ND Legislative Council

FISCAL UPDATE

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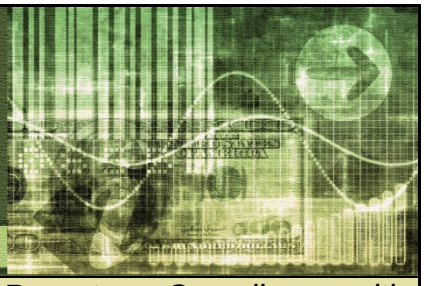

The Legislative Council has completed its *2013-15 Biennium Report on Compliance with Legislative Intent* (June 2014). The report includes Legislative Council staff analysis of agency activities relating to budget issues and compliance with budget-related provisions approved by the Legislative Assembly in 2013. In addition, the Legislative Council staff has completed an *Analysis of State Trust Funds for the 2011-13 and 2013-15 Bienniums* (June 2014).

Selected items of potential interest relating to energy-impact funding include:

ENERGY-RELATED IMPACT FUNDING

Energy infrastructure and impact grant awards - Of the $240 million appropriated for energy infrastructure and impact grants, the Board of University and School Lands has committed $168.7 million to-date for the 2013-15 biennium.

Roadway projects in areas affected by oil and gas development - The Legislative Assembly appropriated $1.162 billion for enhanced state highway investments, $160 million for road projects in oil-producing counties, and $8.7 million for townships in certain oil-producing counties.

Housing incentive fund - The Legislative Assembly in 2011 and 2013 authorized tax credits for contributions to the housing incentive fund. The Housing Finance Agency has received $20 million in contributions to the fund.

Western Area Water Supply Authority - Information regarding the status of the Western Area Water Supply Authority.

State agency energy impact funding pool - The Legislative Assembly appropriated $4 million from the general fund and $4.5 million from other funds for a state agency energy impact funding pool.

The entire reports are available on the legislative branch website. Click on Agency Reports for all agency analyses. Click on Fund Analyses for all special fund analyses. Printed copies of the reports are available in the Legislative Council office.

DEPARTMENT OF TRUST LANDS

Energy infrastructure and impact grant awards - In Section 2 of House Bill No. 1358, the Legislative Assembly increased the maximum amount of oil and gas tax revenues that may be deposited in the oil and gas impact grant fund by $140 million per biennium, from $100 million to $240 million. The increase is effective for the 2013-15 biennium only.

In Section 3 of House Bill No. 1358, the Legislative Assembly removed the requirement that 35 percent of money in the oil and gas impact grant fund be awarded to incorporated cities with a population of 10,000 or more and 65 percent of funds available be awarded to counties, school districts, and other political subdivisions impacted by oil and gas development.

Section 9 of House Bill No. 1358 provides $239,299,174 ($240,000,000 less $700,829 appropriated for administrative costs in Senate Bill No. 2013) from the oil and gas impact grant fund to the Board of University and School Lands for oil and gas impact grants for the 2013-15 biennium and includes provisions relating to the designation of $103.5 million of the funds appropriated as follows:

- $5 million for grants to eligible counties experiencing new oil and gas development activities.
- $60 million for grants to airports impacted by oil and gas development.
- $4 million in grants to public institutions of higher education impacted by oil and gas development.
- $3 million for grants of $1 million each to three counties in oil-impacted areas for a dust control pilot project.
- $7 million for grants to counties for the benefit of county sheriff's departments to offset oil and gas development impact causing a need for increased sheriff's department services, staff, equipment, coverage, and personnel training.
- $7 million for grants to emergency medical services providers for an extraordinary expenditure that would mitigate negative effects of oil development impact.
- $3.5 million for grants to fire protection districts for extraordinary expenditures that would mitigate negative effects of oil development impact.
- $14 million for grants to hub cities. Of the $14 million, $2 million is designated to the hub city (Williston) receiving the greatest percentage of allocations to hub cities from oil and gas gross

The Department of Trust Lands utilizes the oil and gas impact grant fund for providing energy infrastructure and impact grants and for the administration of the energy infrastructure and impact grant program.

