

2013 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2124

2013 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2124
January 14, 2013
Job Number 17141

Conference Committee

Committee Clerk Signature

Erin Liebelt

Explanation or reason for introduction of bill/resolution:

Study methods to assure that the legacy fund provides the lasting benefits intended by the voters in enacting the constitutional measure

Minutes:

Attachments

Chairman Klein: Called the hearing to order.

Senator Cook: Introduced the bill. He said the bill deals with the legacy fund and what North Dakota should do with the fund. The bill will create a study during this interim. He stated that the trust fund is growing in dollars. He said that they will be looking at all the ideas that are out there. This body is responsible with coming up with a policy on what they do with it. He said a flow chart was handed out, (attachment 1), that shows the type of dollars they are looking at. It was based on the Governor's budget for the 2013-2015 biennium. This cannot be spent until the 2017 session. Then 15% could be appropriated with a 2/3 vote of the legislature. The interest cannot be spent in the 2017 session. The way it is put in place, the interest does not get deposited into the legacy fund until the end of the biennium. The earliest the interest could be spent or appropriated is 2019. He said it needs to be spent in a manner that will always protect and make it available for future generations. He said 30% will be reserved for future generations.

Chairman Klein: Said he knew he had looked at other states that had a windfall and saw what they had done with their funds and if that was why he thought we needed to study this for North Dakota.

Senator Cook: Said he asked Mr. Walstad last spring to do some research for him. California for example which has a tremendous amount of oil doesn't have a fund. Alaska started there fund in 1976, the fund today has 45 billion dollars in it. They use the fund to send the constituents a check every year. We don't have our first billion. Wyoming uses there fund to see all Wyoming students have access to a free college education. Part of this study will look at what other states are doing and gather the ideas of our citizens.

Senator Andrist: Asked what his vision for the fund is.

Senator Cook: Talked about the dark side of sending checks out to the constituents, the jails are full after everyone gets their check, spousal abuse is high. He said he likes the Wyoming plan and if he had to choose right now it would be higher education and a scholarship program for kids.

Chairman Klein: Commented that it is important to let it grow. We need to be prepared and have something to fall back on.

Senator Sinner: Asked if he knew of any proposals in his committee that would reduce the oil extraction taxes in North Dakota and what affect that might have on this projected amount.

Senator Cook: Said he doesn't know of any proposals that have been introduced. There has been dialogue about legislation that will deal with the oil tax. There could be a tax increase. He said that the 5 million dollars may be conservative and others say it is liberal and he feels it is volatile. Said there is uncertainty in the oil fields and what could happen that would affect that number.

Bill Shalhoob, Greater North Dakota Chamber of Commerce: Written Testimony Attached (2). He is in favor of the bill.

Sandy Clark, North Dakota Taxpayers Association: Stated that the North Dakota taxpayers association was part of the group that helped to work on the legacy fund and said that they think it's important to move forward with this bill and hope that they will give a do pass. It was designed to be a long term vision and that it deserves thoughtful consideration as it moves forward.

Eric Aasumstad, North Dakota Farm Bureau: Said that the Farm Bureau was also involved in the passage of the legacy fund and thinks it is an important long term vision for the state and that this study is well worth the time taken to do.

Chairman Klein: Closed the hearing.

Senator Laffen: Motioned for a do pass.

Senator Unruh: Seconded the motion.

Roll Call Vote: Yes - 7 No - 0

Absent: 0

Floor Assignment: Senator Klein

**2013 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2124**

Senate Industry, Business, and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Senator Laffen Seconded By Senator Unruh

Senators	Yes	No	Senator	Yes	No
Chairman Klein	x		Senator Murphy	x	
Vice Chairman Laffen	x		Senator Sinner	x	
Senator Andrist	x				
Senator Sorvaag	x				
Senator Unruh	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Klein

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

REPORT OF STANDING COMMITTEE

SB 2124: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2124 was placed on the Eleventh order on the calendar.

