principal and interest when the payment is due, the state treasurer shall withhold any funds that are due or payable or appropriated to the school district under chapter 57-51 until the payment of the principal or interest has been made to the public finance authority or the paying agent, or until the public finance authority, school district, or the paying agent notifies the state treasurer that arrangements satisfactory to the public finance authority or the paying agent have been made for the payment of the principal and interest then due and owing. The notification must include information required by the state treasurer. State funds available to a school district under chapter 57-51 are not subject to withholding under this section unless the withholding is authorized by resolution of the district's school board.

3. If the public finance authority or a paying agent notifies the county auditor, in writing, that a school district has failed to pay when due the principal or interest on any evidence of indebtedness issued after July 31, 2023, or that the public finance authority, school district, or the paying agent has reason to believe a school district will not be able to make a full payment of the principal and interest when the payment is due, the county auditor shall withhold any funds that are due or payable or appropriated to the school district under chapters 57-33.2, 57-34, and 57-55 and section 21-06-10 until the payment of the principal or interest has been made to the public finance authority or the paying agent, or until the public finance authority, school district, or the paying agent notifies the county auditor that arrangements satisfactory to the public finance authority or the paying agent have been made for the payment of the principal and interest then due and owing. The notification must include information required by the county auditor. State funds available to a school district under chapters 57-33.2, 57-34, and 57-55 and section 21-06-10 are not subject to withholding under this section unless the withholding is authorized by resolution of the district's school board.

4."

Page 2, line 3, after "1" insert ", 2, or 3"

2

Handwritten initials: H 1312B

- Page 2, line 10, replace "or" with an underscored comma
  - Page 2, line 10, after "treasurer" insert ", and the appropriate county auditor"
  - Page 2, line 11, replace "or the" with an underscored comma
  - Page 2, line 12, after "treasurer" insert ", or the county auditor"
  - Page 2, line 13, replace "or the" with an underscored comma
  - Page 2, line 13, after "treasurer" insert ", or county auditor"
  - Page 2, line 14, after "15.1-27" insert "or 57-51"
  - Page 2, line 18, overstrike "3." and insert immediately thereafter "5."
  - Page 2, line 19, replace "or the" with an underscored comma
  - Page 2, line 19, after "treasurer" insert ", and county auditor"
  - Page 2, line 20, after "1" insert ", 2, or 3"
  - Page 2, line 24, overstrike "4." and insert immediately thereafter "6."
  - Page 2, line 29, overstrike "by the superintendent"
  - Page 2, line 30, overstrike "of public instruction"
  - Page 3, line 1, overstrike "5."
  - Page 3, line 16, after "6:" insert "7."
  - Page 3, line 16, replace "and the" with an underscored comma
  - Page 3, line 16, after "treasurer" insert ", and county auditor"
  - Page 3, line 18, replace "or the" with an underscored comma
  - Page 3, line 18, after "treasurer" insert ", and the county auditor"
  - Page 3, line 19, after "for" insert "a"
  - Page 3, line 20, overstrike "agents" and insert immediately thereafter "agent"
  - Page 3, line 21, replace "or the" with an underscored comma
  - Page 3, line 21, after "treasurer" insert ", or county auditors"
- Renumber accordingly

**REPORT OF STANDING COMMITTEE**

**HB 1125: Education Committee (Rep. Heinert, Chairman) recommends AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1125 was placed on the Sixth order on the calendar.

Page 1, line 9, remove "or the state treasurer"

Page 1, line 14, remove "or the state treasurer"

Page 1, line 18, remove "or the state treasurer"

Page 1, line 21, remove "or the state treasurer"

Page 2, line 1, after "2." insert "If the public finance authority or a paying agent notifies the state treasurer, in writing, that a school district has failed to pay when due the principal or interest on any evidence of indebtedness issued after July 31, 2023, or that the public finance authority, school district, or the paying agent has reason to believe a school district will not be able to make a full payment of the principal and interest when the payment is due, the state treasurer shall withhold any funds that are due or payable or appropriated to the school district under chapter 57-51 until the payment of the principal or interest has been made to the public finance authority or the paying agent, or until the public finance authority, school district, or the paying agent notifies the state treasurer that arrangements satisfactory to the public finance authority or the paying agent have been made for the payment of the principal and interest then due and owing. The notification must include information required by the state treasurer. State funds available to a school district under chapter 57-51 are not subject to withholding under this section unless the withholding is authorized by resolution of the district's school board.