In previous bienniums, the Board of University and School Lands used one advisory committee to make recommendations regarding grant awards. In the 2013-15 biennium, the board appointed five advisory committees to assist with application reviews and grant recommendations for the various grant rounds.

As of April 2014, the Board of University and School Lands has awarded grant funding for the 2013-15 biennium as follows:

Date	Description	Amount
July 2013	City infrastructure	$39,666,162
July 2013	Hub city infrastructure	14,000,000
July 2013	Dust control	3,000,000
July 2013	Airports	27,008,442
August 2013	Sheriff's departments	390,910
August 2013	K-12 schools	6,852,779
September 2013	Sheriff's departments	4,802,610
November 2013	Emergency medical services providers	5,220,343
November 2013	Fire protection districts	6,993,242
December 2013	K-12 schools	5,647,221
December 2013	Higher education	4,000,000
January 2014	Sheriff's departments	1,806,536
March 2014	City infrastructure	8,000,000
April 2014	General grant round	6,104,494
Total awards		$133,492,739
Pledges for future awards		35,238,848
Total commitments		$168,731,587

North Dakota Century Code Section 15-01-02 provides that annual distributions may not exceed 60 percent of the biennial appropriation for energy infrastructure and impact grants ($143,579,504 for fiscal year 2014). Of the $239,299,174, $70,567,587 is uncommitted and available for grant awards for the remainder of the biennium.

production tax revenue, $7 million to the hub city (Dickinson) receiving the second greatest percentage of allocations, and $5 million to the hub city (Minot) receiving the third greatest percentage of allocations.

The department's tentative schedule for remaining grant distributions is:

- Airports (January to May 2014).
- City infrastructure (April to July 2014).
- K-12 schools (June to July 2014).
- Emergency medical services providers and fire protection districts (September to November 2014).
- General grants (January to April 2015).

The dust control pilot project was completed in December 2013, and the results were reported to the Department of Trust Lands in January 2014. The results included some cases of reductions in dust levels, grading, and gravel replenishment.

DEPARTMENT OF TRANSPORTATION

Enhanced state highway investments - The Legislative Assembly appropriated $1.162 billion for enhanced state highway investments.

The $1,161,600,000 appropriated to the Department of Transportation includes $620 million from the general fund in Senate Bill No. 2176 and a transfer of $541.6 million from the general fund to the highway fund. Of the $620 million, approximately $498.5 million has been spent through April 2014. None of the $541.6 million has been spent as of April 2014, and the department anticipates the $541.6 million will be transferred in August 2014.

Special transportation funding distributions to oil-producing counties and townships - The Legislative Assembly provided 2013-15 biennium special transportation funding distributions to oil-producing counties and townships as follows:

The Legislative Assembly in House Bill No. 1358 appropriated $160 million from the general fund to the Department of Transportation for county road and bridge projects in counties that received $5 million or more of oil and gas gross production tax allocations under North Dakota Century Code Section 57-51-15(2) during state fiscal year 2013. The funding is to be distributed based on data supplied by the Upper Great Plains Transportation Institute.

Through April 2014, the Department of Transportation has spent $90,252,997 for county road and bridge projects in counties that received $5 million or more of oil and gas gross production tax allocations.

In House Bill No. 1358, $8,760,000 from the general fund was appropriated to the State Treasurer for grants to townships located in counties that received between $500,000 and $5 million of oil and gas gross production tax allocations under Section 57-51-15(2) during state fiscal year 2013. Each eligible township is to receive a grant of $15,000 in July 2013 and in May 2014. Although House Bill No. 1358 based the allocations on fiscal year 2012 oil and gas gross production tax allocations, House Bill No. 1015 amended House Bill No. 1358 to change the year to state fiscal year 2013.

The State Treasurer distributed $2,805,000 to oil-producing counties on July 26, 2013, pursuant to House Bill No. 1358. The State Treasurer anticipates the same distribution will be made in May 2014. As a result of the change in the fiscal year, Burke County and Stark County were no longer eligible to receive distributions, and the total actual distributions are anticipated to be $3,150,000 less than the appropriation of $8,760,000.

