

**1999 SENATE APPROPRIATIONS**

**SB 2278**


1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2278

Senate Appropriations Committee

Conference Committee

Hearing Date 1/29/99 -- Rehearing 2/4/99; Rehearing 2/10/99

Tape Number	Side A	Side B	Meter #
2	x		2250-3740
2/4/99 1	x		443-1629
2/10/99 2	x		1235-1700
Committee Clerk Signature			

Minutes:

**SENATOR NETHING:** Opened the hearing on SB 2278; a BILL for an Act to provide an appropriation and a transfer of funds to the department of economic development and finance for allocation of grants for the remodeling of abandoned public school buildings.

**SENATOR KENNETH KROEPLIN:** District 23, bill co-sponsor, to offer an amendment that the money to be used for abandoned public school buildings is that the money would come from the general fund rather than the Bank of ND. Schools were built tax dollars. The infrastructure for the schools was built with tax dollars. Local communities have pride in their schools. It provides jobs in the town, and what they view as keeping the town going. However, the main reason I introduced this bill is when I drive around other communities and see the vandalism that has happened to those buildings. We need to “recycle these buildings. That’s what this bill would attempt to do it to find another use for these buildings, and to encourage people to locate in them. The appropriation was based on \$5,000 per job with a maximum of 20 jobs in any particular school building for a total of \$100,000. I urge you to give consideration to this bill.(tape 2250-2475)

**SENATOR NAA DEN:** I would suggest we amend this bill to allow those school districts to prepare those buildings for future use.

**SENATOR NETHING:** I think the question is how do you view the amending of your bill to change it as he has described.

**SENATOR KENNETH KROEPLIN:** I have no problem with doing that. There are school districts that combine and maybe this school district dissolved, and that may not work that particular way.

**REPRESENTATIVE CAROL NIEMEIER:** District 20, co-sponsor of SB 2278, to testify in support of SB 2278. A description of local school district buildings was orally presented. (tape 2795-3177)

**DON SALMON:** Reeder. I am chairman of the Steering Committee working with the local school district and the city, to testify in support of SB 2278. Our nonprofit group wants to take over the school, the buildings are in relatively good repair, and set up a development within the school building itself. I think this bill provides an incentive for the smaller school districts to begin planning on usage of their school building before the school closes. One of the major problems with school closings is the majority of them dissolve, because there has been no planning. DPI instructed the local district not to put major expenditures into the school building so another unit can take over. That is educational money you're using. When you dissolve a school district, the money reverts to the state. We have plans to form a nonprofit with the possibility of providing adult education, primarily and to use the building as a community facility. This bill would assure something positive coming out of a school closing.

**PAUL GOVIG:** Bank of ND, commenting on SB 2278 as it relates to the Bank of ND. I agree with the sponsors and the concept of using these unused buildings is good. And, if we can use them for economic development that would be very good. But, as all of you are aware. There will be significant transfers coming out of the Bank of ND during the next biennium. With that there are going to be significant strains on our earnings. Therefore we recommend you agree with the amendment to take moneys from the general fund versus the Bank of ND (testimony attached) (tape 3625-3718)

**SENATOR NETHING:** Closed the hearing on SB 2278. (tape 3740).

=====  
2/4/99

**SENATOR NETHING:** Reopened the hearing on SB 2278 (tape 1, 443-1629 2/4/99 with blank spaces on tape as items being prepared).

**SENATOR KENNETH KROEPLIN:** District 23, and cosponsor to present testimony in support of SB 2278, relating to remodeling abandoned public school buildings. There are amendments to be offered by Senator Naaden.

**SENATOR NAA DEN:** Presented proposed amendments with basic language changes that would allow school districts to provide unobligated dollars to maintain a building.

Discussion followed concerning the intent of the amendment.

**SENATOR NETHING:** The original bill with amendments will go to the subcommittee. Nothing changes in the original bill, but to add amendments as noted. (tape 1629)

The bill was referred to the Education Subcommittee for their consideration and recommendation.

**SENATOR NETHING:** Closed the rehearing of SB 2278. (tape 1 - side A - 443-1629 - 2/4/99 - with blank spaces in between while copies being prepared.)

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2/10/99

**SENATOR NETHING:** Reopened the hearing on SB 2278 (tape 2 - side A - 1200-1700)

**SENATOR NAA DEN:** Presented the amendments to SB 2278, noting the changes.

**SENATOR ROBINSON:** I was a member of the subcommittee that worked on this bill. The amendments will hoghouse the bill. There is merit to keep this concept alive.