3. If the public finance authority or a paying agent notifies the county auditor, in writing, that a school district has failed to pay when due the principal or interest on any evidence of indebtedness issued after July 31, 2023, or that the public finance authority, school district, or the paying agent has reason to believe a school district will not be able to make a full payment of the principal and interest when the payment is due, the county auditor shall withhold any funds that are due or payable or appropriated to the school district under chapters 57-33.2, 57-34, and 57-55 and section 21-06-10 until the payment of the principal or interest has been made to the public finance authority or the paying agent, or until the public finance authority, school district, or the paying agent notifies the county auditor that arrangements satisfactory to the public finance authority or the paying agent have been made for the payment of the principal and interest then due and owing. The notification must include information required by the county auditor. State funds available to a school district under chapters 57-33.2, 57-34, and 57-55 and section 21-06-10 are not subject to withholding under this section unless the withholding is authorized by resolution of the district's school board.

4."

Page 2, line 3, after "1" insert ", 2, or 3"

Page 2, line 10, replace "or" with an underscored comma

Page 2, line 10, after "treasurer" insert ", and the appropriate county auditor"

Page 2, line 11, replace "or the" with an underscored comma

Page 2, line 12, after "treasurer" insert ", or the county auditor"

Page 2, line 13, replace "or the" with an underscored comma

Page 2, line 13, after "treasurer" insert ", or county auditor"

Page 2, line 14, after "15.1-27" insert "or 57-51"

Page 2, line 18, overstrike "3." and insert immediately thereafter "5."

Page 2, line 19, replace "or the" with an underscored comma

Page 2, line 19, after "treasurer" insert ", and county auditor"

Page 2, line 20, after "1" insert ", 2, or 3"

Page 2, line 24, overstrike "4." and insert immediately thereafter "6."

Page 2, line 29, overstrike "by the superintendent"

Page 2, line 30, overstrike "of public instruction"

Page 3, line 1, overstrike "5."

Page 3, line 16, after "6-" insert "7."

Page 3, line 16, replace "and the" with an underscored comma

Page 3, line 16, after "treasurer" insert ", and county auditor"

Page 3, line 18, replace "or the" with an underscored comma

Page 3, line 18, after "treasurer" insert ", and the county auditor"

Page 3, line 19, after "for" insert "a"

Page 3, line 20, overstrike "agents" and insert immediately thereafter "agent"

Page 3, line 21, replace "or the" with an underscored comma

Page 3, line 21, after "treasurer" insert ", or county auditors"

Renumber accordingly

**2023 SENATE EDUCATION**

**HB 1125**



# 2023 SENATE STANDING COMMITTEE MINUTES

**Education Committee**  
Room JW216, State Capitol

HB 1125  
3/6/2023

Relating to withholding school district state aid payments and school district credit enhancement programs.
---

10:30 AM Chair Elkin opened the hearing. Present: Chair Elkin, Vice Chair Beard, Sen Axtman, Sen Conley, Sen Lemm, and Sen Wobbema.

**Discussion Topics:**

- Bond rating
- Credit rating
- Property tax

Rep Richter, Dist 1, bill sponsor, testified in support and brought chart #22180

Leslie Bieber, Supt Alexander School testified via TEAMS in support #21365.

Sen Axtman moved a DO PASS. Sen Conley seconded.

<b>Senators</b>	<b>Vote</b>
Senator Jay Elkin	Y
Senator Todd Beard	Y
Senator Michelle Axtman	Y
Senator Cole Conley	Y
Senator Randy D. Lemm	Y
Senator Michael A. Wobbema	Y

VOTE: YES – 6 NO – 0 Absent – 0 Motion PASSED

Sen Elkin will carry the bill.

**Additional written testimony:**

Scott Wegner, Bismarck, ND, in support #21344

10:50 AM Chair Elkin closed the hearing.

*Pam Dever, Committee Clerk*

**REPORT OF STANDING COMMITTEE**

**HB 1125, as engrossed: Education Committee (Sen. Elkin, Chairman)** recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1125 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

**TESTIMONY**

**HB 1125**

**HB 1125**  
**House Education Committee**  
**January 30, 2023**

Mr. Chairman and members of the Committee:

My name is Scott Wegner. I am a member of the law firm of Arntson Stewart Wegner PC (701.255.1008 / [swegner@aswbondlaw.com](mailto:swegner@aswbondlaw.com)). We serve as bond counsel to school districts.

