

2013 SENATE INDUSTRY, BUSINESS, AND LABOR

SB 2287

2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2287
January 28, 2013
Job Number 17784

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the fuel production facility loan guarantee program; to provide an effective date; and to provide an expiration date

Minutes:

Testimony Attached

Chairman Klein: Opened the hearing.

Senator Wanzek: Said it is a bill that will continue to enable the Bank of North Dakota to provide a guarantee on a loan from eligible banks, credit unions and savings and loans associations for projects that built an agricultural fuel production facility. This is current law but is set to expire on July 31, 2013. This bill extends that sunset clause for two more years through July 31, 2015. It also includes some other changes to the current law. The two year extension will continue to state that the Bank of North Dakota authority will be limited to twenty-five million dollars in total loan guarantees for such a project. The loan guarantee amount for one single project will be changed and expanded for the two year period from July 2013 to July 2015, from twelve and one-half million to twenty-five million. One project would be able to utilize the total loan guarantee limit from the Bank of North Dakota. The bill also changes the percentages of the loan maximum guarantee from twenty-five percent to thirty percent of the total loan. The intent is to target a project in Spiritwood, North Dakota where Great River Energy will be building a corn ethanol plant and this plant is meant to complement their coal fire generating plant that is already there and developed. This ethanol plant, along with Great River Energy Coal plant, will provide synergies that will make each of the plants very efficient and very competitive. The reason for the extension is the time for the loan guarantee law is the project has been delayed. They have been in the process of seeking EPA regulatory approval. This project is a significant project that will provide economic opportunity for our region, our corn producers, and our coal industry and will also provide jobs for many people in our part of the state. He also needed to prepare an amendment to add the emergency clause under this bill.

Al Christianson, Great River Energy: In support of the bill. Commented about being here two years ago and that this committee passed a bill that had a total of fifty million dollars in loan guarantees, twenty-five to each project and that the House amended the bill and lowered the numbers. He talked about the problems they have experienced in trying to get this project done. This project is a corn based, bio refinery, sixty-five million gallons, it will

use twenty-three million bushels of corn from the area and will produce ethanol, distiller's grains, corn oil etc. Once the plant is up and running they will be able to start up their Spiritwood station, which is a state of the arts ninety-nine megawatts power plant, that they have invested four hundred and twenty million dollars into. He talked about the Falkirk mines and the jobs that will be added because of this project. The Cenex Harvest State plant that will cost 1.4 billion dollars was addressed and also that Cenex Harvest State selected Spiritwood as their site. (5:52-10:14)

Deana Wiese, Executive Director of the North Dakota Council: Written Testimony Attached (1). (13:35-14:28)

Dennis Hill, North Dakota Association of Rural Electric Cooperatives: In support.

Kim Christianson, Secretary and Treasurer of the North Dakota Alliance for Renewable Energy: In support and they promote renewable energy and energy efficiency through education efforts, outreach and public policy advocacy. (15:30-16:18)

Richard Schloser, North Dakota Farmers Union: In support and stated that they support the development of renewable energy, particularly through agricultural products. He would note that they were one of the originators of the study on the fertilizer facility and handed a lot of that information off to Cenex Harvest State. (16:25-17:30)

Sandi Tabor, Vice President of Government Affairs for the Lignite Energy Council: In support.

David Straley, North American Coal: In support.

Michael Howe, Director of Legislative Affairs of the North Dakota Corn Growers Association: Written Testimony Attached (2). (19:30-21:05)

Bob Humann, Senior Vice President of Lending for the Bank of North Dakota: Said they have done a lot of work with Great River Energy and have been involved with the Blue Flint Ethanol facility in Underwood. He talked about the challenges of putting this together and also explained why it is tough to get financing for ethanol plants. He would like to see a change in the bill and talked about section two of the amendment that says, as of July 31, 2013 it goes back to the old way that this legislation has been on the books, to the eighties and nineties, it goes back to guarantees of 2.5 million not to exceed 10 million dollars. Only small operations could take advantage of that. That part of the legislation could be repealed and the twenty-five million dollar guarantee could be used up. (21:40-26:20)

Discussion followed on how the loan guarantee program works (26:24-33:55)

Chairman Klein: Closed the hearing.

