

2015 SENATE APPROPRIATIONS

SB 2126


2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2126
1/16/2015
Job # 22081

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation to the dept. of transportation, the housing finance agency; to the attorney general; to the department of health; to the dept. of trust lands.

Minutes:

Attachments A, B, & 1 - 10

Legislative Council - Adam Mathiak
OMB - Becky Keller & Pam Sharp

Chairman Holmberg called the committee to order on SB 2126. All committee members were present. Legislative Council handouts - A & B

Pam Sharp, Director, Office of Management and Budget, State of North Dakota: Introduced the Governor's bill. Written testimony #1.

Grant Levi, Director, North Dakota Department of Transportation: Testified in favor of SB 2126. Testimony - attachment #2.

Chairman Holmberg reminded the committee that the \$450M listed here is not in the House Appropriation Bill and this is not duplication.

Senator Bowman: Dealing with the federal dollars, when does that program come on line for this coming biennium? If they finally decide and the money would finally become available, how soon would it become available to North Dakota for some of these projects. (32:00)

Grant Levi: The appropriators did their job and they've established what they believe what they believe would be the total appropriation available for Transportation. The challenging part is the resources that we actually get to fund that appropriation are contained in the transportation legislation called MAP 21. That's only been extended until the end of May this year. The appropriators are limited in what they can give us until the federal government finds the resources to fund what's contained in MAP 21 and the federal highway tax distribution fund just doesn't have the resources. Congress needs to decide

how or if they are going to put additional resources into MAP 21. When will that occur? There are conversations occurring right now and our congressional delegation is actively engaged in those conversations, but we don't know. Hopefully soon and they'll dedicate some more resources to transportation and we'll be able to proceed. I'd like to add that this also affects transit

Senator Carlisle: We've heard there are some safety concerns on the new by-pass on the movement of traffic - safety issues. Can you address that?

Grant Levi: We've opened the bypasses around Watford City and around Alexander and a portion of US 2. There have been some crashes that have occurred on those segments of roadway. All of those roadways are designed to meet all federal design standards. We're working with the county, law enforcement and the highway patrol and we sent a team out this week to see if there are any enhancements that can be done to those facilities to better control and manage the traffic. We can design a roadway that meets all standards but we don't drive the vehicles. We need to continue to look at what we can do to help that driver as they drive. (35:14)

Al Anderson, Commissioner, North Dakota Department of Commerce: Testified in favor of SB 2126. Testimony attached # 3.

Dave Glatt, Environmental Health Section Chief, North Dakota Department of Health: Testified in favor of SB 2126. Written testimony - attachment # 4 and Oilfield Impacts and the ND Dept. of Health Environmental Health Section - attachment 4a.

Senator O'Connell: (48:33) Where do you find these people? I don't see many graduating with degrees on this or are you training them from the word Go?

Dave Glatt: We hire engineers, biologists, geologists and they're out there, but you do have to search for them. Sometimes it's the stigma of coming to North Dakota. We just hired someone from Mississippi. Her mom called us because her daughter was visiting New York City and she said, "It's 7 below, I don't think my daughter's coming." We told her we'll make sure she has the appropriate gloves, boots and coats so I think she's still coming.

Senator Wanzek: Does this provide enough to provide a wage scale that will encourage them to look past the seven below zero?

Dave Glatt: We do look at the salary end of it and that is a continuing challenge for us - competing with the oil patch and with other energy companies in the state. We've had a 20% turnover in some areas where our staff are going to the Basin's or MDU's. We are able to find them and we train them to get to where we need to be.

Senator Carlisle (to Pam Sharp) asked about the prioritization of hiring essential people and getting them place.

Pam Sharp: The attorney general's office and the health department ended up as number one for our priority to hire immediately because of the drug and the sex trafficking needs

out in the west and also because of all the environmental concerns in the western part of the state. That's not to say that the other FTEs that we proposed are not important, but we just really think it's critical that they get their people as soon as possible. They're not just out there pounding on the doorsteps. It takes a little while to recruit them and get them employed.

Senator Carlisle: So the pay scale that the Health Dept. will offer would attract out of state qualified applicants?

Pam Sharp: I hope it will, in this \$2M as well as the appropriation for the Health Dept. budget. We provided some occupational increases for those environmental scientists for that very reason. (52:37)

Jolene Kline, Executive Director, North Dakota Housing Finance Agency: Testified in favor of SB 2126. Written testimony - attachment #5.
She said we're only meeting about 10% of expected housing projections.

Greg Boschee, Mountrail County Commissioner: Testified AGAINST SB 2126. No written testimony.

As a commissioner from Mountrail County, I oppose this bill. I know that's no popular, but there is zero money for counties in this bill. I heard testimony that we are supposed to live with 60-40 and we can borrow money against our future payments, if we get the 60-40 which is a formula change. In all of our discussions this year with the Highway Dept., with the DOT, with Alan, we needed the surge and they knew the counties needed money so I don't know where the zero came from. As a Mountrail County Commissioner, my commissioners will never borrow money against our future funding that we don't even know if we're going to get. We will never do that. I would like to ask you this question, "How much money is the state of North Dakota borrowing?" It's zero - correct? You heard testimony earlier today on SB2103 of the skin we have in the game in western North Dakota. Ron Anderson told you about real skin in the game because they have the highest fatalities in the State of North Dakota. We've got dust. My wife doesn't like to drive down the highway. I don't like it. I will also add, there are design flaws on Hwy 23 and 76th Avenue. I can guarantee there are design flaws. It isn't just traffic. We've met with the DOT and talked about that. In McKenzie County, part of their problem is lighting. We have turn lanes that aren't there that are dangerous. The people in the oil counties have a lot of skin in this game and our tax decreases that the rest of the state is supposedly getting, we aren't getting. Our values are going thru the roof. People are asking why their taxes cost more than their house payment used to because our valuations are going up. If I'm selling, that's a great thing, but we want to live out there. Those are our homes and our communities. I just cannot listen without standing in opposition. I know it's not popular, but somebody had to say something. I thank you for your time. I visited with Dunn County Commissioners and they will stand in the same position that I am.

Lyn Fundingsland, Executive Director, Fargo Housing and Redevelopment Authority: Testified in favor of SB 2126. Written Testimony - attachment #6

Gaylen Baker, Exec. VP, Economic Developer in Stark County: Testified in favor of SB 2103 (as related to SB2126) Written testimony - attachment #7.

Dan Madler, CEO, Beyond Shelter, Inc. (BSI), (North Dakota non-profit developer of affordable housing): Testified in favor of SB 2126. Written testimony - attachment #8.

Additional Testimony submitted:

Royce Schultze, Executive Director, Dakota Center for Independent Living, Inc.: Written testimony in favor of SB 2126 - attachment 9.

Terry Hanson, Executive Director, Grand Forks Housing Authority: Written testimony in favor of SB 2126 - attachment 10.


2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2126
1/22/2015
Job # 22348

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation to the dept. of transportation, the housing finance agency; to the attorney general; to the department of health; to the dept. of trust lands and to declare an emergency.

Minutes:

Attached Roll Call Vote Sheet #1.

Chairman Holmberg called the committee to order on Thursday, January 22, 2015 in regards to SB 2126, (Jumpstart Bill) This is the one put in by the governor. The Bill itself has some funding for housing incentive, the Attorney General, the Dept of Health.