**SENATOR NAA DEN:** Moved do pass amendments to SB 2278.

**SENATOR HOLMBERG:** Seconded the motion.

**MOTION CARRIED BY VOICE VOTE TO PASS THE AMENDMENTS**

**SENATOR NAA DEN:** Moved do pass SB 2278 as amended.

**SENATOR HOLMBERG:** Seconded the motion.

**ROLL CALL:** 14 YEAS; 0 NAYS

**MOTION CARRIED DO PASS SB 2278 AS AMENDED.**

Yeas: Nething; Naaden; Solberg; Lindaas; Tallackson; Tomac; Robinson; Krauter; St. Aubyn; Grindberg; Holmberg; Kringstad; Bowman; Andrist

**CARRIER: SENATOR ROBINSON**

**SENATOR NETHING:** Closed the hearing on SB 2278.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2278

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 15-27.4 of the North Dakota Century Code, or in the alternative to create and enact a new section to chapter 15.1-12 of the North Dakota Century Code, relating to the use of a dissolved district's unobligated funds; and"

Page 1, after line 4, insert:

"SECTION 1. If House Bill No. 1034 does not become effective, a new section to chapter 15-27.4 of the North Dakota Century Code is created and enacted as follows:

**Unobligated funds - Marketability of school.** Within a school district's plan of dissolution under this chapter, moneys that would otherwise be considered unobligated within the meaning of sections 15-27.4-02.1 and 15-27.4-03 may be set aside to ~~refurbish~~ *maintain* a building that, as a result of the dissolution, will no longer be used as a school, in order to enhance its marketability. *or downsizing*

SECTION 2. A new new section to chapter 15.1-12 of the North Dakota Century Code is created and enacted as follows:

**Unobligated funds - Marketability of school.** Within a school district's plan of dissolution under this chapter, moneys that would otherwise be considered unobligated within the meaning of sections 15-27.4-02.1 and 15-27.4-03 may be set aside to ~~refurbish~~ *maintain* a building that, as a result of the dissolution, will no longer be used as a school, in order to enhance its marketability."

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2278

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 15-27.4 of the North Dakota Century Code, or in the alternative to create and enact a new section to chapter 15.1-12 of the North Dakota Century Code, relating to the use of a dissolved district's unobligated funds.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** If House Bill No. 1034 does not become effective, a new section to chapter 15-27.4 of the North Dakota Century Code is created and enacted as follows:

**Unobligated funds - Marketability of school.** Within a school district's plan of dissolution under this chapter, moneys that would otherwise be considered unobligated within the meaning of sections 15-27.4-02.1 and 15-27.4-03 may be set aside to maintain a building that, as a result of the dissolution, will no longer be used as a school, in order to enhance its marketability.

**SECTION 2.** If House Bill No. 1034 does become effective, a new section to chapter 15.1-12 of the North Dakota Century Code is created and enacted as follows:

**Unobligated funds - Marketability of school.** Within a school district's plan of dissolution under this chapter, moneys that would otherwise be considered unobligated within the meaning of sections 15-27.4-02.1 and 15-27.4-03 may be set aside to maintain a building that, as a result of the dissolution, will no longer be used as a school, in order to enhance its marketability."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

SENATE - This amendment replaces Section 1 of the bill which provided a \$500,000 appropriation from the Bank of North Dakota to the Department of Economic Development and Finance for grants to remodel abandoned school buildings, with a new section of the North Dakota Century Code to allow unobligated school district funds to be used to maintain a school building abandoned due to dissolution of the district.

Date: 2/10/99  
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2278

Senate APPROPRIATIONS Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number 90567.0203

Action Taken DO PASS AMENDMENTS

Motion Made By Sen. Naaden Seconded By Sen. Holmberg

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman					
Senator Naaden, Vice Chairman					
Senator Solberg					
Senator Lindaas					
Senator Tallackson					
Senator Tomac					
Senator Robinson					
Senator Krauter					
Senator St. Aubyn					
Senator Grindberg					
Senator Holmberg					
Senator Kringstad					
Senator Bowman					
Senator Andrist					

Total (Yes) Unanimous No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment SB 2278

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

Date: 2/10/99  
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2278

Senate APPROPRIATIONS Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number 90567.0203

Action Taken DO PASS AS AMENDED

Motion Made By Sen. Naaden Seconded By Sen. Holmberg

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac	✓				
Senator Robinson	✓				
Senator Krauter	✓				
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Sen. Robinson