2013 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2124

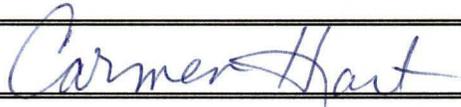
2013 HOUSE STANDING COMMITTEE MINUTES

House Government and Veterans Affairs Committee Fort Union Room, State Capitol

SB 2124
March 7, 2013
19549

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Provide for the legislative management to study methods to assure that the legacy fund provides the lasting benefits intended by the voters in enacting the constitutional measure.

Minutes:

You may make reference to "attached testimony."

Chairman Jim Kasper opened the hearing on SB 2124.

Senator Cook appeared in support of this bill. The purpose of this bill is to study what we do with the legacy fund. As you know the legacy fund was created by constitutional change. It went into effect in 2011. We are getting close to the first billion dollars. We won't see interest being available to spend until the 2019 session and only with a 2/3 vote requirement by the legislature. The most common idea we hear is getting checks back like in Alaska. My intent is that we can come up to some conclusion, introduce it in 2015 which would give plenty of time for voters to scrutinize it, and ultimately implementing it in 2019.

Rep. Bill Amerman If it was studied and there was some legislation came out of this study, would that require a 2/3 vote of the legislature because it comes from the legacy fund, the vote of the people?

Senator Cook I would hope that the only thing that comes out of the interim is what we would be doing with the interest earned. That wouldn't require a 2/3 vote.

Rep. Karen Rohr Were there any other suggestions besides giving it to the people?

Senator Cook There were a lot of suggestions out there. A lot of the people just wanted to talk about it. Mr. Walstad from Council did a lot of good research for me as far other states savings plans that have a lot of oil. Wyoming has a plan where every high school graduate gets college education paid for. Alaska started their constitutional trust fund in 1976. They have \$45 billion in it. It is the interest from that \$45 billion that they send checks out to. I had an opportunity to visit with the deputy tax commissioner from Alaska. They will tell you they would love nothing better than to get away from that. When they send out the checks, the jails are full. Spousal abuse goes right through the roof.

Vice Chair Randy Boehning Did Mr. Walstad give you a list of what the different states do with their savings plans?

Senator Cook Yes and I can get you the list.

Jon Godfread, Greater North Dakota Chamber of Commerce, appeared in support.
Attachment 1. (5:40-7:07)

The hearing was closed.

Rep. Karen Rohr made a motion for a Do pass.

Rep. Vicky Steiner seconded.

Chairman Jim Kasper I certainly support the study. It might be a little bit early for the study, but you never know what might come out of it. You might have two studies. My hope and goal in the legacy fund was to keep the fund growing. There are obviously always ways to spend dollars. That is what a study will help us find out what the people of North Dakota are thinking about.

A roll call vote was taken and resulted in **DO PASS, 12-0, 2 ABSENT**. A carrier will be assigned later. **Rep. Vicky Steiner** was assigned as carrier.

Date: 3-7-13
 Roll Call Vote #: _____

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2124**

House Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rohr Seconded By Steiner

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper	X		Rep. Bill Amerman	X	
Vice Chairman Randy Boehning	X		Rep. Gail Mooney	X	
Rep. Jason Dockter	X		Rep. Marie Strinden		
Rep. Karen Karls	X		Rep. Steven Zaiser	X	
Rep. Ben Koppelman	X				
Rep. Vernon Laning	X				
Rep. Scott Louser	X				
Rep. Gary Paur					
Rep. Karen Rohr	X				
Rep. Vicky Steiner	X				