V. Chairman Krebsbach: in view of the fact that we have incorporated the majority of SB 2126 into other bills or else it was originally in 2103 I would move a Do Not Pass on 2126. 2nd by Senator Gary Lee. See attached Roll Call Vote Sheet #1.

Senator Mathern: I would suggest that we keep the bill alive, we amend the bill to take out all the items we put into 2103, and keep the rest of the bill intact in terms of the other bill not having gone through the floor yet, and that these items to be funded in a an emergency matter, that means getting the Bill out next week, getting it over to the House so I would resist this motion and I would ask you to give me some time to prepare the amendment that I suggest we do.

Senator Robinson: I think Senator Mathern makes a good point. I think we did the right thing on 2103. What's going on out there, (out west) I had any number of questions from others, are you moving on this issue, we need to jump start this thing. To delay it another 6 or 7 months not a good move, those items should be on a fast tract. The AG's testimony was pretty strong; he asked for 25 FTE's, it speaks to the magnitude of the problem out there. I think we should try to keep those components alive and on the fast track. If the House decides not to go down this road, that's another issue, but as the Senate we are being responsible.

Senator Heckaman: I agree also. This will provide after the amendments come forward another vehicle for us to move some funding out to the oil patch as needed and if we get rid of this we don't have those mechanisms available to us so I would resist the motion right now and ask us to keep this bill alive and wait until we see the amendments coming forward.

V. Chairman Krebsbach: My understanding is that the additional money for the AG budget and the other two is to carry it through to June 30, the 25 employees is in the next bill for the next biennium.

Nick Creamer, OMB: That is correct.

Senator Robinson: We still have the health department and other components, the departments stressed how critical these issues were. I want to be sure we are doing the right thing. The health department is way behind. We need to give our people the resources to get the job done and I think that is what this is all about.

Senator Mathern: This really wouldn't be that difficult. We could take out section 1, 2, 3 and 7 of this bill, which would essentially address what we have done in 2103 and leave the other items available for further consideration. I believe there will be considerable support for those other sections. We would have given one bill a launch of support, 2103, and then 2126 with the items with more contention would still be available. I suspect most people on this committee would support the rest of these. That would be a way we could amend this bill.

Senator Carlisle: These thoughts are good we can put on the emergency clause on these budgets, it was all about the roads, when those commissioners got up it was all about the roads and moving the oil traffic. There are some good thoughts in this. .

Chairman Holmberg: I think Senator Mathern is accurate has to do with strategy and timing, the bill is not going to have as clear sailing as in the Senate, do we have the strategy to send 2 separate bills to the House? Or do we send just one? Let's do this. I am a great believer in supporting Senator Krebsbach's thoughts. Let's hold this bill. Senator Mathern if you want to have an amendment drafted, it would be my intention, both will be on the floor together. You will have an opportunity to do so.

V. Chairman Krebsbach: Would you like to have the motion withdrawn? That was confirmed.

Senator Robinson: That's a good move and we can mull this over the weekend. I agreed with Senator Carlisle. On the flip side, we heard the same arguments from AG, none of us want to reopen Coyote Charlies.

V. Chairman Krebsbach: I move that I withdraw the motion for a Do Not Pass on SB 2126. Senator Gary Lee rescinded his second for a Do Not Pass.

Chairman Holmberg closed the hearing on SB 2126

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2126
1/28/2015
Job # 22697

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Rose Lanning

Explanation or reason for introduction of bill/resolution:

Governor's Jumpstart Bill

Minutes:

Michael Johnson- Legislative Council
Becky Deichert - OMB.

Chairman Holmberg said the SB 2103 (the Surge Bill) will be on the floor tomorrow. **Senator Mathern** said he will have a floor amendment. We also need to have SB 2126 on the agenda.

Senator O'Connell moved Do Not Pass on SB 2126.
Senator Bowman seconded the motion.

Senator Mathern is resisting this motion saying there are important ingredients in the bill. He wants to amend this bill to take out all of the road projects and the projects that relate to education; leave in Attorney General's requests; the Health Dept. requests; and the Housing Finance request so those programs are still alive. He's willing to offer an amendment to take out all of the items but those three and then take both bills to the floor.

Senator Heckaman said the Attorney General's part in this is important to western ND and they need their money. The amendment changing the Governor's budget to focus on those three items is very important so I would resist this motion to kill the Governor's bill.

Senator Robinson: Issues like human trafficking are continuing to grow and short of annual sessions, I don't know how we can get on top of these issues if we don't move on them in a faster way. Even the Surge Bill will come out earlier, but not real early. I'm also going to resist the amendment. These agencies are behind the 8-ball and often they request more than OMB gives them in terms of FTEs and then we reduce the number further. Then we wonder why we're not moving forward.

A Roll Call vote was taken. Yea: 10 Nay: 3 Absent: 0.
Senator Holmberg will carry the bill.

41

2126

☐ Subcommittee

Recommendation: ☐ Adopt Amendment ☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐

Krebsbach

W. Johnson
1.22.15

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

Date: 1-28-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2126

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Senator O'Connell Seconded By Sen. Bowman

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman		✓
Senator Bowman	✓		Senator Mathern		✓
Senator Krebsbach	✓		Senator O'Connell	✓	✓
Senator Carlisle	✓		Senator Robinson		✓
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 10 No 3

Absent _____

Floor Assignment Holmberg

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

REPORT OF STANDING COMMITTEE

SB 2126: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO NOT PASS** (10 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2126 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

SB 2126

COMPARISON OF NON-OIL-PRODUCING COUNTY FUNDING IN SENATE BILL NO. 2103 AND SENATE BILL NO. 2126

SB 2126
1-16-15
#A

The schedule below compares estimated county funding allocations using the formula in Senate Bill No. 2103 to the formula in Senate Bill No. 2126 based on the \$52 million that is anticipated to be allocated to counties in Senate Bill No. 2126. The amounts shown for Senate Bill No. 2126 reflect the highway tax distribution formula, and the amounts shown for Senate Bill No. 2103 reflect a formula based on Upper Great Plains Transportation Institute data.

Subsection 4 of Section 1 of Senate Bill No. 2103 provides for a distribution of \$140.8 million to non-oil-producing counties based on the Upper Great Plains Transportation Institute's county, township, and tribal road and bridge infrastructure needs report. Subsection 4 identifies non-oil-producing counties as counties that received no allocation or an allocation of less than \$5 million of oil and gas taxes in formula allocation year 2014.

Subsection 2 of Section 3 of Senate Bill No. 2126 provides for a distribution of \$80 million to counties and cities in non-oil-producing counties based on the highway tax distribution formula. Of the \$80 million, approximately \$52 million is for counties and \$28 million is for cities. Subsection 2 requires counties and cities with populations of 5,000 or more to request the funding and submit a plan to the Department of Transportation. Subsection 2 identifies non-oil-producing counties as counties that received no allocation or an allocation of less than \$500,000 of oil and gas taxes in the state fiscal year ending June 30, 2014.

