

2023 HOUSE APPROPRIATIONS

HB 1186

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1186
1/25/2023

Relating to the school construction assistance revolving loan fund; and to declare an emergency

11:18 AM Chairman Vigesaa- Meeting was called to order and roll call was taken:

Members present; Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Bellew, Representative Brandenburg, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative G. Stemen and Representative Swiontek.

Members not Present: Representative Hanson

Discussion Topics:

- Interest Rate Decrease
- Grant Program
- Sunset Clause

Representative Louser- Introduces HB 1186 and testifies in favor. (Testimony #16632)

Dr. Aimee Copas- ND Council of Educational Leaders- Testifies in favor (Testimony #16633)

Nick Klemisch-Garrison Superintendent- Spoke in favor.

Mark Vollmer- Superintendent of Minot- Spoke in favor. (Testimony #16471)

Dr. Mike McNeff, Superintendent of Schools of Rugby- Spoke in favor.

Daren Kurle- Superintendent of Belfield Schools- Spoke in favor.

Geoffrey Simon- Western Dakota Energy Association- Spoke in favor.

Kelvin Hullet- Bank of ND- Offers explanation (Testimony #16758)

Chairman Vigesaa Closed the meeting for HB 1186 at 12:16 PM

Risa Berube, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1186
2/16/2023

Relating to the school construction assistance revolving loan fund; and to declare an emergency

6:30 PM Chairman Vigesaa- Meeting was called to order and roll call was taken:

Members present; Chairman Vigesaa, Representative B. Anderson, Representative Bellew, Representative Brandenburg, Representative Hanson, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative G. Stemen and Representative Swiontek.

Members not Present- Representative Kempenich

Discussion Topics:

- Amendment

Representative Monson Amendment 23.0568.01001 (testimony #21043)

Representative Monson Move to adopt the amendment and further amend on page 2; 5 million to 8 million and adding 50/50 matching requirement.

Representative Brandenburg Seconds the motion.

Committee discussion- Roll call vote

Representatives	Vote
Representative Don Vigesaa	N
Representative Keith Kempenich	A
Representative Bert Anderson	N
Representative Larry Bellew	N
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	N
Representative Bob Martinson	N
Representative Lisa Meier	N
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	N
Representative Jon O. Nelson	N

Representative Emily O'Brien	N
Representative Brandy Pyle	N
Representative David Richter	Y
Representative Mark Sanford	N
Representative Mike Schatz	N
Representative Randy A. Schobinger	Y
Representative Greg Stemen	N
Representative Michelle Strinden	N
Representative Steve Swiontek	N

Motion Fails 7-15-1

Representative J. Nelson- Move to amend by adding underscored language on page 2 line 28 & 29.

Representative Pyle- Seconds the motion.

Roll call vote.

Representatives	Vote
Representative Don Vigesaa	N
Representative Keith Kempenich	A
Representative Bert Anderson	Y
Representative Larry Bellew	N
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	N
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

Motion Carries 19-3-1

Representative Richter Move for a Do Pass as Amended

Representative Hanson- Seconds the motion

Committee Discussion- Roll call vote

Representatives	Vote
Representative Don Vigesaa	N
Representative Keith Kempenich	A
Representative Bert Anderson	Y
Representative Larry Bellew	N
Representative Mike Brandenburg	N
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	N
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	N
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

17-5-1 Motion Carries Representative Monson will carry the bill.

7:02 PM Chairman Vigesaa Closed the meeting for HB 1186

Risa Berube, Committee Clerk

DR
LJ1
2-17-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1186

Page 2, line 28, overstrike "and"

Page 2, line 29, after "year" insert "; and"

- d. A district with a current school construction loan secured on the open bond market may refinance that loan when callable into the school construction assistance revolving loan fund"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1186: Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (17 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1186 was placed on the Sixth order on the calendar.

Page 2, line 28, overstrike "and"

Page 2, line 29, after "year" insert " and

- d. A district with a current school construction loan secured on the open bond market may refinance that loan when callable into the school construction assistance revolving loan fund"

Renumber accordingly

2023 SENATE EDUCATION

HB 1186

2023 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

HB 1186
3/14/2023

Relating to the school construction assistance revolving loan fund; declare an emergency.

3:05 PM Chair Elkin opened the hearing. Present: Chair Elkin, Vice Chair Beard, Sen Axtman, Sen Conley, Sen Lemm, and Sen Wobbema.

Discussion Topics:

- Buildings
- Low interest
- Grants
- Self-sustaining fund

Rep Louser, bill sponsor testified in support #25304.

Sen Schaible testified opposed with no written testimony.

Mark Vollmer, Supt Minot Schools and Air Base, testified in support #24877.

Jeff Fastnacht, Asst Mandan Schools testified in support #24399.

Dr Aimee Copas, ND Council Educational Leaders testified in support #24531.

Jeff Simon, testified in support with no written testimony.

Additional written testimony:

Leslie Bieber, Supt Alexander School, in support #24953

3:37 PM Chair Elkin closed the hearing.

Pam Dever, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

HB 1186
3/15/2023

Relating to the school construction assistance revolving loan fund; declare an emergency.

11:22 AM Chair Elkin opened committee work. Present: Chair Elkin, Vice Chair Beard, Sen Axtman, Sen Conley, Sen Lemm, and Sen Wobbema.

Discussion Topics:

- Committee action
- \$4M for four schools

Sen Conley moved a DO NOT PASS.

Sen Axtman seconded the motion.

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

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

Sen Wobbema will carry the bill.

11:27 AM Chair Elkin adjourned the meeting.

Pam Dever, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1186, as engrossed: Education Committee (Sen. Elkin, Chairman) recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1186 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

TESTIMONY

HB 1186

House Appropriations Committee**Rep. Vigesaa, Chair****January 17, 2023****HB 1186**

Chairman Vigesaa and members of the House Appropriations Committee, my name is Mark Vollmer. I proudly serve as Superintendent of Minot Public School District #1 and Minot Air Force Base #160. I stand in front of you today to offer our support for HB 1186, a bill to amend and reenact section 15.1-36-08 of the North Dakota Century Code, relating to the school construction assistance revolving loan fund; and to declare an emergency.

HB 1186 take us back to the previous language in the school construction assistance revolving loan fund, allowing schools to borrow up to \$20 million dollars at 1% interest.

What is the advantage of a lower rate? Simply put, the lower rate is tax relief for the citizens of a school district. Also, there is no more secure loan than a loan made to a school district. The repayment structure is defined in the language of the bond issue, and repayment is guaranteed, with a secured funding source from local tax payers.

In addition, Representative Louser's amendment to this great bill supports schools that were caught in a period of crippling inflation. Please allow me to share a bit of Minot's story.

On December 7, 2021, Minot Public School District #1 successfully passed a bond issue to convert a local call center into a comprehensive 9-12 high school, to retrofit Magic City to serve as a comprehensive 9-12 high school, and to transition Central Campus to serve as the district's 3rd in-town middle school. This vote also included the addition of a 50-meter pool and outdoor athletic complex. The issue passed with nearly 85% of voters offering support for the project.

This vote - a vote to support secondary education in Minot was the first successful middle school/high school expansion since 1969. A project that has been 52 years in the making.

From schematic design to the development of construction drawings, the district worked closely with our construction team to design a project that would meet the needs of our district, and specifically, a project that would fall well within our construction budget.

As bids came in, the district worked to adjust our sails, and looked for cost-savings in every aspect of our construction projects. In late October, the district opened bid packet 3. It was evident that the rampant inflation had taken its toll on our local project. The district and construction management entered into a 58-day value engineering process, seeking reductions in our scope of work, requesting bids for scopes of work that had no bidders, and negotiating with construction companies. The district was able to cut nearly 5.5 million dollars from the budget.

Such drastic cuts come at a long-term cost to the taxpayer. The original roof top air handlers on the existing structure will be reused rather than replaced – these units are near the end of service, and simply put, we are kicking that can down the road. Many bathroom surfaces will not be tiled, and we have removed amenities such as a commercial kitchen in the FACS department. Many science prep areas and storage areas have also been eliminated. Lighting systems have been modified, and the district has decided not to advance plans for a large data center in the building.

The voters of Minot, Mandan, West Fargo, and Rugby voted to approve an expansion of their individual districts. These districts are now being hampered by Washington based, tax and spend inflation that is crippling our local economy. This rampant inflation has spread like a fast-growing cancer, and has altered the original plans set forth by these communities.

