

Senate Education Committee
Senator Elkin, Chair
March 14, 2023

HB 1186

Chairman Elkin and members of the House Appropriations Committee, my name is Mark Vollmer. I proudly serve as Superintendent of Minot Public School District #1 and Minot Air Force Base #160. I stand in front of you today to offer our support for HB 1186, a bill to amend and reenact section 15.1-36-08 of the North Dakota Century Code, relating to the school construction assistance revolving loan fund; and to declare an emergency.

HB 1186 take us back to the previous language in the school construction assistance revolving loan fund, allowing schools to borrow up to \$20 million dollars at 1% interest.

What is the advantage of a lower rate? Simply put, the lower rate is tax relief for the citizens of a school district. Also, there is no more secure loan than a loan made to a school district. The repayment structure is defined in the language of the bond issue, and repayment is guaranteed, with a secured funding source from local tax payers.

In addition, this bill supports schools that were caught in a period of crippling inflation. Please allow me to share a bit of Minot's story.

On December 7, 2021, Minot Public School District #1 successfully passed a bond issue to convert a local call center into a comprehensive 9-12 high school, to retrofit Magic City to serve as a comprehensive 9-12 high school, and to transition Central Campus to serve as the district's 3rd in-town middle school. This vote also included the addition of a 50-meter pool and outdoor athletic complex. The issue passed with nearly 85% of voters offering support for the project.

This vote - a vote to support secondary education in Minot was the first successful middle school/high school expansion since 1969. A project that has been 52 years in the making.

From schematic design to the development of construction drawings, the district worked closely with our construction team to design a project that would meet the needs of our district, and specifically, a project that would fall well within our construction budget.

As bids came in, the district worked to adjust our sails, and looked for cost-savings in every aspect of our construction projects. In late October, the district opened bid packet 3. It was evident that the rampant inflation had taken its toll on our local project. The district and construction management entered into a 58-day value engineering process, seeking reductions in our scope of work, requesting bids for scopes of work that had no bidders, and negotiating with construction companies. The district was able to cut nearly 5.5 million dollars from the budget.

Such drastic cuts come at a long-term cost to the taxpayer. The original roof top air handlers on the existing structure will be reused rather than replaced – these units are near the end of service, and simply put, we are kicking that can down the road. Many bathroom surfaces will not be tiled, and we have removed amenities such as a commercial kitchen in the FACS department. Many science prep areas and storage areas have also been eliminated. Lighting systems have been modified, and the district has decided not to advance plans for a large data center in the building.

The voters of Minot, Mandan, West Fargo, and Rugby voted to approve an expansion of their individual districts. These districts are now being hampered by Washington based, tax and spend inflation that is crippling our local economy. This rampant inflation has spread like a fast-growing cancer, and has altered the original plans set forth by these communities.

The locations are the different, but the stories are all the same. Rugby experienced 12% inflation on concrete, 20% of thermal and moisture protection, and 45% on Mechanical/HVAC. West Fargo noted an increase of \$141.00 per square foot of construction cost from the construction of Deer Creek Elementary in 2018 at \$174.00 per square foot to the current construction of Meadowlark Elementary, coming in at \$315.00 per square foot. Mandan noted nearly 30% inflation rates on the mechanical work at their elementary and high school projects. Minot experienced a 375% inflationary rate on CMU wall construction

during the original bid. Steel supply costs were double anticipated costs, as well as the cost of miscellaneous metals. Overall, the construction of Minot North High School is seeing a 19% inflationary rate.

These school districts have worked diligently to seek cost-savings while maintaining the integrity of these voter-approved projects. HB 1186 allows our school district to finalize these projects, to deliver on the promise made to our voters, and to support our students as our communities so desire.

It is grossly unfair that school districts, and taxpayers therein, are caught in a stifling, 20% inflation cycle that is crippling the construction economy throughout the United States.

HB 1186 allows the State of North Dakota to step up where our federal government has failed. HB 1186 allows these school districts the opportunity to complete these voter-approved projects as designed, and as voted on by the electorate.

HB 1186 can provide a grant from the school construction assistance fund and low-interest loans, to balance the construction budgets of school districts that are caught in the cross-fire of staggering inflation.

Thank you for allowing me to share our story. I offer my support of HB 1186 and will stand for any questions you may have.