



**TESTIMONY OF JOSEPH A. HERINGER
COMMISSIONER
North Dakota Department of Trust Lands**

House Bill No. 1185

**Senate Education Committee
March 6, 2023**

Chairman Elkin and members of the Senate Education Committee, I am Joseph Heringer, North Dakota Commissioner of University and School Lands. I am here to provide informational testimony regarding House Bill No. 1185 and suggest a few clarification amendments.

The Board of University and School Lands (Board), as established by the North Dakota Constitution, is charged with overseeing the management of state trust lands and mineral rights and investing the revenue generated therefrom to grow as a source of long-term income for the state. The Board is comprised of the Governor, Secretary of State, Attorney General, State Treasurer, and Superintendent of Public Instruction. The Department of Trust Lands (Department) is the administrative arm of the Board, serving under the direction and authority of the Board.

The Board is also responsible for managing various trust funds established by the North Dakota Constitution and/or statute. One such fund is the Coal Development Trust Fund (Fund) which is established by Section 21 of Article X of the North Dakota Constitution and implemented by N.D.C.C. ch. 57-62. The Fund receives 15 percent of North Dakota's coal severance tax. It is held in trust and administered by the Board for loans to coal development impacted counties, cities, and school districts as provided by N.D.C.C. § 57-62-03, and for unanticipated school construction loans under N.D.C.C. ch. 15.1-36. Any balance not loaned out is invested according

to the policies of the Board. Excess income earned by the Fund is transferred to the general fund each year, which has totaled approximately \$875,000 the past several years.

The Fund balance as of June 30, 2022, was \$70.4 million and the statute allows up to \$60 million to be used for unanticipated school construction loans. With current outstanding school construction loans of \$27 million, there is approximately \$33 million remaining for such loans. Additionally, there is approximately \$9 million outstanding in energy impact loans through a different program under N.D.C.C. ch. 57-62.

The Department does not have an opinion on expanding the school construction loan program as envisioned by this bill, but would like to propose the following clarifying amendments:

1. Page 2, Line 12 – replace “grant” with “loan”

The House removed all references to grants from the original version due to the North Dakota Constitution only allowing loans from the Fund. It appears this reference was inadvertently overlooked.

2. Page 2, Lines 10-15 – add a subparagraph as follows:

“The term of the loan is twenty years, unless the board of the school district requests a shorter term in the written loan application;

This clarifies that the loan term is the same for an unanticipated school construction inflation loan as it is for school construction loans under the original program.

Thank you for your time and consideration, I would be happy to answer any questions you may have.