These school districts have worked diligently to seek cost-savings while maintaining the integrity of these voter-approved projects. HB 1186 allows our school district to finalize these projects, to deliver on the promise made to our voters, and to support our students as our communities so desire.

It is grossly unfair that school districts, and taxpayers therein, are caught in an stifling, 20% inflation cycle that is crippling the construction economy throughout the United States.

HB 1186 allows the State of North Dakota to step up where our federal government has failed. HB 1186 allows these school districts the opportunity to complete these voter-approved projects as designed, and as voted on by the electorate.

HB 1186, with Representative Louser's proposed amendment, can provide a grant from the school construction assistance fund and low-interest loans, to balance the construction budgets of school districts that are caught in the cross-fire of staggering inflation.

Thank you for allowing me to share our story. I offer my support of HB 1186 and will stand for any questions you may have.

23.0568.01000

Sixty-eighth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1186

Introduced by

Representatives Louser, D. Anderson, Fisher, Koppelman, Nelson, Toman

Senator Burckhard

Amendment to include Grant Program

A BILL for an Act to amend and reenact section 15.1-36-08 of the North Dakota Century Code, relating to the school construction assistance revolving loan fund; to provide an appropriation to the department of public instruction for the school construction grant program; to create the school construction grant program committee and to authorize a Bank of North Dakota line of credit; to provide an exemption; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 15.1-36-08 of the North Dakota Century Code is amended and reenacted as follows:

15.1-36-08. School construction assistance revolving loan fund - Bank of North Dakota - School construction projects - Continuing appropriation.

1. The school construction assistance revolving loan fund is a special revolving loan fund administered by the Bank of North Dakota. The fund consists of all moneys appropriated or transferred to the fund by the legislative assembly, all interest or other earnings of the fund, and all repayments of loans made from the fund.
2. Moneys in the fund, interest upon the moneys in the fund, and payments to the fund of principal and interest are appropriated to the Bank of North Dakota on a continuing basis for the purpose of providing low-interest school construction loans and for paying administrative costs, in accordance with this section.
3. 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) Publish in the official newspaper of the district the information regarding the proposed estimated additional millage and the dollar increase per

1 one thousand dollars of taxable valuation in accordance
2 with section 21-03-13 along with the notice of the election to authorize the
3 school construction bond issuance in accordance with section 21-03-12; and
4 (2) Post the information on the school district's website preceding the date of
5 the election to authorize the school construction bond issuance in
6 accordance with chapter 21-03;

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

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

9 4. The superintendent of public instruction shall review loan applications based on a
10 prioritization system that includes a review of all applications filed during the
11 twelve-month period preceding April first and gives consideration to:

12 a. Student occupancy and academic needs in the district;

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

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

16 d. Community support;

17 e. Cost; and

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

20 5. If the superintendent of public instruction approves the loan, the Bank of North Dakota
21 shall issue a loan from the school construction assistance revolving loan fund. For a
22 loan made under this section:

23 a. The maximum loan amount for which a school district may qualify is
24 ~~ten~~twenty million dollars. However, if a school district's unobligated general fund
25 balance on the preceding June thirtieth exceeds the limitation under section
26 15.1-27-35.3, the loan amount under this section may not exceed eighty percent
27 of the project's cost up to a maximum loan amount of ~~eight~~sixteen million dollars;

28 b. The term of the loan is twenty years, unless the board of the school district
29 requests a shorter term in the written loan application; and
30

31 c. The interest rate of the loan may not exceed ~~two~~one percent per year.

32 d. A district with a current school construction loan secured on the open bond market
33 may refinance that loan when callable into the school construction assistance revolving
34 loan fund.
35

36 6. The Bank may adopt policies and establish guidelines to administer this loan program
37 in accordance with this section. The Bank of North Dakota may use a portion of the
38

1
2 interest paid on the outstanding loans as a servicing fee to pay for administration costs
3 which may not exceed one-half of one percent of the amount of the interest payment.
4 The Bank of North Dakota shall deposit principal and interest payments made by
5 school districts for loans under this section in the school construction assistance
6 revolving loan fund. The Bank of North Dakota shall arrange for the conduct of an
7 annual audit of the school construction assistance revolving loan fund, the cost of
8 which must be paid from the fund and which must be conducted by an independent
9 accounting firm.

10 **SECTION 2. APPROPRIATION – DEPARTMENT OF PUBLIC INSTRUCTION School**
11 **Construction Grant Program – ONE-TIME FUNDING**

12 There is appropriated out of any moneys in the general fund in the state
13 treasury, not otherwise appropriated, the sum of \$40,000,000, or so much of the sum as may be
14 necessary, to the department of public instruction for the purpose of deferring expenses for the
15 construction must have occurred for a voter approved bond issue public
16 school construction project bid after January 2021 and before January 2025; and for the period
17 beginning with the effective date of this Act, and ending June 30, 2025.

18
19 **Section 3 – SCHOOL CONSTRUCTION GRANT PROGRAM COMMITTEE**
20

- 21 1. A four-member committee consisting of the senate majority leader, senate minority leader,
22 house majority leader, and house minority leader shall appoint the members of the school
23 construction committee.
- 24 2. The school construction grant program committee to review grant applications consists of the
25 following five members. The North Dakota association of school administrators and North
26 Dakota school boards association shall provide to the appointment committee three names
27 of eligible candidates for each of the positions representing public schools.
- 28 a. The superintendent of public instruction or designee
- 29 b. The executive director of the department of career and technical education or
30 designee.
- 31 c. A member of the North Dakota association of school administrators representative of
32 a school district with more than five hundred enrolled students.
- 33 d. A representative of the North Dakota association of school administrators a school
34 district with less than five hundred enrolled students.
- 35 e. A representative of the North Dakota school boards association.

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f. Two members of the legislative assembly.

3 The school construction grant committee shall consider grant applications based on a prioritization system that includes a review of all applications filed during the period of January 2021 and before January 2025 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 by the committee after consultation with the appointing committee

SECTION 4. EMERGENCY. This act is declared to be an emergency measure.



1 HB 1186 – School Construction Loan Fund / Grant Fund

2 Testimony in support

3 Chairman Vigesaa and members of the House Appropriations committee. I come to you
4 today as the Executive Director of the ND Council of Educational Leaders representing
5 your school leaders and school administrators in the state.

6 In a conversation with Rep. Louser and Rep. Monson, we come to you with the original
7 iteration of this bill as well as the amended version per the request of Rep. Monson.
8 Unfortunately, Rep. Monson was unable to be here today, but he asked that I share with
9 you that this amendment was worked on by all of us and that he is supportive of this
10 form.

11 Our larger communities in North Dakota are growing, are vibrant, it is a good problem
12 to have. However, one of the challenges of growth is often a need for additional facilities
13 to manage the growth. Furthermore, we come today expressing challenges of
14 inflationary impacts to communities who have voted to pass a bond referendum to build
15 a much-needed facility and are now experiencing 16-25% cost inflationary increases
16 since passage.

17 Today, let's talk about the need to build new schools and how this bill can provide instant
18 property tax relief and how investment in this area both in grants and low interest loans.
19 In communities like Bismarck and West Fargo, for example, the growth rate is requiring
20 the building of a new school each year. As these elementary schools increase in numbers,
21 the natural consequence will happen in the middle schools and high schools. Growth is

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education
for all students in North Dakota.*

Executive Director: Aimee Copas-----Government Lead and Special Projects: Kevin Hoherz



1 tremendous in the “big 9” (Bismarck, Mandan, Fargo, West Fargo, Grand Forks, Minot,
 2 Dickinson, Williston, & Watford City). In Rep. Louser’s district they are currently
 3 building a new high school and with his help in securing the donation of the call center
 4 to be the beginnings of the high school, it helped save cost, but it did not eliminate it by
 5 any stretch of the imagination. In a recent conversation with the Minot business
 6 manager, if their loans which they’ve secured on the bond market could be financed at a
 7 1% low interest loan, they could immediately the property tax burden. Property tax
 8 relief in this instance would be over \$33M in one community.