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



**REPORT OF STANDING COMMITTEE**

**SB 2278: Appropriations Committee (Sen. Nething, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2278 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 15-27.4 of the North Dakota Century Code, or in the alternative to create and enact a new section to chapter 15.1-12 of the North Dakota Century Code, relating to the use of a dissolved district's unobligated funds.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** If House Bill No. 1034 does not become effective, a new section to chapter 15-27.4 of the North Dakota Century Code is created and enacted as follows:

**Unobligated funds - Marketability of school.** Within a school district's plan of dissolution under this chapter, moneys that would otherwise be considered unobligated within the meaning of sections 15-27.4-02.1 and 15-27.4-03 may be set aside to maintain a building that, as a result of the dissolution, will no longer be used as a school, in order to enhance its marketability.

**SECTION 2.** If House Bill No. 1034 does become effective, a new section to chapter 15.1-12 of the North Dakota Century Code is created and enacted as follows:

**Unobligated funds - Marketability of school.** Within a school district's plan of dissolution under this chapter, moneys that would otherwise be considered unobligated within the meaning of sections 15-27.4-02.1 and 15-27.4-03 may be set aside to maintain a building that, as a result of the dissolution, will no longer be used as a school, in order to enhance its marketability."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

SENATE - This amendment replaces Section 1 of the bill which provided a \$500,000 appropriation from the Bank of North Dakota to the Department of Economic Development and Finance for grants to remodel abandoned school buildings, with a new section of the North Dakota Century Code to allow unobligated school district funds to be used to maintain a school building abandoned due to dissolution of the district.

**1999 HOUSE EDUCATION**

**SB 2278**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2278

House Education Committee

Conference Committee

Hearing Date 3-9-99

Tape Number	Side A	Side B	Meter #
Tape # 1	x		0.1 to 17.9
Committee Clerk Signature <i>Joan Diers</i>			

Minutes:

Chairman R Kelsch , Vice Chair Drovdal , Rep Brandenburg , Rep Brusegaard , Rep Haas , Rep Johnson , Rep Nelson , Rep Nottestad , Rep L Thoreson , Rep Grumbo , Rep. Hanson , Rep. Lundgren , Rep. Mueller , Rep. Nowatzki , Rep. Solberg .

Chairman R Kelsch : Call the House Education Meeting to order, we will open the hearing on SB 2278. Ask the clerk to read the title.

Senator Kroepelin: District 23 sponsor of the bill. The engrossed version of SB 2278 is a hog house version of what my original bill was. What I would propose to this group, I will offer up my original bill as amendments to this bill, and I would like you to consider them. It sets up economic development fund with five hundred thousand to work with to create jobs in the rural communities where the school buildings are closed. It would be based on two thousand dollars per job created with a maximum of twenty jobs.

Rep Nelson : The unobligated funds that you speak to they would be a combination of local, state and federal funds?

Kroeplin: These unobligated funds are part of the hog house bill and I have not served on education committee so I am not really up on that.

Rep Nelson : I would guess you would be talking about the carry over after the school dissolves, and that would be a mix of those three sectors. So basically the property tax payer of the dissolved district would be funding from the local share the economic development pool.

Kroeplin: If you read the hog house, they can use the funds to maintain the building.

Rep L Thoreson : In your version of the bill, the money would be set aside, economic development money, for putting business' into the schools that are not being used any longer?

Kroeplin: In my version of the bill, I originally called for a transfer from the Bank of North Dakota, but I guess when you take it from the general fun, it might be a better place to come from. There would be a twenty percent local match required, and at five thousand dollars per new jobs created, by bringing a business into a vacant school building.

Rep. Nowatzki : In the original bill, the grant could be made to the school district, city, local job development job authority, they could receive a certain number of dollars per job.

Kroeplin: If the school district dissolves or merges, they could sell the school building to the city and then grants would go to that identity.

Rep. Mueller : Your original bill, was it the intent that the process of attempting to bring a small business is that all going to part, is the money going to be there before or would the new business identification be made and the money then be brought in to support that effort.

Kroeplin: If you read the last line of the bill, the department may establish additional guidelines for awarding grants under this section. I think you would line up the business and get your business plan and everything in place and then work your way through it.

Rep Brandenburg : sponsor of the bill. Schools could attract business. Gave some information of what went on in his district with an old school.

Kroeplin: How many jobs came into town when they remodeled that?

Rep Brandenburg : Fargo Center employees about fifty jobs.

