

FISCAL NOTE
Requested by Legislative Council
01/12/2015

Bill/Resolution No.: SB 2169

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2013-2015 Biennium | | 2015-2017 Biennium | | 2017-2019 Biennium | |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | | |
| Expenditures | | | \$70,000,000 | | | |
| Appropriations | | | | | | |

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| | 2013-2015 Biennium | 2015-2017 Biennium | 2017-2019 Biennium |
|------------------|--------------------|--------------------|--------------------|
| Counties | | | |
| Cities | | | |
| School Districts | | \$70,000,000 | |
| Townships | | | |

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

House Bill 2169 relates to mineral revenue received by school districts.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill amends the K-12 state aid formula by reducing the amount of mineral revenue considered as local revenue in the formula by the amount of its debt service payments up to 60% of the mineral revenue received. This effectively reduces the amount considered in the formula to 15%. The K-12 funding formula provides baseline funding on a per student basis and is designed so that any funding not considered local revenue is replaced by state sources.

The assumptions for mineral revenue received are based on the 60/40 plan (HB 1176) encompassed in the Executive Budget recommendation. Further all school districts are expected to apply the proceeds of mineral revenue to repaying school construction loans as the K-12 state aid formula will replace any amount excluded from local revenue.

Mineral revenues projected under the 60/40 plan are \$55.1 million in 2015-16 and \$61.5 million in 2016-17. The amount offset in the formula is 75% of those amounts. If the effective rate drops to 15% of the additional cost to the integrated formula line will be \$70 million. This would be the maximum amount. There is no data currently available to project a lesser amount.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Funding for this amendment is not included in the Executive Budget Recommendation.

Name: Jerry Coleman

Agency: Public Instruction

Telephone: 701-328-4051

Date Prepared: 01/16/2015

2015 SENATE EDUCATION

SB 2169

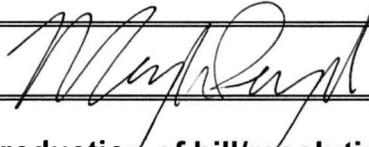
2015 SENATE STANDING COMMITTEE MINUTES

Education Committee
Missouri River Room, State Capitol

SB 2169
2/3/2015
Job # 23055 (1:09:31)

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

INITIAL HEARING

relating to mineral revenue received by school districts; to provide an effective date; and to declare an emergency

Minutes:

6 attachments

Chairman Flakoll called the committee to order at 9:00am.

David Rust, District 2 Senator (*see attachment #1 and 2*)

(16:20) **Chairman Flakoll**: Is there anything that is subjecting it to the ending fund balance language?

Vice Chairman Rust: No. However we can amend it.

Chairman Flakoll: The effective date is July 1st, 2015 and there is an emergency clause. What does the emergency clause do?

Vice Chairman Rust: It can be used for this year. It would be effective for this current 2014-2015 school year.

(18:55) **Dr. Aimee Copas**, Executive Director for the North Dakota Council of Educational Leaders (*see attachment #3*)

Senator Davison: I received an email from the Superintendent of Ray and it informed me that the NDCEL legislative focus group voted 12:0 in approval of this bill. Would this still be approved if I voted for this bill and against the 6 million dollars for pre-K?

Copas: This bill stands alone as a separate piece. With providing dollars in particular ways throughout the state, the construction industry is wise. This is a viable way to help our partners catch up without negatively impacting our partners out to the West. I would hate to equate that against helping 4 year olds.

Senator Davison: There's only so many dollars to spend and we have to prioritize.

Chairman Flakoll: Are you testifying on HB 1013?

Copas: We've testified in bills similar to this topic. We know that they need help so we have been supporting all of them knowing that some will fall short along the way.

Chairman Flakoll: Are you able to contrast the two?

Copas: to a certain extent, yes. The revenue piece is a little better for us in our estimation. The 75% subtraction goes into the general fund and helps the foundation aid; however that

is not a piece that will negatively impact other districts. That's a piece of that local district's revenue, and there was a time when those local districts could have kept that revenue prior to the formula. We understand that this is something that tweaks the formula a little bit and it's not ideal, but it's an appropriate catch up mode that doesn't negatively impact our partners in the East.

Chairman Flakoll: In terms of the source of money, gross production tax?

Copas: I would defer this to Jerry Coleman. He is nervous to tinker with the formula, but at the same time we don't want to go operate outside the formula.

(25:30) **Doug Sullivan**, Superintendent of the Dickinson Public Schools (*see attachment #4*)

(30:15) **Steve Holen**, Superintendent of the McKenzie County Public School District #1 in Watford City (*see attachment #5*)

Vice Chairman Rust: How many square miles is your school district?

Holen: 1,679 square miles

Vice Chairman Rust: How many oil wells are in your district?

Holen: approximately 4,000 oil wells currently. Our projection was to be about 9-10,000 wells drilled within my school district.

Vice Chairman Rust: Is there currently a way to determine what the assessed valuations of those are?

Holen: Every drilling rig would have some sort of value. Let's say every drilling rig is approximately 10 million dollars of value. In McKenzie County, we've had anywhere from 67 drilling rigs at one time, so you can start to extrapolate a little bit. I would say it would easily double to triple if we truly utilize those bases. It would be a substantial number to say the least.

Chairman Flakoll: Are you implying that you would rather go back and make all of those property tax versus gross production tax?

Holen: At one time I would say yes. As far as school construction, I would say absolutely. I would love to tax my people on 300 million versus 70 and see their mills go from 17 down to 8.

Chairman Flakoll: How many mills are you at currently?

Holen: We are at the 67.2. We levied 12% so we had to drop to about 56. We have a 10 mill on our building fund which is our current cap. Our building project took another 17.4 mills that the people passed at 90% this last March.

Chairman Flakoll: When we passed the original imputation formula, it was largely sold as that extra 25% would go because of the mobility of students. How is that 25% being used now for students?

Holen: We've been averaging about 500 to 600 students we enroll every year. There is a lot of time put into enrollments. The bigger part of that percent went to the ELL program. We went from not having any program to servicing 85 students. We had tremendous staff growth, and we know the funding formula is a year behind. I would think some of the 25% helped cover some of that additional staff that wasn't covered in the previous number's ADM. That 25% is being used exactly how it was intended.

(41:35) **Marlyn Vatne**, Superintendent of Powers Lake School

Vatne: This gives us an avenue for equalizing the difference in cost of construction. We would be able to capitalize on about 49,500 dollars that we could use to pay for the sinking and interest providing that oil and gas revenue stayed where it was based on this last year. Any help we can get toward paying off our construction loans will be a great help to us. It's not just the construction cost, but also other inflated costs because of where we are located. I urge your support for this bill.

Vice Chairman Rust: When did your bond issue pass, and where did your bids come in at, and what is the total cost of that?

Vatne: What we thought would be about a 3.8 million dollar project ended up to be about a 5.8 million dollar project.

Vice Chairman Rust: Do you remember the amount that you pay annually? I presume that is out of your sinking and interest fund?

Vatne: Correct. We are just paying off the one loan that we have with the Bank of North Dakota. That is \$229,000 a year. We have another loan approved by the bank that we have not used yet. That is the loan that would be paid by the sinking and interest fund.

Chairman Flakoll: What about areas that have just built expensive school buildings with no oil wells like Bismarck?

Vatne: When you look at the reality of what has happened in Western North Dakota over the last 6 years, it is not just the schools that are being impacted. This is just one way we can get a little back. There is no answer that would be truly fair, but in this case it is equitable. It has cost us more, and we have had to pay back more.

Chairman Flakoll: 10-15 years ago in places like Bismarck, it cost more for instructional staff.

Vatne: I would also argue that we have to learn how to be frugal because our instructional staff is costing more money now than they did a few years ago. You put out ads for teachers and barely get applications. The school board needs to be competitive to attract teachers. Our base was at 40,000 plus \$6,000 benefits which is very high compared to the past. If we didn't have that, we wouldn't have any applications.

Chairman Flakoll: Not all schools would participate in the program. For instance there is 2 million dollars unobligated because 13 schools chose not to participate. What is your understanding of those funds?

Vatne: As I read the bill, I would say if that money is not being used by the school districts, there is nothing in the bill that would indicate that that money is put on reserve. That was only used to calculate what the cost would be for the state. If the 30% is applied and the construction numbers are there, it has to be approved by the state and be over \$500,000. If the schools don't qualify for that and they are not under construction, that money should remain.

Vice Chairman Rust: Did you have to build or buy housing for teachers as result of lack of accommodation?

Vatne: Yes. We have bought 1 mobile home and 4 houses. We paid for most of one house through land money grants. Some of it has not been paid for yet.

(49:45) **Ben Schafer**, Superintendent of Ray Public School in Ray, North Dakota (see *attachment #6*)

Schafer: This adds direct tax relief. The Bismarck problem was taken care of with the equity formula, and this is outside of the equity formula.

Chairman Flakoll: Are you anticipating a reduction in mill levies? How will they see tax relief?

Schafer: on our sinking and interest. This bill goes back to 2010, so we could apply for the money to pay debt service.

Chairman Flakoll: Would you lower anything or just not increase as much?

Schafer: Let's say we're getting a quarter million dollars with a 5 million dollar bond. If we pay that down 3 years from now instead of continuing to pay that tax, they won't have to anymore.

Chairman Flakoll: Do you anticipate any passing through as savings? Will there be actual reduction in mill levies?

Schafer: absolutely. If we want to add a provision to lower the mill levy by so many sinking and interest, no one would complain about it. People are losing their way of life and they are paying higher taxes. That is why people are moving and West Fargo, Bismarck, and Mandan is growing. They are losing both. Some of those small towns get wiped out in that way. Those consistent tax dollars is what makes this an equity issue in the other way.

Vice Chairman Rust: Have you had to purchase living quarters for school staff?

Schafer: yes we own 14 dwellings. The first 4 were paid for with general fund tax dollars.

Vice Chairman Rust: Currently you levy a certain number of mills for a sinking and interest fund, and if you were to be able to access some of those moneys then the amount of dollars you would need would be less. Therefore your sinking interest mill levy would go down. Is that the way you see it?

Schafer: Yes, we can definitely do it that way. That would be fine.

(55:10) **Troy Walters**, Superintendent in Grenora

Walters: We have had to acquire 6 new dwellings because we've gone from 44 kids to 184 kids. We got a bond pass this last May for 9.95 million dollars. A big issue is also daycare that we are in need of. Right now there are 4 teachers who are pregnant that will be due June or July. There is no daycare for Grenora. We are looking into expanding and seeing if we are going to have a daycare and whether we would provide a house for this daycare or include it into the school. I'm sure the other schools are running into the same problem. The teachers are concerned and we are looking into money for that. Our school district is from Grenora all the way to the Canadian border then all the way up through Wesby, which is half in North Dakota and half in Montana. When we started our process of getting our bond issue passed, the first one died out by 12 votes because many people from Wesby came down and voted against it in Grenora because they wanted the money to go to Montana, where their children go to school. The second time it passed because the people who voted originally are no longer there. It is the local farmers in support who came out and gathered information and spread it to others. It is tax relief for farmers in our community because Grenora flips so much.

Chairman Flakoll: How long have you been with the school?

Walters: 6 years, 3 as superintendent.

Chairman Flakoll: This is a good problem to have- a growth in your schools.

Walters: Our school is in the middle of nowhere. We have consolidated over the years with communities around us.

Chairman Flakoll: Do you like the ADM versus September 10th count?

Walters: The September numbers are fine. It affects us more sports wise than anything.

Vice Chairman Rust: How much was the bond issue?

Walters: 9.95 million.

Vice Chairman Rust: Have you submitted for bids yet?

Walters: It went out yesterday and we will find out February 24th when we do our openings.

(1:02:00) **Steve Holen** called to the podium.

Holen: I would like to acknowledge the concern for Bismarck on the 3 construction buildings and how one would answer people with this legislation. I would absolutely support the idea that tax exemption, which was not under their control, should be tapped when they do the 3 construction buildings. It works in the education formula, but it doesn't work under construction as far as the tax base goes. With the teacher pay in Bismarck, that becomes a formula issue. It's a different concept. Lastly, as far as outside the formula, there is legislation for ELL block grants to go to schools. The idea is that the formula does not address it in full, and there was a unique situation that needed to be addressed. I will never see in that money but the concept is similar in that it provides outside the formula for a specific need. In western North Dakota it is very similar.

Chairman Flakoll: The ELL would be a one-time deal and then moved into the formula.

Holen: We hope so.

(1:04:40) **Jerry Coleman** called to the podium.

Vice Chairman Rust: What you have to do when you estimate the cost is to assume that everybody who gets gross production taxes will take advantage of using it for paying off some construction?

Coleman: That is what I did in terms of the note. I put it at the maximum because if we are short on the foundation aid appropriation line, then all school districts get the share in that short fall. We do all we can to make sure we are not short on our appropriation line.

Vice Chairman Rust: If those dollars aren't being requested, then there would be dollars leftover which would remain part of the total package?

Coleman: Yes. If they are unable to use those dollars in applying them to debt service, then the 75% offset in the formula would be what was used. If they apply to serve as debt, then the lesser amount of the offset kicks in.

Chairman Flakoll: Are we anticipating amendments that would still continue to cut the fiscal note further?

Coleman: The revision in the note was a request from legislative council. The way they wanted the note to be written would be oil and gas tax formula as it is in current law. The way the fiscal note for the foundation aid was based was on the Governor's recommendation. That included an oil and gas tax allocation plan of 60% going to political subdivisions rather than the current 25. That is the difference. You can recognize that the amount of revenue generated for oil and gas tax has a significant impact on the foundation aid formula. In the final reconciliation, the funding formula has to be aligned with the oil and gas tax allocation plan.