Years	Loan Amount	Interest Rate	Total Interest	Yearly P&I	Minot Levy
20 years	\$20 million	1%	\$ 2,074,927.00	\$ 1,103,746.34	5.30
20 years	\$20 million	4%	\$ 9,087,056.00	\$ 1,454,352.79	6.99
20 years	\$90 million	1%	\$ 9,337,170.00	\$ 4,966,858.52	23.84
20 years	\$90 million	4%	\$ 40,891,751.00	\$ 6,544,587.56	31.42
Taxpayer savings on a \$90 million loan when you secure 1% vs 4% Including P&I) = \$33,132,310					

9

10 This is a story I could retell in every growing community in North Dakota. That is instant
 11 property tax relief, and it is relief that is NOT an expense but rather an INVESTMENT
 12 – the state will get that money back. Please allow me to outline a few issues we are
 13 grappling with.

14 1) Ending fund balances in our largest districts are very low and this has a negative
 15 consequence on the bond market. That balance is a piece of what lends to a school
 16 district’s credit rating. No large district in North Dakota carries a fund balance
 17 large enough to capitalize on preferential rates.

18 2) The school construction loan fund is a wonderful assist, but currently the
 19 limitations is at \$10M for the loan and it needs a greater baseline investment to



1 support larger communities. Currently the fund is great for a small school who
2 can likely finance most of their project with that amount, however, when you look
3 at a project like Minot North, Legacy High School, Sheyenne High School, Watford
4 City High School, or any large school new middle or high school, the cost is far
5 above that threshold.

- 6 3) Property taxpayers in our larger communities are struggling – while growth is a
7 great problem to have – there are fiscal ramifications regarding the services that
8 need to be paid for.

9 **What are possible solutions?**

- 10 • Increase the investment in the school construction loan fund. For a \$10M loan,
11 each percent of reduction in interest rate saves property taxpayers \$100,000 per
12 year. You find individuals are appropriators – quick math is over a 20-year loan,
13 a 4% loan instead financed through the loan fund as this bill suggests at 1% is a
14 savings of \$6M. **If as this bill is written a greater investment into the fund**
15 **increases the allowability to \$20M, that savings would be approx... \$12M.**
16 For every 1% the amount of interest paid annually on \$10M is approximately
17 \$100k...take that number out to a bigger project and over a 20-year period and it
18 is telling. That amount of savings could completely build a school in Rugby,
19 Alexander, or Richardton. Quite frankly the more money you can invest in
20 bonding and getting those loans as low as possible for the largest allowable
21 amount as possible provides instant property tax relief in the areas in our state
22 where it is needed the most in the places we are growing. This is property tax



1 relief that cannot be backfilled by other taxing authorities. It is real relief – and
2 relief that can be indicated to taxpayers.

- 3 • The next level of support is in a school construction grant fund which you will
4 find as the amendment to the original bill provides even greater property tax relief
5 to districts by providing the possibility of full funding for portions of a building
6 project. Immediately this could help those communities who have passed a bond
7 and bid that construction between January 2021 and now and have met the
8 ramifications of the inflationary increases forcing districts to scale back away from
9 the build that was “promised” to the taxpayer. This is reflected in the amendment
10 offered. The appropriated dollars would be awarded based on the decisions and
11 direction from legislative leadership and a grant committee would help the
12 execution of this fund. The inflation relief that this amendment gives will provide
13 real relief to growing districts.

14
15 I ask that you consider this testimony and this amendment as you continue to
16 work through session.



Legislative Directed Loan Programs School Construction





BND Balance Sheet

vs

Legislative Directed Programs

Balance Sheet

\$ in thousands

12/31/2022

Cash and due from banks	<u>405,718</u>
Federal funds sold	<u>44,605</u>
Securities	<u>4,344,352</u>
Loans	
Commercial	3,199,277
Farm	709,866
Residential	351,076
Student	<u>1,104,408</u>
	<u>5,364,627</u>
Less allowance for loan loss	<u>(108,752)</u>
	<u>5,255,875</u>
Other assets	<u>145,265</u>
Total assets	<u>10,195,815</u>
Deposits -	
Non-interest bearing	632,498
Interest bearing	7,679,449
Federal funds purchased and repurchase agreements	205,845
Borrowings -	
Short-term	675,000
Other liabilities	<u>5,835</u>
Total liabilities	<u>9,198,627</u>
Equity	<u>997,188</u>
Total liabilities and equity	<u>10,195,815</u>

Loans "On Balance Sheet" in which BND participates with a Lead FI and takes the Risk / Reward that contributes to the earnings at the end of the year.

The funding for these loans is backed by the "Capital" of BND.

Why "Off Balance Sheet"

- Established by the Legislature
- Long-term fixed interest rate at 2%.
- Provides for up to 30 / 40 Year Terms

Procedurally:

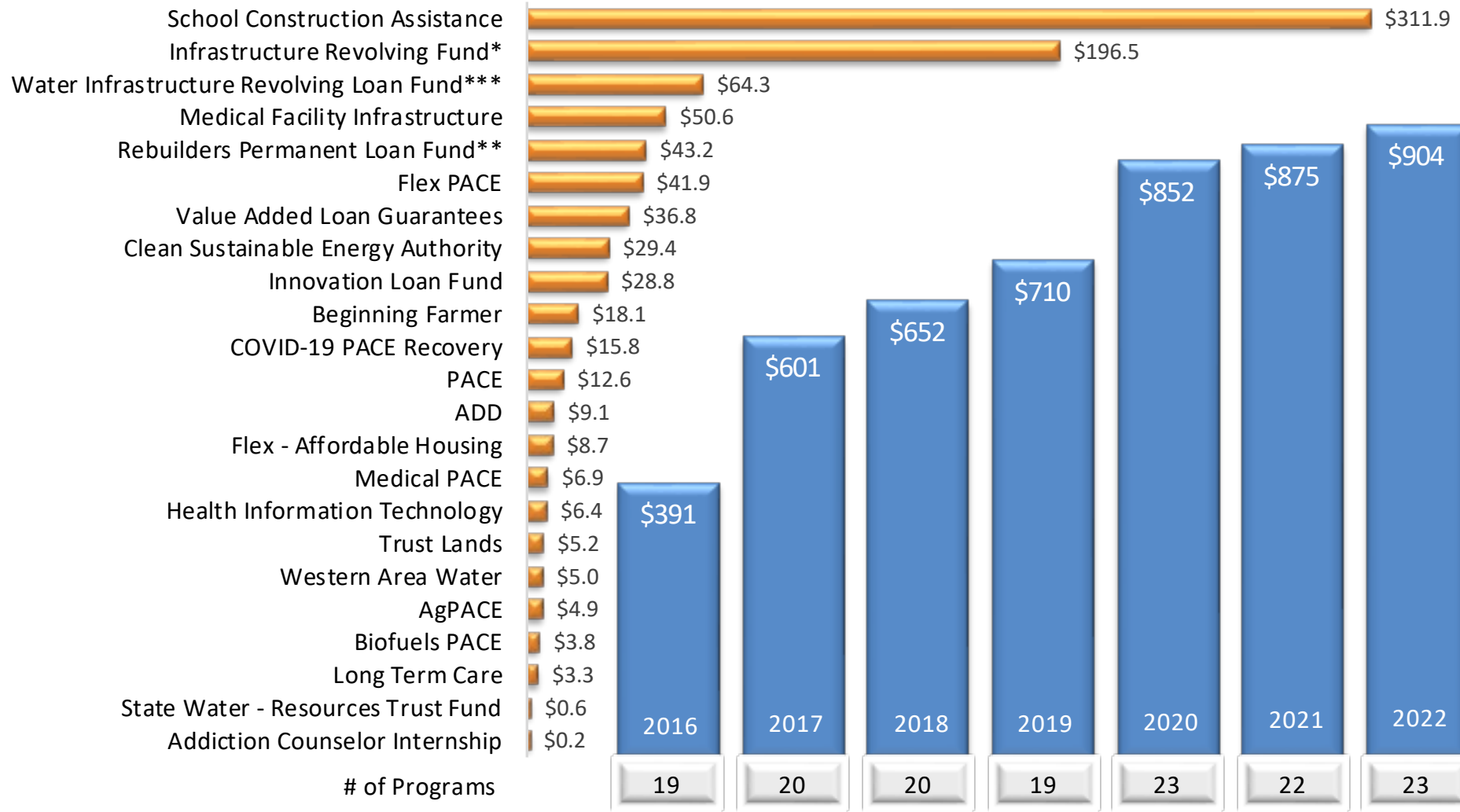
- BND underwrites and administers loans
- Principal and interest returned to the funds
- BND receives a .50bp service fee
- Audits of the Funds