Rep Nelson : Do you know of any other instances that an empty school building has been used across the state.

Kroeplin: I know of one other, that developed seventy jobs.

Rep Nelson : Is there anything in your original bill that employment, jobs , that would qualify them for and ED & F grant. Was that at the time of employment, or was there a time period this employment had to be at a certain length? There was a firm that moved into the Esmond school and took advantages and then the firm went out of business. Left the school in shambles.

Kroeplin: The last line of the bill says the department may establish guidelines.

Rep. Lundgren : Who will supervise the plan, once the school district dissolves.

Kroeplin: I kept the bill simple, I will refer to the last sentence again.

Rep. Lundgren : I'm looking at the engrossment and thats not on there.

Kroeplin: I was referring to the original bill.

Rep. Mueller : We have a decision to make, what would be your feeling about the engrossed bill, is it worth passing out of this particular group?

Kroeplin: Yes, but better if we amend it.

Page 4  
House Education Committee  
Bill/Resolution Number Sb 2278  
Hearing Date 3-9-99

Tom Decker Director of Finance DPI talked about the engrossed bill and reviewed the process of what happens when the school dissolved.

Chairman R Kelsch : Anyone wishing to speak in opposition to SB 2278. Seeing none, we will close the hearing on SB 2278.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2278-3-9-99

House Education Committee

Conference Committee

Hearing Date 3-9-99

Tape Number	Side A	Side B	Meter #
Tape # 1		x	30.0 to 32.1
Committee Clerk Signature <i>Joan Diers</i>			

Minutes:

Chairman R Kelsch , Vice Chair Drovdal , Rep Brandenburg , Rep Brusegaard , Rep Haas , Rep Johnson , Rep Nelson , Rep Nottestad , Rep L Thoreson , Rep Grumbo , Rep. Hanson , Rep. Lundgren , Rep. Mueller , Rep. Nowatzki , Rep. Solberg .

Chairman R Kelsch : Committee can we take up SB 2278. What are the wishes of the committee?

Vice Chair Drovdal : Move a DO NOT PASS.

Rep Brusegaard : seconded the motion. .

Chairman R Kelsch : Committee discussion. Hearing none. The clerk will call the roll on a DO NOT PASS motion on SB 2278. The DO NO PASS motion passes 10 YES 4 NO 1 Absent  
Floor assignment Vice Chair Drovdal .

Chairman R Kelsch : The committee will adjourn.

Date: 3-9-99  
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2278

House Education Committee

Subcommittee on \_\_\_\_\_

or

Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Drovdal Seconded By Brusegaard

Representatives	Yes	No	Representatives	Yes	No
Rep. ReaAnn Kelsch-Chairperson	✓		Rep. Dorvan Solberg		✓
Rep. David Drovdal-Vice Chair	✓				
Rep. Michael D. Brandenburg	✓				
Rep. Thomas T. Brusegaard	✓				
Rep. C. B. Haas	✓				
Rep. Dennis E. Johnson	✓				
Rep. Jon O. Nelson	✓				
Rep. Darrell D. Nottestad	✓				
Rep. Laurel Thoreson	✓				
Rep. Howard Grumbo	✓				
Rep. Lyle Hanson		✓			
Rep. Deb Lundgren					
Rep. Phillip Mueller		✓			
Rep. Robert E. Nowatzki		✓			

Total (Yes) 10 No 4

Absent 1

Floor Assignment Drovdal

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



**REPORT OF STANDING COMMITTEE (410)**  
March 9, 1999 5:11 p.m.

**Module No: HR-42-4393**  
**Carrier: Drovdal**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2278, as engrossed: Education Committee (Rep. R. Kelsch, Chairman) recommends DO NOT PASS (10 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2278 was placed on the Fourteenth order on the calendar.**

**1999 TESTIMONY**

**SB 2278**

**TESTIMONY TO THE  
APPROPRIATIONS COMMITTEE  
SENATE BILL 2278  
PAUL GOVIG-BANK OF NORTH DAKOTA**

The core mission of the Bank of North Dakota is to promote the development of commerce, industry and agriculture in North Dakota. Therefore, BND is supportive of the concept of remodeling abandoned school buildings in North Dakota to be used for the location or relocation of new or expanding businesses. Nonetheless, the Bank of North Dakota is opposed to appropriating \$500,000 to fund the program directly from the Bank of North Dakota. It is recommended that the \$500,000 appropriation come from the General Fund instead of the Bank of North Dakota.