Senator Davison: Is the 18.9 one time funding that would come out the general fund?

Coleman: That would be the amount that the state school aid formula line would have to be increased to make up for the loss of local contribution to the formula. That would have to be replaced in the state aid line.

Senator Davison: Is that one time or ongoing?

Coleman: ongoing if written in statute, tied to the amount of oil and gas tax allocation. It will vary directly with the amount of revenue that they receive from that source.

Chairman Flakoll ended the hearing on SB 2169.

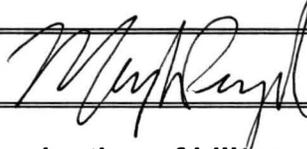
2015 SENATE STANDING COMMITTEE MINUTES

Education Committee
Missouri River Room, State Capitol

SB 2169
2/4/2015
Job # 23173 (44:35)

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

COMMITTEE WORK with **Lance Gaebe**, Trust Lands commissioner

Minutes:

3 attachments

Chairman Flakoll called the committee to order at 10:00am for committee work.

Chairman Flakoll: I asked Mr. Gaebe to come in to talk through a similar program that is in the House side in HB 1013. We can compare and contrast these different options.

Gaebe: A responsibility the land board has is overseeing the energy infrastructure and impact office, a fund that the legislature established a number of years ago that has grown a great deal. It used to be an 8 million dollar impact fund to help political subdivisions with the dealing of the oil and gas development impact. In 2011 it was increased to 135 million dollars and in the current biennium it is 240 million dollars that is available for political subdivisions. Of that amount the land board allocated 25 million dollars for impacted school districts. I have a list of those that we've provided in the current biennium. **(see attachment #1)** In the current appropriation bill for the department, HB 1013 there is an anticipated 119 million for the energy impact program. Of that amount 30 million would be specifically allocated to school districts. Because these grants shown on this table and others from the energy impact program are not counted as part of revenue streams for the school districts, they don't impact the subsequent years to calculation by the Department of Public Instruction on how the tuition portion is done. These grants don't count against that for future distribution. This second handout is an estimate based on the anticipated ratio of the gross production tax that would be distributed to the western school districts for the 2015-17 biennium. **(see attachment #2)** We provide on a reimbursement basis so as a school district has a construction or a project related to their facility, they would show us the documentation for the fact that they spent that amount and we provide a reimbursement of these dollars. Therefore that wouldn't count against them in the future calculations for distribution of tuition dollars.

Chairman Flakoll: The last handout you provided ties to the 30 million more or less?

Gaebe: More or less is a good way to put it. These are estimates on how that would be accomplished. As we get closer to the fiscal year, we would hopefully have a sense of what

types of distributions they may receive. They've given the awareness of the grant dollars that they can anticipate.

Chairman Flakoll: HB 1013 is dollars outside the formula, correct?

Gaebe: Correct. The source of the 30 million dollars is from the oil and gas impact grant fund. It is also a piece of the gross production tax, but is separately put into that fund specifically for the purpose for helping political subdivisions with impacts. That is not imputed into the revenue calculations for that school district.

Chairman Flakoll: The first handout is from the past?

Gaebe: Yes, those are all awards that were already done. We take applications and we have an advisory committee help review those applications based on need and proximity. We worked with an advisory committee made up of several Superintendents to look at all of those applications, rank them, and offer them to the land board who then makes the grants. They are awarded those amounts and then we do it on a reimbursement basis. Once a school district documents that they have done completed this project or phase, we provide a reimbursement of those dollars.

Chairman Flakoll: There are a number of security descriptions. Are we using our state dollars to match our state dollars?

Gaebe: We compared the schools that were able to receive some safety grant dollars from the Department of Public Instruction that didn't go on this list. We tried to avoid matching state for state and make sure there were some local cost shares in those projects. We largely tried to focus on temporary type construction such as repurposing and reutilizing a lot of teacher housing. You won't see many brick and mortar type activities.

Chairman Flakoll: Explain the Killdeer for school lunch program expansion.

Gaebe: They needed to have an expansion of their freezers and refrigerator capacity. This was not lunchroom but kitchen expansion to accommodate the larger population size.

Chairman Flakoll: Some cases have very large ending fund balances. Did you modify the approach?

Gaebe: We didn't modify the approach a great deal. I learned the challenges of these school districts and knowing the real potential for ups and downs in distribution of the gross production tax. I understand why these school districts have money in reserves to prepare for the unknown.

Chairman Flakoll: What would cause someone to not make the list?

Gaebe: In our current process, it is needs based. The schools that didn't make the list were wants and not needs. We've also had substantial requests for major construction, and we weren't able to fund those. With my understanding of the appropriation bill's intent is that that discretionary piece would instead be formula driven. The difference is that they can anticipate and plan getting an amount. How we operate it now, we get 5x the amount of requests than we do dollars available.

Chairman Flakoll: How would the elementary cafeteria pay out go? Understandably there are up-front costs. What is the methodology?

Gaebe: Generally we are a little tough on the ones that were already expended. We award the grant but not the dollars. We let the school district know that the land board has approved their grant for these purposes. We aren't strict for the type of tools or space, but we need the overall purpose clarified. When they finish a project, we review the receipts and the approval of the school board and reimburse them. We can generally do that in a 2-3 day time frame because we wire the funds. We try not to make it a bureaucratic challenge. We simply want them to prove they spent the money on what they said they would.

Chairman Flakoll: Do you pay the school and then the school pays the specific services?

Gaebe: Yes it is preferred. We have direct deposit arrangements for all of the schools and so we would reimburse them for the bill they already paid.

Chairman Flakoll: What if they have to pay for something twice in one month? You are set up for that and can pay more than once for that project?

Gaebe: Correct, or if it is cash tight situation, we can send a portion of the grant to them to comply with that.

Chairman Flakoll: Are these all contracted?

Gaebe: I'm not sure the dynamics of how they hire their contractors, but we at least ask for a documented invoice statement in approving that expenditure that gives us some degree of documentation of intent approval.

Chairman Flakoll: With a larger school district you may have dedicated staff that can do some of these jobs. Can we reimburse them for the presumed actual cost of their employees doing some of this work?

Gaebe: We have shied away from that. The things funded are acquisition of assets, construction materials, appliances or modular classroom projects. Generally these things are hired by qualified contractors, not the staff themselves. I can't recall any instances in which we reimbursed the school district for its existing staff's work.

(22) **Senator Davison:** Are there specific requirements for allotting these funds? How do you determine how many dollars you allocate each year?

Gaebe: The determination of need is broad in Century Code. It simply says any political subdivision with an elected board in a tax paying authority is eligible to receive. It says we need to consider grants at least 4 times per year. There are not any tight parameters regarding how this is awarded or how it should be pro-rated.

Senator Davison: With regard to the purchasing of housing units, do you know if once those housing units are paid for, do a majority of schools rent them to teachers and generate income from those grants or are they free of charge?

Gaebe: We generally have that on the application, but we don't administer or monitor how they do it. In most cases the justification of the school district to buy a housing unit is with the plan to rent it at a traditional market based rate so that it is not rent free but also not at the inflated rents that we have seen in some of those areas.

Senator Davison: If it increases in value, They don't have to pay the money back?

Gaebe: Correct. Once that grant is provided and that asset is acquired, it is the school districts that decide what they want to do with it.

Vice Chairman Rust: The amount of dollars is designated through a bill that is passed by the legislature, correct?

Gaebe: Correct. The appropriation amount in toll is an amount that goes into the oil and gas impact grant fund. In the current biennium that total was 240 million dollars, 239 million dollars which is to be granted. It is appropriated by this body and the current amount that is in the appropriation bill for the department is 119 million. It is being reduced some but that is in exchange for increases of the direct distribution to political subdivisions.

Vice Chairman Rust: Some school districts have said that the state is not in support of bricks and mortar but rather some of these grants came through the infrastructure they had to bring in in order to accommodate those buildings like water and sewer. Is that correct?

Gaebe: That is a fair assessment of our approach. The 25 million dollars we set aside would not help with bricks and mortar in many places. The land board and the advisory

committee that I referenced earlier largely viewed this as a nimble fund responsive and reactive to anticipated circumstances and emergencies.

(29:45) **Chairman Flakoll:** Were there other funds that went out to schools besides what is listed in your handout?

Gaebe: This is the extensive list of the schools. This is the entire list.

Chairman Flakoll: Wasn't there a provision last session with the formula for distribution where the local political subdivisions got some of the schools' money, 8 million dollars that was also paid out?

Gaebe: There was a specific amount to hub school districts that was part of the formula distributed by the treasurer's office as part of the gross production tax. That may be what you are referring to.

Senator Marcellais: How much is in the oil and gas impact fund?

Gaebe: The 2013 legislature appropriated 240 million dollars for that fund. A portion of that is for administrative costs so in essence, 230 million is grantable. The land board has awarded 207 million of that fund.

Senator Marcellais: What percentage of these projects is completed?

Gaebe: I'm not sure off I can get that to you.

Chairman Flakoll: Please get that to us along with the history of how much was appropriated in each biennium. (*see attachment #3*)

Gaebe: This originated in the 1980's as a coal impact development fund. We generally aren't pushing the school districts to complete their projects.

Senator Marcellais: What if they don't spend all of the money, does it come back to the funding?

Gaebe: Yes. We try to be as gracious and adaptable as we can, but after 3 years we will ask the land board to cancel. In some cases they will tell us that they are done with the project and we can take the remainder of the money back, but most of the time it gets spent.

(36:20) **Vice Chairman Rust:** You have granting grounds and certain entities that may apply during those granting rounds. Explain the granting rounds and the amount of dollars that are awarded during those time periods.

Gaebe: We ended up doing our school rounds 4 times. Our plan was to do two separate rounds, but we concluded that the needs were identified better this way. We had four different times when we considered school ground rounds for 25 million dollars. There was 3 million dollars for dust control but that was already identified by legislature which 3 counties would qualify. We had 2 city rounds with 90 million dollars available excluding hub cities. We worked with the Attorney General for a combined 17 million dollars for law enforcement grants. We have done 3 rounds for airports with 60 million allocated by the last legislative session. There was 4 million that was specific to higher education. We did one round with that conjointly with the Chancellor's office. We combined the EMS and the fire department with 17 million dollars in two rounds. We had a general round for townships and counties. We focus the rounds so we can compare similar applications.

Chairman Flakoll: How does the guidance and feedback go during rounds?

Gaebe: We do some of that. We generally discuss what our practice has been, but we don't have any formal guidelines of qualifications because we want to remain nimble. We try to tell people why a grant may not be rewarded. In many cases, it's not because the application or intent was wrong, but more than likely it is not needs based enough.

Vice Chairman Rust: Looking at the School Construction Impact Fund handout (attachment #2), it shows approximate amounts that school districts would receive. Could they use those dollars for principle reduction on a bond issue?

Gaebe: The way the authorizing legislation is written in our budget bill, it is general in nature. It just says for renovation and improvement projects. As long as we would be provided with documentation that it went for that type of expense, I think we can fund it.

Vice Chairman Rust: We have a school that has had a voter approved 60% bond issue and they would like to take this money and apply it toward principle reduction. Can they do that?

Gaebe: I think so, but that is a policy guidance we will go through when we get there. We will have to develop tighter parameters on what is an acceptable expense. I don't anticipate being so rigid in this approach that it can't be for whatever that school board decides as improvements or construction, but our practice heretofore has not been to reimburse expenses already incurred. I don't know the answer, it is very broadly written.

Chairman Flakoll ends the discussion on SB 2169.

2015 SENATE STANDING COMMITTEE MINUTES

Education Committee
Missouri River Room, State Capitol

SB 2169
2/4/2015
Job # 23227(10:10)

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

COMMITTEE ACTION

Minutes:

No attachments

Vice Chairman Rust: I would like to see this bill pass. Therefore I would be willing to offer an amendment that would tie an ending fund balance to receiving funds if that would help this bill pass, but I did not get a chance to draft the amendment. 1013 is a one-time amount given to those school districts. 2169 would be a continuing, lesser amount over the timeline of the loan.

Senator Schaible: I like the other version better because it doesn't mess with the formula. That would cause other problems and make it difficult to get it on the formula. The other way would be to go back to the redistribution of that formula and fix it for schools. I like what we heard this morning because it is not on formula and the funding is already in place. Whether it is not one time or not can be available next biennium.

Vice Chairman Rust: 1013 has not passed yet. There is a possibility to lose both of them.

Senator Schaible: In my experience, there is nothing neither alive nor dead until the last day.

Senator Davison: There aren't any amendments that would help me with this bill.

Vice Chairman Rust motions for a do pass and rereferred to appropriations

Senator Oban seconds the motion

A vote was taken: Yes: 3, No: 3, Absent:0

The motion fails.

Senator Schaible motions for a do not pass.

Senator Davison seconds the motion.

A vote was taken: Yes: 3, No: 3, Absent:0

The motion fails.

Senate Education Committee
SB 2169
2/4/2015
Page 2

Vice Chairman Rust makes a motion for passing the bill without committee recommendation and rereferred to appropriations.

Senator Schaible seconds the motion

A vote was taken: Yes: 6, No: 0, Absent:0

The motion passes.

Vice Chairman Rust will carry the bill.