Legislatively Directed Loan Programs

BND administers 23 programs and \$904 million in assets for the Legislature

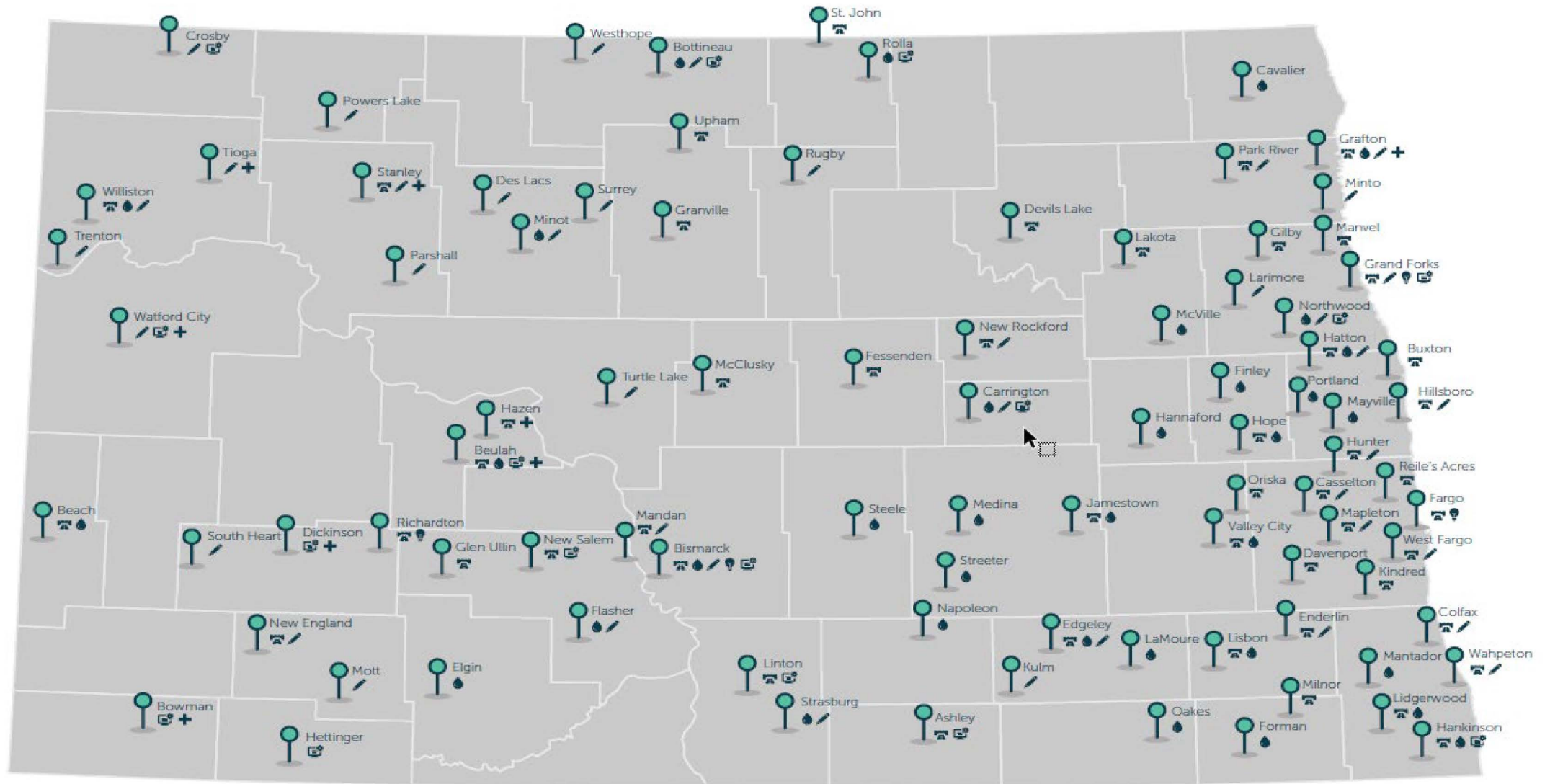


- BND currently administers programs that serve a wide range of purposes, including school construction, water projects, general and medical infrastructure, and disaster recovery.

- *Infrastructure Revolving Fund includes \$52 million to be transferred from BND's capital.

- ** HB 1187 created The Rebuilders Permanent Loan Fund (RPLF) during the 67th Legislative Session. This permanent revolving loan fund was established by transferring \$50 million in loans and cash from the Small Employer Loan Fund (SELF) created by BND during the Covid 19 pandemic to the RPLF.

- ***The Water Infrastructure Revolving Loan Fund was created by HB 1431. The Fund combined previously reported Community Water and State Water – Revolving Loan Fund.



Infrastructure Revolving Loan Fund



Water Infrastructure Revolving Loan Fund



School Construction Assistance Revolving Loan Fund



Innovation Loan Fund



Health Information Technology Fund



Medical Infrastructure Loan Fund

Timeline of School Construction Revolving Loan Fund

2015 Legislative Session

- Legislature made a decision to offer a low interest revolving loan fund for schools
- Put legislation in place to enable BND to offer the demonstration program utilizing a buydown approach (5% down to 2%)
- In the 2015-2017 Biennium, BND made \$123,000,000 in loans to school districts.

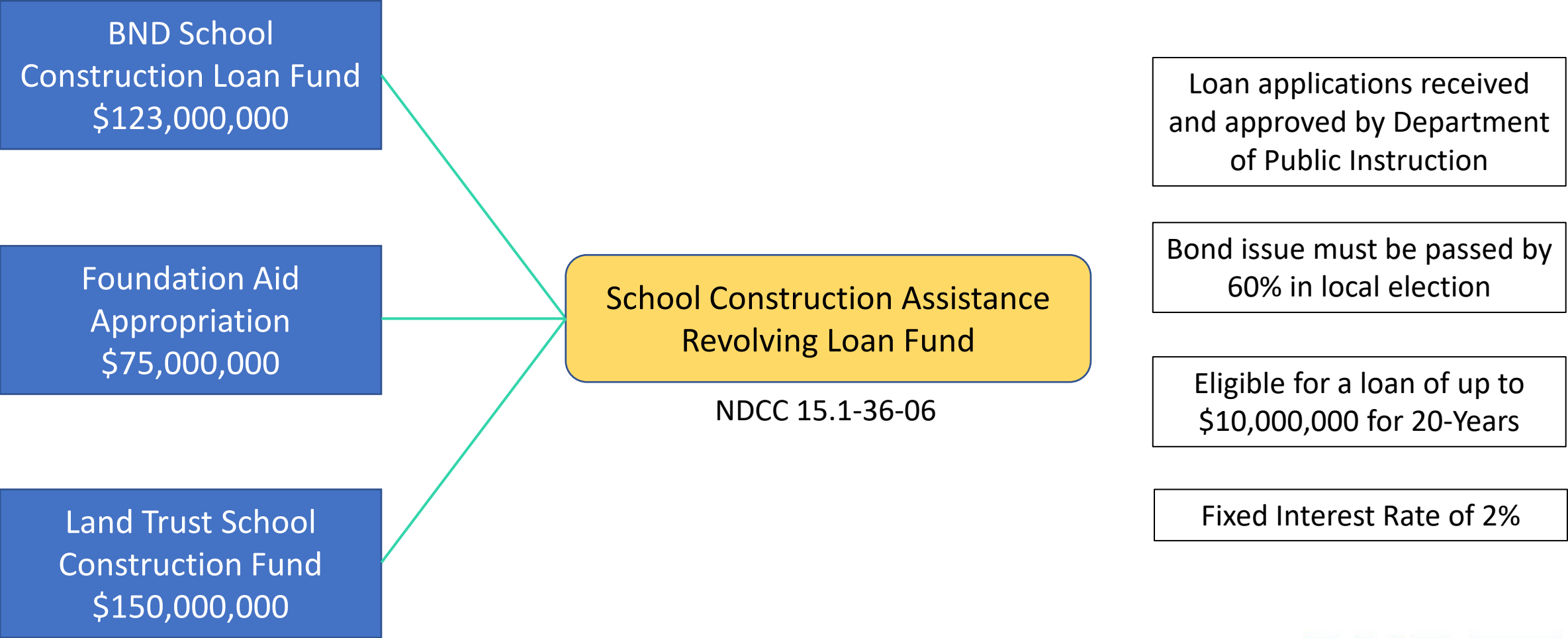


2016 Ballot Measure

- Legislature Passed SCR4003 to place a measure on the ballot
- Measure 2 passed in the 2016 general election enabling legislature to access excess revenues in the Foundation Aid Stabilization Fund for education purposes.

