

2023 HOUSE EDUCATION

HB 1161

2023 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau AB Room, State Capitol

HB 1161
1/18/2023

Relating to eligibility for school construction loans

10:00 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:

- General Obligation Bonds
- Building Fund Bonds

Scott Wagner Member of law firm Arntson Stewart Wegner PC Support #13888

Closed hearing

Representative Schreiber-Beck moved a **Do Pass Representative Murphy** seconded
Roll Call Vote:

Representatives	Vote
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	Y
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

Motion carried 14-0-0 Representative Murphy Carrier

Closed meeting at 10:25 AM

Kathleen Davis, Committee Clerk
By Bev Monroe

REPORT OF STANDING COMMITTEE

HB 1161: Education Committee (Rep. Heinert, Chairman) recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1161 was placed on the Eleventh order on the calendar.

2023 SENATE EDUCATION

HB 1161

2023 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

HB 1161
3/1/2023

Relating to eligibility for school construction loans.

1:30 PM Chair Elkin opened the hearing. Present: Chair Elkin, Vice Chair Beard, Sen Axtman, Sen Conley, Sen Lemm, and Sen Wobbema.

Discussion Topics:

- Fixable requirements
- General obligation bonds

Scott Wegner, Lawyer at Arntson, Stewart, Wegner Firm, testified in support #21429.

Sen Axtman moved a DO PASS.

Sen Wobbema seconded.

Senators	Vote
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 Axtman will carry the bill.

1:43 PM Chair Elkin closed the hearing.

Pam Dever, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1161: Education Committee (Sen. Elkin, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1161 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

TESTIMONY

HB 1161

HB 1161
House Education Committee
January 18, 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). We serve as bond counsel to school districts.

HB 1161 deals with three provisions of law:

- A. State School Construction Fund (N.D.C.C. § 15.1-36-08)
- 1953
 - low interest rate (2%) loans to school districts for construction and remodeling projects
 - currently, the School Construction Assistance Revolving Loan Fund (SCARLF)
 - including coal development trust fund loans, total is 73 active loans, \$300m+ outstanding
 - DPI approves loans and BND administers the loan fund
 - to make loans, BND purchases bonds issued by school districts pursuant to Chapter 21-03
- B. General Obligation Bonds (N.D.C.C. § 21-03-06(4))
- 1927
 - requires voter approval (60% super majority)
 - voters approval dollar amount of bonds, unlimited excess mill levy to pay debt service
 - issue bonds for up to 20 years subject to debt limit (5% of assessed value, 10% /w vote)
- C. Building Fund Bonds (N.D.C.C. § 21-03-07(7))
- 1929
 - requires 60 day protest period (5% assessed value threshold), but no vote
 - borrow against building fund levy (up to 20 mills with voter 60% approval)
 - issue bonds for up to 20 years subject to debt limit
 - building fund bonds *specifically authorized* for state loans (21-03-07(7))
 - state loans *specifically authorized* for districts issuing bonds per ch. 21-03 (15.1-36-04)

2015 legislation requires publication of tax impact information in the notice of election and posting on the school district website as an eligibility requirement for a state loan.

“The School District intends to issue the \$7,900,000 general obligation bonds resulting in an additional millage of 39.50 mills, equal to \$39.50 on each \$1,000 of taxable valuation for the first taxable year after all of the bonds are issued.”

The 2015 legislation has been interpreted as limiting state loans to school districts issuing general obligation bonds only, thus excluding building fund bonds.

HB 1161 clarifies the use of building fund bonds for state loans by requiring publication of tax impact information in the notice of opportunity to protest.

HB 1161
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). We serve as bond counsel to school districts.

HB 1161 deals with three provisions of law:

- A. State School Construction Fund (N.D.C.C. § 15.1-36-08)
- 1953
 - low interest rate (2%) loans to school districts for construction and remodeling projects
 - currently, the School Construction Assistance Revolving Loan Fund (SCARLF)
 - including coal development trust fund loans, total is 73 active loans, \$300m+ outstanding
 - DPI approves loans and BND administers the loan fund
 - to make loans, BND purchases bonds issued by school districts pursuant to Chapter 21-03
 - there are **2 types of school district bonds under Chapter 21-03:**
- B. General Obligation Bonds (N.D.C.C. § 21-03-06(4))
- 1927
 - requires voter approval (60% super majority)
 - voters approval dollar amount of bonds, unlimited excess mill levy to pay debt service
 - issue bonds for up to 20 years subject to debt limit (5% of assessed value, 10% /w vote)
- C. Building Fund Bonds (N.D.C.C. § 21-03-07(7))
- 1929
 - requires 60 day protest period (5% assessed value threshold), but no vote
 - borrow against building fund levy (up to 20 mills with voter 60% approval)
 - issue bonds for up to 20 years subject to debt limit
 - building fund bonds *specifically authorized* for state loans (21-03-07(7))
 - state loans *specifically authorized* for districts issuing bonds per ch. 21-03 (15.1-36-04)

2015 legislation requires **publication** of tax impact information in the notice of election and **posting** on the school district website as an eligibility requirement for a state loan.

“The School District intends to issue the \$7,900,000 general obligation bonds resulting in an additional millage of 39.50 mills, equal to \$39.50 on each \$1,000 of taxable valuation for the first taxable year after all of the bonds are issued.” (\$602,520 annual bond debt service divided by \$15,252 (value of 1 mill) = 39.50 mills).

The 2015 legislation has been interpreted as limiting state loans to school districts issuing general obligation bonds only, thus excluding building fund bonds. There is no reason to require school districts using building fund bonds to borrow at higher market rates.

HB 1161 clarifies the use of building fund bonds for state loans by requiring publication of tax impact information in the notice of opportunity to protest.