County	Senate Bill No. 2126	Senate Bill No. 2103	Increase (Decrease)
Adams	\$327,146	\$806,187	\$479,041
Barnes	1,294,274	1,723,783	429,509
Benson	517,230	836,650	319,420
Burleigh	7,453,903	2,228,621	(5,225,282)
Cass	8,789,184	3,876,032	(4,913,152)
Cavalier	650,151	1,076,038	425,887
Dickey	682,110	1,306,019	623,909
Eddy	307,244	507,858	200,614
Emmons	513,816	273,562	(240,254)
Foster	456,871	539,011	82,140
Golden Valley	0	903,357	903,357
Grand Forks	3,737,207	2,876,021	(861,186)
Grant	383,219	649,989	266,770
Griggs	347,846	582,850	235,004
Hettinger	427,672	485,162	57,490
Kidder	391,936	696,072	304,136
Lamoure	691,262	717,733	26,471
Logan	304,048	227,393	(76,655)
McHenry	823,239	2,531,006	1,707,767
McIntosh	386,052	448,658	62,606
McLean	0	2,713,869	2,713,869
Mercer	1,067,218	1,393,697	326,479
Morton	2,977,904	1,609,354	(1,368,550)
Nelson	431,885	752,510	320,625
Oliver	303,322	448,831	145,509
Pembina	955,288	1,728,012	772,724
Pierce	555,508	815,939	260,431
Ramsey	1,140,724	876,865	(263,859)
Ransom	687,195	432,003	(255,192)
Renville	0	741,550	741,550
Richland	1,797,848	2,588,911	791,063
Rolette	996,472	1,039,966	43,494
Sargent	563,208	811,796	248,588
Sheridan	234,537	276,409	41,872
Sioux	212,311	607,013	394,702
Slope	0	464,710	464,710
Steele	328,671	692,275	363,604
Stutsman	2,084,358	1,480,167	(604,191)
Towner	352,422	489,822	137,400
Traill	919,189	1,386,880	467,691
Walsh	1,343,157	3,213,788	1,870,631
Ward	5,769,244	3,139,400	(2,629,844)
Wells	655,163	864,265	209,102
Total	\$51,860,034	\$51,860,034	\$0

A.1

COMPARISON OF FUNDING PROVIDED IN THE "SURGE FUNDING" BILL (SENATE BILL NO. 2103) TO THE EXECUTIVE RECOMMENDATION FOR EARLY FUNDING (SENATE BILL NO. 2126)

SB 2126
1-16-15
#B

The schedule below provides a comparison of "surge funding" included in Senate Bill No. 2103 to the executive recommendation for early funding included in Senate Bill No. 2126.

	Senate Bill No. 2103 - "Surge Funding" Bill	Senate Bill No. 2126 - "Early" Funding in Executive Recommendation	Variance
Oil-producing areas			
Hub cities and other eligible cities			
Williston	\$80,000,000	\$75,000,000	\$5,000,000
Dickinson	55,000,000	50,000,000	5,000,000
Minot	40,000,000	50,000,000	(10,000,000)
Watford City	40,000,000	50,000,000	(10,000,000)
Total hub and other eligible cities	\$215,000,000	\$225,000,000	(\$10,000,000)
Counties	300,000,000		300,000,000
Other cities ¹	161,250,000	75,000,000	86,250,000
School districts	8,750,000		8,750,000
Total oil-producing areas	\$685,000,000	\$300,000,000	\$385,000,000
Non-oil-producing areas²			
Counties	\$140,800,000	\$52,000,000	\$88,800,000
Cities		28,000,000	(28,000,000)
Townships	19,200,000	20,000,000	(800,000)
Total non-oil-producing areas	\$160,000,000	\$100,000,000	\$60,000,000
Other appropriations			
State highways ³		\$450,000,000	(\$450,000,000)
Housing incentive fund		20,000,000	(20,000,000)
Funding for early hires		3,000,000	(3,000,000)
Total other appropriations	\$0	\$473,000,000	(\$473,000,000)
Total all funding ⁴	\$845,000,000	\$873,000,000	(\$28,000,000)

¹The amounts shown for other cities related to Senate Bill No. 2103 reflect distributions to cities based on specific amounts allocated for each county and distributed to the cities within the county based on population. Hub cities and cities with a population of fewer than 50 are excluded from distributions under Senate Bill No. 2103. The amounts shown for other cities related to the executive recommendation reflect allocations to cities based on population.

²The amounts shown for funding to non-oil-producing areas related to Senate Bill No. 2103 reflect distributions based on data compiled by the Upper Great Plains Transportation Institute. The amounts shown for funding to non-oil-producing counties related to the executive recommendation reflect distributions based on the highway tax distribution fund formula.

³The \$450 million for state highways related to the executive recommendation includes projects on North Dakota Highway 23, United States Highway 2, United States Highway 85, and other projects. More detailed information provided by the Department of Transportation is attached as an appendix.

⁴The \$845 million of total funding related to Senate Bill No. 2103 is from the strategic investment and improvements fund. Of the \$873 million of total funding related to the executive recommendation, the \$300 million for oil-producing areas is from the strategic investment and improvements fund, the \$100 million for non-oil-producing areas and the \$450 million for state highways are provided from a \$550 million transfer from the general fund to the highway fund, and the remaining \$23 million is from the general fund.

B.1

NDDOT Early Funding projects – December 10, 2014

The North Dakota Department of Transportation (NDDOT) has been requested to provide information on project work and road projects that could be worked on if early funding is provided through the upcoming legislative session. This document provides background information as well as the material requested.

The NDDOT needs early funding as outlined in the Governor's proposed budget to ensure that environmental, engineering, design, right of way acquisition work and bidding of projects can be completed prior to the start of the next biennium. An early appropriation to the Department is essential to getting projects delivered in a timely manner and accomplishing the goals set forth by the Legislative Body.

Receiving SB 2176 funding in February 2013 during the last session provided many benefits to NDDOT and the State of North Dakota including:

- The early funding allowed NDDOT to take advantage of two full construction seasons.
- It also allowed the contracting industry a better opportunity to plan and complete the work that was needed in a timely fashion.
 - We believe this saved the Department millions of dollars in lower bids. The Department has been experiencing about 13.42% inflation on our construction program over the last 12 years.
 - Receiving the \$620 Million in February allowed the work to get projects started about a year sooner than if we would have received it in July of the same year.

The proposed advanced funding would enable NDDOT to start work on several phases of highway projects in 2015. Some of the NDDOT projects in western North Dakota that would benefit from early access funding are listed below:

Enhancing Load Carrying Capacity and Restoring Pavement Infrastructure:

- ND 23 – completion of Super 2 Highway concept on roadway from Watford City to US Highway 83. This project will enable NDDOT to work on the remaining 46 miles of the 175 mile segment of highway that is being reconstructed to increase load carrying capacity, add passing lanes, and widen the roadway and shoulders.
- US 2 – restore the eastbound lanes of pavement for increased load carrying capacity from Stanley to west of Minot and reconstruct the westbound lanes from Junction US 85 to Ray.
- ND 22 – reconstructing roadway from Manning to Killdeer.
- US 85 from Interstate 94 to the US 85 Bypass south of Watford City– environmental work to four-lane US 85 with the intent being to reconstruct Long X Bridge as the first project.
- US 85 – restore pavement for increased load carrying capacity from junction US 2 north to junction ND 50 near Appam.

B.2

Building truck bypasses and reliever routes to improve traffic movement and safety:

- Funding resources will be utilized for bypass work which includes design, planning, engineering, right of way and construction of Dickinson Permanent Bypass and Killdeer Bypass.
- The bypass work also includes environmental work for the New Town Northwest and Willison Northeast truck reliever routes.

