

2009 SENATE EDUCATION

SB 2364

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2364

Senate Education Committee

Check here for Conference Committee

Hearing Date: February 2, 2009

Recorder Job Number: 8297, 8403

Committee Clerk Signature

Minutes:

Chairman Freborg opened the hearing on SB 2364. All members were present except Senator Taylor who was snowed in and could not reach Bismarck.

Senator Behm introduced the bill. Northwood received a lot of money from FEMA but this request is for site preparation. The school district would appreciate the help.

Representative Griffin testified in favor of the bill. See written testimony.

Senator Lee asked why the school needed to be relocated.

Representative Griffin said the school will testify to the specifics. The old school was in the middle of town with no room to expand. There were safety concerns.

Kevin Coles, Superintendent of Northwood Public School, testified in favor of the bill. See written testimony. He added the school was relocated to meet Department of Public Instruction standards and for additional space, inside and out. The old school had no outdoor curriculum; it was situated on 4.2 acres. There were security issues and problems with the busses.

Senator Flakoll asked what 10 mils generate per year.

Kevin Coles said he doesn't have that number.

Senator Flakoll asked the square footage of the new facility.

Kevin Coles said 100,000 square feet.

Senator Lee asked about the ending fund balance of 2007 which was \$147,934 and in June 2008 it was \$384,000. How did their ending fund balance increase?

Kevin Coles said he will check, it doesn't seem right. They have spent down considerably, some has gone into building projects.

Senator Lee asked what are the projections for their enrollment.

Kevin Coles said their demographics are declining. They had 252 before the tornado, 242 after the tornado and 220 now in K – 12.

Senator Lee asked about the insurance settlement, were they underinsured? As he looks at replacement cost, the insurance covered half the value.

Kevin Coles said the damage was estimated at \$8.9 million, insurance was about \$8.3 million. To rebuild and replace, they definitely did not have enough insurance. They entered into a settlement with North Dakota Fire and Tornado. That is a message they have been trying to get out to schools across the state – they should take a look at their insurance policies.

Senator Lee asked if they were underinsured.

Kevin Coles said yes.

Mark Sanford, retired superintendent, Grand Forks School District, testified in favor of the bill. He has been volunteering in Northwood. Many issues and players are the same as what Grand Forks went through in 1997. He will discuss Northwood's debt management and compare the circumstances in Northwood and Grand Forks. With portable space, most costs are covered by FEMA. Essentially Northwood did not have utility bills so they got a break for 2 years. Part of their regular budget figure for utilities, did not have to be expended. They elected to dedicate those funds to the local building costs. They also had some gifts that may show up in their ending balance. He worked with Northwood since the day after the tornado.

On the handout, he discussed pre-tornado debt and post-tornado debt. The general obligation

bond had a maturity of 2024, the state school construction loan had a maturity of 2014, and the Johnson Controls had a maturity of 2011 so they had a debt ladder with short, intermediate and long term debt. The idea is to never have all your debt due at the same time. They were structured in a classic manner. In the post tornado debt, the general obligation bond had a maturity of 2024, the state school construction loan was refinanced and now has a maturity of 2024 and the new state school construction loan has a maturity of 2028. That is the legal debt limit. That is as much as they can borrow. This just covers the building, they also had to do site. The city provided the site and special assessment and that has a maturity of 2033. Now their debt structure is long term. They are using their building fund to service the debt, it brings in \$59,000 this year. They are using all the sinking and interest and a portion of the general fund which is normally not a good practice. They have no flexibility for a long time. They cannot afford any surprises. Grand Forks qualified for a 90/10 Fed/State split with no local share for the expenses. Grand Forks had to build 2 new schools, for 1 they could acquire the land next door to the present school so they could use the same site. The other had to be moved but because FEMA deemed the existing site unbuildable since it was in a FEMA declared flood plain, FEMA paid for the site. Northwood had a 75/10/15 split Fed/State/Local. It is almost impossible for a small community to rise to the 90/10 level. The losses need to be \$150/capita times the state population, say \$90 million post insurance to qualify for the 90/10 split. Northwood was devastated but did not come close to that damage level.

Senator Flakoll asked what size of land parcel was used for the new school.

Mark Sanford said it is about 40 acres.

Stephanie Ostlie, Northwood School Board, testified in favor of the bill. See written testimony.

Senator Freborg asked if she was the president of the school board.

Stephanie Ostlie said no.

Senator Flakoll asked how much their school is insured for now.

Stephanie Ostlie said \$14.7 million, off the top of her head.

Senator Lee said in testimony she said federal and state officials have not dedicated any resources toward site acquisition. Is she expecting some federal moneys to come?

