



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,

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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					

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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.

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