2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2287
February 05, 2013
Job Number 18308

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Relating to the fuel production facility loan guarantee program; to provide an effective date; and to provide an expiration date

Minutes:

Amendments

Chairman Klein: Said the holdup was the Bank of North Dakota, Bob Humann wanted a few things fixed and the amendments were handed out. The Council worked with Bob Humann and Al Christianson to draft this amendment (1 & 2).

Senator Andrist moved to adopt the amendments.

Senator Sinner seconded the motion.

Roll Call Vote: Yes - 7 No - 0

Senator Unruh moved a do pass as amended.

Senator Sinner seconded the motion.

Roll Call Vote: Yes - 7 No - 0 Absent: 0

Floor Assignment: Senator Sinner

FISCAL NOTE
Requested by Legislative Council
01/21/2013

Amendment to: SB 2287

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

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Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2287 does not have any fiscal impact to the General Fund. The Strategic Investment and Improvements Fund provides a guarantee reserve to Bank of North Dakota and all costs to administer the Fuel Production Facility Loan Guarantee Program will be covered by interest income and guarantee fees.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Robert A. Humann
Agency: Bank of North Dakota
Telephone: 328.5703
Date Prepared: 01/25/2013

FISCAL NOTE
Requested by Legislative Council
01/21/2013

Bill/Resolution No.: SB 2287

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- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*



Name: Robert A. Humann

Agency: Bank of North Dakota

Telephone: 328.5703

Date Prepared: 01/25/2013



FB
2-5-13
1 of 2

PROPOSED AMENDMENTS TO SENATE BILL NO. 2287

- Page 1, line 2, after the semicolon insert "to repeal section 6-09.7-03 of the North Dakota Century Code, relating to the fuel production facility loan guarantee program;"
- Page 1, line 3, remove "and"
- Page 1, line 3, after the second "date" insert "; and to declare an emergency"
- Page 2, line 2, overstrike the colon
- Page 2, overstrike lines 3 through 8
- Page 2, line 9, overstrike "2. Take" and insert immediately thereafter "take"
- Page 2, line 11, after "the" insert "state"
- Page 2, overstrike line 14
- Page 2, line 15, overstrike "establish a method of application for the guaranteeing of loans"
- Page 2, line 15, remove "that"
- Page 2, line 15, overstrike "may be"
- Page 2, overstrike lines 16 and 17
- Page 3, line 1, overstrike "(Effective through July 31,"
- Page 3, line 1, remove "2015"
- Page 3, line 1, overstrike the second boldfaced parenthesis
- Page 3, line 17, overstrike "(Effective after July 31,"
- Page 3, line 17, remove "2015"
- Page 3, line 17, overstrike ") Establishment and maintenance of adequate"
- Page 3, overstrike lines 18 through 26
- Page 3, line 27, overstrike "income in excess of that required to pay the cost of administering the program"
- Page 3, line 27, remove "must"
- Page 3, line 27, overstrike "be"
- Page 3, overstrike line 28
- Page 3, line 29, overstrike "determined by a formula"
- Page 3, line 29, remove "that"
- Page 3, line 29, overstrike "will assure, as determined by the Bank, an adequate amount"
- Page 3, overstrike line 30

2 of 2

Page 3, after line 30, insert:

"SECTION 4. REPEAL. Section 6-09.7-03 of the North Dakota Century Code is repealed.

SECTION 5. EFFECTIVE DATE. Section 4 of this Act becomes effective August 1, 2015.

SECTION 6. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

**2013 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2287**

Senate Industry, Business, and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.0774.01001

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

Motion Made By Senator Andrist Seconded By Senator Sinner

Senators	Yes	No	Senator	Yes	No
Chariman 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 _____

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

**2013 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2287**

Senate Industry, Business, and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.0774.01001

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

Motion Made By Senator Unruh Seconded By Senator Sinner

Senators	Yes	No	Senator	Yes	No
Chariman 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 Sinner

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

REPORT OF STANDING COMMITTEE

SB 2287: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2287 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "to repeal section 6-09.7-03 of the North Dakota Century Code, relating to the fuel production facility loan guarantee program;"