BND earnings are transferred to the General Fund each biennium and then appropriated to various programs. Senate Bill 2015 requires the transfer of \$60,000,000 during the next biennium. Also, additional transfers of up to \$23,000,000 could occur if General Fund receipts fall below biennium projections.

Currently, the Bank of North Dakota, now \$1,600,000,000 in total assets, is strong, growing, meeting its mission to help finance economic development and generating more income in the process. If you approve Senate Bill 2278 it should be amended to incorporate a general fund appropriation instead of a transfer directly from BND so that we can continue to operate in a sound manner and meet our mission.



SB 2278  
2/2/99

GARY J. NELSON  
State Senator  
Chairman

JOHN D. OLSRUD  
Director

JAY E. BURINGRUD  
Assistant Director

CHESTER E. NELSON, Jr.  
Legislative Budget  
Analyst & Auditor

JOHN WALSTAD  
Code Revisor

## North Dakota Legislative Council

STATE CAPITOL, 600 EAST BOULEVARD, BISMARCK, ND 58505-0360 (701) 328-2916 TTY: 1-800-366-6888

February 1, 1999

Honorable Pete Naaden  
State Senator  
State Capitol  
Bismarck, ND 58505

Dear Senator Naaden:

In response to your query regarding the dispersal of school district funds upon the dissolution of a school district, your attention is drawn to North Dakota Century Code (NDCC) Chapter 15-27.4. The dissolution of a school district requires a hearing by the county committee and final approval by the State Board of Public School Education. One of the statutory duties assigned to the county committee is to receive testimony regarding the equitable adjustment of all property, assets, debts and liabilities. The payment of the district's debts must be accounted for within the dissolution plan submitted to the county committee and ultimately the state board.

There are two sections that specifically address the issue of unobligated cash balances. Under NDCC Section 15-27.4-02.1, any unobligated cash balance up to \$10,000 must be held in a separate fund by the county auditor for one year to allow for the payment of any existing debts. At the end of that period, any money remaining in the fund is distributed, based on taxable valuation, to the school districts that received the land of the dissolved district. Under NDCC Section 15-27.4-03, any unobligated cash balance in excess of \$10,000 is a credit for those who own property within the boundaries of the dissolved district against taxes levied by the district to which the property was newly attached. The board of county commissioners may request that the unobligated cash balance be distributed as a cash refund, rather than as a credit against taxes.

We have attached both sections for your review. Please call us if you have any further questions.

Sincerely,

L. Anita Thomas  
Counsel

LAT/LMM  
Enc.

**15-27.4-02.1. Unobligated cash balance up to ten thousand dollars.** Any unobligated cash balance up to ten thousand dollars which is not designated for indebtedness must be held in a separate fund by the county auditor of the county in which the majority of the territory of the dissolved school district is located. The county auditor shall hold the fund for one year after the effective date of the dissolution. During that year, the county auditor shall accept assets and pay debts attributable to the dissolved school district which were not resolved before the effective date of the dissolution. At the end of the year, unless determined otherwise by the state board when the dissolution was approved, the cash balance remaining in the fund must be divided and distributed to the school districts in the same proportion as taxable valuation received by the school districts to which the territory of the dissolved school district was attached.

**15-27.4-03. Unobligated cash balance in excess of ten thousand dollars - Tax credits or refunds.**

1. Any unobligated cash balance in excess of ten thousand dollars which is not designated for indebtedness of any school district dissolved after January 1, 1989, is a credit for those who own property within the dissolved school district against taxes levied by the school district the dissolved school district is attached to in the year or years following the dissolution based on the previous five-year average of the total mills levied for education by the district being dissolved, as calculated by the county auditor. If a school district is dissolved and attached to more than one school district, the credit that those who own property within the attached school district receive from the receiving school district must be in the same proportion to the remaining unobligated cash balance as the taxable valuation of the property bears to the total taxable valuation of the property in the school district that existed prior to dissolution.
2. Upon approval of the board of county commissioners, any school district required to provide a tax credit under subsection 1 may provide a cash refund in lieu of the tax credit. At the request of the county auditor, the school district holding the unobligated cash balance shall pay to the county treasurer the amount to be paid to those who own property within the dissolved district. The treasurer shall issue the refund to the owner of the property as shown on the county's assessment list at the time of payment. If there is a lien for unpaid taxes against any property, the treasurer shall first apply the tax credit toward any outstanding balance. Any amount remaining may then be paid to the property owner. The cash refunds must be calculated proportionately to the total taxable value of the dissolved district during the last year taxes were levied.