Timeline of School Construction Revolving Loan Fund

2017 Became the “Merge” Session



Current Status of SCARLF—January 2023

Cash Balance		38,498,289.00
Repayments through 6/30/2023		15,393,970.00
Available Funds		53,892,259.00
In Construction Commitments		8,716,425.00
Approved Commitments		30,000,000.00
Pending Applications		10,000,000.00
Current Available		5,175,834.00
2023 - 2025 Repayments		45,000,000.00
Available for New Loans 2023-2025		50,175,834.00

Total Loans Outstanding: \$311,000,000

Proposed Change in HB1186

As drafted, the maximum loan amount for which a school district may qualify for a loan from SCARLF would increase from \$10 million to \$20 million.

- Increasing the maximum loan amount from \$10 million to \$20 million, the SCARLF will reduce the number of loans that can be funded at the current level of funding.
- Assuming loans are for the maximum amount:
 - SCARLF can currently fund 4.5 new loans at \$10 million, per loan.
 - An increase to a \$20 million maximum at current funding level is 2.25 new loans.

Policy Question:

If current funding level is maintained...is the Legislature willing to decrease the number of loans that can be funded each biennium?

Proposed Change in HB1186

As drafted, the current 2% interest rate charged to school districts will decrease to 1%.

- Today, the fund receives repayments on existing loans; Biennial repayments total approximately \$45 million. These repayments are available to make new loans.

Example

- \$45 million of new loans generates \$10 million in interest when accrued at 2%, over a 20-year term.
- \$45 million of new loans generates \$4.8 million in interest when accrued at 1% over a 20-year term.

Policy Question

Is the Legislature willing to lower the interest rate on loans to school districts to 1% which revolves funds at a slower rate?

Policy Proposal in SB2284

SECTION 9. AMENDMENT. Subsection 5 of section 15.1-36-08 of the North Dakota Century Code is amended and reenacted as follows:

- 1 5. If the superintendent of public instruction approves the loan, the Bank of North Dakota
- 2 shall issue a loan from the school construction assistance revolving loan fund. For a
- 3 loan made under this section:
 - 4 a. The if the school construction project totals less than seventy-five million dollars,
 - 5 the maximum loan amount for which a school district may qualify is ten million
 - 6 dollars. However, if a school district's unobligated general fund balance on the
 - 7 preceding June thirtieth exceeds the limitation under section 15.1-27-35.3, the
 - 8 loan amount under this section may not exceed eighty percent of the project's
 - 9 cost up to a maximum loan amount of eight million dollars;
 - 10 b. If the school construction project totals seventy-five million dollars or more, the
 - 11 maximum loan amount for which a school district may qualify is fifty million
 - 12 dollars. However, if a school district's unobligated general fund balance on the
 - 13 preceding June thirtieth exceeds the limitation under section 15.1-27-35.3, the
 - 14 loan amount under this section may not exceed eighty percent of the project's
 - 15 cost up to a maximum loan amount of forty million dollars;
 - 16 c. The term of the loan is twenty years, unless the board of the school district
 - 17 requests a shorter term in the written loan application; and
 - 18 e.d. The interest rate of the loan may not exceed two percent per year.

School Construction Project Under \$75m remains at \$10m loan limit

School Construction Project Over \$75m increases loan limit to \$50m



Policy Proposal in SB2284

19 **SECTION 10. TRANSFER - FOUNDATION AID STABILIZATION FUND TO SCHOOL**
20 **CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND.** The office of management and
21 budget shall transfer the sum of \$75,000,000 from the foundation aid stabilization fund to the
22 school construction assistance revolving loan fund during the biennium beginning July 1, 2023,
23 and ending June 30, 2025.

SCALF with \$75 million appropriation from SB 2284
Allows for \$85 million of new loans per biennium

	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Cash	\$ 5,175,834.00	\$ 63,929,930.25	\$ 47,710,923.98	\$ 34,031,810.99	\$ 22,905,587.08	\$ 14,345,248.04	\$ 8,363,789.68	\$ 4,974,207.80
Appropriation	\$ 75,000,000.00							
Draws Funded	\$ (40,000,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)
Admin Fee	\$ (1,694,239.22)	\$ (1,766,501.74)	\$ (1,825,768.46)	\$ (1,872,039.38)	\$ (1,905,314.51)	\$ (1,925,593.83)	\$ (1,932,877.35)	\$ (1,927,165.08)
Repayments	\$ 25,448,335.47	\$ 28,047,495.47	\$ 30,646,655.47	\$ 33,245,815.47	\$ 35,844,975.47	\$ 38,444,135.47	\$ 41,043,295.47	\$ 43,642,455.47
Ending Cash	\$ 63,929,930.25	\$ 47,710,923.98	\$ 34,031,810.99	\$ 22,905,587.08	\$ 14,345,248.04	\$ 8,363,789.68	\$ 4,974,207.80	\$ 4,189,498.19
Beginning Loans	\$ 324,296,178.84	\$ 338,847,843.37	\$ 353,300,347.90	\$ 365,153,692.43	\$ 374,407,876.96	\$ 381,062,901.49	\$ 385,118,766.02	\$ 386,575,470.55
Draws Funded	\$ 40,000,000.00	\$ 42,500,000.00	\$ 42,500,000.00	\$ 42,500,000.00	\$ 42,500,000.00	\$ 42,500,000.00	\$ 42,500,000.00	\$ 42,500,000.00
Repayments	\$ (25,448,335.47)	\$ (28,047,495.47)	\$ (30,646,655.47)	\$ (33,245,815.47)	\$ (35,844,975.47)	\$ (38,444,135.47)	\$ (41,043,295.47)	\$ (43,642,455.47)
Ending Loans	\$ 338,847,843.37	\$ 353,300,347.90	\$ 365,153,692.43	\$ 374,407,876.96	\$ 381,062,901.49	\$ 385,118,766.02	\$ 386,575,470.55	\$ 385,433,015.08

Summary Slide

- HB1186 suggests two policy proposals the SCARLF
 1. Increase the maximum loan amount from \$10m per applicant to \$20m per applicant.
 - Without additional funding, the maximum number of projects that could be funded is reduced from 4.5 to 2.25
 2. Decrease the current 2% interest rate on school construction loans to 1%.
 - Decreasing the interest rate will reduce the amount of funding revolving back into the fund via repayments. \$45,000,000 in new loans will generate \$5,200,000 less, at 20-year loan terms, at 1% than at 2%.
- SB 2284 proposes to make policy changes to SCARLF
 1. For project under \$75m...retain the \$10m cap.
 2. For projects over \$75m, increase the cap to \$50m.
 3. Appropriate \$75m from Foundation Aid to the SCARLF in the 2023-2025 biennium.

Existing School Construction Loans

School Construction Assistance

January 2023

Name	City	State	Original Note Date	Principal Balance
PARK RIVER AREA SCHOOL DIST #8	PARK RIVER	ND	8/6/2015	\$5,902,983.19
MINTO PUBLIC SCH DISTRICT #20	MINTO	ND	8/7/2015	\$3,536,858.58
KULM PUBLIC SCHOOL DISTRICT #7	KULM	ND	9/15/2015	\$2,698,718.99
WILLISTON BASIN SCHOOL DIST007	WILLISTON	ND	9/25/2015	\$13,634,675.44
NEDROSE SCHOOL DISTRICT #4	MINOT	ND	10/27/2015	\$7,244,605.90
ALEXANDER PUBLIC SCHL DIS NO 2	ALEXANDER	ND	12/15/2015	\$5,674,695.07
GRENORA PUBLIC SCHOOL DIST #99	GRENORA	ND	12/2/2015	\$3,339,911.00
DICKINSON PUBLIC SCHOOL DIS #1	DICKINSON	ND	4/1/2016	\$7,940,734.47
HILLSBORO PUBLIC SCHOOL DIST#9	HILLSBORO	ND	8/11/2016	\$791,417.83
SOUTH HEART SCHOOL DIST 9	SOUTH HEART	ND	9/1/2016	\$5,183,677.98
STRASBURG PUBLIC SCHOOL DIST	STRASBURG	ND	10/12/2016	\$2,086,839.17
BISMARCK PUBLIC SCHOOL DIST	BISMARCK	ND	6/29/2017	\$4,232,096.45
CARRINGTON PUBLIC SCHOOL DIST	CARRINGTON	ND	11/15/2016	\$7,633,382.12
FLASHER PUBLIC SCHOOL DIST #39	FLASHER	ND	12/1/2016	\$3,640,644.50
DIVIDE COUNTY PUB SCHOOL DIST	CROSBY	ND	2/1/2017	\$5,272,800.78