Rebuilding of state highways within communities:

- New Town Main Street reconstruction.
- ND 23 reconstruction in Watford City from city limits to ND 23 bypass to serve new school.
- ND 40 from junction US 2 to the Tioga overpass – reconstruct road that is gateway to the community.
- Environmental work on ND 1804 from Williston east to the Epping turn - to accommodate expansion of Williston to the east.
- US 2 in Williston - Dakota Parkway from 32nd Ave W to 11th Street W - environmental work to consider operational improvements.

Attached is a more comprehensive list of NDDOT projects that would benefit from early access funding.

Dist	Project Id	Hwy	Dir	From Ref Pt	To Ref Pt	Location	Types of Work	Length
7	SOIA-7-002(154)018	2	E	18.50	19.30	INTERSECTION US 2 & 11TH STREET - PHASE 2	Grade, Aggr Base, PCC Pave, Signals	0.81
7	NH-7-002(152)022	2	E	22.00	22.00	INTERSECTION OF US 2 & 58TH ST SW	Lighting, Signals, Turn Lanes	0.40
7	NH-7-002(148)032	2	W	32.44	54.00	JCT 85 E TO RAY-WB	Concrete Over	21.55
7	SOIA-SAP-7-002(139)091	2	E	91.00	99.00	E OF STANLEY E 9 MI-EB	Hot Bit Pave	7.58
7	SOIA-SAP-7-002(140)099	2	E	99.00	111.00	9 MI E STANLEY TO 12 MI W BERTHOLD-EB	Hot Bit Pave, Turn Lanes	12.99
7	SOIA-SAP-7-002(141)111	2	E	111.00	120.00	12 MI W BERTHOLD TO 3 MI W BERTHOLD-EB	Hot Bit Pave, Turn Lanes	6.26
7	SOIA-SAP-7-002(142)120	2	W	120.00	123.41	3 MI W OF BERTHOLD TO JCT ND 28-WB	Hot Bit Pave, Turn Lanes	2.91
4	SOIA-SAP-4-002(110)123	2	E	123.41	130.00	JCT ND 28 TO 2 MI W OF JCT US 52-EB	Hot Bit Pave	7.13
4	SNH-4-002(089)131	2	E	131.00	145.18	3 MI W OF JCT 52 TO 1 MI W JCT 83-EB/WB	Microsurfacing	14.18
4	SNH-4-002(079)150	2	W	150.84	170.00	55TH ST E TO E GRANVILLE -WB	Mill/OI 2" Max	19.65
4	NH-4-002(095)171	2	E	171.00	186.00	1.7 MI E GRANVILLE TO 2 MI W JCT 14-EB	CPR, Grinding	14.57
7	SS-7-005(020)000	5	E	0.00	12.38	STATE LINE E TO W JCT 85-FORTUNA	Hot Bit Pave, Sliver Grading	12.39
7	SCB-SNH-7-005(021)048	5	E	48.69	58.67	W JCT ND 40-NOONAN-TO E JCT ND 40	Aggr Shoulders, Hot Bit Pave, Struct/Incid, Turn Lanes	9.97
5	SNH-5-008(045)037	8	N	37.82	45.58	WEST JCT 21 EAST TO MOTT	Culvert Rehab, Hot Bit Pave, Sliver Grading	7.77
5	SS-5-008(041)045	8	N	45.58	64.00	MOTT TO 1.4 MI N HETTINGER/STARK CO LN	Thin Overlay	19.35
5	SNH-5-012(041)073	12	E	73.46	87.47	HETTINGER TO STATE LINE	Thin Overlay	13.96
5	SS-5-021(021)023	21	E	23.83	44.87	S JCT 22 E TO W JCT ND 8	Microsurfacing	21.05
5	SAP-5-022(110)104	22	N	0.00	4.20	KILLDEER BYPASS	Aggr Base, Grade, Hot Bit Pave, Widening	4.20
5	SS-5-022(092)000	22	N	0.00	11.93	STATE LINE N TO W JCT 12-REEDER	Mill/OI>2<Or=3", Subcuts	11.95
5	SS-5-022(111)091	22	N	91.00	104.53	NEAR RP 91 TO JCT ND 200-KILLDEER	Full Depth Rec, Hot Bit Pave, Passing Lanes, Widening	13.51
5	SOIA-5-022(116)920	22	N	920.00	925.00	DICKINSON BYPASS - PERMANENT	Grade, Aggr Base, Hot Bit Pave	5.00
7	SOIA-7-023(038)900	23	E	0.00	4.00	7TH ST-WAT CITY-E TO 1 MI E JCT 1806	Bikeway/Walkway, PCC Pave, Widening	3.49
7	SOIA-7-023(039)016	23	E	16.40	35.00	JCT 73 N&E TO RESERVATION BOUNDARY	Passing Lanes, PCC Pave, Struct/Incid, Widening	19.29
7	SAP-CPU-7-023(030)049	23	E	49.42	49.93	NEW TOWN - ND 23	Reconstruction	0.51
7	SNH-7-023(040)049	23	E	49.42	51.00	NEW TOWN - EAST AVE TO NT NE TRR	Concrete Over, Shldr Rehab, Widening, Lighting, Signal	1.81
4	SOI-4-023(016)078	23	E	78.00	87.26	CO LINE E TO JCT 28	Full Depth Rec, Hot Bit Pave, Passing Lanes, Widening	8.87
4	SOI-4-023(019)087	23	E	87.26	105.52	JCT 28 E TO JCT 83	Full Depth Rec, Hot Bit Pave, Passing Lanes, Turn Lanes, Widening	18.31
7	SS-7-040(017)000	40	N	0.00	3.00	JCT 2 N TO S OF TIOGA OVERPASS	Aggr Base, Grade, Hot Bit Pave	3.36
4	SS-4-041(015)074	41	N	74.00	86.22	VELVA N TO JCT 2-NORWICH	Thin Overlay	12.14
5	SS-5-049(016)027	49	N	27.57	27.58	2 SOUTH JCT. ND 21	Deck Overlay, Rail Retrofit, Guardrail	0.01
5	SNH-5-049(014)082	49	N	82.00	100.00	CO LN N TO BEULAH	Aggr Shoulders, Hot Bit Pave, Struct/Incid, Turn Lanes, Widening	18.48
7	SS-7-050(020)000	50	E	0.88	0.98	1 MILE EAST OF STATE LINE	Slide Repair	0.10
7	SCB-7-050(021)005	50	E	5.00	20.00	GRENORA TO JCT US 85	Asp OI>2"<Or=3", Struct/Incid, Turn Lanes	15.12
4	SNH-4-052(063)036	52	E	36.85	41.00	E JCT 52/5 TO 1 MI N KENMARE	Thin Overlay, ITS	5.08
4	SNH-4-052(064)097	52	E	97.05	112.00	E JCT 2 TO CO LN - SAWYER-EB/WB	Thin Overlay, ITS	14.44
4	SS-4-060(018)000	60	N	0.00	14.00	JCT ND 3-VIA WILLOW CITY	Thin Overlay	14.50
4	SS-4-060(020)014	60	N	14.00	29.88	WILLOW CITY N TO JCT 5	Thin Overlay	15.37
4	NH-4-083(127)160	83	N	160.00	182.00	1 MI N JCT 37 TO 0.5 MI S JCT 23-NB	Asp OI>2"<Or=3", ITS	21.89
7	CBN-SBR-7-085(070)201	85	N	201.27	217.00	N JCT 2 N TO JCT 50 APPAM	Hot Bit Pave, Lighting, Turn Lanes, Widening, Struct Replace	15.89
7	SNH-7-085(084)248	85	N	248.00	255.00	W JCT 5-FORTUNA N TO STATE LINE	Hot Bit Pave	6.40
5	IM-5-094(101)000	94	E	0.00	11.00	STATE LINE TO RP 11.7-EB/WB	ITS, Mill/OI>2<Or=3", Subcut	11.70
5	IM-5-094(102)024	94	E	24.22	35.00	LITTLE MISSOURI RIVER TO FRYBURG-EB/WB	ITS, Mill/OI>2<Or=3", Subcut	10.89
5	IM-5-094(108)047	94	E	47.00	48.00	ZENITH SEPARATION-EB	Median X-Overs, Struct Replace	1.00
5	SIM-5-094(089)079	94	E	79.00	87.00	TAYLOR E TO YOUNGMANS BUTTE-EB	Asp OI>2"<Or=3", CPR	8.03
7	SS-7-200(014)000	200	E	0.00	3.00	STATE LINE E TO YELLOWSTONE BRIDGE	Box Culv Ext, Full Depth Rec, Hot Bit Pave, Roundabout	3.00
7	SS-7-200(015)003	200	E	3.00	4.00	BRIDGE REPLACEMENT SEGMENT	Hot Bit Pave, ITS	1.37
4	SS-4-256(004)000	256	N	0.00	16.41	JCT 5 & 83 N TO CANADIAN LINE	Asp OI>2"<Or=3"	16.41
7	SOIA-7-804(050)248	1804	N	248.00	267.00	TRK REL RTE TO 16 MI E JCT TIOGA RD	Aggr Base, Grade, Hot Bit Pave, Passing Lanes, Struct/Incid	18.50
7	SS-7-804(040)286	1804	N	286.88	286.89	31 EAST OF WILLISTON	Struct Replace	0.01