North Dakota Century Code Section 6-09.4-23 is a credit enhancement program designed to reduce borrowing costs for school districts. Specifically, the program authorizes the Department of Public Instruction to withhold or intercept state aid to a school district if necessary to pay debt service on bonds. The intercepted aid is applied to the school district's bond payments. The program is voluntary, the school board must authorize use of this program as part of a bond financing.

An intercept situation could occur if: (a) tax levy certification error, or (b) mismanagement of public funds.

Around 150 ND school district bond issues are outstanding under the credit enhancement program (since 2011). To our knowledge there have been no instances of a school district missing a bond payment and having its state aid withheld.

Bonds sold with the credit enhancement program may have a **higher rating** which in turn means **lower interest rates** on the bonds.

- Moody's Investors Service rates the program Aa2 (one notch off the State's rating of Aa1)
- Standard & Poor's rates the program AA (one notch off the State's rating of AA+)
- results in an interest rate savings of as much as 50 basis points (1/2 %)
- Scranton PSD – bonds sold at Aa2 (program rating)  
(without program, bonds sold at maybe A2)
- some districts do not receive enough state aid to participate in the program (requirement is x2 coverage: i.e. if annual bond debt service is \$500,000, annual state aid must be at least \$1m)

House Bill 1125 makes one improvement to the credit enhancement program:

- new subsections are added to allow withholding of certain revenue in lieu of property taxes:
  - NDCC 57-51 (oil and gas gross production tax)
  - NDCC 57-33.2 (electric generation, distribution and transmission taxes)
  - NDCC 57-34 (telecommunications carriers taxation)
  - NDCC 57-55 (mobile home tax)
  - NDCC 21-06-10 (flood control)

Chairman Heinart and Education Committee Board Members. My name is Leslie Bieber and I am the superintendent of Alexander Public School in Alexander, ND. I am here in support of HB 1125.

In 2015-16, APS added equal square footage to our school building due to enrollment increase. APS enrollment has increased by 546% in the last 15 years. We received the Bank of ND School Construction Loan for \$10,000,000 (we are very grateful for the program) and sold bonds in the open market for \$7,000,000.

The credit enhancement program currently requires that our per pupil aid equals two times the annual payment of our debt in order to receive the state credit rate.

Due to the 75% deduct of our in lieu of taxes, APS did not qualify for the credit enhancement program, which required that we had to buy insurance on our bonds for a total of \$41,000.

14-15 Per Pupil Aid: \$747,644.24

14-15 In Lieu of Tax Deduct: \$745,526.32

14-15 Total Income from Per Pupil Aid and In Lieu of Taxes: **\$1,493,170.56**

Debt Repayment Annually (average): \$1,036,574

In other words, the money is there, just not from per pupil aid due to the 75% deduct and it cost our constituents an additional \$41,000.

Other NW schools that did not qualify due to the in lieu of deduct was Ray Public School and McKenzie Public School District (Watford City).

Thank you for allowing me to address this committee. I will stand for any questions at this time.

23.0317.01002

Sixty-eighth  
Legislative Assembly  
of North Dakota

**HOUSE BILL NO. 1125**

Introduced by

Representatives Richter, Longmuir, Monson, Nathe

Senators Patten, Schaible

1 A BILL for an Act to amend and reenact section 6-09.4-23 of the North Dakota Century Code,  
2 relating to withholding school district state aid payments and the school district credit  
3 enhancement program.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Section 6-09.4-23 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7 **6-09.4-23. Evidences of indebtedness - Authority to withhold school district state aid.**

8 1. If the public finance authority or a paying agent notifies the superintendent of public  
9 instruction ~~or the state treasurer~~, in writing, that a school district has failed to pay when  
10 due the principal or interest on any evidences of indebtedness issued after July 31,  
11 1999, or that the public finance authority, school district, or the paying agent has  
12 reason to believe a school district will not be able to make a full payment of the  
13 principal and interest when the payment is due, the superintendent of public instruction  
14 ~~or the state treasurer~~ shall withhold any funds that are due or payable or appropriated  
15 to the school district under chapter 15.1-27 until the payment of the principal or  
16 interest has been made to the public finance authority or the paying agent, or until the  
17 public finance authority, school district, or the paying agent notifies the superintendent  
18 of public instruction ~~or the state treasurer~~ that arrangements satisfactory to the public  
19 finance authority or the paying agent have been made for the payment of the principal  
20 and interest then due and owing. The notification must include information required by  
21 the superintendent of public instruction ~~or the state treasurer~~. State funds available to  
22 a school district under chapter 15.1-27 are not subject to withholding under this  
23 section unless the withholding is authorized by resolution of the district's school board.

