



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

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for all students in North Dakota.*

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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					

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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.