Page 1, line 3, remove "and"

Page 1, line 3, after the second "date" insert "; and to declare an emergency"

Page 2, line 2, overstrike the colon

Page 2, overstrike lines 3 through 8

Page 2, line 9, overstrike "2. Take" and insert immediately thereafter "take"

Page 2, line 11, after "the" insert "state"

Page 2, overstrike line 14

Page 2, line 15, overstrike "establish a method of application for the guaranteeing of loans"

Page 2, line 15, remove "that"

Page 2, line 15, overstrike "may be"

Page 2, overstrike lines 16 and 17

Page 3, line 1, overstrike "**(Effective through July 31,**"

Page 3, line 1, remove "2015"

Page 3, line 1, overstrike the second boldfaced parenthesis

Page 3, line 17, overstrike "**(Effective after July 31,**"

Page 3, line 17, remove "2015"

Page 3, line 17, overstrike ") **Establishment and maintenance of adequate**"

Page 3, overstrike lines 18 through 26

Page 3, line 27, overstrike "income in excess of that required to pay the cost of administering the program"

Page 3, line 27, remove "must"

Page 3, line 27, overstrike "be"

Page 3, overstrike line 28

Page 3, line 29, overstrike "determined by a formula"

Page 3, line 29, remove "that"

Page 3, line 29, overstrike "will assure, as determined by the Bank, an adequate amount"

Page 3, overstrike line 30

Page 3, after line 30, insert:

"SECTION 4. REPEAL. Section 6-09.7-03 of the North Dakota Century Code is repealed.

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SECTION 6. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

2013 HOUSE ENERGY AND NATURAL RESOURCES

SB 2287

2013 HOUSE STANDING COMMITTEE MINUTES

House Energy and Natural Resources

Pioneer Room, State Capital

SB 2287
March 14, 2013
19904

Conference Committee



Relating to the fuel production facility loan guarantee program, date and to declare an emergency

Minutes:

1 "attached testimony."

Rep. Porter: We will open SB 2287

Senator Wanzek: SB 2287 is a bill that will continue to enable the Bank of N.D. to provide a guarantee on the loan from eligible banks, credit unions and loan associations for projects that build an agricultural fuel production facility. This is current law is set to expire on July 31, 2013 this bill extends that sunset clause for 2 more years through July 31, 2015.

It also includes some other changes to the current law. The 2 year extension will continue to state that the Bank of N.D. Authority will be limited to \$25,000.000 in loan guarantees in these projects.

Al Christenson: Representing Great River Energy; At the last session we thought we were ready to go we were 60 days from getting our EPA approval we received it months ago. What happens when this happens is amazing. This loan guarantee is part of being able to finance a vital refinery. This \$25,000.000 loan guarantee is the chinch for this project for the Ethanol plant. The jobs at the Spirit Wood station will be up and running we will burn 600,000 dry fine coal that will come out of McLean County; processed at coal creek, shipped down there and so there are all kinds of jobs and impact.

Rep. Porter: What is the total cost of the plant?

Al Christian: The Ethanol Plant will be \$150,000.000 and over the delay that we had cost us \$12,000.000 in inflation. That delay was caused by the EPA.

Rep. Porter:

Rep. Keiser: The changes on the dollars in this are sufficient increases. Why were you so wrong originally?

Al Christian: When we looked at it 2 years ago the financial markets were different. We were able to look at it and say the twelve and a half million dollars which was the cap was going to meet that gap that we had in financing. What has happened we have seen in the economy and what the financial markets have done. They need more of a guarantee to get there. That is why; plus the fact that we had \$12,000.000 inflation. We were very happy when we came out with the bill 2306 that we had but times have changed and the delay the markets have changed.

Sandy Tabor: from the Lignite Energy Council; we support this bill and hope that you see as a good bill to recommend a do pass on.

Mike Clemmons: N.D. Corn Growers Association; we support senate bill 2287. The N.D. Corn Growers have completed their plan in December which is our number one issue for the N.D. Corn Growers as it has been for the last 12 years. Corn acres were up 385% in the state and in the last 7 years were up 250%. We have a lot of corn in this state that we have to do something with. Grinding corn in the state has lots of benefits; 65% of this corn in the state in 2011 was ground and added value to that Ethanol Plant.