1           2. If the public finance authority or a paying agent notifies the state treasurer, in writing,  
2           that a school district has failed to pay when due the principal or interest on any  
3           evidence of indebtedness issued after July 31, 2023, or that the public finance  
4           authority, school district, or the paying agent has reason to believe a school district will  
5           not be able to make a full payment of the principal and interest when the payment is  
6           due, the state treasurer shall withhold any funds that are due or payable or  
7           appropriated to the school district under chapter 57-51 until the payment of the  
8           principal or interest has been made to the public finance authority or the paying agent,  
9           or until the public finance authority, school district, or the paying agent notifies the  
10          state treasurer that arrangements satisfactory to the public finance authority or the  
11          paying agent have been made for the payment of the principal and interest then due  
12          and owing. The notification must include information required by the state treasurer.  
13          State funds available to a school district under chapter 57-51 are not subject to  
14          withholding under this section unless the withholding is authorized by resolution of the  
15          district's school board.

16          3. If the public finance authority or a paying agent notifies the county auditor, in writing,  
17          that a school district has failed to pay when due the principal or interest on any  
18          evidence of indebtedness issued after July 31, 2023, or that the public finance  
19          authority, school district, or the paying agent has reason to believe a school district will  
20          not be able to make a full payment of the principal and interest when the payment is  
21          due, the county auditor shall withhold any funds that are due or payable or  
22          appropriated to the school district under chapters 57-33.2, 57-34, and 57-55 and  
23          section 21-06-10 until the payment of the principal or interest has been made to the  
24          public finance authority or the paying agent, or until the public finance authority, school  
25          district, or the paying agent notifies the county auditor that arrangements satisfactory  
26          to the public finance authority or the paying agent have been made for the payment of  
27          the principal and interest then due and owing. The notification must include  
28          information required by the county auditor. State funds available to a school district  
29          under chapters 57-33.2, 57-34, and 57-55 and section 21-06-10 are not subject to  
30          withholding under this section unless the withholding is authorized by resolution of the  
31          district's school board.

1 4. Notification by the public finance authority, school district, or the paying agent that  
2 satisfactory arrangements have been made for the payment of the principal and  
3 interest then due and owing under subsection 1, 2, or 3 must be made at least fifteen  
4 working days before the principal or interest is due. The notice must be in writing and  
5 include the name of the school district, an identification of the debt obligation issue,  
6 the date the payment is due, the amount of principal and interest due on the payment  
7 date, the amount of principal or interest the school district will be unable to pay, the  
8 paying agent for the debt obligation, the wire transfer instructions to transfer funds to  
9 the paying agent, and an indication that payment is requested under this section. A  
10 paying agent shall notify the superintendent of public instruction ~~or, the state treasurer,~~  
11 and the appropriate county auditor if the paying agent becomes aware of a potential  
12 default. If the superintendent ~~or the, state treasurer, or the county auditor~~ receives  
13 notice of a requested payment under this section, the superintendent of public  
14 instruction ~~or the, state treasurer, or county auditor~~ shall withhold and transfer funds  
15 due or payable or appropriated to the school district under chapter 15.1-27 or 57-51 to  
16 the paying agent after:

- 17 a. Consulting with the school district and the paying agent; and
- 18 b. Verifying the accuracy of the provided request information.

19 ~~3-5.~~ Notwithstanding any withholding of state funds under section 15-39.1-23 or any other  
20 law, the superintendent of public instruction ~~or the, state treasurer, and county auditor~~  
21 shall make available any funds withheld under subsection 1, 2, or 3 to the public  
22 finance authority or the paying agent. The public finance authority or the paying agent  
23 shall apply the funds to payments that the school district is required to make to the  
24 public finance authority or the paying agent.