Stephanie Ostlie said no.

Senator Freborg asked Kevin Coles to come to the podium and take him through the numbers at the bottom of the fact sheet so he can better understand the new building cost and the additional building cost, demolition also.

Kevin Coles said under new building costs, \$787,691, that was an amount that was Northwood's share. They also had additional building costs, an amount above what was going to be covered by FEMA, there were code issues, there was the increase in the square footage, these were amounts above and beyond what FEMA was going to cover. The site costs, there was no participation with any of the site costs, the total was \$1,041,700. The land purchase, approximately 42 acres @ \$2700 per acre, they purchased it from the hospital. They are building next to the hospital, just west of town. The demolition, FEMA and state participate in demolition and the Northwood share was \$50,316. In addition to that, there was a \$43,000 addition to the demolition that was not covered by FEMA. FEMA said they would take care of everything above ground, they wouldn't take care of footings, sidewalk removal and there was a fuel tank that was buried beneath the property and FEMA would not participate in those things. The other project worksheets, right now that total is at \$160,000, Northwood's share. There will be additional PW's , for instance moving back to Northwood so there will be a cost to relocate from Hatton to Northwood. That brought the total Northwood participation to \$2, 761,502.

Senator Freborg asked how they happened to purchase 40 acres?

Kevin Coles said through the process of purchasing the land, they tried to determine what their immediate needs were. The site the hospital had was about 40 acres. They negotiated to purchase that 40 acres. Part of that will allow for future expansion, if at any point at time...they are putting a football field there. There will be land available for some outdoor physical education facilities. That is why they decided to go with 40 acres. Some of the other sites they were looking at were farmland and the seller did not want to split them any less than 40 acres so it was a semantics issue.

Senator Flakoll asked if there was asbestos in the old building?

Kevin Coles said yes, that was covered under the demolition fees. A company had to come in and deal with asbestos abatement, tile floors.

Senator Flakoll asked if they have an asbestos mill levy.

Kevin Coles said no.

Chairman Freborg closed the hearing on SB 2364.

Later in the afternoon, the committee reconvened to discuss the bill.

Lance Gaebe, Governor Hoeven's staff, appeared to answer questions. He was the lead on the Governor's staff in assisting the community of Northwood in their response to the tornado. He helped the school district and city meet FEMA requirements and so forth.

Senator Flakoll asked him to walk the committee through the options that were offered up. We were referenced an insurance deduct of about \$7.6 million. Is that about right.

Lance Gaebe said that's right. FEMA covers 75% of uninsured cost, the state covers 10% and local covers 15%. The building was insured for \$8 million, the settlement was about \$7.1 plus there was about \$500,000 of debris clean up. The 10% for state responsibility was \$730,000 which is 10% of the total cost of \$7.3 million, the federal government provided \$5.47 million.

He distributed a spread sheet with all the Northwood impacts. This morning in testimony there

was a lot of talk about land acquisition and land preparation cost which is not covered by FEMA or the 10% from the state. Northwood was struggling to find the \$900,000 for acquisition of the property and infrastructure such as water and sewer. The governor's office worked with the Department of Public Instruction, Bank of North Dakota, the Public Finance Authority (formerly the Bond Bank), to formulate a debt package that would help them come up with the \$900,000. They managed to put a package together with Tom Decker's help. They were going to keep the annual debt service to what it is currently but stretched it out by refinancing at a 3% rate, out another 6 – 7 years to 2031. They worked with the coalition he just described and with Dr. Sanford and Mr. Coles. In the end, the school board elected not to do that, because they would have had to go to the voters to raise their self imposed debt ceiling. They decided to request their dollars elsewhere, in this case, this bill.

Senator Flakoll asked if any of this went to a vote of the people in the school district.

Lance Gaebe said he didn't think so.

Senator Flakoll asked if he was aware of any discussion of the enrollment numbers...they went from about 400 in 1995 down to 225 now. Was there any discussion of consolidation with other districts in the area?

Lance Gaebe said it was discussed by some, particularly the neighboring school districts. Mr. Decker encouraged them to look at this as an opportunity, especially with this kind of settlement to make a nice regional school. The focus was very much on having a school in Northwood because of the recovery efforts. A consolidation was discussed but not actively contemplated.

Senator Flakoll asked what his understanding is of our ability to offer a loan, interest free for a certain period of time?

Lance Gaebe said that question is better directed to the Department of Public Instruction.

Based on the debt ratio, the interest rate goes down. He does not understand it well.

Senator Flakoll said if they wished to include this in their debt load, they could have received a reduced interest rate but had to pay it off over 6 more years?