Mike Rud: We stand in support of SB 2287. We have some good relationships with some of these marketers and want to be sure that this N.D. product continues to be used in N.D.

David Stryle: North American Coal and Falkirk Mining Company; we hope to supply fuel supply for the plant at Spirit Wood also are in support of SB 2287.

Rep. Porter: How does the coal go from your mine to Spirit Wood?

David Stryle: It would go the short line DMDW and then to the main line to Spirit Wood.

Richard Schlosser: I represent N. D. Farmers Union; The N.D. Farmers Union has long time been supporters of Ethanol production particularly corn ethanol production and have also supported its use throughout the state. We have also commented not only in terms of policy support but also resource support to the project that Mr. Christenson talked about.

Harlan Fuglesten: N. D. Association of rural electric cooperatives we believe this is a good bill and it will support a good project and are pleased to support this bill in behalf of our member Great River Energy.

Deanna Wiese: Executive Director of the N.D. Ethanol Council; we support of SB 2287. The Council was established in 2009 by the N.D. State Legislature to promote the states ethanol industry. (Testimony 1)

Dan Wagsland: Executive Director of the N. D. Grain Growers Association; we are in support of this bill.

Dale Niezwaag: Representing Basin Electric; we are also in support of this bill.

Rep. Porter: We will close the hearing on SB 2287.

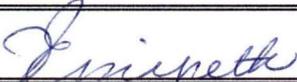
2013 HOUSE STANDING COMMITTEE MINUTES

House Energy and Natural Resources

Pioneer Room, State Capital

SB 2287
March 14, 2013
19967

Conference Committee



Relating to fuel production loan guarantee

Minutes:

"attached testimony."

Rep. Porter: We will open SB 2287.

Rep. Silbernagel: I move we approve engrossed SB 2287.

Rep. Porter: We have a motion and a second from Rep. Anderson for a do pass do for SB 2287.

Rep. Hofstad: Does the \$25,000.000 come from the Strategic Investment or Improvement Fund?

Al Christenson: The money will stay in that fund and be earmarked that it would be for a loan guarantee. It is a 0 fiscal note.

Rep. Hofstad: Is it carried on the banks' balance sheet?

Al Christenson: It is off balance sheet.

Rep. Hofstad: Are we are showing it as a revenue negative on your budget?

Al Christenson: No.

Rep. Porter: Roll Call taken Motion carried

Yes 11 No 0 Absent 2 Carrier: Rep. Keiser

FISCAL NOTE
Requested by Legislative Council
01/21/2013

Amendment to: SB 2287

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Revenues						
Expenditures						
Appropriations						

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Cities			
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Townships			

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Name: Robert A. Humann
Agency: Bank of North Dakota
Telephone: 328.5703
Date Prepared: 01/25/2013

FISCAL NOTE
Requested by Legislative Council
01/21/2013

Bill/Resolution No.: SB 2287

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Name: Robert A. Humann
Agency: Bank of North Dakota
Telephone: 328.5703
Date Prepared: 01/25/2013

Date: 3-14-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2287

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do pass for engrossed SB 2287

Motion Made By Rep. Silbernagel Seconded By Rep. Anderson

Representatives	Yes	No	Representatives	Yes	No
Chairman Todd Porter	✓		Rep. Bob Hunsakor	✓	
Vice Chairman Chuck Damschen	✓		Rep. Scot Kelsh	✓	
Rep. Jim Schmidt	✓		Rep. Corey Mock	✓	
Rep. Glen Froseth	✓				
Rep. Curt Hofstad	✓				
Rep. Dick Anderson	✓				
Rep. Peter Silbernagel	✓				
Rep. Mike Nathe	✓				
Rep. Roger Brabandt	✓				
Rep. George Keiser	-				

Total (Yes) 11 No 0

Absent 2

Floor Assignment Rep. Keiser

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

REPORT OF STANDING COMMITTEE

SB 2287, as engrossed: Energy and Natural Resources Committee (Rep. Porter, Chairman) recommends DO PASS (11 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2287 was placed on the Fourteenth order on the calendar.

