

## COAL DEVELOPMENT TRUST FUND - SCHOOL CONSTRUCTION LOAN PROGRAM

The Board of University and School Lands pursuant to North Dakota Century Code Section 57-62-02 administers the coal development trust fund and may use money in the fund for loans to coal-impacted counties, cities, and school districts and for loans to school districts for school construction. Section 15.1-36-02 limits the outstanding principal balance of school construction loans from the coal development trust fund to \$50 million.

Permanent assets of the coal development trust fund must be maintained pursuant to Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota. As of December 31, 2011, the total value of permanent fund assets was \$63.8 million, of which \$27.1 million was school construction loans receivable, \$8.7 million was coal impact loans receivable, and \$28 million was either invested or was a receivable of investments or other earnings.

In June 2012 outstanding school construction loans totaled \$25.4 million and school construction loan commitments totaled \$13.5 million for a total of \$38.9 million in loans and commitments ([appendix](#)), leaving uncommitted estimated funds available for school construction loans under the program of \$11.1 million.

In order to be eligible, a project must total at least \$1 million and have a useful life of at least 30 years. In addition, the school district must obtain the approval of the Superintendent of Public Instruction for the project under Section 15.1-36-01 and submit an application containing all information deemed necessary by the Superintendent, including potential alternative sources or methods of financing the construction project.

Loans provided under this program are limited to 20 years. The loan amount available to a school district is based on the district's relative imputed taxable valuation per student to the statewide average

imputed valuation per student. School districts may qualify for interest rate discounts ranging from 1 to 2.5 percent. Discounts are based on a sum ratio of total district capital debt to taxable valuation, total district levy to statewide average total levy, total district capital debt to fund Group I expenditures, less district imputed taxable valuation per student to statewide imputed taxable valuation per student. The interest rate discount is applied to the comparable interest rate available for the loan based on the length of the loan and the bond rating of the district.

The Legislative Assembly in 2011 increased the minimum interest rate buydowns from 50 to 100 basis points and the maximum interest rate buydowns from 200 to 250 basis points. The amount of school construction loans that a district is entitled to receive increased from \$8 million to \$12 million for school districts whose imputed taxable valuation per student is less than 80 percent of the state average imputed valuation per student, from \$7 million to \$10 million for school districts whose imputed taxable valuation per student is at least 80 percent but less than 90 percent of the state average imputed taxable valuation per student, and from \$2 million to \$4 million for school districts whose imputed taxable valuation per student is at least 90 percent of the state average imputed taxable valuation per student.

In addition, Article X, Section 15, of the Constitution of North Dakota limits school district debt to 5 percent of the assessed value of taxable property. This limit may be increased by an additional 5 to 10 percent of the assessed value of taxable property by a majority vote.

Loans approved under this program are managed by the Bank of North Dakota, which may charge the borrower a fee for servicing the loan.

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