HOUSING FINANCE AGENCY

Housing incentive fund - The Legislative Assembly in 2011 Senate Bill No. 2210 created a special revolving housing incentive fund, provided a continuing appropriation to the Housing Finance Agency for disbursements from the fund, and authorized a tax credit for income and financial institution tax purposes for contributions to the fund, not to exceed an aggregate amount of $4 million per biennium for all eligible contributors. Senate Bill No. 2371 approved during the 2011 special legislative session increased the aggregate tax credit to $15 million per biennium.

The Legislative Assembly in 2013 Senate Bill No. 2014 provided for a one-time transfer of $15.4 million from the general fund to the housing incentive fund. The bill amended North Dakota Century Code Section 57-38-01.32 to continue the housing incentive fund tax credit through the first two taxable years after December 31, 2012, and to increase the aggregate amount of tax credits allowed to all eligible contributors from $15 million to $20 million per biennium. Similar provisions are also included in 2013 House Bill No. 1029.

In June 2013, the Housing Finance Agency awarded $20.4 million to 18 projects, which will provide 494 housing units. Of the 494 housing units, 160 units are for essential service workers, and 168 units are for low-income households.

In September 2013, the Housing Finance Agency awarded $16.5 million to 16 projects, which will provide 440 housing units. The $16.5 million includes an award of $1.5 million that was reallocated due to a project in Mandan being discontinued. Of the 440 housing units, 60 units are for essential service workers, and 313 units are for low-income households.

As of December 2013, the Housing Finance Agency received $20 million for contributions to the Housing Incentive Fund, resulting in a corresponding reduction to general fund revenue.

The funds are expended as projects are completed. Of the $35.4 million provided by the Legislative Assembly for the 2013-15 biennium, all of the funds have been awarded, and approximately $6.2 million has been expended through April 15, 2014.

STATE WATER COMMISSION

Western Area Water Supply Authority - Bank of North Dakota loan - The Legislative Assembly in Section 5 of House Bill No. 1020 directs the Bank of North Dakota to provide a $40 million loan to the Western Area Water Supply Authority for construction of the project. This section as amended in House Bill No. 1015 provides the loan must be added to and merged into previous loans as agreed upon by the Industrial Commission and the Bank.

Through December 2013, the Bank of North Dakota has issued $5,906,000 in loans to the Western Area Water Supply Authority. In addition, as of April 2014, the State Water Commission has budgeted $79 million for the Western Area Water Supply Project. The commission has approved $20 million for loans and $20 million for grants to the Western Area Water Supply Authority.

OFFICE OF MANAGEMENT AND BUDGET

State agency energy impact funding pool - The Legislative Assembly appropriated $4 million from the general fund and $4.5 million from other funds to Office of Management and Budget (OMB) for a state agency energy development impact funding pool. Section 6 of House Bill No. 1015 allows a state agency to submit an application to OMB to receive a transfer of funds from the pool for employee housing rental assistance and for temporary salary increases for employees affected by energy development. The Office of Management and Budget is to review any submitted applications and provide a recommendation to the Emergency Commission for final approval or rejection.

Distributions from the pool have been made for the period beginning July 1, 2013, and ending December 31, 2014. One additional round of distributions will be made from the pool for the period beginning January 1, 2015, and ending June 30, 2015. A total of $2,547,054 from the general fund and $3,146,924 from other funds have been transferred from the pool to state agencies as follows:

	General Fund	Other Funds	Total
Tax Department	$60,000		$60,000
Department of Human Services	1,747,872	$315,030	2,062,902
Industrial Commission	270,000		270,000
Highway Patrol	233,254		233,254
Department of Corrections and Rehabilitation	173,799		173,799
State Historical Society	37,129		37,129
Game and Fish Department		63,702	63,702
Department of Transportation		2,768,192	2,768,192
North Dakota State University Extension Service	10,500		10,500
Branch Research Centers	14,500		14,500
Total	$2,547,054	$3,146,924	$5,693,978

Funding of $2,806,022, of which $1,452,946 is from the general fund and $1,353,076 is from other funds, remains available for the final round of distributions.