2013 TESTIMONY

SB 2287



TESTIMONY OF DEANA WIESE
Executive Director, North Dakota Ethanol Council

IN SUPPORT OF SB 2287
January 28, 2011

Chairman Klein and members of the committee, my name is Deana Wiese, and I am the executive director of the North Dakota Ethanol Council. I am here today on behalf of the Council to voice support for SB 2287.

The North Dakota Ethanol Council was established in 2009 by the North Dakota State Legislature to promote the state's ethanol industry. The Council is made up of representatives from the four North Dakota ethanol plants that produce more than one million gallons of ethanol annually.

SB 2287 increases the loan guarantee for an agriculturally derived fuel production facility, which would include an ethanol plant, and also increases the allowed value of all loan guarantees. This potentially would encourage the growth of the state's ethanol industry through the financing of additional plants, which is why we are here today in support of the bill.

We appreciate your support of North Dakota's renewable fuels in the past and would appreciate your favorable consideration of SB 2287.



Testimony for Senate Bill 2287
Before North Dakota Senate Industry, Business, and Labor Committee
January 28, 2013
Michael Howe, ND Corn Growers Association

Mr. Chairman & Members of the Committee:

For the record my name is Michael Howe. I am the Director of Legislative Affairs with the North Dakota Corn Growers Association. Our association supports Senate Bill 2287.

North Dakota has a successful history with value added agriculture. Dakota Growers Pasta in Carrington and the Pro Gold High Fructose Corn Sweetener Plant in Wahpeton are just a couple examples of past strategic investment for a successful agriculture economy. More recently, ethanol facilities in Casselton, Hankinson, Underwood, and Richardton have also added to North Dakota farmer's annual income.

This bill continues to strengthen the strategic investment of North Dakota and builds on past legislative initiatives. Recently construction costs and other factors have increased dramatically. To put it into perspective, a 110 million gallon ethanol plant, which is a standard size in the industry, cost \$240 to \$260 million to build pre-2008. Under current market conditions the cost of constructing such a facility would be closer to \$360 million. The legislation at hand reflects this change in market dynamics.

The 30% loan guarantee is more standard in industry versus the 25% that is in current law. Additionally, the \$25 million guarantee is also more reflective of what it is needed to bring large scale facilities into North Dakota.

The North Dakota Corn Growers Association feels that this bill is reasonable market-orientated legislation, and we urge a do-pass recommendation on Senate Bill 2287.

Thank you for your time.

A BILL for an Act to amend and reenact sections 6-09.7-02, 6-09.7-03, and 6-09.7-05 of the North Dakota Century Code, relating to the fuel production facility loan guarantee program; to repeal section 6-09.7-03 of the North Dakota Century Code, relating to the fuel production facility loan guarantee program; to provide an effective date; ~~and~~ to provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 6-09.7-02 of the North Dakota Century Code is amended and reenacted as follows:

6-09.7-02. (Effective through July 31, 20132015) Powers and duties of the Bank of North Dakota.

The Bank of North Dakota may:

- 1. Guarantee the loan of money by eligible banks, credit unions, and savings and loan associations, upon such terms, conditions, and procedures as it may establish in accordance with the provisions of this chapter, to any qualified person to assist that person in constructing an agriculturally derived fuel production facility. The facility must use biomass for agriculturally derived fuel production.
- 2. Take, hold, and administer, on behalf of the state from any source, any property, or any interest in the property, and the income therefrom, either absolutely or in trust, for any purpose of the guarantee loan program; provided, that no guarantee obligation of the Bank is payable out of any moneys of the Bank except those made available to the Bank under this chapter.
- 3. Adopt standards governing the qualifications and financial needs of applicants; establish a method of application for the guaranteeing of loans that may be made by banks, credit unions, farm credit associations, and savings and loan associations; and adopt any other standards necessary to administer this chapter.

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SENATE BILL NO. 2287

Sixty-third
Legislative Assembly

(Effective after July 31, 20132015) Powers and duties of the Bank of North Dakota.