Lance Gaebe said their objective was to develop a payment structure for debt service to keep the annual debt service costs the same. They ended with 3.7% on the school construction loan. It would have extended that out 6 or 7 more years but the payment would have been the same. Tom Decker did a lot of the work and he is retired now.

Senator Lee said if this bill is not approved, what are their options.

Lance Gaebe said he doesn't know. The whole debt load could be restructured. They would still have the challenge within their local district of not having a high enough debt ceiling, they

would have to have it raised. He has questioned all along how they actually started construction. As the testimony indicated, they are planning to use the facility in May. He doesn't know how they plan to pay the bills if this doesn't pass. He wanted to emphasize what efforts the state has gone through to try and make this work. The cost of the new school now to the school district is about \$1.1 million. The committee can draw its own conclusions.

Senator Freborg asked why there is the \$1.4 million site cost. What is included? It doesn't include land acquisition.

Lance Gaebe said he doesn't know, the figure they were using was \$900,000 which was street, gutter, water, parking. He doesn't know why the figure is higher now.

Senator Flakoll said the loan is for \$1.1 million spread out over 15 – 16 years?

Lance Gaebe said that is what they suggested the Northwood school district put in place. He doesn't know what they actually put in place.

Senator Flakoll said the figure for post tornado debt suggests it would be closer to \$2 million.

Lance Gaebe said as testimony indicated, they started out with \$1.6 million debt before the tornado. He would have to defer to Department of Public Instruction as to what they actually borrowed. They borrowed enough to take them to their debt ceiling.

Lance Gaebe said in looking through his files, there was an eligibility for up to a \$2.5 million loan at 2%, they did not borrow nearly that amount because of local constraints.

Senator Lee said when asked this morning about their future enrollments, they said it looks like they will continue to lose students, was that factored into the ability to repay? Did they consider that?

Lance Gaebe said the talk was less about the student numbers and more about the change in valuation that they were going to have when they realized that because of the damage, because of the destroyed property, they were afraid their revenue stream would be reduced.

They hoped with rebuilding their numbers would remain stable.

Senator Freborg said we will have a representative from Department of Public Instruction down here in the morning at 8:15.

Senator Flakoll said if his figures are correct, a 100,000 square foot school would be 444 square feet per student at 220 students. The committee discussed determining appropriate school size.

Chairman Freborg closed the discussion on SB 2364.

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2364

Senate Education Committee

Check here for Conference Committee

Hearing Date: February 3, 2009

Recorder Job Number: 8441, 8446

Committee Clerk Signature

Minutes:

Chairman Freborg opened the discussion on SB 2364. All members were present.

Bob Marthaller, Department of Public Instruction, appeared to answer questions.

Senator Freborg asked if he was involved with Northwood after the tornado.

Bob Marthaller said no, that work was completed when he came to the department. He did dig out the files and did some research.

Senator Freborg asked on what basis the Department of Public Instruction approved construction with roughly 250 students .

Bob Marthaller said he has the construction approval documentation. Northwood filed a complete plan as required. The new school was planned to be about the same square footage as the old school and the new school meets or exceeds the building code. His best guess is because it was an emergency situation, the Northwood students needed a place to go to school and it was approved on that basis. When you look at declining enrollment across the state, school districts are still going to require buildings and facilities.

Senator Freborg asked why thought wasn't given to them consolidating. At one time in the past, Northwood and Hatton discussed consolidation, he thinks it came to a community vote

and they couldn't come to terms. Wouldn't this have been an ideal time to tell them to get together and they could have built an elementary school or a high school in Northwood.

Bob Marthaller said it probably would have been a good time to do that. He knows there was discussion between the two communities but he doesn't recall if it went to a vote.

Senator Freborg said he doesn't think it was an official vote but the two communities could not come to terms, neither wanted to give up their system and that's understandable. But this system was gone and that is our problem. Now they can't pay for the one they have.

Senator Lee asked if the criteria for permission for a building project includes some forethought for projected enrollment. In looking at the Northwood enrollment, they have dropped 125 students from 2000 to 2008. How did they satisfy the criteria?

Bob Marthaller said the requirement is stable enrollment. With that requirement, we wouldn't approve very many building plans if we only applied that criteria.

Senator Lee said the new building is nearing completion. How did they get to that stage without financing in place. They are \$1 million short.

Bob Marthaller said he doesn't know. The project was approved January 2, 2008, the construction loan was approved February 21, 2008. They moved it along quickly. The tornado was in August, 2007. He wasn't part of the discussions.

Senator Freborg said it's not fair to be quizzing Bob, was the superintendent involved?

Bob Marthaller said it has been his experience so far that construction projects are approved then carried to the superintendent. Again, he believes it goes back to the emergency nature of the situation.