B.4

Senate Bill 2126
Senate Appropriations
January 16, 2015

SB 2126
1-16-15
#1

Pam Sharp
Office of Management and Budget

Good morning Chairman Holmberg and members of the Senate Appropriations Committee. Senate Bill 2126 is Governor Dalrymple's proposal for jumpstart money for western North Dakota. I am going to walk you through the bill and provide an overview. Following my testimony, you will hear testimony on this bill from Grant Levi, Department of Transportation; Al Anderson, Department of Commerce; Dave Glatt, Department of Health; and Jolene Kline, Housing Finance Agency.

Section 1 provides for a transfer from the general fund to the highway fund in the amount of \$550 million.

Section 2 contains an appropriation to the Department of Transportation to spend \$450 million from the highway fund for transportation infrastructure in western North Dakota. Please know that this \$450 million is not simply bonus or extra money for the DOT. The DOT has estimated, and the Governor has provided, a total of \$1,354,000,000 for infrastructure improvements in western North Dakota. \$450 million is contained in this bill and the remaining \$904 million is contained in the Department of Transportation's appropriation bill, which is currently being heard on the House side. It is important to understand that both appropriation amounts in total are crucial to western North Dakota. The \$450 million appropriation in this early bill simply allows the DOT to get a jumpstart on the bidding for the upcoming construction season's projects. Mr. Grant Levi from the DOT will provide you with the detail of those projects.

Section 3 contains an appropriation to the Department of Transportation, which allows them to allocate \$100 million among cities, counties and townships

in the non-oil counties. The distribution of these funds is detailed in Section 3 and Mr. Levi will also go over the details of this distribution.

Section 4 provides an early transfer from the general fund to the Housing Incentive fund in the amount of \$20 million. Other proposed legislation includes \$30 million of investment credits during the next biennium to the Housing Incentive Fund as well. The Housing Incentive Fund has proven to be a very useful tool in western North Dakota and we felt it was important that more money go into this fund as quickly as possible. Ms. Jolene Kline, Executive Director of the Housing Finance Agency, will provide more testimony on this.

Section 5 includes an appropriation from the general fund to the Attorney General's office in the amount of \$1 million. This money is to allow the Attorney General hire up to ten FTEs as quickly as possible to assist in law enforcement activities in western North Dakota. These FTEs would primarily be BCI agents that deal in drug and sex trafficking. This \$1 million will provide the funding required for these positions through the end of the current biennium, while funding in the Attorney General's appropriation bill contains the funding for these positions for next biennium. I understand the Attorney General has already discussed with you the need for this early funding for law enforcement.

Section 6 includes an appropriation of \$2 million for the Department of Health to hire up to 15 FTEs as quickly as possible in the environmental area. Again, this appropriation provides funding for the remainder of this biennium and funding is provided in the Department of Health's regular appropriation bill for the funding for these positions for next biennium. Mr. Dave Glatt from the Department of Health will provide more detail on these positions shortly.

Section 7 appropriates \$300 million from the Strategic Improvement and Investment Fund for cities in the ten largest oil-producing counties. This would provide \$75 million to Williston and \$50 million each to Dickinson, Minot and Watford City. The remaining \$75 million would be allocated to the remaining cities in those ten largest oil-producing counties. I have an amendment to this bill

attached to the end of this testimony that details the amounts to each of the cities.

Mr. Al Anderson from the Department of Commerce, and representatives from the Governor's Office, Department of Transportation, and the Bank of North Dakota spent a great deal of time visiting with the cities and counties in western North Dakota. It was very clear that both the cities and counties needed additional funding. It was also very clear that the cities need that funding as soon as possible to fill gaps in their budgets.

One of the differences between this bill and SB 2103 is the treatment of counties. This bill does not include a separate distribution to oil counties. Governor Dalrymple has proposed a change in the distribution to counties from the gross production tax to a level 60/40. This 60/40 split will provide the necessary funds to the counties. We urge you to make this decision as quickly as possible during the session so if counties need to borrow funds to bid for the summer construction season, they will be able to go to the Bank of North Dakota with the assurance that the 60 percent distribution will be there for them.

With the 60/40 split, if the price of oil averages \$65 per barrel next biennium, the political subdivisions would receive \$1.36 billion with the county share at \$817 million.

If the price averages \$57.50 per barrel, political subdivisions would receive \$1.1 billion with the counties getting \$655 million.

If the price of oil averages \$52 per barrel, political subdivisions would receive \$835 and the county share would be \$501 million.

Of the \$873 million of funding provided in this bill, \$573 million is from the general fund and \$300 million is from the Strategic Investment and Improvement Fund. The next page of this testimony shows a high level summary of the Strategic Investment and Improvement Fund. Appropriations from the Strategic

Improvement and Investment fund can be made only to the extent that the money has already been collected.

The first column shows the proposed funding in the executive budget. Besides the \$300 million to cities, the executive budget proposes \$300 million for school construction loans, a contingent appropriation for BRIC of \$5 million, a revolving loan fund for the short line railroads of \$10 million, and a transfer to the general fund of \$700 million. At the time we prepared the executive budget, about \$95 million remained in the fund after accounting for the Governor's priorities.

With the decrease in the price of oil, and assuming the short trigger will go into effect the first of February, we believe the fund will receive about \$230 million less in revenues from now through the end of June. That means, the \$95 million to the good will now likely be \$134 million short.