MAPLETON PUBLIC SCHOOL DIST	MAPLETON	ND	2/22/2017	\$3,891,976.85
MOTT REGENT SCHOOL DIST #1	MOTT	ND	3/1/2017	\$4,401,420.77
EDGELEY PUBLIC SCHOOL DIST #3	EDGELEY	ND	5/3/2017	\$2,180,326.76
CENTRAL CASS PUBLIC SCHOOL	CASSELTON	ND	6/30/2017	\$6,501,048.44
HATTON EIELSON DISTRICT 7	HATTON	ND	8/1/2018	\$5,128,962.75
STANLEY PUBLIC SCHOOL DIST #2	STANLEY	ND	6/25/2015	\$3,492,478.53
MANDAN PUBLIC SCHOOL DIST	MANDAN	ND	8/1/2013	\$6,458,616.18
NORTHERN CASS PUB SCHOOL #97	HUNTER	ND	8/1/2013	\$1,035,899.79
WEST FARGO PUB SCHOOL DIST #6	WEST FARGO	ND	6/1/2020	\$9,165,268.46
WEST FARGO PUB SCHOOL DIST #6	WEST FARGO	ND	8/1/2013	\$10,385,149.52
WEST FARGO PUB SCHOOL DIST #6	WEST FARGO	ND	4/1/2014	\$5,704,772.42
RICHLAND PUBLIC SCHOOL DIS #44	COLFAX	ND	8/1/2013	\$2,465,133.61
NEW ENGLAND PUB SCHOOL DIS #9	NEW ENGLAND	ND	8/15/2013	\$641,792.92
NEW ENGLAND PUB SCHOOL DIS #9	NEW ENGLAND	ND	7/1/2019	\$4,941,537.73
SURREY PUBLIC SCHOOL DIST #41	SURREY	ND	8/15/2013	\$555,880.48
TURTLE LAKE-MERCER DIST #72	TURTLE LAKE	ND	11/1/2013	\$1,084,803.99

GRAND FORKS PUB SCHOOL DIST #1	GRAND FORKS	ND	12/2/2013	\$8,950,211.40
WAHPETON PUBLIC SCHOOL DIST#37	WAHPETON	ND	1/22/2014	\$11,483,755.52
GRAFTON PUBLIC SCHOOL DIST #18	GRAFTON	ND	4/1/2014	\$8,419,965.62
BISMARCK PUBLIC SCHOOL DIST	BISMARCK	ND	6/30/2014	\$9,831,385.53
BISMARCK PUBLIC SCHOOL DIST	BISMARCK	ND	9/19/2018	\$8,213,861.28
POWERS LAKE PUB SCHOOL DIST#27	POWERS LAKE	ND	7/1/2014	\$1,254,165.56
MINOT PUBLIC SCHOOL DIST #1	MINOT	ND	11/13/2014	\$12,796,281.06
SOUTH PRAIRIE SCHOOL DIST 70	MINOT	ND	11/14/2014	\$5,577,147.22
TIOGA PUBLIC SCHOOL DIST #15	TIOGA	ND	12/1/2014	\$4,379,255.42
WESTHOPE PUB SCHOOL DIST #17	WESTHOPE	ND	12/1/2014	\$1,963,922.74
MCKENZIE COUNTY SCHOOL DIST #1	WATFORD CITY	ND	1/28/2015	\$4,570,287.48
MCKENZIE COUNTY SCHOOL DIST #1	WATFORD CITY	ND	3/1/2020	\$9,064,775.54
CENTRAL CASS PUBLIC SCHOOL	CASSELTON	ND	12/1/2017	\$7,717,816.35
UNITED PUBLIC SCHOOL DISTRICT	DES LACS	ND	5/15/2018	\$7,998,255.26
EIGHT MILE PUBLIC SCHOOL DIST6	TRENTON	ND	6/1/2018	\$7,305,001.71
NEW ROCKFORD SHEYENNE SCHOOL 2	NEW ROCKFORD	ND	6/1/2018	\$2,646,125.35

PARSHALL SCHOOL DISTRICT	PARSHALL	ND	8/9/2018	\$4,614,652.01
BOTTINEAU PUBLIC SCHOOL DIST	BOTTINEAU	ND	8/1/2019	\$6,524,286.48
NORTHWOOD SCHOOL DISTRICT #129	NORTHWOOD	ND	8/1/2019	\$5,042,208.14
ENDERLIN AREA PSD #24	ENDERLIN	ND	6/18/2020	\$1,267,858.10
RUGBY PUBLIC SCHOOL DIST. NO 5	RUGBY	ND	7/1/2022	\$1,824,253.96
LARIMORE PSD NO 44	LARIMORE	ND	7/1/2022	\$435,672.72

23.0568.01001
Title.

Prepared by the Legislative Council staff for
Representative Monson
February 7, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1186

Page 1, line 2, after "fund" insert "; to provide an appropriation"

Page 2, line 28, overstrike "and"

Page 2, line 29, after "year" insert "; and

- d. A district with a current school construction loan secured on the open bond market may refinance that loan when callable into the school construction assistance revolving loan fund"

Page 3, after line 8, insert:

**"SECTION 2. APPROPRIATION - DEPARTMENT OF PUBLIC INSTRUCTION
- SCHOOL CONSTRUCTION GRANT PROGRAM - ONE-TIME FUNDING.**

1. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$40,000,000, or so much of the sum as may be necessary, to the department of public instruction for the purpose of providing school construction grants under this section, for the period beginning with the effective date of this Act and ending June 30, 2025.
2. The department of public instruction shall administer the school construction grant program and award grants based on recommendations of the school construction grant committee.
3. A four-member committee consisting of the senate majority leader or designee, senate appropriations committee chair or designee, house majority leader or designee, and house appropriations committee chair or designee shall be the appointing committee to appoint certain members of the school construction grant committee and to establish grant guidelines.
4. The school construction grant committee consists of the following members:
 - a. The superintendent of public instruction or designee;
 - b. The executive director of the department of career and technical education or designee;
 - c. A member nominated by North Dakota association of school administrators representing a school district with more than five hundred enrolled students;
 - d. A member nominated by the North Dakota association of school administrators representing a school district with less than five hundred enrolled students;
 - e. A member nominated by the North Dakota school boards association; and

- f. Two members of the legislative assembly selected by the appointing committee.
3. The North Dakota association of school administrators and North Dakota school boards association shall provide the appointment committee with three nominations of eligible candidates to serve in each grant committee position representing their organization. The appointing committee shall appoint one nominee representing each of the public school positions to serve on the school construction grant committee.
4. The school construction grant committee shall consider grant applications for approval based on a prioritization system that includes applications filed during the period beginning January 1, 2021, and ending December 31, 2024. The prioritization system must consider:
 - 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 by the school construction grant committee after consultation with the appointing committee.
5. A grant awarded to a school district under this section may not exceed \$5,000,000."

Renumber accordingly

1 HB1186 – School Construction Loan Fund / Grant Fund

2 Mandan Public Schools – Dr. Jeff Fastnacht, Asst. Superintendent

3 Good afternoon, Chairman Elkin and members of the Senate
4 Education Committee.

5 I come to you today representing one of the most rapidly growing
6 school districts in the state. In April of 2021, 78% of Mandan
7 School District votes approved an \$84,000,000 bond issue to
8 build a new elementary school and a new high school. Mandan
9 Public School was planning to spend roughly \$10M in federal
10 ESSER dollars to cover the \$94M estimated cost. However, when
11 the project was bid in the summer of 2022, inflation had driven
12 the project costs up to \$114,000,000. This is over a 20% increase
13 over pre-bid estimates provided to us.

14 Mandan Public Schools is working hard to close the \$20M gap
15 created by inflation without having to go back to our taxpayers.
16 To address this gap we have received \$8.3M in the CTE grant,
17 which we thank both the Senate and House for recently passing.
18 We also believe we will be able to secure \$3M from business

1 partners and another \$4M when we sell surrounding property.
2 Mandan Public Schools has some existing authority in our
3 building fund, but this legislation would help us ensure we don't
4 need to raise taxes beyond the \$99 per \$100,000 in taxable value
5 that we promised our taxpayers before inflation took a dramatic
6 hike.