The Bank of North Dakota may:

- ~~1. Guarantee the loan of money by eligible banks, credit unions, and savings and loan associations, upon such terms, conditions, and procedures as it may establish in accordance with the provisions of this chapter, to any qualified person to assist that person in constructing agriculturally derived fuel production facilities of a size to serve the community in or near which the facility is located. The facility must use grain-related and biomass farm products for agriculturally derived fuel production.~~
- 2. ~~Take~~ take, hold, and administer, on behalf of the state from any source, any property, or any interest therein in the property, and the income therefrom, either absolutely or in trust, for any purpose of the state-guarantee loan program; provided, that no guarantee obligation of the Bank is payable out of any moneys of the Bank except those made available to itthe Bank under this chapter.

3. Adopt standards governing the qualifications and financial needs of applicants, and establish a method of application for the guaranteeing of loans which that may be made by banks, credit unions, and savings and loan associations, and any other standards as may be necessary to administer properly this chapter.

SECTION 2. AMENDMENT. Section 6-09.7-03 of the North Dakota Century Code is amended and reenacted as follows:

6-09.7-03. (Effective through July 31, 20132015) Extent of loan guarantee.

The extent of the loan guarantee under this chapter may not exceed twenty-fivethirty percent of the total loan. The maximum dollar amount of any guarantee on a single loan may not exceed twelve twenty - five million five hundred thousand dollars. The extent of the value of all loan guarantees under this chapter may not, at any one time, exceed twenty-five million dollars.

(Effective after July 31, 20132015) Extent of loan guarantee. The extent of the loan guarantee under this chapter may not exceed twenty-five percent of the total loan. The maximum dollar amount of any guarantee on a single loan may not exceed two million five hundred thousand dollars. The extent of the value of all loan guarantees under this chapter may not, at any one time, exceed ten million dollars.

SECTION 3. AMENDMENT. Section 6-09.7-05 of the North Dakota Century Code is amended and reenacted as follows:

6-09.7-05. (Effective through July 31, 2013 2015) Establishment and maintenance of adequate guarantee funds - Use of strategic investment and improvements fund.

The Bank of North Dakota shall establish and at all times maintain an adequate guarantee reserve fund in a special account in the Bank. The Bank may request the director of the office of management and budget to transfer funds from the strategic investment and improvements fund created by section 15-08.1-08 to maintain twenty-fiveone hundred percent of the guarantee reserve fund balance. Transfers from the strategic investment and improvements fund may not exceed a total of six twenty - five million two hundred fifty thousand dollars. Moneys in the guarantee reserve fund are available to reimburse lenders for guaranteed loans in default. The securities in which the moneys in the reserve fund may be invested must meet the same requirements as those authorized for investment under the state investment board. The income from such investments must be made available for the costs of administering the state guarantee loan program and income in excess of that required to pay the cost of administering the program shall must be deposited in the reserve fund. The amount of reserves for all guaranteed loans must be determined by a formula which that will assure, as determined by the Bank, an adequate amount of reserve.

~~**(Effective after July 31, 20132015) Establishment and maintenance of adequate guarantee funds - Use of strategic investment and improvements fund.**~~ The Bank of North Dakota shall establish and at all times maintain an adequate guarantee reserve fund in a special account in the Bank. The guarantee reserve fund must be maintained from the strategic investment and improvements fund created by section 15-08.1-08 and any moneys transferred from the strategic investment and improvements fund to maintain the guarantee reserve fund are available to reimburse lenders for guaranteed loans in default. The securities in which the moneys in the reserve fund may be invested must meet the same requirements as those authorized for investment under the state investment board. The income from such investments must be made available for the costs of administering the state guarantee loan program and income in excess of that required to pay the cost of administering the program shall must be

deposited in the reserve fund. The amount of reserves for all guaranteed loans must be determined by a formula which that will assure, as determined by the Bank, an adequate amount of reserve.