**2015 SENATE EDUCATION COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2169**

Senate Education _____ Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Vice Chairman Rust Seconded By Senator Oban

| Senators | Yes | No | Senators | Yes | No |
|--------------------|-----|----|--------------------|-----|----|
| Chairman Flakoll | | X | Senator Marcellais | X | |
| Vice Chairman Rust | X | | Senator Oban | X | |
| Senator Davison | | X | | | |
| Senator Schaible | | X | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Motion Fails

Total (Yes) 3 No 3

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2169: Education Committee (Sen. Flakoll, Chairman) recommends BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2169 was rereferred to the Appropriations Committee.

2015 SENATE APPROPRIATIONS

SB 2169

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2169
2/11/2015
Job # 23665

- Subcommittee
 Conference Committee

Committee Clerk Signature

Emmery Brothby for Alkie DeJager

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend NDCC relating to mineral revenue received by school districts; and to declare an emergency.

Minutes:

Attachments: #1 - 3

Chairman Holmberg called the committee to order on Wednesday, February 11, 2015, at 11:00 am in regards to SB 2169. All committee members were present. Sheila M. Sandness, Legislative Council and Tammy Dolan, OMB were also present.

Senator David Rust, District 2: introduced the bill and provided written Testimony (see attachment #1) stating the bill will allow schools that incurred bonded indebtedness as back under certain conditions listed in the testimony. This bill will provide property tax relief to taxpayers in areas of the state experiencing exceptionally high construction costs. (9.09) Proposed amendment #15.0410.02001 (see attachment #1, page 8)

Senator Carlisle: So there is a gross production tax bill still in the house; why wouldn't this been part of that bill?

Senator Rust: I believe what happened was when I decided to do this bill it got assigned to education, because the funding goes through the education committee. I did not consult with them as far as putting this bill in because that's a different formula. They mesh because of the subtraction of the funding from the school.

Ben Schaefer, Superintendent of Ray Public School: Testified in support of this bill. (see attached #2)

Chairman Holmberg: (12:32) Would your group be as supportive of this concept if the came out of the Foundation Aid Payments to schools for \$35M?

Ben Schaefer: I don't think the Superintendent would.

Chairman Holmberg: I see what you're doing and I'm not adverse at all. The question is about the total amount of dollars that may be available; we don't know.

Vice Chairman Bowman: Living next to Montana, they have the ability to tax their oil, their school districts are doing well. We're right across the border and the formula doesn't allow us to tax any of that oil activity that we have and that really hurts. When they compute the formula now they use what money we get and that costs our school districts. I understand where you're coming from.

Ben Schaefer: There's talk about carry over in the schools, but with \$383M carried over and us struggling, I see where that change could still be made.

Senator Wanzek: Essentially what the bill is asking is that you're allowed to use your gross production tax to pay off your construction loan before you apply to 75% deduction to the rest of it?

Ben Schaefer: That is correct, a portion of it would pay off our debt, or be used for construction. You'd have to pass the bond so you'd have local skin in the game so it's not a free ride.

Senator Wanzek: Wouldn't that readjust the fund of the whole foundation aid formula?

Ben Schaefer: We don't get the tax, we lose the tax. We lose our ability to tax that and other places aren't.

Steven Holden, Superintendent of McKenzie County Schools from Watford City: (16:00) Testified in Favor of SB 2169. We have been affected and there has been a lot of extensive work done with the surrounding community and we want to be able to leverage this in lieu of tax to assist with our facilities and school construction. It basically allows us to use this tax for school construction. Because of the formula and lieu of tax nature, we are being penalized for not being able to draw on that tax base to support school construction.

The way foundation aid formula works, the state is obligated to pay that foundation payment irregardless of the local revenue. So what's happening now is that the local revenue is going to go down in this case if this bill passes and the state is obligated to make that difference. So it's a good argument to say that it increases the financial obligation of the department of department of public instruction. The other argument would be that the gross protection tax over the last several years has lessened that obligation for them in the same nature. At the core of it, the obligating dollars per pupil and the local revenue could go down anytime. I think we want the conversation to be truly an equitable?

Senator Mathern: (19:11) Why doesn't the coalition come in with a bill to give you the ability to tax?

Steven Holden: The question often is what would be representative if we were able to tax those oil/drilling rigs as they are producing. I would absolutely take the ability. Understanding that with the school equity formula with per people payments, it's a mute issue. For school construction, that might meant I have a \$250M taxable evaluation to draw from which means my local tax payer pays less mills. Now I'm sitting with \$71M to draw off of.

Senate Appropriations Committee

SB 2169

02-11-2015

Page 3

Senator Mathern: I'm talking about change. Just because we decided something 40 years ago doesn't mean it has to be that way.

Steven Holden: This bill looks at it from a different eye. It is truly a property tax issue; it is not an education issue in that sense. We feel the companies should be supporting schools.

Viola LaFontaine, Superintendent for the Willison Public School District #1: Testified in favor of SB 2169 (see attachment #3)

Chairman Holmberg closed the hearing on SB 2169.

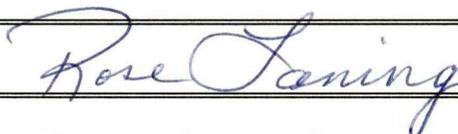
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2169
2/17/2015
Job # 23996

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

This is a subcommittee hearing on the budget of the Department of Public Instruction.
Bills 2013, 2031, 2254, 2151, 2169.

Minutes:

Attachment 1 - 2

Legislative Council - Sheila Sandness
OMB - Tammy Dolan

Chairman Holmberg called the committee to order on SB 2013. **Senator Krebsbach** and **Senator Heckaman** were also present.

Chairman Holmberg said we have the Flakoll bill (\$6M voucher for pre-school) and the Murphy bill for preschool. Senator Flakoll's bill would be \$6M vouchers for any preschool program for 4 year olds. They would have to apply and the individuals in front of the students would have to be certified (SB 2151). SB 2254 is a competing or companion bill and had \$52,650.

Senator Heckaman said no one had talked to her, but she thought that for \$21M we can expand and merge these two bills together. Neither one will start until the 2016-17 biennium. If we guess at 6000 students and give \$2000 as a voucher, that would cost us \$12,000 for one year. And if we take 3000 that we consider low income students and move their voucher up to \$3000, which would be \$9000 for one year for a total of \$21,000. You would still be on the voucher system. I'm supportive of pre-K and also childcare systems that are out there. Coming out of the last legislative session, we asked Ms. Baesler to do a study and this is the results of that study. Just a thought for now.

Chairman Holmberg: I think we're going to have a challenge to pass a bill with \$6M.

Senator Krebsbach I don't think they're ready yet. The schools aren't ready. The faculty isn't ready.

Senator Heckaman: This would be a compromise between the two bills and would cover all the students for one year.

Chairman Holmberg: Let's throw the two out and get a sense of the body (Senate Appropriations). We can ask and see if the two can be merged. We don't want Legislative Council to put together an amendment that has no support.

SB 2013 -

Senator Krebsbach asked about Section 3 - the transfer of \$300M from SIIF for the school construction loans. Is that still valid?

Sheila Sandness said there is language in this bill about the revolving loan fund. If you want the revolving loan fund language that's currently in the bill, you can do that or you can remove that section if you want.

Chairman Holmberg asked if there was any other revolving loan fund bills in the House - for schools?

Chairman Holmberg said this bill is the one with the money. The SIIF fund is about close to zero if what they talk about is going to be in the Surge bill. Would this have to be moved to the general fund?

Sheila Sandness: I'm not sure where we are in the SIIF fund, but the language is in section 19 and 20. It's coming from the SIIF fund in here. If you wanted to maintain the program, there isn't any money left in the SIIF fund so you'd have to look at some other source.

Senator Heckaman handed out amendment 15.0291.05003 - Attachment 1.

This amendment goes into 2031 and removed the transition maximum that schools are allowed to get under the school per pupil payment. There are a number of schools that were only allowed, the first year, to get 110% more than they got the year before. Last year they were only allowed to get 120% of that. Some schools were at the bottom for the funding formula. A lot of these schools are the Native American schools, but not all. Maybe ½ and ½. Those schools don't have a clue when they will get off of the maximum.

Jerry Coleman, Dept of Public Instruction: If it continues on the same trajectory, That's a base line based on the effective rate that they were getting from state and local sources at the time the new formula went up. That has increased 10% each year, so it will be 10%, then 20%, 30, 40, 50 and so I'd expect that maybe in 5 years they'll all come on to the

Senator Heckaman: But some are not getting near what the per pupil payment is expected to be from the state - from the combination of the state and local funds.

Jerry Coleman: And the reason they're on this maximum is because the formula doesn't consider federal funds that replace the local property tax. That's why that exists.

Chairman Holmberg asked if this amendment was proposed to the education committee?

Senator Heckaman: It was proposed and it didn't pass. It was before this bill was engrossed the last time to the 03000 version, I'm not sure.

Chairman Holmberg said that appropriations is usually reluctant to overturn any decisions made by a policy committee.

Senator Heckaman handed out **15.0291.05002. Attachment 2**. This is actually Senator Rust's amendment. It's on making school's whole in the oil patch when they have to deduct 75% of their oil tax money. This is a grant. As a grant, he has gone thru and figured all of the schools that are losing money and according to him, \$8.75M would be needed to make this whole. I'm bringing this forward for Senator Rust's benefit.

Chairman Holmberg: If this was attached, then would SB 2169 be unnecessary?

Senator Heckaman I don't know. He thought it should be in addition to 2169.

Chairman Holmberg asked Sheila Sandness of Legislative Council to check if they are duplicative.

Sheila Sandness: So the question is whether 2169 is here because they brought this amendment or if you need both of them or one or the other?

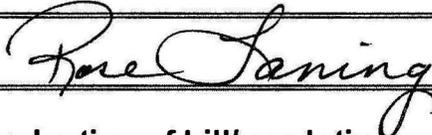
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2169
2/23/2015
Job # 24243

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend NDCC relating to mineral revenue received by school districts; and to declare an emergency.

Minutes:

Legislative Council - Sheila Sandness
OMB - Tammy Dolan & Lori Laschkewitsch

Chairman Holmberg this bill is for the mineral revenues for schools. It came out of education committee without committee recommendation.

Senator Carlisle mentioned that the amount of money can still be moved around before we leave here.

Senator Carlisle MOVED DO NOT PASS.
Senator Krebsbach seconded.

Senator Mathern asked how many dollars they would get.
Chairman Holmberg: OMB just has the gross numbers.

Senator Heckaman: I believe there are merits in this bill because we require the schools to report. I'm going to vote against a Do Not Pass.

A Roll Call vote was taken. Yea: 8 Nay: 5 Absent: 0
Senator Holmberg will carry the bill on the floor.

Date: 2-23-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2169

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Carlisle Seconded By Krebsbach

| Senators | Yes | No | Senators | Yes | No |
|-------------------|-----|----|-------------------|-----|----|
| Chairman Holmberg | ✓ | | Senator Heckaman | | ✓ |
| Senator Bowman | | ✓ | Senator Mathern | | ✓ |
| Senator Krebsbach | ✓ | | Senator O'Connell | | ✓ |
| Senator Carlisle | ✓ | | Senator Robinson | | ✓ |
| Senator Sorvaag | ✓ | | | | |
| Senator G. Lee | ✓ | | | | |
| Senator Kilzer | ✓ | | | | |
| Senator Erbele | ✓ | | | | |
| Senator Wanzek | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 9 No 5

Absent 0

Floor Assignment Holmberg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2169: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO NOT PASS (8 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). SB 2169 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

SB 2169

Mr. Chairman and Members of the Education Committee:

For the record, I'm David Rust, Senator from District 2 in NW ND.

I am here to introduce SB 2169. A number of school districts in oil country have been forced to build new schools or classroom additions due to rapidly increasing enrollments. The objective of SB 2169 is for those school districts to use part of its gross production tax (GPT) dollars to pay off bonded indebtedness for those new buildings or additions prior to having those dollars deducted at 75% through the state aid formula (p.3).

The bill (p. 4) will allow schools that incurred bonded indebtedness as far back as January 1, 2010 to use their GPT if:

- 1) the project was approved by 60% of the voters of the district, OR
- 2) the cost of the project is in excess of \$500,000 and received approval from DPI.

The effective date of this bill is July 1, 2015 and it does contain an emergency measure (p. 4).

I am offering to you an amendment that changes the "sixty" percent on p. 4 lines 28 to "thirty" percent. Part b of the amendment calls for at least a dollar-for-dollar match by the school district.

Last session's HB 1013 contained the school aid funding formula and set maximum levies as follows in Section 49 (NDCC 57-15-14.2):

General Fund - 70 mills (60 mills are subtracted through the state school aid funding formula)

Miscellaneous Fund - 12 mills

Special Reserve - 3 mills

Building Fund - Per state law (NDCC 57-15-19) Usually 10 mills or lower but can go to 20 mills by vote of people

Sinking and Interest - set by a vote of people to pay for bonds for school construction

The Gross Production Tax (GPT) is an "in lieu of property tax." Schools are paid their share of the GPT by the State Treasurer; it is considered "local revenue."

That GPT goes into the school district's General Fund and 75% is subtracted through the school aid funding formula.

As an example, let's assume District A gets \$800,000 in GPT.

\$200,000 is retained by the school district (placed in the General Fund)

\$600,000 is subtracted by the state through the formula

\$800,000 TOTAL

If SB 2169 were to be passed and p. 4 line 28 were "thirty percent," the following would happen:

\$200,000 is retained by the school district (placed in the General Fund)

\$180,000 ($\$600,000 \times 30\%$) is retained by the school district (placed in the Sinking and Interest Fund to pay off bonded indebtedness)--provided the dollar for dollar match is met; in not, the amount would be lower than \$180,000 and the amount subtracted would be greater than \$420,000.