Senator Freborg said if they followed the criteria for school construction, they would not have been able to build the school.

Bob Marthaller said based solely on the criteria of enrollment, that is correct.

Senator Taylor asked if the approval came through Mr. Decker?

Bob Marthaller said that is correct. He signed the document along with Dr. Sanstead who is the final approving authority.

Senator Taylor asked if the insurance was through the Fire and Tornado fund?

Bob Marthaller said typically that is the case.

Senator Taylor said if they had not started a building project would this be money in their pocket to take into a new school district?

Bob Marthaller said he doesn't know.

Senator Taylor asked the age of Hatton's school.

Bob Marthaller said it is a typical 60's structure. He was the principal at Cooperstown so he was in the Hatton School from time to time.

Senator Flakoll said the new school is 100,000 square feet, was the old school similar in size?

Bob Marthaller said the application said "it will be approximately the same square footage in scope and will meet or exceed all of today's building codes and requirements. It will be located in the Northwood city limits or nearby." The application estimates the completed building to be 75,240 square feet and the estimated cost to be \$14,500,000.

Senator Flakoll said in testimony yesterday we heard they were building to allow for expansion.

Is there anything in the numbers to indicate a need for expansion?

Bob Marthaller said he is not sure. He would say possible expansion would not refer to enrollment but rather to a cooperative or organization with a surrounding school district.

Expansion would not seem likely.

Senator Flakoll asked if there is an industry standard or guideline for square feet per student.

Bob Marthaller said there is but he doesn't know it. He can get it.

Senator Flakoll asked if Northwood would be eligible for a loan from the state, either the coal impact fund or anything else?

Bob Marthaller said he doesn't believe the coal impact fund could be used.

Senator Freborg clarified it is the coal trust fund.

Bob Marthaller said he would need to check.

Senator Freborg said the money may be all loaned out. From memory, it is up to \$40 million that can be loaned for school construction.

Bob Marthaller said he will check.

Bob Marthaller said their current construction loans are about \$2.5 million which is the top threshold. They restructured an existing debt of \$487,000 and the new loan for the new construction was \$1.7 million.

Senator Lee asked if there are guidelines for a reasonable amount of land that should go with a school of this size. Is 42 acres reasonable?

Bob Marthaller said he doesn't know if there is a set standard. When you consider athletic complexes, track fields, parking, football fields, 42 acres doesn't seem unreasonable. That was the local decision.

Senator Flakoll asked what level of mills could a school district such as this have for their building fund without a vote of the people, also for asbestos abatement.

Bob Marthaller said asbestos abatement can be up to 15 mills. Building fund is set locally, he is not sure what Northwood's is. Their ending fund balance was 12%, up from 5%. 12% is not an unreasonable amount. As a superintendent he liked the ending fund balance to be 10 – 15%. They may have already spent it down.

Senator Freborg said they have 10 mills in their building fund.

Bob Marthaller said that would generate \$50,000 to \$60,000 annually with their \$5 million to \$6 million valuation.

Bob Marthaller said he has thought about the declining enrollment and the approval of school construction since joining the Department of Public Instruction. There are very few school districts that are growing. It becomes somewhat of an issue for him, if he is the first in line to make the approval recommendation. Stable enrollment is one of the main criteria, then does he say no to all construction projects? He does not believe that is the case. We need to encourage reorganization but it is a local decision.

Senator Freborg said in most cases there is not an easy solution. In this case they perhaps could have built a high school or an elementary school for half the money. The opportunity was there and they passed it up and we have a school in financial trouble, at least they think so because they are asking for money.

Senator Flakoll said at what point does a school district lack critical mass?

Senator Freborg said the law says the superintendent of the Department of Public Instruction may not approve a project unless the school district demonstrates the need for the project, the educational utility of the project and the ability to sustain a stable and increasing student enrollment for a period of time at least equal to the anticipated usable life of the project and they have demonstrated the capacity to pay for the project. It is pretty clear. It's set down in law. They deterred from that. They can't prove stable or increasing student enrollment and they can't demonstrate the capacity to pay for the project unless they spent several millions of dollars more than they intended.

Bob Marthaller said it's a difficult question, he can't set a number. There are small but necessary schools.

Senator Taylor asked of 185 school districts, how many have increasing enrollments?

Bob Marthaller said less than 5.

Senator Taylor said by the letter of the law, we would never build another school in North Dakota except for in 5 districts which would eventually lead to some fairly poor educational conditions.

Bob Marthaller said that is correct and is the difficult part for him. He has an approval request on his desk right now to replace some portable classrooms, to redo the sewer which is outdated and falling apart, a \$1.5 – \$2 million request. The school has looked at partnerships but don't want to go forward with that. It extends the life of the facility. He would like to see it discussed.