7 As shared by Dr. Vollmer, a lower rate is tax relief for the citizens
8 of these rapidly growing communities that are doing their best to
9 ensure adequate educational spaces for the ever increasing
10 number of students in our districts.

11 *Mandan Enrollment

12 2022 – 4,336

13 2021 – 4,241

14 2020 – 4,030



1 HB 1186 – School Construction Loan Fund / Grant Fund

2 Testimony in support

3 Chairman Elkin and members of the Senate Education committee. I come to you today
4 as the Executive Director of the ND Council of Educational Leaders representing your
5 school leaders and school administrators in the state.

6 In a conversation with Rep. Louser and Rep. Monson, we come to you with the original
7 iteration of this bill as well as the amended version per their request. Much of this bill
8 is going to have language that will be aligned in the funding bill SB2284...however, there
9 is a piece in here on grant funding that is worth your time and consideration.

10 Our larger communities in North Dakota are growing, are vibrant, it is a good problem
11 to have. However, one of the challenges of growth is often a need for additional facilities
12 to manage the growth. Furthermore, we come today expressing challenges of
13 inflationary impacts to communities who have voted to pass a bond referendum to build
14 a much-needed facility and are now experiencing 16-25% cost inflationary increases
15 since passage.

16 Today, let’s talk about the need to build new schools and how this bill can provide instant
17 property tax relief and how investment in this area both in grants and low interest loans.
18 In communities like Bismarck and West Fargo, for example, the growth rate is requiring
19 the building of a new school each year. As these elementary schools increase in numbers,
20 the natural consequence will happen in the middle schools and high schools. Growth is
21 tremendous in the “big 9” (Bismarck, Mandan, Fargo, West Fargo, Grand Forks, Minot,

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education
for all students in North Dakota.*

Executive Director: Aimee Copas-----Government Lead and Special Projects: Kevin Hoherz



1 Dickinson, Williston, & Watford City). In Rep. Louser’s district they are currently
 2 building a new high school and with his help in securing the donation of the call center
 3 to be the beginnings of the high school, it helped save cost, but it did not eliminate it by
 4 any stretch of the imagination. In a recent conversation with the Minot business
 5 manager, if their loans which they’ve secured on the bond market could be financed at a
 6 1% low interest loan, they could immediately the property tax burden. Property tax
 7 relief in this instance would be over \$33M in one community.

Years	Loan Amount	Interest Rate	Total Interest	Yearly P&I	Minot Levy
20 years	\$20 million	1%	\$ 2,074,927.00	\$ 1,103,746.34	5.30
20 years	\$20 million	4%	\$ 9,087,056.00	\$ 1,454,352.79	6.99
20 years	\$90 million	1%	\$ 9,337,170.00	\$ 4,966,858.52	23.84
20 years	\$90 million	4%	\$ 40,891,751.00	\$ 6,544,587.56	31.42
Taxpayer avings on a \$90 million loan when you secure 1% vs 4% Including P&I) = \$33,132,310					

8

9 This is a story I could retell in every growing community in North Dakota. That is
 10 INSTANT property tax relief, and it is relief that is NOT an expense but rather an
 11 INVESTMENT – the state will get that money back. This is also tax relief that other
 12 political subdivisions can NOT gobble up. Please allow me to outline a few issues we
 13 are grappling with.

14 1) Ending fund balances in our largest districts are very low and this has a negative
 15 consequence on the bond market. That balance is a piece of what lends to a school
 16 district’s credit rating. No large district in North Dakota carries a fund balance
 17 large enough to capitalize on preferential rates.

18 2) The school construction loan fund is a wonderful assist, but currently the
 19 limitations is at \$10M for the loan and it needs a greater baseline investment to



1 support larger communities. SB2284 expands this to a two tier system and that
2 is advantageous and we'd recommend that language. Currently the fund is great
3 for a small school who can likely finance most of their project with that amount,
4 however, when you look at a project like Minot North, Legacy High School,
5 Sheyenne High School, Watford City High School, or any large school new middle
6 or high school, the cost is far above that threshold. So when you consider the
7 percentage of coverage for larger project, the two tier system you are familiar with
8 will help.

9 3) Property taxpayers in our larger communities are struggling – while growth is a
10 great problem to have – there are fiscal ramifications regarding the services that
11 need to be paid for.

12 What are possible solutions?

- 13 • Increase the investment in the school construction loan fund. For a \$10M loan,
14 each percent of reduction in interest rate saves property taxpayers \$100,000 per
15 year. You find individuals are appropriators – quick math is over a 10-year loan,
16 a 4% loan instead financed through the loan fund as this bill suggests at 2% is a
17 savings of \$4M. **If as this bill is written a greater investment into the fund**
18 **increases the allowability to \$50M, for a larger school a \$100M bond could**
19 **very well save those communities \$20M...**For every 1% the amount of interest
20 paid annually on \$10M is approximately \$100k...take that number out to a bigger
21 project and over a 20-year period and it is telling. That amount of savings could
22 completely build a school in Rugby, Alexander, or Richardton. Quite frankly the
23 more money you can invest in bonding and getting those loans as low as possible



1 for the largest allowable amount as possible provides instant property tax relief in
2 the areas in our state where it is needed the most in the places we are growing.
3 This is property tax relief that cannot be backfilled by other taxing authorities. It
4 is real relief – and relief that can be indicated to taxpayers.

- 5 • The next level of support is in a school construction grant fund which you will
6 find as the amendment to the original bill provides even greater property tax relief
7 to districts by providing the possibility of full funding for portions of a building
8 project. Immediately this could help those communities who have passed a bond
9 and bid that construction between January 2021 and now and have met the
10 ramifications of the inflationary increases forcing districts to scale back away from
11 the build that was “promised” to the taxpayer. This is reflected in the amendment
12 offered. The appropriated dollars would be awarded based on the decisions and
13 direction from legislative leadership and a grant committee would help the
14 execution of this fund. The inflation relief that this amendment gives will provide
15 real relief to growing districts.

16
17 I ask that you consider this testimony and this amendment as you continue to
18 work through session.

Senate Education Committee
Senator Elkin, Chair
March 14, 2023

HB 1186

Chairman Elkin and members of the House Appropriations Committee, my name is Mark Vollmer. I proudly serve as Superintendent of Minot Public School District #1 and Minot Air Force Base #160. I stand in front of you today to offer our support for HB 1186, a bill to amend and reenact section 15.1-36-08 of the North Dakota Century Code, relating to the school construction assistance revolving loan fund; and to declare an emergency.

HB 1186 take us back to the previous language in the school construction assistance revolving loan fund, allowing schools to borrow up to \$20 million dollars at 1% interest.

What is the advantage of a lower rate? Simply put, the lower rate is tax relief for the citizens of a school district. Also, there is no more secure loan than a loan made to a school district. The repayment structure is defined in the language of the bond issue, and repayment is guaranteed, with a secured funding source from local tax payers.

In addition, this bill supports schools that were caught in a period of crippling inflation. Please allow me to share a bit of Minot's story.

On December 7, 2021, Minot Public School District #1 successfully passed a bond issue to convert a local call center into a comprehensive 9-12 high school, to retrofit Magic City to serve as a comprehensive 9-12 high school, and to transition Central Campus to serve as the district's 3rd in-town middle school. This vote also included the addition of a 50-meter pool and outdoor athletic complex. The issue passed with nearly 85% of voters offering support for the project.

This vote - a vote to support secondary education in Minot was the first successful middle school/high school expansion since 1969. A project that has been 52 years in the making.

From schematic design to the development of construction drawings, the district worked closely with our construction team to design a project that would meet the needs of our district, and specifically, a project that would fall well within our construction budget.

As bids came in, the district worked to adjust our sails, and looked for cost-savings in every aspect of our construction projects. In late October, the district opened bid packet 3. It was evident that the rampant inflation had taken its toll on our local project. The district and construction management entered into a 58-day value engineering process, seeking reductions in our scope of work, requesting bids for scopes of work that had no bidders, and negotiating with construction companies. The district was able to cut nearly 5.5 million dollars from the budget.