Mr. Chairman, everything contained in this bill is crucial to western North Dakota - the DOT funding for their roads and bypasses, the funding to the cities, the early hiring for the Attorney General and the Health Department, and the early money for the Housing Incentive Fund. Equally important, but not in this bill, is the 60/40 split of the gross production tax to counties. We understand that only one of these bills with early money for western North Dakota will pass the Senate, but I urge you to include the elements I have talked about today that leaves the Senate and goes on to the House.

Following my testimony will be Mr. Grant Levi, Mr. Dave Glatt, Mr. Al Anderson and Ms. Jolene Kline to provide a little more detail on this bill. I am happy to take any questions.

Strategic Investment and Improvements Fund

	<u>December 2014 Executive Forecast</u>	<u>\$50 with Trigger Revised Estimate</u>
Beginning Balance - July 1, 2013	\$969,920,162	\$969,920,162
2013-15 Revenue	1,383,084,936	1,152,948,763 \1
2013-15 Expenditures (from 2013 Legislative Session)	(780,202,549)	(780,202,549)
2013-15 Proposed Funding to Cities	(300,000,000)	(300,000,000)
2015-17 Proposed One-time Expenditures		
School Construction Loans	(300,000,000)	(300,000,000)
Contingent Funding to Commerce for BRIC	(5,000,000)	(5,000,000)
Short Line Railroad Revolving Loan Program	(10,000,000)	(10,000,000)
Transfer to General Fund to Balance Budget	(700,000,000)	(700,000,000)
Less Assigned Fund Balance		
Potential Title Disputes	(\$144,197,060)	(\$144,197,060)
Guarantee Reserve Fund Balance	(18,000,000)	(18,000,000)
	<u>(\$162,197,060)</u>	<u>(\$162,197,060)</u>
Unassigned Fund Balance - June 30, 2015	<u><u>\$95,605,489</u></u>	<u><u>(\$134,530,684)</u></u>

\1 Actuals through December 2014 and estimates for remainder

1.5

PROPOSED AMENDMENTS TO SENATE BILL NO. 2126

Page 4, line 11, after "to", insert "incorporated"

Page 4, line 13, after the period, insert "The board of university and school lands shall distribute the funding provided under this section to the cities eligible to be defined as hub cities under section 57-51-01 on July 1, 2013, based on allocations under subsection 1 of section 57-51-15 for formula allocation year 2014 and to other eligible cities as follows:

1. \$225,000,000 must be allocated as follows:
 - a. \$75,000,000 to the hub city that received the highest total allocation;
 - b. \$50,000,000 to the hub city that received the second highest total allocation;
 - c. \$50,000,000 to the hub city that received the third highest total allocation; and
 - d. \$50,000,000 to incorporated cities with a population of more than one thousand in the county that received the highest total allocation under subsection 2 of section 57-51-15 for formula allocation year 2014.
2. \$75,000,000 must be allocated among all other incorporated cities in the ten largest oil producing counties not receiving an allocation in subsection one of this section. The allocations must be distributed based on the proportion each incorporated city's population bears to the total population of all incorporated cities receiving an allocation under this subsection. For purposes of this subsection, the population estimates for 2013, as determined by the North Dakota census office of the North Dakota department of commerce, must be used to determine each incorporated city's population and the total population of all incorporated cities within the ten counties receiving an allocation under this subsection.
3. For purposes of this subsection, "formula allocation year 2014" means allocations to counties and cities under section 57-51-15 for the period September 1, 2013, to August 31, 2014."

Renumber accordingly

SB 2126
1-14-15
#2

SB 2126

TESTIMONY BEFORE SENATE APPROPRIATIONS COMMITTEE

Prepared by
**NORTH DAKOTA DEPARTMENT OF TRANSPORTATION
BISMARCK, NORTH DAKOTA**

**DIRECTOR
Grant Levi, P.E.**

JANUARY 16, 2015

NDDOT 2013-15 Budget

\$2.84 billion total appropriation

- \$1.16 billion one time for enhanced state highway investments.
 - (Early Funding=\$620 million SB 2176)
- State Funds Non-Oil Producing Counties – \$120 million – HB 1358
- State Funds Oil Producing Counties – \$160 million HB 1358
- 16 new FTEs
 - 5 engineers
 - 4 equipment operators (trans techs)
 - 1 accounting/budget specialist
 - 2 drivers license supervisors
 - 4 motor vehicle licensing specialists
- \$10 million to match a federal TIGER III Grant to rebuild a 20-mile segment of track & 2 bridges near Churchs Ferry.
- \$9.7 million in special funds for a motor vehicle registration/titling system information technology project.
- \$6 million in one-time special fund dollars for the final phase of asbestos abatement in central office building.
- \$6.8 million general funds for general license plate issue.

2.1

Traffic Modeling, Transportation Needs Studies and Surveys

In addition to the County, Township and Tribal Transportation studies requested by the Legislature, the DOT worked with Upper Great Plains Transportation Institute on a traffic modeling program, several needs studies and surveys which include:

- State Needs
- Transit Needs
- Short Line Railroad Needs
- City Surveys



State Needs Study

- The State Needs Study identified resources necessary to take state highways up to HPCS guidelines. These guidelines allow continued seasonal load restrictions.

UGPTI State Highway & Bridge Needs	
Time Frame	Cost in Millions
2015-2016	\$3,543
2017-2018	\$1,878
2019-2020	\$750
2021 - 2022	\$604
2023-2024	\$650

County, Township and Tribal Needs Study

- The needs are based on the following objectives:
 - Paved Roads – Maintain the existing levels of service for the projected increased traffic associated with agriculture, energy, and manufacturing. (This will involve reconstruction and widening of some roadways)
 - Gravel Roads – Maintain and preserve the existing condition taking into consideration changing traffic patterns.
 - Bridges – Replace all bridges that are functionally obsolete on the county major collector system in the next 20 years.

UGPTI Study for County, Township and Tribal Infrastructure Needs

Period	Unpaved (in millions)	Paved (in millions)	Bridges (in millions)	Final Total (in millions)
2015-16	\$633	\$453	\$86	\$1,172
2017-18	\$574	\$366	\$86	\$1,026
2019-20	\$573	\$322	\$86	\$981
2021-22	\$571	\$297	\$86	\$954
2023-24	\$567	\$143	\$86	\$796

2015-2017 Executive Budget Recommendation

Recommended Total = \$2.7 billion total appropriation.

Oil Producing Counties (NDDOT Williston, Minot & Dickinson Districts)

\$ 1.35 billion one time for enhanced state highway investments

\$ 108.8 million - Federal Funds (state & local match) State/Cities/Counties

\$ 4.6 million Federal Carryover

\$ 22.8 million Federal Emergency Relief

Non-Oil Producing Counties, Cities and Townships (NDDOT Districts – Bismarck, Fargo, Devils Lake, Grand Forks, Valley City)

\$ 100 million - Distribution to cities, counties, & townships

\$ 508.2 million - Federal Funds (state & local match) State/Cities/Counties

\$ 57.8 million – Federal Carryover

\$ 5 million - Special Fund for roads leading to recreational areas in all counties

An Early Access bill (SB 2126) includes \$450 million of the \$1.35 billion for enhanced state infrastructure as well as the \$100 million for transportation distributions for non-oil producing counties, cities and townships.

Two new FTEs

1 Environmental Scientist

1 Archaeologist

\$ 2.5 million additional funding for the motor vehicle registration/titling system.

\$ 1 million reimbursement for state fleet motor coaches.

\$ 7.5 million Energy Impact Fund for DOT in OMB appropriation bill SB 2015.