Senator Bakke asked the estimated cost on the original application.

Bob Marthaller said \$14.5 million which included the site at \$500,000.

Senator Bakke said now the Northwood site cost is \$1 million.

Bob Marthaller said maybe it was underestimated.

Senator Flakoll asked how many times the Department of Public Instruction has denied a request in the past year.

Bob Marthaller said in the past 6 months, they have given approval to 3 – 4 smaller projects.

Very few are denied.

Senator Freborg reconvened the Senate Education Committee later in the day for further discussion of the bill.

Senator Taylor said he never thought Tom Decker would advocate for excessive school districts in the state. If the application got his signature it carries some weight. We maybe need to look at the statute that says enrollment must be stable or increasing to approve

building projects. There are plenty of things that probably went wrong in this process at Northwood, but it puts us in a hard spot right now. It may be the right thing to do to help them

out by passing the bill and helping them finish up the project with the surplus we have in the state.

Senator Lee said this is a tough deal. People got caught up in emotions and made decisions that weren't the best in hindsight. There are criteria in statute, they did not follow the rules.

Now they are coming to us looking for \$1 million for a building that is at least partially completed. Their alternative is to talk to their taxpayers, they still have that option.

Senator Freborg said we have a history of operating with our heads and not our hearts, he hopes that continues. If we really believe we should do this and it's a worthy project, that's fine. We should not do it because we are feeling bad about the situation or it's a tough thing to refuse. It sets a dangerous precedent if we do this. Some of the problems started with the Department of Public Instruction and now we are left to solve them.

Senator Taylor asked the mill levy authority and the cap we have in statute. Are they beyond that? In Fargo, you can go over the cap with a certain vote of the people. Has that been tried.

Senator Lee said they can go to their voters to expand their debt load. They could cover what they are asking us to spend by increasing their debt limit. They also could have refinanced their loan to a greater extent.

Senator Freborg wondered what their plan was when they knew they did not have the money to cover the costs. They must have something in mind besides coming here.

Senator Bakke said yesterday, Lance Gaebe said they had a package with a 3.1% interest rate, was that the refinancing. They turned it down. She asked for an explanation.

Senator Flakoll said there was a full package deal that was presented as an option that would have reduced their interest rate from 3.7 down to 2.8 – 3.0 range and had the payout over an additional 6 year period from 2024 to 2031. This would have taken care of the amount in

question. They decided not to do that. It is frustrating for all of us that they are asking us to do something that they weren't willing to do for themselves.

Senator Flakoll asked if we have heard about the coal funds. Is that information still coming from the Department of Public Instruction? He is more inclined to provide them with an interest free loan so they can bridge this gap.

Senator Freborg said he thinks the fund is maxed out.

Senator Lee said they could do that aside from this bill.

Senator Bakke said we could change the maximum debt load.

Senator Flakoll said he thinks there could be money in the Coal Trust Fund.

The committee reviewed the requirements for obtaining money from the Coal Trust Fund.

Senator Bakke said maybe we should ask Representative Griffin what other courses of action they have in mind.

Senator Freborg said they might not tell us until we deny this.

Senator Flakoll said HB 1046 is requesting \$11 million for emergency related problems and was heard last week in the Public Safety Committee.

Senator Lee moved a Do Not Pass for SB 2364, seconded by Senator Flakoll. Motion passed 3 – 2. Senator Freborg will carry the bill.



**REPORT OF STANDING COMMITTEE**

**SB 2364: Education Committee (Sen. Freborg, Chairman) recommends DO NOT PASS**  
**(3 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2364 was placed on the**  
**Eleventh order on the calendar.**

2009 TESTIMONY

SB 2364

## TESTIMONY ON SENATE BILL 2364

REP. CHRIS GRIFFIN

Mr. Chairman and members of the committee, I am Rep. Chris Griffin and I represent District 19 which consists of most of rural Grand Forks County and includes the community of Northwood. I stand before you today in support of Senate Bill 2364.

It is well known that the town of Northwood suffered a major disaster when a tornado went through the town in the summer of 2007. Through the resiliency and hard work of the residents, some of whom are here today, and the out pouring of assistance from the region and the state, the community has made remarkable steps towards recovery. Yet, there are still obstacles that remain. Passage of Senate Bill 2364 can help to alleviate some of these obstacles for the Northwood School.