Total (Yes) 12 No 0

Absent 2

Floor Assignment Steiner

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

REPORT OF STANDING COMMITTEE

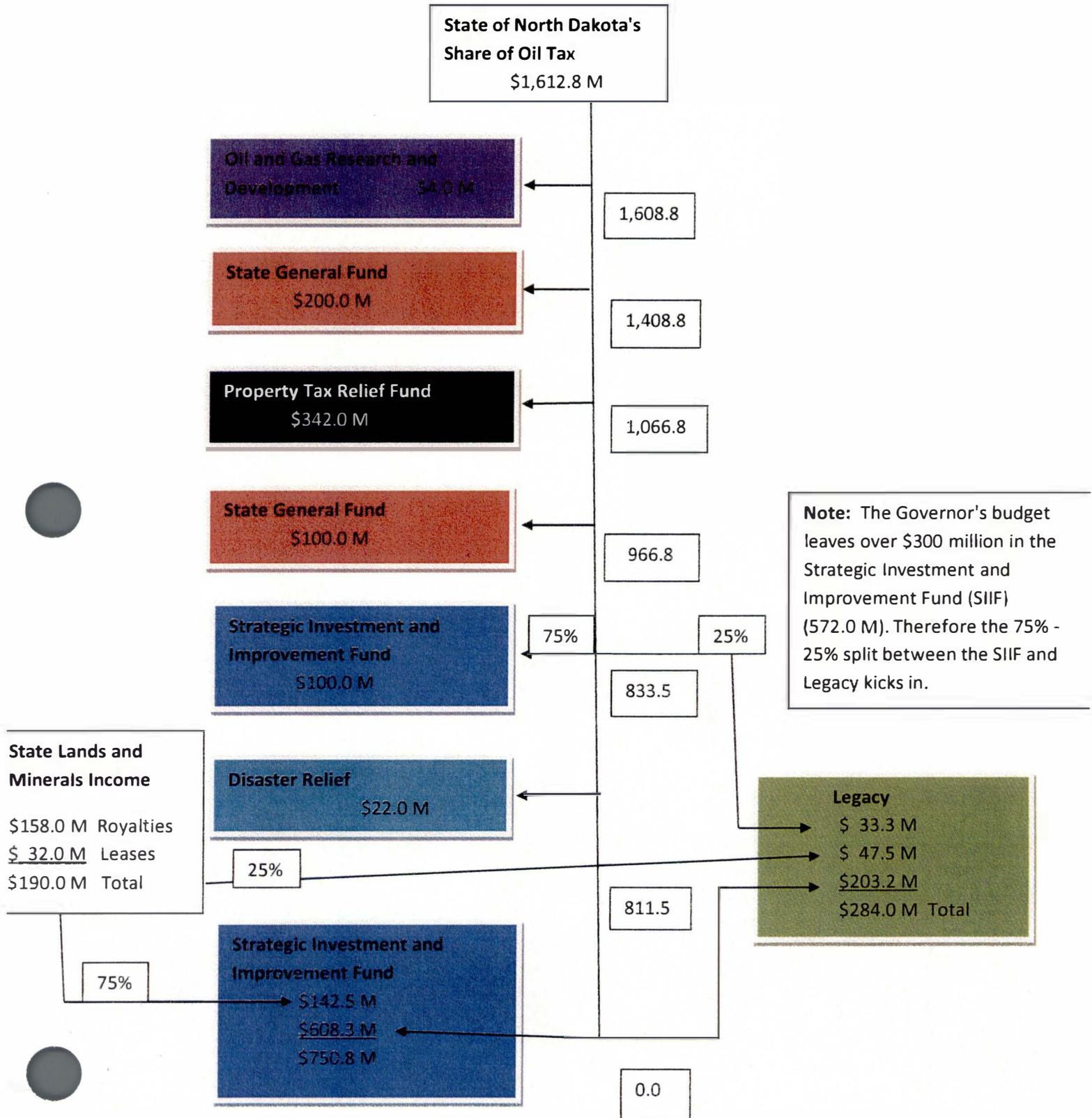
SB 2124: Government and Veterans Affairs Committee (Rep. Kasper, Chairman)
recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING).
SB 2124 was placed on the Fourteenth order on the calendar.