\$420,000 is subtracted by the state through the state aid funding formula

\$800,000 TOTAL

Please note, that \$180,000 can only be used as follows:

- A) Pay off bonded indebtedness, so the dollars should go into the Sinking and Interest Fund. Since this is a specified levy to pay off bonds, any amount placed in that fund would reduce the levy placed on the taxpayers of that district. It would have no effect on the district's General Fund. OR
- B) Pay off a school construction or remodel that must be at least \$500,000 and approved by the DPI, so the dollars should go into the Building Fund. It would have no effect on the district's General Fund.

Note: District A's bond issue was just under \$10,000,000. At a 1% school construction loan their yearly payment will

be approximately \$552,000; a 4% loan, the yearly payment will be approximately \$727,000. So you can see that the \$180,000 doesn't come close to the bond payment.

Let's address why the January 1, 2010 date was placed in the bill. Suppose this bill were to be passed without that date, only schools that pass a bond issue after SB 2169 goes into effect (August 1, 2015) could benefit from it.

The date allows school districts that passed a bond issue for school construction or remodel after January 1, 2010 to benefit following SB 2169's going into effect (August 1, 2015). They would not be able to go back and retrieve dollars paid between 2010 and 2014.

Education costs are equalized through the state school aid formula. There is no equalization of construction costs. One of the school districts currently adding an addition to their school due to increased enrollments caused by the Bakken Boom was told, "If this project were bid in the eastern part of the state, the bids would have come in somewhere in the \$160 - \$180 per square foot." Their bid came in at \$300/sq. ft. Some contractors are even so bold as to add a "30% Bakken Premium" to their bids.

As I stated SB 2169 will provide property tax relief to taxpayers in areas of the state experiencing exceptionally high construction costs. Allow me to explain.

District A has a taxable valuation (t.v.) of \$28,000,000.
I'll mark that in green on the next page.

To fund a \$10,000,000 school construction bond issue, the number of mills is determined by:

$$\frac{\$10,000,000 \text{ (bond issue)}}{\$28,000,000 \text{ (t.v.)}} \div 20 \text{ (years to pay off bonds)} \times 1000 \text{ (to convert to mills)} = 17.86 \text{ mills}$$

That's the amount of mills (17.86) added to the property taxpayers bill for the Sinking and Interest (S&I) Fund to pay for the school construction.

NOTHING at a well site (pumper, tanks, etc.) is assessed for property tax purposes; hence, not a part of the taxable valuation. Instead, schools are paid a Gross Production Tax (GPT) "in lieu of property tax." It generates no dollars for the S&I Fund or Building Fund.

IF those sites were assessed, the t.v. would be significantly higher. For purposes of this illustration, let's assume the t.v. of those sites to be \$5,000,000. The total t.v. would then be \$33,000,000. I'll mark it in red below.

$$\frac{\$10,000,000 \text{ (bond issue)}}{\$33,000,000 \text{ (t.v.)}} \div 20 \text{ (years to pay off bonds)} \times 1000 \text{ (to convert to mills)} = 15.15 \text{ mills}$$

Fact: As the t.v. goes up, mills go down to generate the same number of dollars. The number of mills would drop from 17.86 to 15.15.

So, as a result of an under stated actual t.v. by giving GPT to the school instead of assessing it as property, the taxpayer pays more of the costs of construction than if those well sites were part of the property tax.

SB 2169 a) provides relief for the taxpayer and b) uses the GPT to pay for the impact of the school construction due to oil and gas activity.

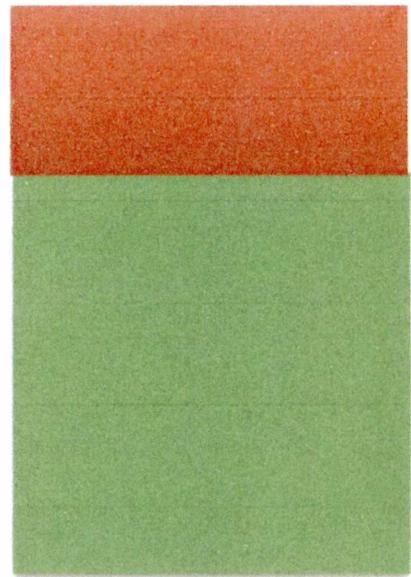
I urge you to give SB 2169 a "Do Pass" recommendation and will stand for any questions you may have.

Sinking and Interest Fund (S&I)

\$32,900,000 (t.v.) - S&I =>15.15 mills

\$27,900,000 (t.v.) - S&I =>17.86 mills

FYI: If those wells, tanks, etc. were assessed for property tax purposes, all mill levies (General, Miscellaneous, Building, etc.) for the school district would be lower.



MILL LEVY SUMMARY FOR 2013-2014

The following is a summary of the taxable valuation and the number of mills levied by school district and by county. Taxable valuation per enrolled student is calculated by dividing the total taxable valuation by K-12 fall enrollment. The statewide average taxable valuation per enrolled student for the current school year is \$31,592.

To determine the amount of revenue that a mill levy will raise, multiply the taxable valuation of the school district by the number of mills levied.
(Example: taxable valuation \$1,500,000 x 40 mills / 1000 = \$60,000.)

The type of General Fund levy is denoted by use of the following codes: R = regular mill levy authorized by statute and set by the school board; S = specified maximum mill levy; U = unlimited mill levy.

Of the school districts reporting a mill levy type, 164 districts have a regular mill levy, Nine districts have a specified mill levy, and three districts have an unlimited levy. Four districts did not make a levy for the 2013-2014 school year. 57 districts levied less than 60 mills for general fund purposes. Four districts made no levy for general fund purposes. The total average levy for 2013-2014 is 95.85 mills.

The county and state totals were determined by totaling the taxable valuations for the school districts and calculating the number of mills required to raise the same amount of revenue if there were only a single county or state levy for each of the funds.

| | Taxable Valuation | Value Per Enrolled Student | Fund 1 | | | Fund 2 | Fund 3 | | Fund 4 | | Total |
|------------------|-------------------|----------------------------|---------|---------|-------|-----------------|---------------|--------------------|--------------------|----------|-------|
| | | | General | Tuition | Misc. | Special Reserve | Building Fund | Special Assessment | Sinking & Interest | Judgment | |
| STATEWIDE TOTALS | 3,211,546,540 | 31,592 | 72.56 | 1.40 | - | 0.72 | 9.90 | 0.67 | 10.57 | 0.02 | 95.85 |

7/7

2
2/3/15

15.0410.02001
Title.

Prepared by the Legislative Council staff for
Senator Rust

February 2, 2015

PROPOSED AMENDMENTS TO SENATE BILL NO. 2169

Page 4, line 28, replace "Sixty" with "Thirty"

Page 4, after line 29, insert:

"b. For purposes of applying the calculation in paragraph 3 of subdivision a, the amount being subtracted in accordance with subparagraph a or b may not exceed fifty percent of a school district's revenue contribution to a qualifying project."

Page 5, line 1, replace "b." with "c."

Renumber accordingly

#3

2/3/15

SB 2169 – School District Mineral Revenue Received

For the record, my name is Dr. Aimee Copas. I serve as the Executive Director for the ND Council of Educational Leaders. I stand before you today in support of SB 2169. Our state has seen wonderful growth over the past years for a number of reason. It has impacted all corners of our state. As our Governor Dalrymple mentioned, we've worked for years to make ND Economically vibrant. We wanted to find a way to make our state more appealing. We've done our job...and sometimes we get what we ask for.

With the growth has brought to our states infrastructure needs. One critical one being our schools. The reality is, the cost of construction is not equal around our state.

Our organization recognizes the tremendous needs that have come to our colleagues in western ND. As we attempt to achieve equality in school funding, there are things that we cannot control. One of those items being the inflated construction costs in the west. We've grappled time and time again with how we might even out the tremendous cost differential and provide our colleagues out west a chance for an even playing field without taking away from other districts, or providing the construction industry an opportunity to spread the high costs to other corners of the state.

Because there is no ability for educational leaders or for the state to equalize the cost of construction, we must find innovative ways to meet the needs of these schools. We recognize this as a viable option to do so.

We recommend a DO Pass of SB 2169. Thank you for your time.

11

February 3, 2015

Senate Bill 2169

Good morning. Senator Flakoll, members of the Senate Education Committee, my name is Doug Sullivan and I am the superintendent of the Dickinson Public Schools. I am here today on behalf of the taxpayers and school board of the Dickinson Public Schools to request the committee vote in favor of Senate Bill 2169. My role today is to provide some recent history of enrollment in the Dickinson Public Schools, the school board actions to address our enrollment and the importance of this legislation to the taxpayers and students of Dickinson.

From May 2009 to September 2014 the enrollment in the Dickinson Public Schools has increased by 958 students. As we encountered the increasing enrollment the administration and school board realized it was necessary to provide appropriate facilities for all of the students. The school district was well positioned and has provided additional facilities that address the current and short-term future needs of the K-6 students. Since the 2011, Dickinson Public Schools has added an additional 102,000 square feet of space in our K-6 facilities to prepare for and accommodate our growth in enrollment. Our discussions revealed a significant area of concern is the facility we provide at Hagen Junior High. Consequently, the school board submitted a \$65 million bond referendum to the voters for a new middle school which received a 73% yes vote in October 2014. This Bill will help level the field for the higher cost of school construction for those of us doing projects in Western North Dakota.

- For 2014-2015 DPS is scheduled to receive \$2,750,000 in gross production tax revenue.
- Having the ability to apply a portion of this revenue to make school construction loan payments would not only provide property tax relief to the taxpayers of Dickinson Public Schools, but also provide the school district flexibility in our debt limit ceiling.

- In 2013-2014 DPS received \$2,187,500 in mineral gross production tax. This amount was reduced through imputation by 75%, or \$1,640,625 through the funding formula for per pupil payments, leaving a net of \$546,875.
- The ability to utilize a larger portion of the gross production tax revenue to pay for incurred debt or a construction project would be a great benefit to the Dickinson Public School District. The legislation does not create an inequity in the general fund when compared to other districts because the funds will be utilized for facilities.
- We see this Bill as a fair and appropriate mechanism to address the inequity between school districts that currently exists in North Dakota in the cost of school construction. In 2013 Dickinson Public Schools opened Prairie Rose a new K-5 elementary school. The cost of this facility was \$205.00 per square foot. From 2012 to 2015 West Fargo opened three elementary schools at an average cost of \$140.00 per square foot. The construction cost for Prairie Rose was 46% higher than the average cost in West Fargo. Additionally, Liberty Elementary in Bismarck opened in 2014 at a cost of \$172.00 per square foot. The construction cost for Prairie Rose was 19% higher than the facility in Bismarck.
- Our first bond election since 1997 for a \$65 million middle school was approved in October 2014 and received a 73% yes vote.
- If passed, this Bill would allow the school board the option of reducing property taxes to help pay for this \$65,000,000 project.

Chairman Flakoll and members of the committee it is safe to say that passage of this legislation would be beneficial to the Dickinson Public Schools and help to address the inequity of school construction costs in our state. On behalf of the taxpayers and school board of the Dickinson Public Schools I request the committee vote in favor of Senate Bill 2169 and send it out of committee with a do pass recommendation. Chairman Flakoll and members of the Senate Education Committee, I thank-you for your time in listening today. This concludes my testimony.

#5
2/3/15

SB 2169
Testimony
Senate Education Committee
Chairman Flakoll
February 3rd, 2015

Re: Support for HB 2169

Good afternoon Chairman Flakoll and members of the Senate Education Committee. For the record, my name is Steve Holen and I am the current superintendent of schools for the McKenzie County Public School District #1 in Watford City. I am here to testify in support of SB 2169 and the concept behind the use of oil and gas production tax revenue for school construction.

School districts have been included in the oil and gas gross production tax formula since its creation decades ago. The production tax formula was designed to provide in lieu of property tax revenue to the political subdivisions in areas of which oil development is occurring and property tax is not collected on the actual drilling and extraction of oil and gas. Since school districts are a large contributor to the local property tax base obligation; school districts receive Gross Production Tax (GPT) revenue to offset lost local property tax base and capacity. Following the 2007 legislative session; school district's receiving gross production tax revenue were required to have it "imputed" as part of the state foundation aid program. In 2007, school districts were required to impute 60% of the GPT revenue and in 2008, that amount increased to 70%. In 2013; legislation changed the imputation process to a pure subtraction in the state foundation aid formula and increased the percentage to 75%. At this time; school districts receiving this in lieu of revenue are required to subtract 75% of this amount from their direction allocation of state foundation aid payments from DPI.

The process of including the gross production tax revenue in the calculation of state foundation aid revenue that is designed for local school district general operating expenses is understandable and consistent with equity and adequacy pursuits. However, the capacity to service debt through bond issues for school construction is not equalized by the state of North Dakota and is simply based on the taxable valuation of the school district looking to issue the bonds. Given the nature of the GPT to be in lieu of property tax and since property tax leveraged for school construction in "normal" situations does not affect the foundation aid formula; the use of GPT revenue for school construction should not be subtracted from the school district's general operating expenses capacity through the state foundation aid formula. School construction is outside the scope of the General Fund fiscal operations of school districts and was not considered in the work done by Dr. Odden and Picus in the equity and adequacy studies by the state of ND. Schools in western ND recognize the importance of equity and adequacy for all school districts in ND; the issue of GPT for school construction looks to assist with current equity and adequacy issues related to school construction for those school districts and

taxpayers that happen to reside in areas heavily impacted by oil and gas development.