The destruction caused by the tornado that struck Northwood led to the declaration of a presidential disaster. This opened the door for aid from both FEMA and the state. However, because of the size of the Northwood community, the damage did not reach the dollar amount required to get the most favorable funding formula available. This gap has put the Northwood in a situation where its school district needs to come up with \$2.7 *million*

This is a difficult situation, to say the least, for a community the size of Northwood especially given the following facts:

- Many of the residents and tax payers were under-insured
- The school district and the city are at their mill levy caps
- The school district is carrying \$1.8 million dollars of debt from an addition to the school that occurred before the tornado; and
- The property tax base has declined after the tornado

Senate bill 2364 would help to provide the school district and its taxpayers a portion of relief that is necessary for it to fully recover while at the same time still requiring the school district to shoulder a significant financial burden. The bill would provide an appropriation equivalent to 85% of the land acquisition and site costs. These costs were not covered by FEMA or the state because the school location needed to be moved. Eighty-five percent is the percentage covered by FEMA and the state for other costs associated with construction of the school.

I believe that at a time when the state has a budget surplus, one of our top priorities as legislators, should be protecting and assisting the citizens and communities of this state that have been unfortunate enough to have suffered a disaster. This bill would be a step towards that pursuit. I would urge the committee member to support this bill and to give it a do-pass recommendation. Thank you Mr. Chairman and committee members, I would stand for any questions.

**Testimony of Kevin Coles**  
on behalf of  
**Northwood Public School District #129**  
before the  
**North Dakota Senate**  
**Education Committee**

February 2<sup>nd</sup>, 2009

Mr. Chairman and Members of the Committee. For the record, my name is Kevin Coles and I am the superintendent of Northwood Public School. I am speaking to you today on behalf of the Northwood Public School, staff and students.

I am speaking in favor of SB 2364 which would provide an appropriation for grants to eligible school districts that have experienced damage or destruction due to a tornado. The EF-4 tornado that destroyed our school, one day before classes were to begin, has had a devastating effect on staff, students and community. We are extremely proud of the fact that we had all of our students in school five days after the tornado. This was accomplished by staff, students, and many volunteers, particularly the community of Hatton. It has been a challenge over the past year and one half, but we have survived.

We have compiled a fact sheet of the financial issues that the Northwood Public School is facing. The road to recovery has been difficult. Our students and staff have been going to school in Hatton, N.D. Our school is located on the third floor of Hatton High School, in a church, in five portable classrooms, a community center and a lumberyard. We have bussed all of our students for over a year and one half. Needless to say we are looking forward to going home.

After the tornado, we faced the major task of rebuilding our school. We worked diligently with FEMA, North Dakota State Emergency Services, and State and Federal officials. We are fortunate to have the assistance of so many that helped us achieve the building of a new school. The volunteerism that was demonstrated throughout our local area and across the state and beyond was phenomenal.

Despite the 7.6 million dollar insurance money, FEMA and State assistance, we still face many financial hurdles. The Northwood School District is responsible for 15% of the building costs and all the costs for land acquisition, site costs and infrastructure.

Our biggest concern became how to finance the building of a new school.

We had significant existing debt of over 1.8 million dollars on an addition to the school that was built in 2004. Our mill levy was already at a maximum.

Through the effort of state officials, we were able to borrow some new money and restructure our debt. This debt schedule now extends through 2033. Due to the overwhelming debt, all of our operating and capital improvement funds are fully dedicated, leaving no leeway for year to year operating expenses. Although our building will be new, our debt load is daunting.

I would ask you to support HB1221. We will gladly welcome the additional financial support. We have survived this disaster through hard work, volunteerism and the support of the communities all around the great state of North Dakota. This bill not only provides an opportunity for our school and community to be made whole again, but it will set a standard that will make it possible for the next community that suffers a disaster of this magnitude, to be able to recover much quicker than possible without this bill. This bill, if passed, will provide a sense of security that will be long appreciated by the people of North Dakota.

(Review of Finance Fact Sheet)

We will have a very nice school with a nice design and basic materials. We have been diligent in making cuts such as no burnish block, no terrazzo floors, no stage, and many others. Our new school will replace all the functions of the old school and will meet the majority of our needs. We are anxious to get home and move into our building, which is scheduled for completion on May 22<sup>nd</sup> of this year. Our seniors, who have been displaced for two years, are hoping to host their graduation in our new gym.

As you can tell by the data before you, the Northwood Public School has done its best under extreme conditions to provide for the education of its students. Our debt load is a major concern and will be paramount to the districts future and our day to day operations. The fact that FEMA and state agencies could not participate in site purchase and infrastructure is a tremendous burden to our school district and our continued success. This bill offers considerable relief to the district, and will allow for a much quicker and more complete recovery.

I urge you to support SB 2364.

Thank you, Mr. Chairman, for the opportunity to speak with the Committee.