2.6

2015-17 Road and Bridge Funding

FUNDING 2015-2017 BIENNIUM	WEST REGION (\$ Millions)	CENTRAL & EAST REGIONS (\$ Millions)	TOTAL (\$ Millions)
Enhanced State Highway Investments (Rural, city and state highways) ⁽¹⁾	TOTAL \$1,354.0	TOTAL \$0.0	TOTAL \$1,354.0
Statewide Transportation Improvement Program (2015 - 2016) ^{(2) (3) (4) (5) (6)}	State \$46.6	State \$449.6	State \$496.1
(Federal funds with state and local matches)	Urban \$21.5	Urban \$87.4	Urban \$108.9
	County \$45.4	County \$29.1	County \$74.4
	TOTAL \$113.4	TOTAL \$566.0	TOTAL \$679.4
Emergency Relief (ER) ⁽²⁾	State \$22.8	State \$2.7	State \$25.5
	Urban \$0.0	Urban \$0.0	Urban \$0.0
	County \$0.0	County \$7.2	County \$7.2
	TOTAL \$22.8	TOTAL \$9.8	TOTAL \$32.7
State Funds Non-Oil Producing Counties, Cities, & Townships ⁽⁷⁾	\$0.0	\$100.0	\$100.0
TOTAL 2015 - 2017 BIENNIUM	\$1,490.2	\$675.8	\$2,166.1

(1) Total costs (Construction, Engineering, ROW & Utilities)

(2) Construction & CE costs only on roadway projects

(3) Includes Rural, Urban, County, Bridge, Safety, TAP, ROM, & PEP

(4) County includes ROM; Urban & County include TAP

(5) No state funds included (H, PM, MDF)

(6) Dollars amounts from Schedules A, B & C with the % breakout per Regions based on the 2015-2018 Final STIP

(7) Includes \$52 M for Counties, \$28 M for Cities, & \$20 M for Townships

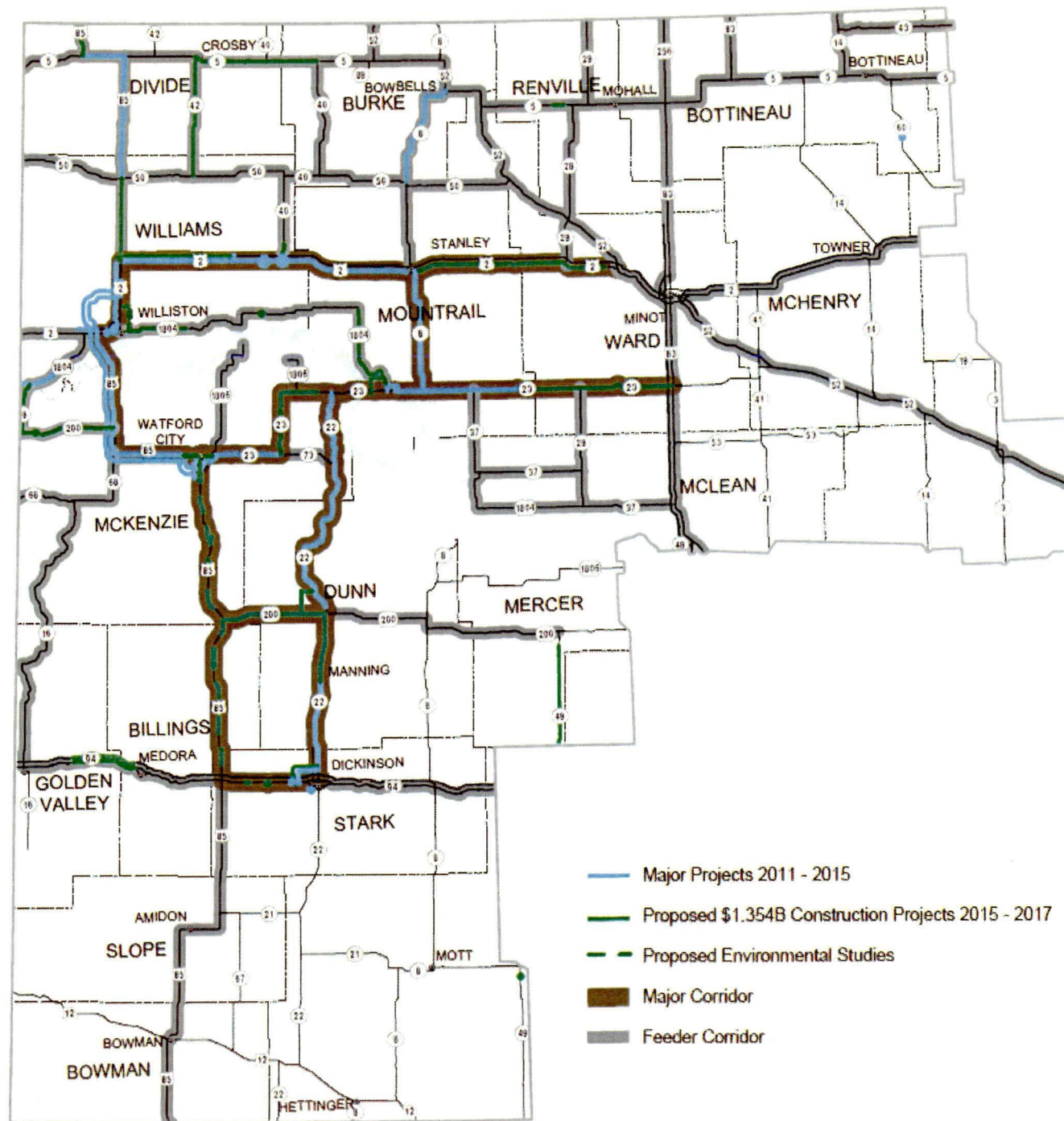
* Approximately \$1.875 billion of \$2.166 billion in budget recommendation is being spent on the state system, including state roadways within cities. The remaining funds are for local roadways.

- Aggressive construction program planned.

- [illegible]