25 4-6. If funds are withheld from a school district and made available to the public finance  
26 authority or a paying agent under this section and if tax revenues are received by the  
27 school district during the fiscal year in which the funds are withheld and are deposited  
28 in the district's sinking fund established in accordance with section 21-03-42, the  
29 district, with the consent of the public finance authority or the paying agent, may  
30 withdraw from its sinking fund an amount equal to that withheld ~~by the superintendent~~



1 ~~of public instruction~~ and made available to the public finance authority or a paying  
2 agent under this section.

3 ~~5.~~ Any excess funds at the Bank of North Dakota escrowed pursuant to an agreement  
4 between the public finance authority and the state board of public school education for  
5 the benefit of the public finance authority and a school district must be held by the  
6 Bank. With the approval of the superintendent of public instruction, those funds may  
7 be used to subsidize the debt service payments on construction loans that are made  
8 to school districts by the public finance authority and which are subject to the  
9 withholding provisions of this section or construction loans made to school districts  
10 under the state school construction program established by section 11 of chapter 2 of  
11 the 1989 Session Laws. Notwithstanding the existence of an escrow agreement  
12 between the public finance authority and the state board of public school education,  
13 these funds must be transferred to the public finance authority upon certification by the  
14 public finance authority that the funds are in excess of the amount needed to provide  
15 for the payment in full of the outstanding principal and interest, when due, on the  
16 public finance authority bonds issued to purchase the municipal securities for which  
17 the escrow fund was established.

18 ~~6-7.~~ The superintendent of public instruction ~~and the, state treasurer, and county auditor~~  
19 shall develop detailed procedures for a school districtsdistrict to notify the  
20 superintendent of public instruction ~~or the, state treasurer, and the county auditor~~ that  
21 they have the school district has obligated themselves the district to be bound by the  
22 provisions of this section; procedures for a school districtsdistrict, paying ~~agents~~agent,  
23 and the public finance authority to notify the superintendent of public instruction ~~or the,~~  
24 state treasurer, or county auditors of potential defaults and to request payment under  
25 this section; and procedures for the state to expedite payments to prevent defaults.