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January 31, 2013

PROPOSED AMENDMENTS TO SENATE BILL NO. 2287

- Page 1, line 2, after the semicolon insert "to repeal section 6-09.7-03 of the North Dakota Century Code, relating to the fuel production facility loan guarantee program;"
- Page 1, line 3, remove "and"
- Page 1, line 3, after the second "date" insert "; and to declare an emergency"
- Page 2, line 2, overstrike the colon
- Page 2, overstrike lines 3 through 8
- Page 2, line 9, overstrike "2. Take" and insert immediately thereafter "take"
- Page 2, line 11, after "the" insert "state"
- Page 2, overstrike line 14
- Page 2, line 15, overstrike "establish a method of application for the guaranteeing of loans"
- Page 2, line 15, remove "that"
- Page 2, line 15, overstrike "may be"
- Page 2, overstrike lines 16 and 17
- Page 3, line 1, overstrike "**(Effective through July 31,**"
- Page 3, line 1, remove "2015"
- Page 3, line 1, overstrike the second boldfaced parenthesis
- Page 3, line 17, overstrike "**(Effective after July 31,**"
- Page 3, line 17, remove "2015"
- Page 3, line 17, overstrike ") **Establishment and maintenance of adequate**"
- Page 3, overstrike lines 18 through 26
- Page 3, line 27, overstrike "income in excess of that required to pay the cost of administering the program"
- Page 3, line 27, remove "must"
- Page 3, line 27, overstrike "be"
- Page 3, overstrike line 28
- Page 3, line 29, overstrike "determined by a formula"
- Page 3, line 29, remove "that"
- Page 3, line 29, overstrike "will assure, as determined by the Bank, an adequate amount"
- Page 3, overstrike line 30

Page 3, after line 30, insert:

"SECTION 4. REPEAL. Section 6-09.7-03 of the North Dakota Century Code is repealed.

SECTION 5. EFFECTIVE DATE. Section 4 of this Act becomes effective August 1, 2015.

SECTION 6. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

**Testimony of Mike Clemens
ND Corn Growers
SB 2287
March 13, 2013
9:15 a.m.
House Natural Resources**

Dear Chairman Porter and Members:

I am Mike Clemens of the North Dakota Corn Growers Association, which supports Senate Bill 2287, regarding the Fuel Production Facility Loan Guarantee Program. The North Dakota Corn Growers Association's strategic plan identified as its top focus, the development and sustainability of the ethanol industry in North Dakota.

In 2011, 65% of the state's corn crop had value added to it that was run through an ethanol plant. It created jobs, directly and indirectly, as well as raised prices to farmers due to stronger basis, and tons of DDGS for livestock feeders.

From 1995-2012 corn acres increased 385% and in the last seven years they increased 250%. There were 3.39 million harvested acres in 2012 and 2.1 million in 2011 at 122 bushels per acre. In 2012, 420 million bushels were produced in North Dakota. Nationally 5.0 billion bushels of corn are dedicated to ethanol and 1.0 billion bushels are exported. Clearly this indicates the status of the marketplace.

Having a loan guarantee program in place is important to expanding the ethanol industry in the state for the corn farmer and to spur economic development.

TESTIMONY OF DEANA WIESE
Executive Director, North Dakota Ethanol Council

IN SUPPORT OF SB 2287
March 14, 2013

Chairman Porter and members of the committee, my name is Deana Wiese, and I am the executive director of the North Dakota Ethanol Council. I am here today on behalf of the Council in support of SB 2287.

The North Dakota Ethanol Council was established in 2009 by the North Dakota State Legislature to promote the state's ethanol industry. The Council is made up of representatives from the four North Dakota ethanol plants that produce more than one million gallons of ethanol annually.

One of the Council's priorities is maintaining a balanced package of incentives and policies to allow North Dakota to remain a competitive and attractive location for ethanol production. The fuel production facility loan guarantee program is one of those incentives. Its continuation and the provisions in this bill that increase the loan guarantee and the allowed value of loan guarantees for agriculturally derived fuel production facilities is important to the continued expansion of North Dakota's ethanol industry. Currently, the ethanol industry contributes more than \$640 million annually to the state's economy. Each North Dakota ethanol plant is located in a community with a population of less than 2,500 and contributes an average of 49 jobs and average annual payroll of \$3.3 million to the community. In addition, the plants purchase the majority of their corn from North Dakota farmers and sell distillers grains to North Dakota livestock producers. This bill continues a valuable program that will allow for the growth of the ethanol industry and ultimately North Dakota's economy.

We encourage your favorable consideration of SB 2287.