HCR3035
Bill Testimony
Rep. Eric J. Murphy
District 43, Grand Forks

Chairman Heinert and my honorable colleagues of the House Education Committee. HCR3035 is a constitutional measure that would allow for up to $300M per year to be used from the Common Schools Trust Fund for K12 school construction across the State of North Dakota. This is the accompanying funding mechanism for HB1604.

If HCR3035 is placed on the general election ballot in 2026 and if the will of the electorate is to change the North Dakota Constitution, funding would begin on 1 July 2027 and sunset 10 years later.

You are well aware of the need to replace many of our rural schools as their physical plants reach the end of their life cycle. This is compounded by many of our rural communities having a mill rate that will not support new school construction. This initiative is a bold one and it grew out of our work during the interim on the K12 School Funding Task Force. It became clear to me that we needed a new path forward, one that blends a mix of funds on a sliding scale including grants from the state as well as the opportunity for low-cost loans. But many of our rural school districts will have difficulty with debt maintenance on low-cost loans, they need another path. This House Concurrent Resolution provides that path.

Further, it is critically important to protect the Common Schools Trust Fund, and I recognize that need. But I also understand that the fund is projected to grow to $8.744B by 2027 (see projections on the next page from a Legislative Council analyst). In Scenario 1, It is expected that a total of $5.260B will be removed over the 10 years, through 2037, to offset the costs of the school aid payment to public K12 school districts. During this time, the fund is expected to grow to $15.011B.

In Scenario 2, $300M is removed starting in 2028 and going through 2037. The K12 state aid payments are slightly reduced beginning in 2030 by $3M, in 2032 this grows to about $18M, in 2034 it grows to about $48M and then in 2036 to about $84M. So, there is a reduction in the state aid payment that will need to be compensated for other funds or alternatively the $300M for construction reduced, which is a viable alternative. Why? Because the potential cost of $3B for school construction is an assumption based on limited data.

Hence, it would be better to keep the K12 state aid payment fixed and vary the money available for construction. However, let's examine the Fund Balance projected in Scenario 2, which is $11.399B. This is a difference of about $3.6B to replace rural schools throughout the state and spending up to $3B to do so.

Is this worthwhile? I argue yes, it is, because we have a constitutional responsibility to provide for a public K12 education across the state. This responsibility also includes providing safe school buildings in which we educate our children. At what cost? About $3.6B plus an

additional $0.310B in state aid payments. With a sunset clause, this will force any changes to withdraw money from the Common School Trust Fund in the future to undergo the same process of being approved by the electorate as for school construction, protecting the Fund and allowing for the will of the electorate to be heard.

I urge a do pass on this House Concurrent Resolution.

Common Schools Trust Fund Scenario 1 - Projected Balance, Revenues, and Distributions Under Current Provisions									
Biennium	Fiscal Year	Fund Balance	Oil Deposits	Royalties and Rents	Unclaimed Property	Other Income	Estimated Earnings (6%)	Regular Distribution	Supplemental Distribution
2025-27	2026	8,143,734,590	110,000,000	275,000,000	5,000,000	2,500,000	466,405,100	(292,338,675)	
	2027	8,744,295,015	110,000,000	275,000,000	5,000,000	2,500,000	500,399,100	(292,338,675)	
2027-29	2028	9,327,326,465	110,000,000	275,000,000	5,000,000	2,500,000	536,432,700	(345,901,250)	
	2029	9,945,339,815	110,000,000	275,000,000	5,000,000	2,500,000	571,414,600	(345,901,250)	
2029-31	2030	10,538,431,925	110,000,000	275,000,000	5,000,000	2,500,000	608,495,400	(407,903,290)	
	2031	11,167,109,535	110,000,000	275,000,000	5,000,000	2,500,000	644,080,900	(407,903,290)	
2031-33	2032	11,774,419,855	110,000,000	275,000,000	5,000,000	2,500,000	681,801,600	(466,991,280)	
	2033	12,418,168,775	110,000,000	275,000,000	5,000,000	2,500,000	718,240,200	(466,991,280)	
2033-35	2034	13,040,007,595	110,000,000	275,000,000	5,000,000	2,500,000	756,865,100	(527,526,280)	
	2035	13,699,156,815	110,000,000	275,000,000	5,000,000	2,500,000	794,175,500	(527,526,280)	
2035-37	2036	14,335,999,835	110,000,000	275,000,000	5,000,000	2,500,000	833,724,400	(589,381,380)	
	2037	15,011,053,455	110,000,000	275,000,000	5,000,000	2,500,000	871,935,000	(589,381,380)	
Total Distributions								(5,260,084,310)	

Common Schools Trust Fund Scenario 2 - Projected Balance, Revenues, and Distributions Under Proposed Changes									
Biennium	Fiscal Year	Fund Balance	Oil Deposits	Royalties and Rents	Unclaimed Property	Other Income	Estimated Earnings (6%)	Regular Distribution	Supplemental Distribution
2025-27	2026	8,143,734,590	110,000,000	275,000,000	5,000,000	2,500,000	466,405,100	(292,338,675)	
	2027	8,744,295,015	110,000,000	275,000,000	5,000,000	2,500,000	500,399,100	(292,338,675)	
2027-29	2028	9,027,326,465	110,000,000	275,000,000	5,000,000	2,500,000	536,432,700	(345,901,250)	(300,000,000)
	2029	9,327,339,815	110,000,000	275,000,000	5,000,000	2,500,000	553,414,600	(345,901,250)	(300,000,000)
2029-31	2030	9,586,351,925	110,000,000	275,000,000	5,000,000	2,500,000	571,415,400	(404,903,290)	(300,000,000)
	2031	9,860,904,735	110,000,000	275,000,000	5,000,000	2,500,000	586,956,100	(404,903,290)	(300,000,000)
2031-33	2032	10,108,543,555	110,000,000	275,000,000	5,000,000	2,500,000	603,429,300	(448,290,480)	(300,000,000)
	2033	10,371,040,675	110,000,000	275,000,000	5,000,000	2,500,000	618,287,600	(448,290,480)	(300,000,000)
2033-35	2034	10,618,473,415	110,000,000	275,000,000	5,000,000	2,500,000	634,037,400	(479,104,660)	(300,000,000)
	2035	10,880,752,155	110,000,000	275,000,000	5,000,000	2,500,000	648,883,400	(479,104,660)	(300,000,000)
2035-37	2036	11,132,419,115	110,000,000	275,000,000	5,000,000	2,500,000	664,620,100	(505,453,140)	(300,000,000)
	2037	11,399,186,075	110,000,000	275,000,000	5,000,000	2,500,000	679,720,100	(505,453,140)	(300,000,000)
Total Distributions								(4,951,982,990)	(3,000,000,000)