2013 TESTIMONY

SB 2124

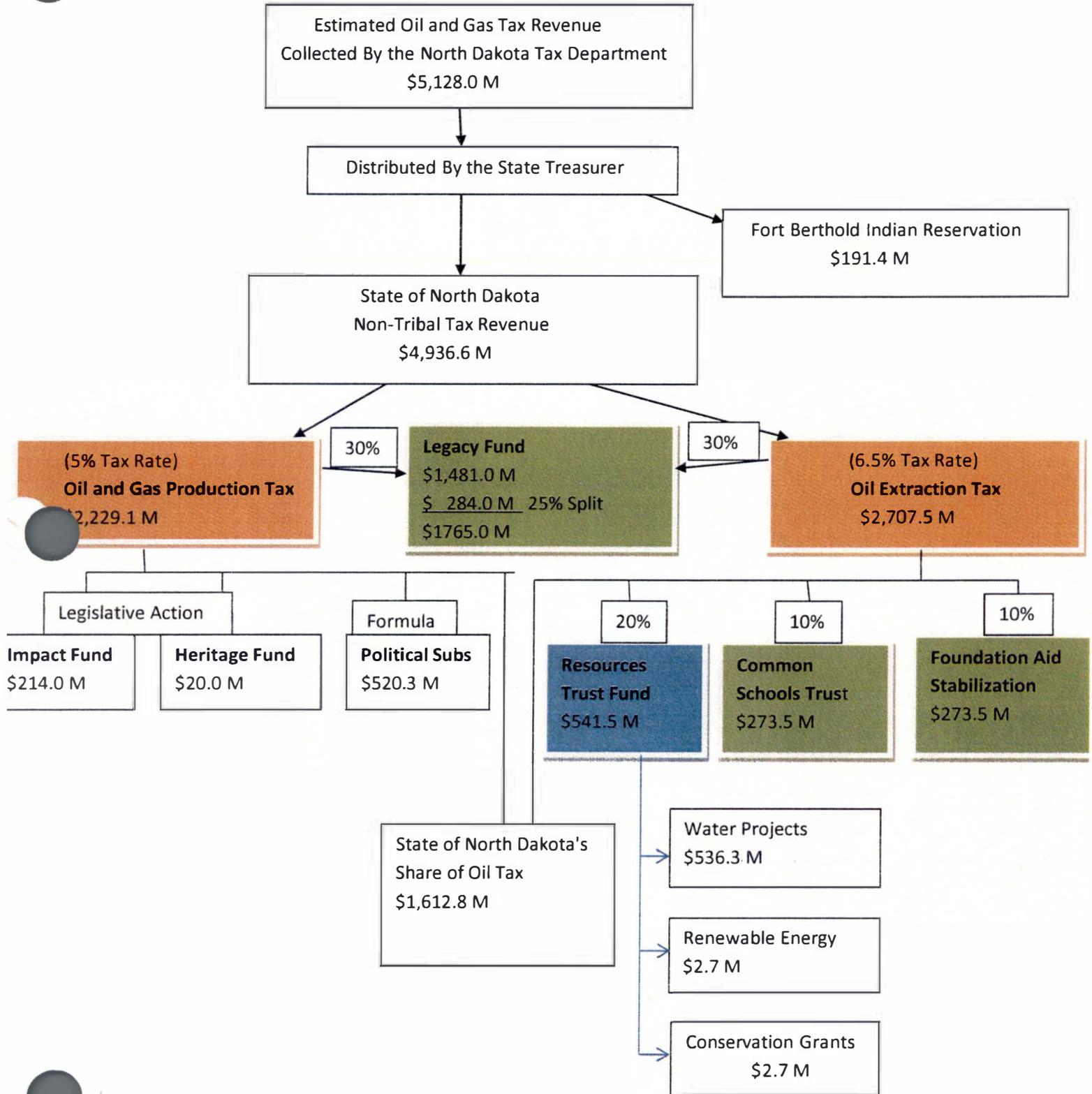
NORTH DAKOTA OIL AND GAS REVENUE ALLOCATIONS Continued

Governor's Budget



NORTH DAKOTA OIL AND GAS REVENUE ALLOCATIONS
2013-15 Biennium

Governor's Budget





Testimony of Bill Shalhoob
Greater North Dakota Chamber of Commerce
SB 2124
January 14, 2013

Mr. Chairman and members of the committee, My name is Bill Shalhoob and I am here today representing the Greater North Dakota Chamber of Commerce, the champions for business in North Dakota. GNDC is working to build the strongest business environment possible through its more than 1,100 business members as well as partnerships and coalitions with local chambers of commerce from across the state. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we stand in support of the concept in SB 2124 and would hope it can move forward for more discussion.