The challenges of school construction in areas impacted by oil development are numerous. These areas are forced to leverage its local tax base; which is already highly impacted by infrastructure needs at the city and county levels. Patrons are fine with having "skin in the game", but they simply want to know the taxes paid by the oil companies can be accessed for school construction and reduce local property tax burden. Reducing this revenue by 75% does not allow for effective use of the GPT revenue for debt repayment and ensure fair distribution of the debt service. The cost of construction in oil-impacted areas is higher than other areas of the state and by a 25-35% factor. The high school project underway in Watford City has a construction cost of \$292.22/sq.ft. including actual building construction and site costs. With the soft costs of architectural fees are added into the equation; the actual cost of construction is \$313.60/sq.ft. These costs do not reflect the items that were dropped from the project to maintain a fundable budget for the facility. The varying levels of school construction costs can easily be documented in the state to verify the higher costs associated with construction in the western portion of the state. The GPT paid by oil companies can be used to help leverage this cost inflation if the concept involved with SB 2169 is implemented into the foundation aid program.

Equity is not defined by doing the same for everyone; ensuring all aspects of funding affect school districts in a similar manner provides real equity. The GPT revenue collected by school districts should not be treated differently than "standard" property tax capacities of all districts in the state. The oil industry has the obligation to invest in school infrastructure that is impacted by the employment force required to produce the oil. Allowing the use of GPT revenue to be used for school construction and debt service helps equalize the school construction disparity currently present in the state and offer an appropriate distribution of tax burden involving industry and residential taxpayers in oil impacted areas.

The North Dakota Association of School Administrators legislative focus group has unanimously approved its endorsement of the concept outlined in SB 2169. The use of GPT revenue for school construction does not affect school equity in the foundation aid formula, but it addresses an inequity in school construction capacity present with the GPT formula and its intent to represent a local tax base and to be leverage for school infrastructure needs. SB 2169 helps provide a needed lifeline to oil impacted school districts for school construction and helps put them on a level playing field with its non-oil producing school district counterparts.

The limits imposed in this legislation will ensure the GPT revenue cannot solely fund construction projects or reduce the importance of having local property tax leveraged or voted on by the people. The appropriate "skin" is ensure with the legislation and allows for the industry to pay an adequate share of the tax burden.

SB 2169

Thoughts and rationale behind the concept of school Gross Production Tax revenue for school construction

Dr. Steve Holen

Superintendent, McKenzie County Public School District #1

President, ND Association of Oil and Gas Producing Counties

Since I have been part of the MCPSD #1 and the NDAOGPC going back to 2005; discussion has revolved around schools and their involvement in the gross production tax formula and the philosophy behind school revenue with oil and gas development. The original thought process behind it is the same as the other political subdivisions regarding the in lieu of property tax concept which was the original intent of the formula going back to its conception in the early 1980s. The lawsuit that occurred in 2006 regarding education equity initially brought the concept of GPT funding for schools to the forefront and the process of "imputing" the dollars into the foundation aid formula began. The initial process added these dollars to the total taxable valuation of the school district through a process of finding a "taxable value" for the actual oil and gas revenue received each year. So, for example, the total GPT revenue was reversed into a mill value to extract a taxable value equivalent to be added to the total taxable value of the school district. So the imputed taxable value of MCPSD #1 at that time could have been \$17 million compared to the reported taxable value of \$12 million strictly on property tax. The total "imputed" taxable valuation had to be above 150% of the state average to have any money deducted from the state foundation payments. From 2007 to 2013; the MCPSD #1 did not have ANY state funds deducted due to GPT revenue because we were not above the 150%. Starting in 2013; the legislation took 75% of the GPT revenue and subtracted from the foundation aide payments from the beginning of the calculation and it is counted against state foundation aid regardless of the taxable valuation of the school district.

The concept of using GPT for school construction started with the Education Committee of the NDAOGPC and discussions on long-term needs of school districts and a long-term vision of how schools will be treated in the GPT distribution formula going forward. This concept is viewed unanimously as the Number #1 need and vision for school districts over the next several bienniums. This conversation was presented to the Governor in discussions of the formula and school involvement in the GPT formula. The Governor was clear in his support of the concept and the use of GPT funds for school construction. Given the Governor was the chair of the Commission on Educational Improvement that help draft the school equity and adequacy legislation; that endorsement rings loud as a sound concept that is not infringing on the current state funding formula for schools. I personally brought this issue to the NDASA (North Dakota Association of School Administrators) to gauge support from superintendents across the state and to discuss any concerns about this philosophy and equity. The support for it has been strong and the association has gone on the record of support this concept with a unanimous vote of its legislative focus committee. This background is to simply layout a vision for the Education Committee and all legislators to the work that was done prior to the session to vest out this concept and how it is sound in its philosophy and works successfully with the current equity formula.

There are several misconceptions of this distribution and how it should be thought of in regards to the complete picture of public school funding. This is brought to the forefront when questions regarding if a school district can access both the school construction loans and still participate in this legislation. This legislation is simply about a property tax base – it is not "extra" money. It is saying we are treated as any other school district in regards to the tax base it can access for bonded school debt. The GPT revenue itself isn't "extra" money – it is the money that was taken from our capacity and needs to come back to us through this formula. The fact it is included in Fargo's taxable valuation initially doesn't preclude the fact we need to receive ours through the state. It is the same money – essentially

property tax revenue. Don't penalize us for having to use the GPT formula to receive our property tax. We already have to live with the formula and the discussion of if it really represents the full taxable valuation lost by a school district; don't penalize us "twice" for having to use this formula and not allowing the tax base to support infrastructure that is simply assumed in other areas as it goes onto their tax base of the school district. Going back to the concept used for imputation of GPT revenue – it should at a minimum be added back to the taxable valuation of a district that can then use that additional base in determining its debt obligation for school construction.

To try and put this into context; the impact on a taxpayer for school construction can impact taxpayers in Bismarck much differently than other areas of the state. \$50 million dollars of school construction in Bismarck can be distributed based on its tax base of residential, commercial, industrial, etc. A \$50 million general obligation bond passing in Bismarck may only add 10 mills to the tax base; whereas in a small, rural community, that may be 30-50 mills. The tax base of which you are going to mill against and pay the debt service is everything with school construction. There is no equalization that takes place to ensure a resident of Mott, ND is paying the same share for school construction as Grand Forks. However, it should be insured that all eligible tax payers and industries are part of that base which is affected by the levy to pay back the school construction bonds. The oil industry is an exception to the rule based on the gross production tax and oil extraction tax and the revenue flowing to the state and not the local tax base. The oil industry is contributing to the school construction loan in the form of paying the 11.5% in taxes to the state. To somehow impute that revenue back to the school districts is taking away that local taxing power to support the bond issue and protect the local taxpayer in paying a larger share of the project than should be expected. In this way, the state is putting an additional tax burden on the local taxpayers in oil impacted areas by not allowing the GPT tax to fully support the bond issue and debt and foregoing foundation aid (general operating revenue) for the sake of school infrastructure.

In the end; we need legislators to look at the concept itself without looking for a rationale for saying "no" and use equity as a reason. We ask this be looked at with no preconceived thoughts and simply the logical rationale behind it. We are not looking for some "extra" or "special" deal; we simply want to be on the same playing field in terms of leveraging our tax base to make school construction and debt service payments. Again, those in the state that look closely at school funding and equity are saying this concept is of merit and for consideration. We ask that legislators look at it from the same perspective. We don't want the state to build our school buildings or looking for grants; we simply want the capacity to do it ourselves and use the tax base that should be reflected in our taxable valuations in doing so and not on the backs of current residential taxpayers.

Imputed Valuation Concept
Applied to current funding formula
MCPSD #1 2014-2015

| | |
|--|----------------|
| Taxable Valuation 2014 | 71,356,150.00 |
| Gross Production Tax revenue 2013 | 2,286,476.71 |
| Mill Levy (General Fund) 2014 | 56.83 |
| Imputed Taxable Valuation | 40,233,621.50 |
| Total "Imputed" Taxable Valuation | 111,589,771.50 |
| | |
| WCHS Bond Issue (Passed March 11th, 2014) | 27,000,000.00 |
| Required G.O. bond payment 2014 | 1,241,598.42 |
| Mill Levy required for payment | 17.40 |
| Mill Levy required for payment using Imputed Valuation | 11.13 |
| Difference in mills | 6.27 |
| Percentage of mills to be paid with GPT | 36.05% |

#6
2/3/15

NDLA, Intern 04 - Grossman, Tiffany

From: Ben Schafer <ben.schafer@rayschools.com>
Sent: Tuesday, February 03, 2015 8:56 AM
To: NDLA, Intern 04 - Grossman, Tiffany
Subject: SB 2169

SB 2169
February 3, 2015
Ben Schafer, Supt. of Ray, ND

Mr. Chairman and members of the committee. I am the Superintendent of Ray Public School in Ray, ND. I stand in support of SB 2169. We all know what has gone on the past few years in the Western part of our state. This legislation is something that was worked on in the interim and supported unilaterally by our NDCEL legislative focus group (12-0), which represents our entire state. Also, this was universally supported by our superintendent representative group (24-0).

When all of this began, the people of Ray decided they did not want to 'waste' tax dollars on temporary buildings. The people of the district, a group who have been supportive of education, passed a bond issue by over 90% yes vote. This has been absolutely necessary to provide the best education we are able over the past few years.

Currently, within our district, there are 600 homes to be built out. If this comes to fruition we will most likely go back to the people for another bond issue vote. I don't feel as if most local people are feeling as many positive ramifications as negative in Ray and towns like ours. To ask them to build again would be unfair in my opinion.

This bill, which includes monies for debt service back to 2010, will provide much needed DIRECT tax relief for those people who have lost their way of life while their taxes increased. With costs soaring and the differences in cost to build in Eastern vs. Western North Dakota I believe that this legislation can provide a way for schools to stay equitable regardless of geography.

Sent from my iPhone

August 2013 K-12 Schools Grant Round - Awards

Awarded: Aug 15, 2013

| POLITICAL SUB NAME | COUNTY | SHORT DESCRIPTION | Recommended Award Description | Award Amount |
|--------------------------|---------------|---|--|--------------|
| ALEXANDER PSD #2 | MCKENZIE | MODULAR TEACHER HOUSING | FOR MODULAR HOME TO PROVIDE HOUSING FOR TEACHERS NEW TO THE DISTRICT. | \$55,000 |
| BEACH PSD #3 | GOLDEN VALLEY | TEACHER HOUSING | FOR A 2-PLEX FROM DYNAMIC HOMES TO ADDRESS AFFORDABLE HOUSING | \$224,000 |
| BEACH PSD #3 | GOLDEN VALLEY | SECURITY CAMERA/DOOR ACCESS | REPLACE AND UPGRADE SECURITY CAMERAS AT LINCOLN ELEMENTARY AND BEACH HIGH SCHOOL. ADD A DOOR ACCESS SYSTEM AT BOTH SCHOOLS. | \$56,730 |
| BELFIELD PSD #013 | STARK | BELFIELD SCHOOL SECURITY PROJECT | INSTALLATION OF AN ELECTRONIC DOOR SECURITY SYSTEM ON THE MAIN ENTRANCE DOORS AS WELL AS A VIDEO SURVEILLANCE SYSTEM INSIDE AND OUTSIDE OF SCHOOL. | \$28,000 |
| BOTTINEAU PSD #1 | BOTTINEAU | INSTALLATION OF A DOOR ACCESS SYSTEM / DOOR REPLACEMENT | OBTAIN DOOR ACCESS SYSTEM TO ADDRESS SECURITY, REPLACE TWO DOORS, ONE IN HIGH SCHOOL, OTHER IN CENTRAL SCHOOL | \$45,000 |
| BOWBELLS PSD #14 | BURKE | TEACHER HOUSING | OBTAIN AND PROVIDE AFFORDABLE HOUSING UNIT FOR TEACHERS. | \$256,000 |
| BOWMAN PSD | BOWMAN | BC IMPACT PROJECTS 2013-2014 | SECURITY (CAMERAS, LOCKS, FIRE ROUTE SIDEWALK, DOORS, LIGHTING, FENCE) AND ADD TEACHER HOUSING | \$256,080 |
| BURKE CENTRAL PSD #36 | BURKE | HOUSING FOR BURKE CENTRAL TEACHERS | TO BUILD A DUPLEX TO SUPPORT TEACHERS NEEDING AFFORDABLE HOUSING. | \$256,000 |
| DIVIDE COUNTY PSD #1 | DIVIDE | AFFORDABLE TEACHER HOUSING | FOR A 4-PLEX UNIT TO RENT TO TEACHERS PROVIDING AFFORDABLE HOUSING. | \$464,000 |
| DIVIDE COUNTY PSD #1 | DIVIDE | BUS AND BUILDING SECURITY SYSTEMS | SECURITY: INSTALLATION OF SURVEILLANCE CAMERAS IN SCHOOL BUSES. UPGRADE ENTRANCE SECURITY AT SCHOOLS | \$17,583 |
| EIGHT MILE PSD #6 | WILLIAMS | TEACHER HOUSING | PROVIDE TEACHERS WITH AFFORDABLE HOUSING. (2) TRAILERS; INSTALL WATER & SEWER AND ELECTRICAL; PREPARE SUB-GRADE; BACK FILL; SITE PREP; SURVEY/ENGINEERING; | \$193,200 |
| EIGHT MILE PSD #6 | WILLIAMS | SCHOOL SECURITY | REPLACE OUTDATED SECURITY CAMERAS & EQUIPMENT. (32) CAMERAS; (2) OUTSIDE CAMERAS; DVR; (2) MONITORS; (2) SWITCH; CAT5 CABLE; LABOR | \$37,159 |
| GRE Nora PSD #99 | WILLIAMS | TRANSPORTATION / SCHOOL ADDITION 2013 | FOR STUDENT CLASSROOMS | \$100,000 |
| HALLIDAY SCHOOL DISTRICT | DUNN | HALLIDAY SCHOOL PLAYGROUND SAFETY CONCERN | ADDRESS PLAYGROUND EQUIPMENT SAFETY. REPLACE BARRIER TO HOLD SAFETY MATERIAL AND ADD PEE GRAVEL. FIX BROKEN SWING SET. | \$18,116 |
| KILLDEER PSD | DUNN | STAFF HOUSING | ADD 2 DUPLEX UNITS TO OFFER AFFORDABLE HOUSING AS PART OF A HIRING PACKAGE. | \$457,600 |
| KILLDEER PSD | DUNN | PORTABLE CLASSROOMS | ADD PORTABLE CLASSROOMS. REMODEL AND CLASSROOM MOVES. SITE PREPARATION, ADD ELECTRICAL / PLUMBING / HVAC SUPPORTING GROWTH | \$328,000 |