Such drastic cuts come at a long-term cost to the taxpayer. The original roof top air handlers on the existing structure will be reused rather than replaced – these units are near the end of service, and simply put, we are kicking that can down the road. Many bathroom surfaces will not be tiled, and we have removed amenities such as a commercial kitchen in the FACS department. Many science prep areas and storage areas have also been eliminated. Lighting systems have been modified, and the district has decided not to advance plans for a large data center in the building.

The voters of Minot, Mandan, West Fargo, and Rugby voted to approve an expansion of their individual districts. These districts are now being hampered by Washington based, tax and spend inflation that is crippling our local economy. This rampant inflation has spread like a fast-growing cancer, and has altered the original plans set forth by these communities.

The locations are the different, but the stories are all the same. Rugby experienced 12% inflation on concrete, 20% of thermal and moisture protection, and 45% on Mechanical/HVAC. West Fargo noted an increase of \$141.00 per square foot of construction cost from the construction of Deer Creek Elementary in 2018 at \$174.00 per square foot to the current construction of Meadowlark Elementary, coming in at \$315.00 per square foot. Mandan noted nearly 30% inflation rates on the mechanical work at their elementary and high school projects. Minot experienced a 375% inflationary rate on CMU wall construction

during the original bid. Steel supply costs were double anticipated costs, as well as the cost of miscellaneous metals. Overall, the construction of Minot North High School is seeing a 19% inflationary rate.

These school districts have worked diligently to seek cost-savings while maintaining the integrity of these voter-approved projects. HB 1186 allows our school district to finalize these projects, to deliver on the promise made to our voters, and to support our students as our communities so desire.

It is grossly unfair that school districts, and taxpayers therein, are caught in a stifling, 20% inflation cycle that is crippling the construction economy throughout the United States.

HB 1186 allows the State of North Dakota to step up where our federal government has failed. HB 1186 allows these school districts the opportunity to complete these voter-approved projects as designed, and as voted on by the electorate.

HB 1186 can provide a grant from the school construction assistance fund and low-interest loans, to balance the construction budgets of school districts that are caught in the cross-fire of staggering inflation.

Thank you for allowing me to share our story. I offer my support of HB 1186 and will stand for any questions you may have.

HB 1186 School Construction Loan/Grant Fund

Chairman Elkin and Members of the Senate Education Committee,

My name is Leslie Bieber and I am the Superintendent of Alexander Public School in Alexander, ND. I am here in support of HB 1186.

In 2015-16, Alexander District added equal square footage to our school building due to enrollment increase. Alexander Public School 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.

Alexander School enrollment continues to grow at a rate of 33.47% in the last five years and we are in need of more classrooms. In January 2023, Alexander Public School went out for a second referendum for \$15.5 million, which was unfortunately voted down. As we continue to grow, we will continue to work with our community to build classrooms at a price palatable to our proprietors. The construction loan at 1% will definitely assist in working to a yes vote on the referendum. This will be a great tax break for our proprietors.

I ask for a Do Pass from the committee and a green vote on the floor. I will stand for any questions.

Thank you,

Leslie Bieber

23.0568.02001

FIRST ENGROSSMENT

Sixty-eighth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1186

Introduced by

Representatives Louser, D. Anderson, Fisher, Koppelman, Nelson, Toman

Senator Burckhard

1 A BILL for an Act to amend and reenact section 15.1-36-08 of the North Dakota Century Code,
2 relating to the school construction assistance revolving loan fund; to provide an appropriation;
3 and to declare an emergency.

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

5 **SECTION 1. AMENDMENT.** Section 15.1-36-08 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **15.1-36-08. School construction assistance revolving loan fund - Bank of North**
8 **Dakota - School construction projects - Continuing appropriation.**

- 9 1. The school construction assistance revolving loan fund is a special revolving loan fund
10 administered by the Bank of North Dakota. The fund consists of all moneys
11 appropriated or transferred to the fund by the legislative assembly, all interest or other
12 earnings of the fund, and all repayments of loans made from the fund.
- 13 2. Moneys in the fund, interest upon the moneys in the fund, and payments to the fund of
14 principal and interest are appropriated to the Bank of North Dakota on a continuing
15 basis for the purpose of providing low-interest school construction loans and for paying
16 administrative costs, in accordance with this section.
- 17 3. To be eligible for a loan under this section, the board of a school district shall:
 - 18 a. Propose a new construction or remodeling project with a cost of at least
19 one million dollars and an expected utilization of at least thirty years;
 - 20 b. Obtain the approval of the superintendent of public instruction for the project
21 under section 15.1-36-01;
 - 22 c. (1) Publish in the official newspaper of the district the information regarding the
23 proposed estimated additional millage and the dollar increase per
24 one thousand dollars of taxable valuation in accordance with section

- 1 21-03-13 along with the notice of the election to authorize the school
2 construction bond issuance in accordance with section 21-03-12; and
3 (2) Post the information on the school district's website preceding the date of
4 the election to authorize the school construction bond issuance in
5 accordance with chapter 21-03;
6 d. Receive authorization for a bond issue in accordance with chapter 21-03; and
7 e. Submit a completed application to the Bank of North Dakota.
8 4. The superintendent of public instruction shall review loan applications based on a
9 prioritization system that includes a review of all applications filed during the
10 twelve-month period preceding April first and gives consideration to:
11 a. Student occupancy and academic needs in the district;
12 b. The age of existing structures to be replaced or remodeled;
13 c. Building design proposals that are based on safety and vulnerability
14 assessments;
15 d. Community support;
16 e. Cost; and
17 f. Any other criteria established by the superintendent of public instruction, after
18 consultation with an interim committee appointed by the legislative management.
19 5. If the superintendent of public instruction approves the loan, the Bank of North Dakota
20 shall issue a loan from the school construction assistance revolving loan fund. For a
21 loan made under this section:
22 a. The maximum loan amount for which a school district may qualify is
23 ~~ten~~twenty million dollars. However, if a school district's unobligated general fund
24 balance on the preceding June thirtieth exceeds the limitation under section
25 15.1-27-35.3, the loan amount under this section may not exceed eighty percent
26 of the project's cost up to a maximum loan amount of ~~eight~~sixteen million dollars;
27 b. The term of the loan is twenty years, unless the board of the school district
28 requests a shorter term in the written loan application; ~~and~~
29 c. The interest rate of the loan may not exceed ~~two~~one percent per year; and

- 1 d. A district with a current school construction loan secured on the open bond
2 market may refinance that loan when callable into the school construction
3 assistance revolving loan fund.
- 4 6. The Bank may adopt policies and establish guidelines to administer this loan program
5 in accordance with this section. The Bank of North Dakota may use a portion of the
6 interest paid on the outstanding loans as a servicing fee to pay for administration costs
7 which may not exceed one-half of one percent of the amount of the interest payment.
8 The Bank of North Dakota shall deposit principal and interest payments made by
9 school districts for loans under this section in the school construction assistance
10 revolving loan fund. The Bank of North Dakota shall arrange for the conduct of an
11 annual audit of the school construction assistance revolving loan fund, the cost of
12 which must be paid from the fund and which must be conducted by an independent
13 accounting firm.

14 **SECTION 2. APPROPRIATION - DEPARTMENT OF PUBLIC INSTRUCTION - SCHOOL**
15 **CONSTRUCTION GRANT PROGRAM - ONE-TIME FUNDING.**

- 16 1. There is appropriated out of any moneys in the general fund in the state treasury, not
17 otherwise appropriated, the sum of \$40,000,000, or so much of the sum as may be
18 necessary, to the department of public instruction for the purpose of providing school
19 construction grants under this section, for the period beginning with the effective date
20 of this Act and ending June 30, 2025. The funding provided in this section is
21 considered a one-time funding item.
- 22 2. The department of public instruction shall administer the school construction grant
23 program and shall award grants for unanticipated construction cost increases as
24 follows:
- 25 a. \$10,000,000 to the Minot public school district;
- 26 b. \$10,000,000 to the Mandan public school district;
- 27 c. \$3,400,000 to the West Fargo public school district;
- 28 d. \$1,400,000 to the Rugby public school district; and
- 29 e. Any remaining amounts to other school districts using a prioritization system
30 based on:
- 31 (1) Student occupancy and academic needs in the district;

- 1 (2) The age of existing structures to be replaced or remodeled;
- 2 (3) Building design proposals that are based on safety and vulnerability
- 3 assessments;
- 4 (4) Community support;
- 5 (5) Cost; and
- 6 (6) Any other criteria established by the department.

7 **SECTION 3. EMERGENCY.** This Act is declared to be an emergency measure.