As background GNDC was one of the principle organizations involved with taking the Legacy Fund from a concept to a constitutional measure that passed. For the record we were equally involved in the first vote that did not win the approval of the voters. We think with a few cautions it is desirable to try to arrive at a consensus for use of the fund earnings in advance of their availability. When we were projecting possible fund balances we thought we had the ability to reach five billion dollars in five biennia. This may have been the highest estimate that was considered by anybody but given the 2011-2013 results it appears even we underestimated the fund balance potential. When we developed the concept the goal was to take a non-renewable resource like oil and make the benefits we get from it renewable through earnings that would continue way beyond the life of the oil play. The idea was to use the earnings to fund future needs, not current or future wants. The prime example is tax relief. We have and are advocating for substantial tax relief in this and past sessions. There has been much discussion about the sustainability of those tax cuts. Our feeling is that the Legacy Fund was specifically created to close a future gap in revenue to continue funding levels for lower taxes and base programs like K-12 education or human service needs. The second caution is over the time frame. Four years is a long time to try to predict needs for funding unless we are considering base spending, needs over wants. And since we cannot bind future legislatures care has to be taken to develop a consensus that will hold when the first dollars are available. It actually was our hope that oil revenue would still be at a level in years six through ten of the fund's life that law makers would be able to reinvest earnings in those years and still be able to meet budget needs, thereby increasing the fund value even more for the time it will be needed.

Thank you for the opportunity to appear before you today in support of SB 2124. I would be happy to answer any questions.

Champions  Business

PO Box 2639 P: 701-222-0929
Bismarck, ND 58502 F: 701-222-1611

www.ndchamber.com

Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
SB 2124
March 7, 2013

Mr. Chairman and members of the committee, My name is Jon Godfread and I am here today representing the Greater North Dakota Chamber of Commerce, the champions for business in North Dakota. GNDC is working to build the strongest business environment possible through its more than 1,100 business members as well as partnerships and coalitions with local chambers of commerce from across the state. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we stand in support of the concept in SB 2124 and would hope it can move forward for more discussion.

As background GNDC was one of the principle organizations involved with taking the Legacy Fund from a concept to a constitutional measure that passed. For the record we were equally involved in the first vote that did not win the approval of the voters. We think with a few cautions it is desirable to try to arrive at a consensus for use of the fund earnings in advance of their availability. When we were projecting possible fund balances we thought we had the ability to reach five billion dollars in five biennia. This may have been the highest estimate that was considered by anybody but given the 2011-2013 results it appears even we underestimated the fund balance potential. When we developed the concept the goal was to take a non-renewable resource like oil and make the benefits we get from it renewable through earnings that would continue way beyond the life of the oil play. The idea was to use the earnings to fund future needs, not current or future wants. The prime example is tax relief. We have and are advocating for substantial tax relief in this and past sessions. There has been much discussion about the sustainability of those tax cuts. Our feeling is that the Legacy Fund was specifically created to close a future gap in revenue to continue funding levels for lower taxes and base programs like K-12 education or human service needs.

The second caution is over the time frame. Four years is a long time to try to predict needs for funding unless we are considering base spending, needs over wants. And since we cannot bind future legislatures care has to be taken to develop a consensus that will hold when the first dollars are available. It actually was our hope that oil revenue would still be at a level in years six through ten of the fund's life that law makers would be able to reinvest earnings in those years and still be able to meet budget needs, thereby increasing the fund value even more for the time it will be needed.

Thank you for the opportunity to appear before you today in support of SB 2124. I would be happy to answer any questions.

Champions **(for)** Business

PO Box 2639 P: 701-222-0929
Bismarck, ND 58502 F: 701-222-1611

www.ndchamber.com