Entity Name	ADM	wsu	Tax Base per wsu	Total Formula Amount	Transition Maximum	Transition Minimum	Contribution from Property Tax	Contribution from In-Lieu	Total State Aid	State & In Lieu
New Town 1	940.22	1,079.75	50,597	10,944,346	-	6,371,341	(2,202,926)	(7,009,577)	8,103,184	15,112,760
Minot 1	7,588.23	8,499.06	25,948	86,146,472	-	-	(13,231,922)	(4,015,551)	68,899,000	72,914,551
Williston Basin 7	4,910.59	5,826.43	45,055	59,056,694	-	2,318,670	(13,537,209)	(3,833,494)	44,004,661	47,838,155
McKenzie Co 1	1,743.05	1,970.76	134,619	19,975,623	-	-	(7,596,300)	(3,048,178)	9,331,145	12,379,323
Dickinson 1	3,699.06	4,209.19	37,102	42,664,350	-	-	(9,370,076)	(1,698,393)	31,595,881	33,294,274
Bowman Co 1	491.89	550.97	46,928	5,584,632	-	956,669	(1,551,344)	(1,333,592)	3,656,365	4,989,957
Billings Co 1	82.20	141.91	139,133	1,438,400	-	1,055,605	(1,184,662)	(1,309,342)	-	1,309,342
Tioga 15	460.07	521.75	152,422	5,288,458	-	887,257	(3,113,036)	(1,296,275)	1,766,404	3,062,679
Killdeer 16	558.24	636.10	77,256	6,447,510	-	531,247	(2,364,391)	(1,203,405)	3,410,961	4,614,366
Divide County 1	385.31	438.58	71,830	4,445,447	-	-	(1,890,199)	(1,139,829)	1,415,419	2,555,248
Alexander 2	247.44	326.93	111,562	3,313,762	-	30,274	(1,566,345)	(958,745)	818,946	1,777,691
New Salem-Almont 49	354.21	426.79	38,758	4,325,943	-	-	(992,495)	(848,192)	2,485,256	3,333,448
Beulah 27	722.21	812.26	38,508	8,233,067	-	-	(1,876,700)	(793,384)	5,562,984	6,356,368
Stanley 2	706.51	803.32	83,829	8,142,452	-	694,364	(4,040,487)	(761,099)	4,035,229	4,796,328
New England 9	279.51	355.69	38,340	3,605,274	-	209,384	(818,229)	(640,382)	2,356,047	2,996,429
Hazen 3	565.23	639.42	25,879	6,481,161	-	-	(992,846)	(574,506)	4,913,809	5,488,315
Powers Lake 27	207.15	280.74	30,733	2,845,581	-	277,558	(517,672)	(556,926)	2,048,541	2,605,467
Glen Ullin 48	136.73	230.12	54,003	2,332,496	-	-	(745,632)	(500,499)	1,086,365	1,586,864
Richardton-Taylor 34	316.75	381.26	36,460	3,864,451	-	-	(834,044)	(398,172)	2,632,236	3,030,407
Velva 1	450.87	505.83	37,363	5,127,093	-	-	(1,133,959)	(394,086)	3,599,048	3,993,134
Belfield 13	239.23	319.46	45,128	3,238,047	-	24,040	(762,589)	(385,097)	2,114,400	2,499,498
South Heart 9	369.30	445.89	42,467	4,519,541	-	-	(1,121,906)	(373,267)	3,024,368	3,397,635
Bottineau 1	679.29	758.57	46,771	7,688,866	-	70,355	(2,128,746)	(358,140)	5,272,335	5,630,475
Center-Stanton 1	237.75	310.79	45,797	3,150,167	-	212,054	(853,987)	(344,839)	2,163,396	2,508,235
Burke Central 36	101.16	156.41	72,859	1,585,372	-	178,597	(683,751)	(343,715)	736,503	1,080,218
Bowbells 14	65.89	112.86	72,868	1,143,949	-	473,672	(493,434)	(330,476)	793,711	1,124,186
Jamestown 1	2,165.50	2,395.02	31,726	24,275,923	-	-	(4,559,001)	(324,438)	19,392,484	19,716,922
Beach 3	266.53	352.00	33,507	3,567,872	-	-	(707,666)	(323,131)	2,537,075	2,860,206
Garrison 51	389.17	442.25	52,877	4,482,646	-	230,439	(1,403,097)	(306,362)	3,003,625	3,309,987
Barnes County North 7	241.62	319.72	101,742	3,240,682	-	1,090,376	(1,951,737)	(297,695)	2,081,626	2,379,321
Nesson 2	375.83	442.66	99,541	4,486,802	-	-	(1,858,265)	(278,842)	2,349,695	2,628,537
Mandaree 36	199.66	276.70	53,595	2,804,631	(567,871)	-	(372,440)	(252,470)	1,611,850	1,864,320
Hebron 13	151.48	223.32	41,471	2,263,572	-	-	(555,679)	(237,564)	1,470,328	1,707,892
Scranton 33	126.39	196.46	46,922	1,991,319	-	107,590	(553,101)	(228,982)	1,316,826	1,545,808
Pingree-Buchanan 10	139.02	213.52	44,110	2,164,239	-	-	(565,097)	(219,378)	1,379,763	1,599,141
Edmore 2	32.24	54.45	177,185	551,905	-	604,590	(578,862)	(217,007)	360,626	577,633
Parshall 3	272.19	351.07	52,776	3,558,446	-	-	(1,111,678)	(214,498)	2,232,269	2,446,767
Devils Lake 1	1,641.70	1,848.53	25,836	18,736,700	-	-	(2,865,512)	(208,744)	15,662,444	15,871,188
Washburn 4	332.43	400.66	37,735	4,061,090	-	-	(907,141)	(204,748)	2,949,200	3,153,948

**HB 1125**  
**Senate Education Committee**  
**March 1, 2023**

Mr. Chairman and members of the Committee:

My name is Scott Wegner. I am a member of the law firm of Arntson Stewart Wegner PC (701.255.1008 / [swegner@aswbondlaw.com](mailto:swegner@aswbondlaw.com)). We serve as bond counsel to school districts.

North Dakota Century Code Section 6-09.4-23 is a credit enhancement program designed to reduce borrowing costs for school districts. Specifically, the program authorizes the Department of Public Instruction to withhold or intercept state aid to a school district if necessary to pay debt service on bonds. The intercepted aid is applied to the school district's bond payments. The program is voluntary, the school board must authorize use of this program as part of a bond financing.

An intercept situation could occur if: (a) tax levy certification error, or (b) mismanagement of public funds.

Around 150 ND school district bond issues are outstanding under the credit enhancement program (since 2011). To our knowledge there have been no instances of a school district missing a bond payment and having its state aid withheld.