SB 2109
 2/4/15
 #1

August 2013 K-12 Schools Grant Round - Awards

Awarded: Aug 15, 2013

| POLITICAL SUB NAME | COUNTY | SHORT DESCRIPTION | Recommended Award Description | Award Amount |
|---------------------------|-----------|--|--|--------------------|
| KILLDEER PSD | DUNN | LOCKER INSTALLATION | PURCHASE AND INSTALLATION OF WALL LOCKERS TO SUPPORT INCREASED STUDENT POPULATION | \$16,190 |
| KILLDEER PSD | DUNN | COMPUTER LAB ROOM REMODEL | TO BE USED FOR HVAC COSTS DURING REMODEL | \$2,400 |
| MANDAREE PSD#36 | MCKENZIE | SCHOOL TEACHER HOUSING | FOR OBTAINING AN 8 PLEX TO PROVIDE AFFORDABLE TEACHER HOUSING. | \$800,000 |
| MCKENZIE PSD #1 | MCKENZIE | ADDRESS ENROLLMENT INCREASE IMPACT PROJECTS. | FOR COSTS TO ADDRESS SAFETY AND SECURITY: ELEMENTARY BUS STOP/PARKING/N ENTRANCE (ADA); ELEMENTARY CLASSROOMS; ELEMENTARY HVAC; EMPLOYEE HOUSING; ELEMENTARY PLAYGROUND; SECURITY; AND LOCKERS | \$1,794,277 |
| NEDROSE ELEMENTARY SCHOOL | WARD | RENTAL OF PORTABLE CLASSROOMS 2013-2015 | FOR EXPENSE TO RENT PORTABLE CLASSROOMS FOR TWO YEARS SUPPORTING GROWTH | \$56,000 |
| NESSON PSD #2 | WILLIAMS | RAY PUBLIC SCHOOL SAFETY RENOVATION | SAFETY AND SECURITY: REPLACE DOORS WITH FIRE RATED DOORS; INSTALLSTION OF CAMERAS AND SECURITY SYSTEM; SUMP PUMPS | \$230,160 |
| RICHARTON-TAYLOR PSD | STARK | CLASSROOM RENTAL AND FIRE ALARM SYSTEM | SUPPORT STUDENT GROWTH BY RENTAL OF FACILITIES FOR KINDERGARTEN PROVIDING ROOM TO SPLIT THE FIRST GRADERS. | \$32,000 |
| SOUTH HEART PSD | STARK | MODULAR CLASSROOMS #2 | SUPPORT STUDENT GROWTH BY OBTAINING USED MODULAR CLASSROOMS THAT INCLUDE CLASSROOMS, BATHROOMS, MEETING AREA, LAND PREP, WATER/SEWER, ELECTRICAL, ARCHITECTURAL DESIGN, EQUIPMENT. | \$385,044 |
| STANLEY PSD #2 | MOUNTRAIL | ACCESS CONTROL | ADDRESS SECURITY BY ADDING ELECTRONIC ACCESS CONTROL AND CARD READER SYSTEM FOR ALL OUTER DOORS IN THE ELEMENTARY AND HIGH SCHOOL BUILDINGS | \$54,240 |
| SURREY PSD #41 | WARD | PORTABLE CLASSROOMS (10) | ADDRESS STUDENT INCREASES BY RENTAL OF (5) PORTABLE CLASSROOMS FOR 2 YEARS | \$280,000 |
| TIOGA PSD #15 | WILLIAMS | TEMPORARY TEACHER HOUSING | ADD WATER/SEWER & ELECTRICAL CONNECTIONS FOR 6 ADDITIONAL MOBIL HOUSING UNITS TO BE USED TO PROVIDE AFFORDABLE TEACHER HOUSING. | \$180,000 |
| TIOGA PSD #15 | WILLIAMS | SCHOOL EXPANSION/CONSTRUCTION AND SECURIT | ADD/IMPROVE SECURITY BOTH CAMPUSES | \$130,000 |
| WESTHOPE PSD #17 | BOTTINEAU | ADMINISTRATIVE OFFICES RELOCATION | ADDRESS SECURITY NEEDS / ENHANCEMENTS | \$80,000 |
| YELLOWSTONE PSD #14 | MCKENZIE | SAFETY UPDATES | ADDRESS SECURITY BY INSTALLING CHAIN-LINK FENCE TO SEPARATE PARKING AND PLAYGROUND; REPLACE FRONT DOORS WITH METAL DOORS; INSTALL TWO WINDOWS FOR VIEWING HALLWAY/ENTRY FROM FRONT OFFICE | \$20,000 |
| | | 30 Awards | | \$6,852,779 |

K-12 Schools 2nd Grant Round- Awarded December 18, 2013

| POLITICAL SUB NAME | CITY | COUNTY | SHORT DESCRIPTION | Amount Awarded |
|-----------------------|-----------|---------------|--|----------------|
| ALEXANDER PSD #2 | ALEXANDER | MCKENZIE | SAFETY OF STUDENTS AND FACULTY | \$30,000 |
| ALEXANDER PSD #2 | ALEXANDER | MCKENZIE | MODULAR CLASSROOMS | \$148,800 |
| ALEXANDER PSD #2 | ALEXANDER | MCKENZIE | TEACHER HOUSING | \$268,000 |
| BEACH PSD #3 | BEACH | GOLDEN VALLEY | EDUCATOR HOUSING | \$231,440 |
| BELFIELD PSD #013 | BELFIELD | STARK | SCHOOL SECURITY AND TEACHER HOUSING | \$55,000 |
| BOWBELLS PSD #14 | BOWBELLS | BURKE | SECURITY IMPROVEMENTS | \$40,000 |
| BOWMAN PSD | BOWMAN | BOWMAN | REMODELING PROJECT | \$129,700 |
| BURKE CENTRAL PSD #36 | LIGNITE | BURKE | SECURITY AND SURVEILLANCE SYSTEM | \$49,600 |
| DIVIDE COUNTY PSD #1 | CROSBY | DIVIDE | PAGING AND CAMERA SURVEILLANCE SYSTEM | \$91,200 |
| DIVIDE COUNTY PSD #1 | CROSBY | DIVIDE | PURCHASE BUILDING SITE FOR 4-PLEX HOUSING UNIT | \$64,000 |
| DIVIDE COUNTY PSD #1 | CROSBY | DIVIDE | BUS RADIOS | \$35,000 |
| EIGHT MILE PSD #6 | TRENTON | WILLIAMS | TEACHER HOUSING | \$152,000 |
| GRENORA PSD #99 | GRENORA | WILLIAMS | HVAC 2013/2014 | \$400,000 |

| POLITICAL SUB NAME | CITY | COUNTY | SHORT DESCRIPTION | Amount Awarded |
|---|--------------|-----------|------------------------------------|----------------|
| KILLDEER PSD | KILLDEER | DUNN | SCHOOL SAFETY AND SECURITY | \$48,000 |
| KILLDEER PSD | KILLDEER | DUNN | BUS CAMERAS | \$13,720 |
| KILLDEER PSD | KILLDEER | DUNN | SCHOOL LUNCH PROGRAM EXPANSION | \$21,092 |
| MANDAREE PSD#36 | MANDAREE | MCKENZIE | CLASSROOM EXPANSION | \$50,316 |
| MARMARTH SCHOOL DISTRICT | MARMARTH | SLOPE | SCHOOL SAFETY AND SECURITY | \$10,000 |
| MCKENZIE PSD #1 | WATFORD CITY | MCKENZIE | LAND ACQUISITION | \$1,376,196 |
| MOHALL LANSFORD SHERWOOD PSD | MOHALL | RENVILLE | SECURITY UPDATE | \$82,843 |
| NEDROSE ELEMENTARY SCHOOL | MINOT | WARD | MODULAR CLASSROOM #2 | \$84,128 |
| NESSON PSD #2 | RAY | WILLIAMS | TEACHER HOUSING | \$750,000 |
| NEWBURG PSD #54 | NEWBURG | BOTTINEAU | SCHOOL SAFETY AND SECURITY | \$40,000 |
| POWERS LAKE PSD #27 | POWERS LAKE | BURKE | SCHOOL CONSTRUCTION AND RENOVATION | \$400,000 |
| RICHARDTON-TAYLOR PSD | RICHARDTON | STARK | BUS CAMERAS AND FACILITY SECURITY | \$25,000 |
| SOUTH HEART PSD | SOUTH HEART | STARK | SAFETY AND SECURITY NEEDS PROJECT | \$101,186 |
| SOUTH PRAIRIE ELEMENTARY SCHOOL PSD #70 | MINOT | WARD | PORTABLE CLASSROOM ADDITIONS | \$250,000 |

| POLITICAL SUB NAME | CITY | COUNTY | SHORT DESCRIPTION | Amount Awarded |
|--------------------|---------|-----------|--|----------------|
| STANLEY PSD #2 | STANLEY | MOUNTRAIL | TEACHER HOUSING | \$200,000 |
| SURREY PSD #41 | SURREY | WARD | SCHOOL SAFETY AND SECURITY | \$50,000 |
| TIOGA PSD #15 | TIOGA | WILLIAMS | SAFETY TPSD DOOR PROJECTS- HARDWARE AND LOCKS | \$115,000 |
| TIOGA PSD #15 | TIOGA | WILLIAMS | ELEMENTARY KITCHEN / CAFETERIA | \$279,000 |
| TIOGA PSD #15 | TIOGA | WILLIAMS | TIOGA SCHOOL EAPC (ARCHITECT) CONVENTIONAL AND TEMPORARY | \$56,000 |

| | | | |
|----|--------|-----------------------|-------------|
| 32 | Awards | Total Amount Awarded: | \$5,647,221 |
|----|--------|-----------------------|-------------|

5/12

Emergency K-12 Award for Tioga and Powers Lake
Awarded April 23, 2014

| POLITICAL SUB NAME | COUNTY | SHORT DESCRIPTION | Amount Awarded |
|------------------------------------|----------|--|----------------|
| Tioga Public School District | Williams | Cost of Contract Services- Financial and Construction Related Guidance | \$15,000.00 |
| Powers Lake Public School District | Burke | Cost of Contract Services- Financial and Construction Related Guidance | \$15,000.00 |

Total Awarded: **\$30,000.00**

K-12 Schools Grant Round FY 2015- Awarded July 31, 2014

| POLITICAL SUB NAME | COUNTY | SHORT DESCRIPTION | AWARD DESCRIPTION | AWARD AMOUNT |
|-----------------------------------|-----------|---|--|--------------|
| ALEXANDER PSD #2 | MCKENZIE | TEACHER HOUSING | Teacher housing | \$272,000 |
| ALEXANDER PSD #2 | MCKENZIE | SCHOOL RENOVATIONS | Building Renovations To Improve Usable Space | \$331,800 |
| BEULAH PUBLIC SCHOOL DISTRICT #27 | MERCER | SCHOOL BUILDING ENTRANCE CAMERA LOCKING SYSTEM INSTALLATION | Security System | \$11,317 |
| BOTTINEAU PSD #1 | BOTTINEAU | BUS CAMERA'S | Security - Bus Camera's | \$22,400 |
| BOWBELLS PSD #14 | BURKE | UNEXPECTED COSTS OF TEACHER HOUSING | Teacher Housing-Added cost due to additional dirt work required. | \$24,000 |
| BOWBELLS PSD #14 | BURKE | SECURITY AND SURVEILLANCE SYSTEM | Security and Surveillance System | \$28,000 |
| BOWBELLS PSD #14 | BURKE | TEACHER HOUSING | Teacher Housing | \$220,000 |
| BURKE CENTRAL PSD #36 | BURKE | SAFE AND SECURE LEARNING ENVIRONMENT FOR STAFF & STUDENTS | Security System Additions | \$21,584 |
| DIVIDE COUNTY PSD #1 | DIVIDE | AFFORDABLE TEACHER HOUSING | Teacher Housing | \$320,000 |
| EIGHT MILE PSD #6 | WILLIAMS | TEACHER HOUSING | Teacher Housing | \$300,800 |

