1 HB 1185

2 Testimony in Support

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4 Chairman Heinert and members of the House Education Committee. For the record my name is

5 Dr. Michael McNeff – I serve as the superintendent of schools in Rugby, ND. I come to you today

6 to provide some feedback on HB 1185, a bill related to construction inflation for voter-approved

7 school construction projects.

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9 First, I would like to provide some background as to why I support HB 1185. The community of

Rugby approved a \$7,870,000 referendum to improve Ely Elementary in Rugby, ND in December

2021. Ely Elementary was built in 1965 and is an aging facility that currently serves approximately

300 students and 50 faculty and support staff. The project includes updates to our safety and

security, classroom and learning environments, building systems, and support spaces. The project

was widely supported within our community and received a 79% approval vote on December 1,

15 2021. The project cost has ballooned over the past twelve months since our first construction

estimate back in September of 2021 due to inflation. Last September, the project was estimated to

17 cost approximately \$9 million. After our final bid opening on December 20, 2022, the project will

now cost \$11.3 million. This project means a big deal to our citizens in Rugby, and it addresses

many concerns that will improve the learning environment for students.

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The school district has allocated \$9,274,000 in funding to the building project. This number

includes \$1,300,000 of ESSER funding (one-time federal funding), \$7,870,000 of referendum

funding (passed on 12/1/21), and we recently received a food service grant of \$104,000 to pay for

24 part of the kitchen equipment. This represents a funding gap of approximately \$2 million. The

25 Rugby Public School Board began researching solutions to overcome the funding gap. We

promised the Rugby community during the referendum campaign to keep the mill levy the same

(we were able to do this due to some retired sinking and interest debt) and the Board is committed

28 to that.

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30 The Rugby Public School Foundation was established on September 20, 2022, by the Rugby

Citizens Committee to begin the process of fundraising \$1.4 million to keep the Ely Elementary

building project whole. The capital campaign has been somewhat successful over the past four months, but it is well short of meeting the funding gap mentioned above. The School Board is now seeking a \$1.5 million loan out of the general fund to keep the project whole. This loan is problematic for the district and will likely take 20 years to pay off and will negatively impact our general fund. Our district is at the cap of available levying authority and has an overall mill levy of 112.50 mills. We have 60 for the required General Fund Levy, 10 in the Board Discretionary Levy, 12 in the Miscellaneous Levy, 3 in the Special Reserve Levy, 5 for the Building Fund, 22 for the Sinking and Interest Levy, and .50 for Special Assessments Levy. Our ending fund balance is at 12%.

The capital campaign and loan seem to be our only solutions to keep this project whole. Unfortunately, for our community, we passed a referendum during one of the most challenging times to update our facility to better support our learners. HB 1185 provides an opportunity for school districts that had a voter-approved construction project occur during a time that has seen record inflationary increases in construction. I've included the overall design below to help the committee to understand the scope of work that will occur at Ely Elementary. I would be happy to answer any questions from the committee.



Please issue a DO PASS on HB 1185.