Bonds sold with the credit enhancement program may have a **higher rating** which in turn means **lower interest rates** on the bonds.

- Moody's Investors Service rates the program Aa2 (one notch off the State's rating of Aa1)
- Standard & Poor's rates the program AA (one notch off the State's rating of AA+)
- results in an interest rate savings of as much as 50 basis points (1/2 %)
- Scranton PSD – bonds sold at Aa2 (program rating)  
(without program, bonds sold at maybe A2)
- some districts do not receive enough state aid to participate in the program (requirement is x2 coverage: i.e., if annual bond debt service is \$500,000, annual state aid must be at least \$1m)

House Bill 1125 makes one improvement to the credit enhancement program:

- new subsections are added to allow withholding of certain revenue in lieu of property taxes:
  - NDCC 57-51 (oil and gas gross production tax)
  - NDCC 57-33.2 (electric generation, distribution and transmission taxes)
  - NDCC 57-34 (telecommunications carriers taxation)
  - NDCC 57-55 (mobile home tax)
  - NDCC 21-06-10 (flood control)

Chairman Elkin and Education Committee Members.

My names is Leslie Bieber and I am the superintendent of Alexander Public School in Alexander, ND. I am here in support of HB 1125.

In 2015-16, APS added equal square footage to our school building due to enrollment increase. APS enrollment has increased by 546% in the last 15 years. We received the Bank of ND School Construction Loan for \$10,000,000 and sold bonds in the open market for \$7,000,000.

The credit enhancement program currently requires that a district's per pupil state aid equals two times the annual payment of our debt in order to receive the state credit rate.

Due to the 75% deduct of our in lieu of taxes, APS did not qualify for the credit enhancement program, which required that we had to buy insurance on our bonds for a total of \$41,000.

- 14-15 Per Pupil Aid: **\$747,644.24**
- 14-15 In Lieu of Tax Deduct: **\$745,526.32**
- 14-15 Total Income from Per Pupil Aid and In Lieu of Taxes: **\$1,728,652.11**
- Debt Repayment Annually for the Bonds (average): **\$456,373.00**
- Debt Repayment **X 2** to receive the state credit rate: **\$912,746.00**

If you read prior testimony from the House Education Committee, there is a difference in the calculations in my former written testimony. I had made an error but clarified my errors in front of the House Education Committee in person.

APS received sufficient funds, just not from per pupil aid due to the 75% deduct and it cost our constituents an additional \$41,000.

Other NW schools that did not qualify due to the in lieu of deduct was Ray Public School and McKenzie Public School District (Watford City).

HB1125 will correct the unintended negative outcome to school districts receiving in lieu of taxes. Therefore I ask that you give a do pass on HB 1125.

Thank you for allowing me to address this committee. I will stand for any questions at this time.