## Northwood Public School Finance Fact Sheet

### MILL LEVY

Northwood Public School is at the maximum of mills it can levy in the following categories:

General Fund	185 mills
Technology	5 mills
Building Fund	10 mills
Sinking & Interest	32 mills
Total	232 mills (The State Average is 217 and Northwood is ranked 11 <sup>th</sup> among High School Districts)

### DEBT LOAD

Maximum debt load for the Northwood Public School is approximately 3 million dollars. This is a maximum set by state law and is based on our total taxable valuation.

#### PRE-TORNADO DEBT

2004 General Obligation Bonds	1,090,000
2004 State School Construction Loan    Refinanced	428,700
Johnson Controls payoff	<u>289,500</u>
TOTAL	1,808,200

#### POST-TORNADO DEBT (2009 balances)

2004 General Obligation Bonds	995,000
2004 State School Construction Loan    Refinanced	370,000
2008 State School Construction Loan	<u>1,640,000</u>
SUBTOTAL	3,005,000
Special Assessment	<u>725,000</u>
TOTAL	3,730,000

#### BUILDING PROJECT COSTS (FEMA participation)

Total	12,851,271.00
Insurance deduct	7,600,000.00
FEMA share	3,938,453.25
State share	525,127.10
Northwood share	787,690.35

11/3/10 4%

#### BUILDING PROJECT COSTS (ACTUAL)

TOTAL	13,415,913
Additional NW share	564,632 ✓

#### SITE COSTS (NO FEMA participation in any site costs)

Northwood cost:	1,041,700 ✓
Land Acquisition	114,000 ✓

#### DEMOLITION COSTS (FEMA participation)

Total	335,443
FEMA	251,582
State	33,544
Northwood	50,316 ✓

#### DEMOLITION COSTS (NO FEMA participation)

Northwood Cost:	43,163 ✓
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#### OTHER PROJECT WORKSHEETS (PW'S)

Estimated other costs, such as relocation, storage, etc:

Total	1,066,667
FEMA	800,000
State	106,666
Northwood share:	160,000

#### TOTAL NORTHWOOD COST OF PROJECT

New Building	787,691
Additional Bldg costs	564,632
Site Costs	1,041,700
Land purchase	114,000
Demolition	50,316
Additional Demolition	43,163
Other project wkshts	160,000
GRAND TOTAL:	2,761,502

## **Testimony of Stephanie Ostlie**

On behalf of the Northwood Public School Board District #129

**Before the North Dakota Senate**

**Education Committee**

February 2, 2009

Mr. Chairman and Members of the Committee. For the record, my name is Stephanie Ostlie, and I represent the Northwood School Board in support of Senate Bill 2364.

On August 26, 2007, in a matter of minutes our whole town, including our school, was destroyed by a devastating storm. There really are no words to describe the compassion demonstrated by our fellow North Dakotans after the August storm. People whose names were unknown came in droves to dig us out of a disaster area that was our home. This generosity, combined with adrenaline and determination, brought the people of our community together, along with school administration, faculty, and staff with one common purpose: to get our kids back into school. Within five days, our kids were back in class. They were scattered between a school that had been closed in Portland 30 miles away, to several facilities in our neighboring town of Hatton, including a church, a community center, the unused 3<sup>rd</sup> story of Hatton's High School, a lumberyard, and portable classrooms. The learning environment was not ideal, but our kids had a place to go to learn until we figured out a way to get them home.

With these circumstances in our minds and hearts, we had to come up with a plan. We worked tirelessly to figure out how to get our kids back into their own school in an expeditious manner. There were several hurdles and roadblocks along the way, but with the help and guidance of countless dedicated people, we found a way to break ground for the new school in the spring of 2008.

One of the biggest hurdles that is facing us today is the enormous amount of debt that our district had to incur for this project, in large part, because federal and state officials have not yet dedicated any resources toward the site acquisition and preparation cost for this new school project. The site of the tornado-demolished school was inadequate on many levels; therefore we needed to acquire a site that more adequately met the needs of our students.

By allocating funds to assist in the site costs for our school, you will ease the debt load for our district, therefore securing a brighter outlook for our children's academic future.

I believe that as North Dakotans, it should be our goal to keep our North Dakota ideals, values, and traditions alive. Without your assistance, I believe our small town existence and values are in jeopardy. The people of Northwood, with help from many neighbors, were able to rise up and face many challenges after the tornado in 2007. There has been much sacrifice, but with it, I think we have grown, learned, and built an even stronger community than we had before. Support of this bill will exemplify the North Dakota spirit, and your commitment to providing North Dakota values through small-town education.