| POLITICAL SUB NAME | COUNTY | SHORT DESCRIPTION | AWARD DESCRIPTION | AWARD AMOUNT |
|--------------------------|---------------|---|---|--------------|
| GRENORA PSD #99 | WILLIAMS | ACCESS CONTROL/ SECURITY/ SAFETY | Security and Surveillance System | \$60,000 |
| GRENORA PSD #99 | WILLIAMS | TEACHER HOUSING | Teacher Housing | \$400,000 |
| HALLIDAY SCHOOL DISTRICT | DUNN | TEACHER/STAFF HOUSING | Teacher Housing | \$302,466 |
| KENMARE PSD #28 | WARD | SECURITY SYSTEM FOR ACCESS INTO BOTH ELEMENTARY AND HIGH SCHOOL BUILDINGS | Security and Surveillance System | \$48,000 |
| KILLDEER PSD | DUNN | TEACHER/STAFF HOUSING DUPLEXES- INCREASED COSTS | Teacher Housing, increased project cost for dirt work and inflated concrete costs | \$180,527 |
| KILLDEER PSD | DUNN | PORTABLE CLASSROOMS | Portable Classrooms | \$230,732 |
| KILLDEER PSD | DUNN | TEACHER/STAFF HOUSING DUPLEX | Teacher Housing | \$318,480 |
| LONE TREE PSD #6 | GOLDEN VALLEY | SCHOOL AND BUS SECURITY SYSTEM | Security system for the school and buses | \$18,648 |
| LONE TREE PSD #6 | GOLDEN VALLEY | TEACHER/STAFF HOUSING | Teacher Housing | \$140,000 |

| POLITICAL SUB NAME | COUNTY | SHORT DESCRIPTION | AWARD DESCRIPTION | AWARD AMOUNT |
|---|-----------|---|--|--------------|
| MCKENZIE PSD #1 | MCKENZIE | HIGH SCHOOL PROJECT AND TEACHER / EMPLOYEE HOUSING | Teacher Housing | \$803,662 |
| MCKENZIE PSD #1 | MCKENZIE | CONSTRUCTION RELATED INFRASTRUCTURE | Infrastructure investments for roadways and utilities around the school. | \$3,000,000 |
| MOHALL LANSFORD SHERWOOD PSD | RENVILLE | SECURITY FOR THE SHOP TO THE MAIN SCHOOL BUILDING | Security - Adding an enclosed walk way | \$32,000 |
| NESSON PSD #2 | WILLIAMS | RAY PUBLIC SCHOOL ENERGY IMPACT NEEDS | Security - Fencing Playground | \$25,600 |
| NEW PSD #8 | WILLIAMS | PROVIDE ADDITIONAL TEMPORARY PORTABLE CLASSROOM SPACE | Portable Classrooms | \$199,722 |
| NEWBURG PSD #54 | BOTTINEAU | TEACHER HOUSING | Teacher Housing | \$52,080 |
| POWERS LAKE PSD #27 | BURKE | BRING BUILDING UP TO SAFETY, SECURITY, AND HEALTH STANDARDS | Security and safety Related Needs | \$510,647 |
| SOUTH HEART PSD | STARK | TEACHER / STAFF HOUSING- 4 PLEX | Teacher Housing | \$685,752 |
| SOUTH PRAIRIE ELEMENTARY SCHOOL PSD #70 | WARD | ELEMENTARY/ HS BUILDING CONSTRUCTION, SAFETY, SECURITY, AND HEALTH NEEDS | Safety and security related facility needs | \$350,000 |

9/12

| POLITICAL SUB NAME | COUNTY | SHORT DESCRIPTION | AWARD DESCRIPTION | AWARD AMOUNT |
|---------------------|-----------|---|---|--------------|
| STANLEY PSD #2 | MOUNTRAIL | ASBESTOS ABATEMENT AND RENOVATIONS | Safety - Asbestos Abatement and Renovations | \$531,030 |
| SURREY PSD #41 | WARD | PORTABLE AND EQUIPMENT | Security, electronic door access and loud speaker communications to portables | \$16,694 |
| TIOGA PSD #15 | WILLIAMS | ELEMENTARY/ HIGH SCHOOL BUILDING CONSTRUCTION, SAFETY, SECURITY, AND HEALTH NEEDS | Safety and security related facility needs | \$1,000,000 |
| WESTHOPE PSD #17 | BOTTINEAU | FIRE ALARM AND DETECTION AND SPRINKLER SYSTEM | Safety and security related facility needs | \$165,518 |
| YELLOWSTONE PSD #14 | MCKENZIE | SCHOOL VISIBILITY | Safety - Radar Speed Sign | \$15,000 |
| YELLOWSTONE PSD #14 | MCKENZIE | TEACHER HOUSING | Teacher Housing | \$250,000 |

| | | |
|------------------|------------------------------|---------------------|
| 34 Awards | Total Amount Awarded: | \$10,888,459 |
|------------------|------------------------------|---------------------|

K-12 Schools 2nd Grant Round - Awarded October 30, 2014

| POLITICAL SUB NAME | CITY | COUNTY | SHORT DESCRIPTION | Amount Awarded |
|----------------------|--------------|-----------|--|----------------|
| ALEXANDER PSD #2 | ALEXANDER | MCKENZIE | KITCHEN CAFETERIA RENOVATIONS | \$190,400 |
| BOTTINEAU PSD #1 | BOTTINEAU | BOTTINEAU | BUZZ IN SYSTEM/ CAMERAS | \$14,400 |
| BOWBELLS PSD #14 | BOWBELLS | BURKE | INCREASE IN SECURITY INSTALLATION SYSTEM | \$15,100 |
| DIVIDE COUNTY PSD #1 | CROSBY | DIVIDE | BUS RADIO EQUIPMENT | \$24,000 |
| DIVIDE COUNTY PSD #1 | CROSBY | DIVIDE | TEACHER HOUSING | \$250,000 |
| KILLDEER PSD | KILLDEER | DUNN | CLASSROOM LIGHTING FOR VISUALLY IMPAIRED STUDENTS | \$14,481 |
| KILLDEER PSD | KILLDEER | DUNN | SCHOOL LUNCH PROGRAM COOLER | \$6,855 |
| MCKENZIE PSD #1 | WATFORD CITY | MCKENZIE | PORTABLE CLASSROOMS FOR THE WATFORD CITY ELEMENTARY SCHOOL | \$71,808 |
| MCKENZIE PSD #1 | WATFORD CITY | MCKENZIE | LOCKERS AT THE HIGH SCHOOL | \$14,462 |
| MCKENZIE PSD #1 | WATFORD CITY | MCKENZIE | ADDITIONAL CLASSROOMS FOR THE NEW WATFORD CITY HIGH SCHOOL | \$250,000 |

| CRITICAL SUB NAME | CITY | CO | SHORT DESCRIPTION | Amount Awarded |
|-----------------------------|-------------|-----------|---|----------------|
| NESSON PSD #2 | RAY | WILLIAMS | MODULAR, VIDEO CAMERAS ON BUSES, CAMERA/DVR UPGRADE | \$245,432 |
| PARSHALL SCHOOL DISTRICT #3 | PARSHALL | MOUNTRAIL | UPGRADE CURRENT SECURITY CAMERA SYSTEM | \$90,400 |
| POWERS LAKE PSD #27 | POWERS LAKE | BURKE | TEACHER HOUSING | \$140,400 |
| SOUTH HEART PSD | SOUTH HEART | STARK | INCREASE IN 4-PLEX | \$250,000 |
| STANLEY PSD #2 | STANLEY | MOUNTRAIL | HIGH SCHOOL RENOVATIONS | \$172,425 |
| STANLEY PSD #2 | STANLEY | MOUNTRAIL | HIGH SCHOOL FIRE ALARM UPDATE | \$73,792 |
| SURREY PSD #41 | SURREY | WARD | SECURITY UPGRADE | \$56,000 |
| TIOGA PSD #15 | TIOGA | WILLIAMS | SECURITY UPGRADES AT THE HIGH SCHOOL AND ELEMENTARY | \$110,880 |

18 Awards

Total Amount Awarded

\$1,990,835

12/12

School Construction Impact Fund

2
2/4/15
SB 2169

2015 - 2017

| School Dist | Total OGPT | 25% |
|------------------------------|---------------|--------------|
| Alexander Total | \$ 2,732,764 | \$ 683,191 |
| Anamoose Total | \$ 6,818 | \$ 1,704 |
| Beach Total | \$ 3,019,772 | \$ 754,943 |
| Belfield Total | \$ 641,596 | \$ 160,399 |
| Beulah Total | \$ 278,264 | \$ 69,566 |
| Bottineau Total | \$ 574,636 | \$ 143,659 |
| Bowbells Total | \$ 324,212 | \$ 81,053 |
| Bowman/Rhame Total | \$ 2,292,380 | \$ 573,095 |
| Burke Central Total | \$ 665,792 | \$ 166,448 |
| Central Elementary Total | \$ 381,328 | \$ 95,332 |
| Dickinson Total | \$ 8,250,000 | \$ 2,062,500 |
| Divide County Total | \$ 3,683,343 | \$ 920,836 |
| Drake Total | \$ 5,471 | \$ 1,368 |
| Earl Total | \$ 76,441 | \$ 19,110 |
| Eight-Mile Total | \$ 2,447,085 | \$ 611,771 |
| Garrison Total | \$ 421,851 | \$ 105,463 |
| Glenburn Total | \$ 828,293 | \$ 207,073 |
| Grenora Total | \$ 1,965,585 | \$ 491,397 |
| Halliday Total | \$ 1,033,552 | \$ 258,388 |
| Hebron Total | \$ 32,826 | \$ 8,206 |
| Horse Creek Total | \$ 210,213 | \$ 52,553 |
| Kenmare Total | \$ 277,278 | \$ 69,320 |
| Killdeer Total | \$ 8,228,667 | \$ 2,057,167 |
| Lewis & Clark Total | \$ 1,268,101 | \$ 317,026 |
| Loan Tree Total | \$ 321,497 | \$ 80,374 |
| Mandaree Total | \$ 3,700,529 | \$ 925,132 |
| Marmarth Total | \$ 340,471 | \$ 85,118 |
| Max Total | \$ 145,313 | \$ 36,328 |
| McKenzie County Total | \$ 18,651,594 | \$ 4,662,898 |
| Medora Total | \$ 1,497,670 | \$ 374,418 |
| Minot Total | \$ 2,250,000 | \$ 562,500 |
| Mohall Total | \$ 1,705,616 | \$ 426,404 |
| Mohall Lansford Sherwood Tot | \$ 89,515 | \$ 22,379 |
| Monefiore/Wilton Total | \$ 110,028 | \$ 27,507 |

1/2

School Construction Impact Fund

2015 - 2017

| School Dist | Total OGPT | 25% |
|--------------------------|-----------------------|----------------------|
| Nedrose Total | \$ 15,111 | \$ 3,778 |
| Nesson (Ray) Total | \$ 2,975,122 | \$ 743,780 |
| New District 8 Total | \$ 3,459,671 | \$ 864,918 |
| New England Total | \$ 388,598 | \$ 97,149 |
| New Town Total | \$ 9,151,582 | \$ 2,287,895 |
| Newburg-United Total | \$ 50,026 | \$ 12,506 |
| Parshall Total | \$ 2,921,554 | \$ 730,389 |
| Powers Lake Total | \$ 1,040,410 | \$ 260,103 |
| Richardton Total | \$ 948,799 | \$ 237,200 |
| Sawyer Total | \$ 6,219 | \$ 1,555 |
| Scranton Total | \$ 550,908 | \$ 137,727 |
| South Heart Total | \$ 852,293 | \$ 213,073 |
| South Prairie Total | \$ 11,256 | \$ 2,814 |
| Stanley Total | \$ 7,393,844 | \$ 1,848,461 |
| Surrey Total | \$ 21,425 | \$ 5,356 |
| TGU Total | \$ 38,512 | \$ 9,628 |
| Tioga Total | \$ 4,833,667 | \$ 1,208,417 |
| Turtle Lake/Mercer Total | \$ 191,662 | \$ 47,915 |
| Twin Buttes Total | \$ 596,280 | \$ 149,070 |
| Underwood Total | \$ 230,704 | \$ 57,676 |
| United Total | \$ 41,366 | \$ 10,342 |
| Velva Total | \$ 33,311 | \$ 8,328 |
| Washburn Total | \$ 302,873 | \$ 75,718 |
| Westhope Total | \$ 132,796 | \$ 33,199 |
| White Shield Total | \$ 159,718 | \$ 39,930 |
| Williston Total | \$ 15,000,000 | \$ 3,750,000 |
| Yellowstone Total | \$ 1,853,693 | \$ 463,423 |
| Grand Total | \$ 121,659,900 | \$ 30,414,976 |

#3
 SB 2169
 Lane Goebel
 2/4/15

K-12 Schools Energy Impact Grant Awards from 2000-2015

| Fiscal Year/ Biennium | Amount Appropriated for Energy Impact Grants | K-12 Schools Awarded Totals | % of available Grants Awarded to K-12 Schools |
|--------------------------|---|--------------------------------|--|
| 2000 | \$781,700 | \$17,000 | 2.17% |
| 2001 | \$2,750,000 | \$186,000 | 6.76% |
| 2002 | \$2,275,000 | \$152,000 | 6.68% |
| 2003 | \$2,800,000 | \$200,000 | 7.14% |
| 2004 | \$2,450,000 | \$181,000 | 7.39% |
| 2005 | \$2,450,000 | \$195,000 | 7.96% |
| 2006 | \$2,500,000 | \$120,000 | 4.80% |
| 2007 | \$2,471,000 | \$135,000 | 5.46% |
| 2008 | \$3,000,000 | \$93,500 | 3.12% |
| 2009 | \$2,840,000 | \$65,000 | 2.29% |
| 2010 | \$4,000,000 | \$145,000 | 3.63% |
| 2011 | \$3,900,000 | \$0 | 0.00% |
| 2011-2013 | \$135,000,000 | \$7,999,113 | 5.93% |
| 2013-2015 | \$240,000,000 | \$25,409,294 | 10.59% |

| | | | |
|--------------|----------------------|---------------------|--------------|
| Total | \$407,217,700 | \$34,897,907 | 8.57% |
|--------------|----------------------|---------------------|--------------|

| | K-12 School Grants Awarded as of 2-4-2015 | K-12 School Grants Paid as of 2-4-2015 | % of Projects Completed as of 2-4-2015 |
|-----------|--|---|---|
| 2013-2015 | \$25,409,294 | \$11,438,147 | 45.02% |

Mr. Chairman and Members of the Senate Appropriations Committee:

#1
2-11-15

For the record, I'm David Rust, State Senator from District 2 in NW ND.