Sincerely,

Leslie Bieber



Entity Name	ADM	wsu	Tax Base per wsu	Total Formula Amount	Transition Maximum	Transition Minimum	Contribution from Property Tax	Contribution from In-Lieu	Total State Aid	State & In Lieu
New Town 1	940.22	1,079.75	50,597	10,944,346	-	6,371,341	(2,202,926)	(7,009,577)	8,103,184	15,112,760
Minot 1	7,588.23	8,499.06	25,948	86,146,472	-	-	(13,231,922)	(4,015,551)	68,899,000	72,914,551
Williston Basin 7	4,910.59	5,826.43	45,055	59,056,694	-	2,318,670	(13,537,209)	(3,833,494)	44,004,661	47,838,155
McKenzie Co 1	1,743.05	1,970.76	134,619	19,975,623	-	-	(7,596,300)	(3,048,178)	9,331,145	12,379,323
Dickinson 1	3,699.06	4,209.19	37,102	42,664,350	-	-	(9,370,076)	(1,698,393)	31,595,881	33,294,274
Bowman Co 1	491.89	550.97	46,928	5,584,632	-	956,669	(1,551,344)	(1,333,592)	3,656,365	4,989,957
Billings Co 1	82.20	141.91	139,133	1,438,400	-	1,055,605	(1,184,662)	(1,309,342)	-	1,309,342
Tioga 15	460.07	521.75	152,422	5,288,458	-	887,257	(3,113,036)	(1,296,275)	1,766,404	3,062,679
Killdeer 16	558.24	636.10	77,256	6,447,510	-	531,247	(2,364,391)	(1,203,405)	3,410,961	4,614,366
Divide County 1	385.31	438.58	71,830	4,445,447	-	-	(1,890,199)	(1,139,829)	1,415,419	2,555,248
Alexander 2	247.44	326.93	111,562	3,313,762	-	30,274	(1,566,345)	(958,745)	818,946	1,777,691
New Salem-Almont 49	354.21	426.79	38,758	4,325,943	-	-	(992,495)	(848,192)	2,485,256	3,333,448
Beulah 27	722.21	812.26	38,508	8,233,067	-	-	(1,876,700)	(793,384)	5,562,984	6,356,368
Stanley 2	706.51	803.32	83,829	8,142,452	-	694,364	(4,040,487)	(761,099)	4,035,229	4,796,328
New England 9	279.51	355.69	38,340	3,605,274	-	209,384	(818,229)	(640,382)	2,356,047	2,996,429
Hazen 3	565.23	639.42	25,879	6,481,161	-	-	(992,846)	(574,506)	4,913,809	5,488,315
Powers Lake 27	207.15	280.74	30,733	2,845,581	-	277,558	(517,672)	(556,926)	2,048,541	2,605,467
Glen Ullin 48	136.73	230.12	54,003	2,332,496	-	-	(745,632)	(500,499)	1,086,365	1,586,864
Richardton-Taylor 34	316.75	381.26	36,460	3,864,451	-	-	(834,044)	(398,172)	2,632,236	3,030,407
Velva 1	450.87	505.83	37,363	5,127,093	-	-	(1,133,959)	(394,086)	3,599,048	3,993,134
Belfield 13	239.23	319.46	45,128	3,238,047	-	24,040	(762,589)	(385,097)	2,114,400	2,499,498
South Heart 9	369.30	445.89	42,467	4,519,541	-	-	(1,121,906)	(373,267)	3,024,368	3,397,635
Bottineau 1	679.29	758.57	46,771	7,688,866	-	70,355	(2,128,746)	(358,140)	5,272,335	5,630,475
Center-Stanton 1	237.75	310.79	45,797	3,150,167	-	212,054	(853,987)	(344,839)	2,163,396	2,508,235
Burke Central 36	101.16	156.41	72,859	1,585,372	-	178,597	(683,751)	(343,715)	736,503	1,080,218
Bowbells 14	65.89	112.86	72,868	1,143,949	-	473,672	(493,434)	(330,476)	793,711	1,124,186
Jamestown 1	2,165.50	2,395.02	31,726	24,275,923	-	-	(4,559,001)	(324,438)	19,392,484	19,716,922
Beach 3	266.53	352.00	33,507	3,567,872	-	-	(707,666)	(323,131)	2,537,075	2,860,206
Garrison 51	389.17	442.25	52,877	4,482,646	-	230,439	(1,403,097)	(306,362)	3,003,625	3,309,987
Barnes County North 7	241.62	319.72	101,742	3,240,682	-	1,090,376	(1,951,737)	(297,695)	2,081,626	2,379,321
Nesson 2	375.83	442.66	99,541	4,486,802	-	-	(1,858,265)	(278,842)	2,349,695	2,628,537
Mandaree 36	199.66	276.70	53,595	2,804,631	(567,871)	-	(372,440)	(252,470)	1,611,850	1,864,320
Hebron 13	151.48	223.32	41,471	2,263,572	-	-	(555,679)	(237,564)	1,470,328	1,707,892
Scranton 33	126.39	196.46	46,922	1,991,319	-	107,590	(553,101)	(228,982)	1,316,826	1,545,808
Pingree-Buchanan 10	139.02	213.52	44,110	2,164,239	-	-	(565,097)	(219,378)	1,379,763	1,599,141
Edmore 2	32.24	54.45	177,185	551,905	-	604,590	(578,862)	(217,007)	360,626	577,633
Parshall 3	272.19	351.07	52,776	3,558,446	-	-	(1,111,678)	(214,498)	2,232,269	2,446,767
Devils Lake 1	1,641.70	1,848.53	25,836	18,736,700	-	-	(2,865,512)	(208,744)	15,662,444	15,871,188
Washburn 4	332.43	400.66	37,735	4,061,090	-	-	(907,141)	(204,748)	2,949,200	3,153,948