Applicant 1728	AGENCY	County	100 % FEDERAL	75% FEDERAL	ADMIN	10% STATE	Donated Labor	25% State	TOTAL	Applicant 15%
	NDDDES	Statewide	\$ 318,092.47	\$ 238,569.35	\$ -	\$ -		\$79,523.12	\$ 238,569.35	\$ from DES
	NDDOT	Statewide	\$ 23,402.89	\$ 17,552.17	\$ 702.09	\$ -		\$ 5,850.72	\$ 18,254.26	
	ND Information Technology	Statewide	\$ 3,863.67	\$ 2,897.75	\$ 115.91	\$ -		\$ 965.92	\$ 3,013.66	
	ND Highway Patrol	Statewide	\$ 7,236.97	\$ 5,427.73	\$ 217.11	\$ -		\$ 1,809.24	\$ 5,644.84	
	ND Human Services	Statewide	\$ 2,963.81	\$ 2,222.86	\$ 88.91	\$ -		\$ 740.95	\$ 2,311.77	
	ND Electrical Board	Statewide	\$ 12,173.27	\$ 9,129.95	\$ 365.20	\$ -		\$ 3,043.32	\$ 9,495.15	
	ND National Guard	Statewide	\$ 111,350.29	\$ 83,512.72	\$ 3,227.01	\$ -		\$27,837.57	\$ 86,739.73	
	State Agency Totals		\$ 479,083.37	\$ 359,312.53	\$ 4,716.23			\$40,247.72	\$ 125,459.41	
	Grand Forks Co	Grand Forks	\$ 48,595.12	\$ 36,446.34	\$ 1,457.85	\$ 4,859.52		\$ -	\$ 42,763.71	\$ 7,289.27
	City of Grand Forks	Grand Forks	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
	City of Northwood	Grand Forks	\$ 2,799,491.00	\$ 2,099,618.29	\$ 38,994.91	\$ 279,949.11	\$ 30,943.28	\$ -	\$ 2,418,562.31	\$ 419,923.65
	Generations Learning Center	Grand Forks	\$ 8,936.44	\$ 6,702.33	\$ 268.09	\$ 893.64		\$ -	\$ 7,864.06	\$ 1,340.47
	Minnkota Power Coop Inc	Grand Forks	\$ 16,320.84	\$ 12,240.63	\$ 489.63	\$ 1,632.09		\$ -	\$ 14,362.35	\$ 2,448.12
	NoDak Elec Coop	Grand Forks	\$ 10,661.24	\$ 7,995.93	\$ 319.84	\$ 1,066.12		\$ -	\$ 9,381.89	\$ 1,599.19
	Northwood Airport Authority	Grand Forks	\$ 8,870.00	\$ 6,652.50	\$ 266.10	\$ 887.00		\$ -	\$ 7,805.60	\$ 1,330.50
	Northwood Deaconess Health Center	Grand Forks	\$ 10,188.00	\$ 7,641.00	\$ 305.64	\$ 1,018.80		\$ -	\$ 8,965.44	\$ 1,528.20
	Northwood Fire Protection	Grand Forks	\$ 24,659.81	\$ 18,494.86	\$ 739.79	\$ 1,896.14	\$ 569.84	\$ -	\$ 21,130.79	\$ 3,698.97
	Northwood Park Dist	Grand Forks	\$ 24,534.28	\$ 18,400.71	\$ 736.03	\$ 2,453.43		\$ -	\$ 21,590.17	\$ 3,680.14
	Northwood Public School Dist #129	Grand Forks	\$ 7,302,824.60	\$ 5,477,118.47	\$ 72,514.12	\$ 2,730,282.46		\$ -	\$ 6,279,915.05	\$ 1,095,423.69
	Altru Health Sys	Grand Forks	\$ 9,081.63	\$ 6,811.22	\$ 272.45	\$ 908.16		\$ -	\$ 7,991.83	\$ 1,362.24
	Grand Forks Co Totals		\$ 10,264,162.96	\$ 7,698,122.28	\$ 116,364.45	\$ 1,025,846.48		\$ -	\$ 8,840,333.20	\$ 1,539,624.44
			\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	
	<b>Totals</b>		<b>\$ 10,743,246.33</b>	<b>\$ 8,057,434.81</b>	<b>\$ 121,080.68</b>	<b>\$ 1,025,846.48</b>	<b>\$ 31,513.12</b>	<b>\$ 40,247.72</b>	<b>\$ 8,965,792.61</b>	
Updated 8-25-08, 5:00 pm										
the total can change with additional versions of PW's: also PW's were written with the insurance deducted						\$ 1,066,094.20	State Share			

Lance Gaetke z/c