I am here to discuss SB 2169. The bill comes to you with a 6 - 0 "Without Committee Recommendation" from the Senate Education Committee having received both a 3 - 3 vote on "Do Pass" and "Do NOT Pass" motions

A number of school districts in oil country have been forced to build new schools or classroom additions due to rapidly increasing enrollments. The objective of SB 2169 is for those school districts to use part of its gross production tax (GPT) dollars to pay off bonded indebtedness for those new buildings or additions prior to having those dollars deducted at 75% through the state aid formula (p.4, lines 6 - 9).

The bill (p. 5) will allow schools that incurred bonded indebtedness as far back as January 1, 2010 to use their GPT if:

- 1) the project was approved by 60% of the voters of the district, OR
- 2) the cost of the project is in excess of \$500,000 and received approval from DPI.

The effective date of this bill is July 1, 2015 and it does contain an emergency measure (p. 5).

Last session's HB 1013 contained the school aid funding formula and set maximum levies as follows in Section 49 (NDCC 57-15-14.2):

General Fund - 70 mills (60 mills are subtracted through the state school aid funding formula)

Miscellaneous Fund - 12 mills

Special Reserve - 3 mills

Building Fund - Per state law (NDCC 57-15-19) Usually 10 mills or lower but can go to 20 mills by vote of people

Sinking and Interest - set by a vote of people to pay for bonds for school construction

The Gross Production Tax (GPT) is an "in lieu of property tax." Schools are paid their share of the GPT by the State Treasurer; it is considered "local revenue."

That GPT goes into the school district's General Fund and 75% is subtracted through the school aid funding formula.

As an example, let's assume District A gets \$800,000 in GPT.

\$200,000 is retained by the school district (placed in the General Fund)

\$600,000 is subtracted by the state through the formula

\$800,000 TOTAL

If this bill became law, the following would take place:

\$200,000 is retained by the school district (placed in the General Fund)

\$360,000 ($\$600,000 \times 60\%$) is retained by the school district (either placed in the Sinking and Interest Fund to pay off bonded indebtedness OR have the State Treasurer make a payment on bonded indebtedness)

\$240,000 is subtracted by the state through the state aid funding formula

\$800,000 TOTAL

Please note, that \$360,000 can only be used as follows:

- A) Pay off bonded indebtedness, so the dollars should go into the school district's Sinking and Interest Fund. Since this is a specified levy to pay off bonds, any amount placed in that fund would reduce the levy placed on the taxpayers of that district. It would have no effect on the district's General Fund. OR
- B) Pay off a school construction or remodel that must be at least \$500,000 and approved by the DPI, so the dollars should go into the Building Fund. It would have no effect on the district's General Fund.

Note: District A's bond issue was just under \$10,000,000. At a 1% school construction loan their yearly payment will be approximately \$552,000; a 4% loan, the yearly payment will be approximately \$727,000. So you can see that the \$360,000 wouldn't make the entire bond payment.

Let's address why the January 1, 2010 date was placed in the bill. Suppose this bill were to be passed without that date, only schools that pass a bond issue after SB 2169 goes into effect (August 1, 2015) could benefit from it.

The date allows school districts that passed a bond issue for school construction or remodel after January 1, 2010 to benefit following SB 2169's going into effect (August 1, 2015). They would not be able to go back and retrieve dollars paid between 2010 and 2014.

Education costs are equalized through the state school aid formula. There is no equalization of construction costs. One of the school districts currently adding an addition to their school due to increased enrollments caused by the Bakken Boom was told, "If this project were bid in the eastern part of the state, the bids would have come in somewhere in the \$160 - \$180 per square foot." Their bid came in at \$300/sq. ft. Some contractors are even so bold as to add a "30% Bakken Premium" to their bids.

As I stated SB 2169 will provide property tax relief to taxpayers in areas of the state experiencing exceptionally high construction costs. Allow me to explain.

District A has a taxable valuation (t.v.) of \$28,000,000. I'll mark that in green on the next page.

To fund a \$10,000,000 school construction bond issue, the number of mills is determined by:

$\$10,000,000$ (bond issue) \div $\$28,000,000$ (t.v.) \div 20 (years to pay off bonds) \times 1000 (to convert to mills) = 17.86 mills

That's the amount of mills (17.86) added to the property taxpayers bill for the Sinking and Interest (S&I) Fund to pay for the school construction.

NOTHING at a well site (pumper, tanks, etc.) is assessed for property tax purposes; hence, it is not a part of the taxable valuation. Instead, schools are paid a Gross Production Tax (GPT) "in lieu of property tax." It generates no dollars for the S&I Fund or Building Fund.

IF those sites were assessed, the t.v. would be significantly higher. For purposes of this illustration, let's assume the t.v. of those sites to be \$5,000,000. The total t.v. would then be \$33,000,000. I'll mark it in red.

$\$10,000,000$ (bond issue) \div $\$33,000,000$ (t.v.) \div 20 (years to pay off bonds) \times 1000 (to convert to mills) = 15.15 mills

Fact: As the t.v. goes up, mills go down to generate the same number of dollars. The number of mills would drop from 17.86 to 15.15.

So, as a result of an under stated actual t.v. by giving GPT to the school instead of assessing it as property, the taxpayer pays more of the costs of construction than if those well sites were part of the property tax.

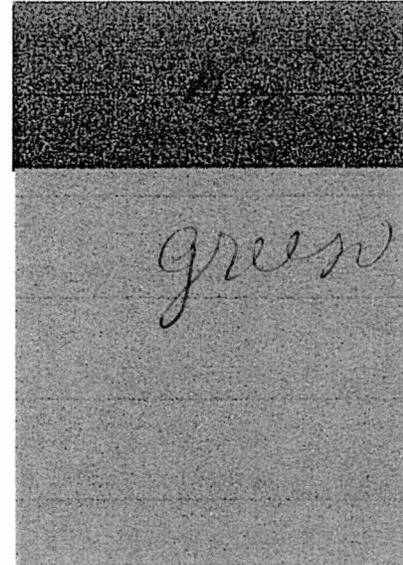
SB 2169 a) provides relief for the taxpayer and b) uses the GPT to pay for the impact of the school construction due to oil and gas activity.

Sinking and Interest Fund (S&I)

\$33,000,000 (t.v.) - S&I =>15.15 mills

\$27,900,000 (t.v.) - S&I =>17.86 mills

FYI: If those wells, tanks, etc. were assessed for property tax purposes, all mill levies (General, Miscellaneous, Building, etc.) for the school district would be lower.



Perhaps a moment on the fiscal note. The second paragraph states, "Further all school districts are expected to apply the proceeds of mineral revenue to repaying school construction loans....." I really don't think "all schools" will do that as a 60% vote of the people is one of the conditions and the dollars available will not pay for the cost of bonded indebtedness.

For the record, I did present an amendment to the Senate Education Committee that changed the "sixty" percent on p. 4 lines 28 to "thirty" percent. Part b of the amendment calls for at least a dollar-for-dollar match by the school

district. The net effect is a fiscal note of at least half the amount. That amendment wasn't acted upon; however, if this committee saw fit to apply those provisions in order to pass the bill, that would be perfectly acceptable to me.

I urge you to give SB 2169 a "Do Pass" recommendation and will stand for any questions you may have.

February 2, 2015

PROPOSED AMENDMENTS TO SENATE BILL NO. 2169

Page 4, line 28, replace "Sixty" with "Thirty"

Page 4, after line 29, insert:

"b. For purposes of applying the calculation in paragraph 3 of subdivision a, the amount being subtracted in accordance with subparagraph a or b may not exceed fifty percent of a school district's revenue contribution to a qualifying project."

Page 5, line 1, replace "b." with "c."

Renumber accordingly

1.8

NDLA, S APP ASST - Laning, Rose

2

2-11-15

From: Ben Schafer <ben.schafer@rayschools.com>
Sent: Wednesday, February 11, 2015 11:39 AM
To: NDLA, S APP ASST - Laning, Rose
Subject: SB 2169

SB 2169
February 3, 2015
Ben Schafer, Supt. of Ray, ND

Mr. Chairman and members of the committee. I am the Superintendent of Ray Public School in Ray, ND. I stand in support of SB 2169. We all know what has gone on the past few years in the Western part of our state. This legislation is something that was worked on in the interim and supported unilaterally by our NDCEL legislative focus group (12-0), which represents our entire state. Also, this was universally supported by our superintendent representative group (24-0).

When all of this began, the people of Ray decided they did not want to 'waste' tax dollars on temporary buildings. The people of the district, a group who have been supportive of education, passed a bond issue by over 90% yes vote. This has been absolutely necessary to provide the best education we are able over the past few years.

Currently, within our district, there are 600 homes to be built out. If this comes to fruition we will most likely go back to the people for another bond issue vote. I don't feel as if most local people are feeling as many positive ramifications as negative in Ray and towns like ours. To ask them to build again would be unfair in my opinion.

This bill, which includes monies for debt service back to 2010, will provide much needed DIRECT tax relief for those people who have lost their way of life while their taxes increased. With costs soaring and the differences in cost to build in Eastern vs. Western North Dakota I believe that this legislation can provide a way for schools to stay equitable regardless of geography.

Sent from my iPhone

2-1

3

Senate Bill No. 2169

Wednesday, February 11, 2015

Good Morning. My name is **Viola LaFontaine**. I am the superintendent for the Williston Public School District # 1. I am in support of Senate Bill 2169.

Williston is one of the three Hub Cities identified in the state. Initially we thought this was a great benefit. However the state aid formula only allows schools to keep 25% of the revenue.

Last year, 2013-14, the Williston Public School District #1 received 4.5 million dollars in mineral revenue. However, 3.4 million dollars of the revenue was subtracted from this year 2014-15, state foundation aid payment.

In the current school year, 2014-15, the Williston Public School district will receive 5 million dollars of which 3.75 million will be deducted from the 2015-16 state aide payment based on the current legislation of the 75% deduct.

Senate Bill 2169 would allow schools receiving mineral revenue to keep some of the 75% for use toward indebtedness such as construction costs for new buildings.

Williston's student enrollment has grown significantly over the past 6 years and we have struggled to keep up with the rapid growth. In 2009 our enrollment was at 2280 students, our current enrollment is at 3371. This is an increase of 48%. We added 38 modular classrooms to our school facilities for a total of 50 modular classrooms. We are in the development stage of building a new high school which will open in the fall of 2016.

Student enrollment increases has caused other financial stress to the district including the need for more teacher, more English Language Learner instructors, more strategists, more counselors, more special education teachers and more space.

This bill would allow the districts to use mineral revenue for indebtedness and to build needed schools.

Our high school building started out with a price tag of 56 million dollars. The cost is currently at 73 million dollars and we have not added any square footage to the original plan. What has increased is the cost to build in Williston is the cost per square foot. Our current estimated square footage is at \$314.00.

We would really like to move our children out of the modular classrooms in our schools. Our local tax payers have approved a bond to build a new high school. The school district will take out additional loans to pay for the entire cost of the new high school.

This bill would help Williston and other schools to use more of the mineral revenue and have options to help us provide a quality education to our students.

3-1

15.0291.05003
Title.

Prepared by the Legislative Council staff for
Senator Heckaman

February 13, 2015

SB2169
2-17-15
#1

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2031

Page 21, line 9, overstrike "(1)"

Page 21, line 11, overstrike "(a)" and insert immediately thereafter "(1)"

Page 21, line 14, overstrike "(b)" and insert immediately thereafter "(2)"

Page 21, remove lines 16 through 19

Page 21, line 22, remove "(1)"

Page 21, line 24, overstrike "(a)" and insert immediately thereafter "(1)"

Page 21, line 27, overstrike "(b)" and insert immediately thereafter "(2)"

Page 21, remove lines 29 and 30

Page 22, remove lines 1 and 2

Renumber accordingly

February 13, 2015

Rush Amend

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2031

Page 1, line 9, after the third "provide" insert "an appropriation; to provide"

Page 53, after line 16, insert:

*SB 2169
2-17-15
#2*

"SECTION 28. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$8,750,000, or so much of the sum as may be necessary, to the superintendent of public instruction for the purpose of providing oil impact grants to school districts, for the biennium beginning July 1, 2015, and ending June 30, 2017.

1. Ten percent of the amount appropriated must be allocated to each of the ten counties that received the highest total formula allocations under subsection 2 of section 57-51-15 during 2014.
2. The superintendent shall distribute the amount allocated under subsection 1 to school districts, on a pro rated basis, in accordance with the percentage that each school district's average daily attendance bears to the total average daily attendance of all eligible school districts within a qualifying county.
3. A grant under this section may not be forwarded to a hub city school district, as defined in section 57-51-01."

Renumber accordingly