Energy Corridor Projects

2015-17

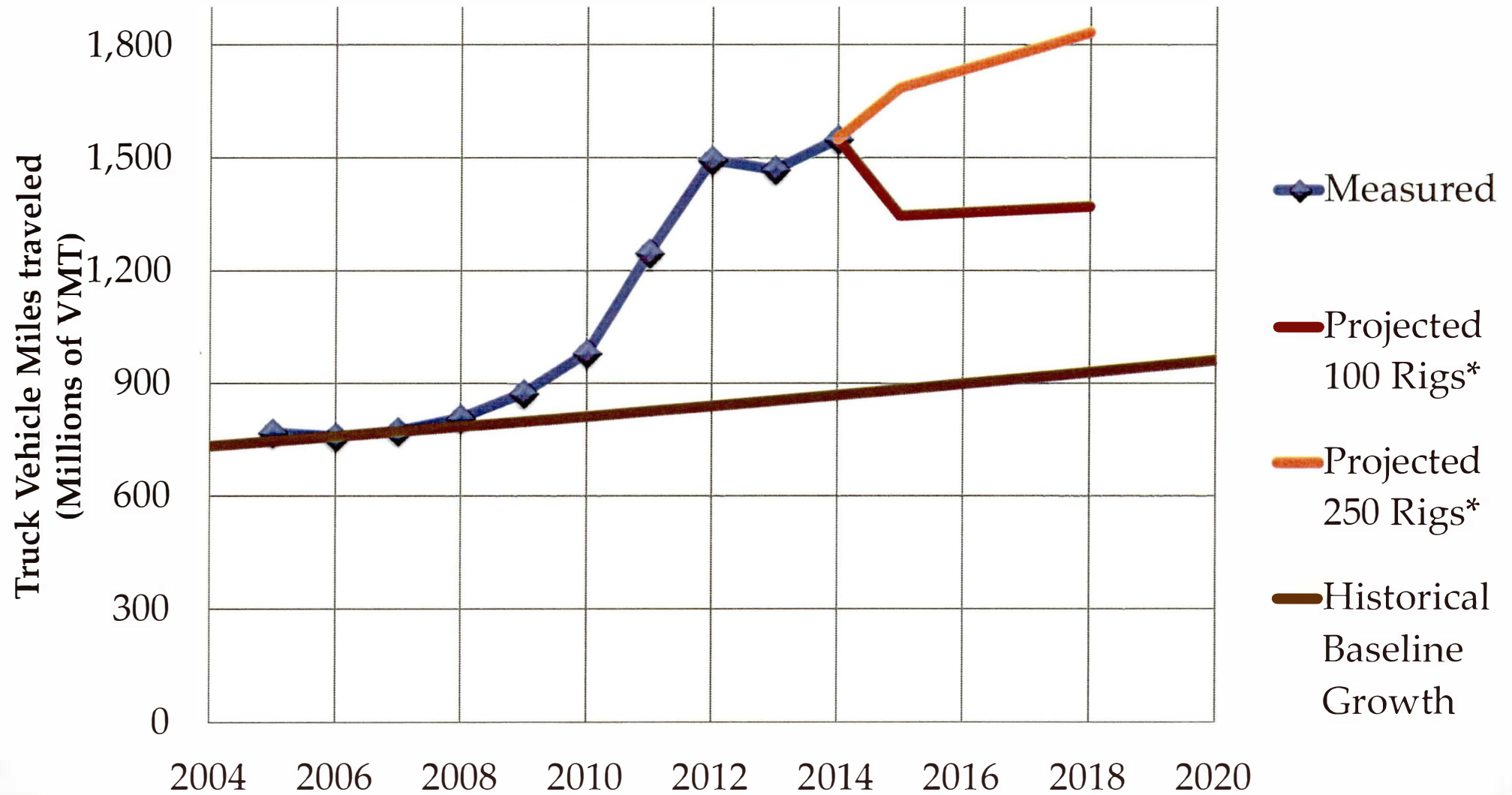


Proposed Expenditures in Western North Dakota

\$1.354 Billion for Enhanced State Highway Investments

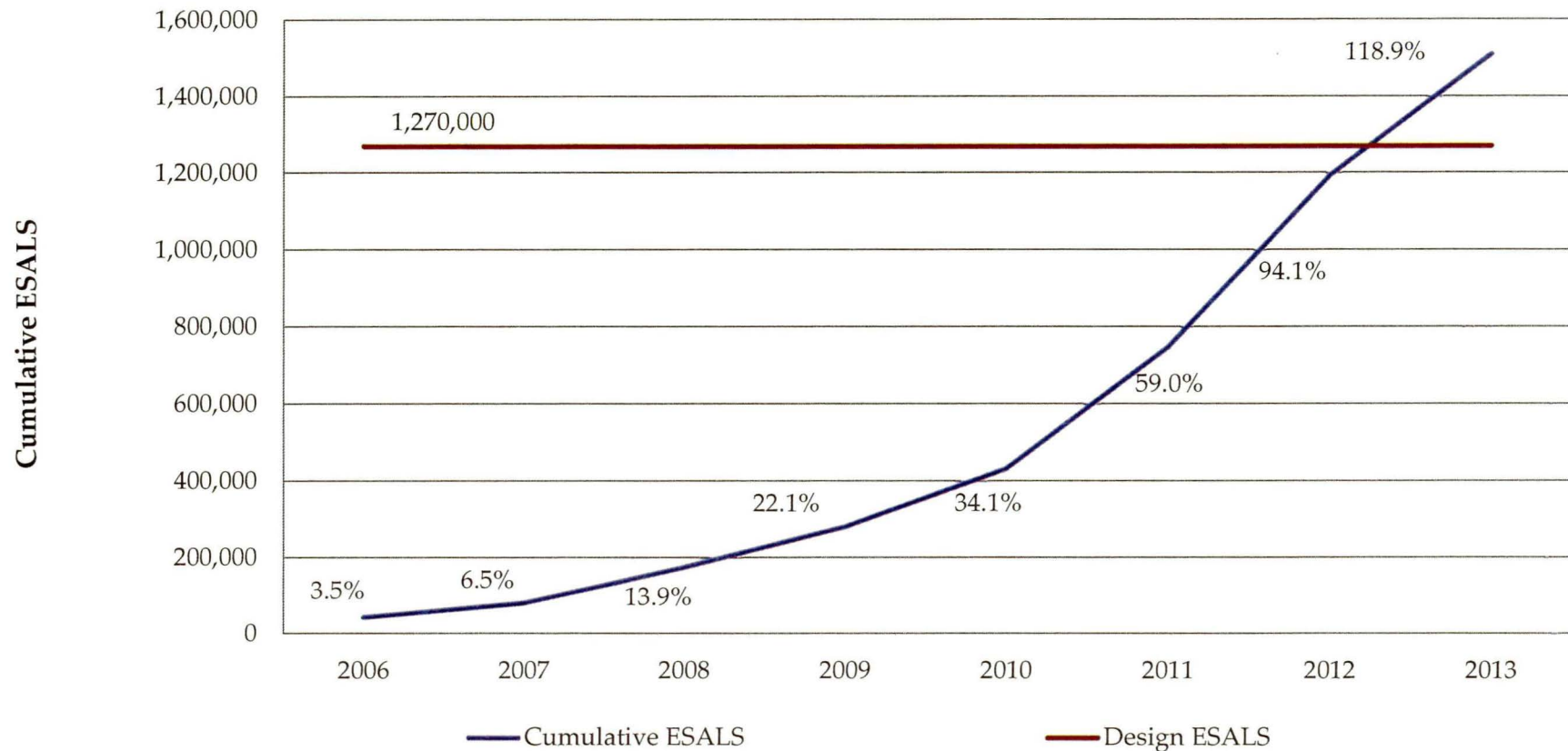
Restore Pavement Infrastructure	\$	332,538,246
Bypass Construction Work	\$	192,269,229
Rebuilding Roads within Communities	\$	363,891,601
Enhanced Load Carrying and Roadway Capacity (includes Environmental for US 85 from I-94 to Watford City)	\$	465,416,482
		<hr/>
Total	\$	1,354,115,558

Truck Traffic Vehicle Miles



Roadway Design Life

US 2 EB: Stanley East to Palermo
20 Year Design = 1,270,000 ESALS



Roadway Design Life



Rutting on US Highway 2 Eastbound Stanley to Palermo.

State Laws Affecting State Agency Appropriations Authority

54-44. 1-09. All expenditures must be appropriated.

All expenditures of the state and of its budget units of moneys drawn from the state treasury must be made under authority of biennial appropriations acts, which must be based upon a budget as provided by law, and no money may be drawn from the treasury, except by appropriation made by law as required by section 12 of article X of the Constitution of North Dakota.

54-44. 1-10. Payments made pursuant to law only.

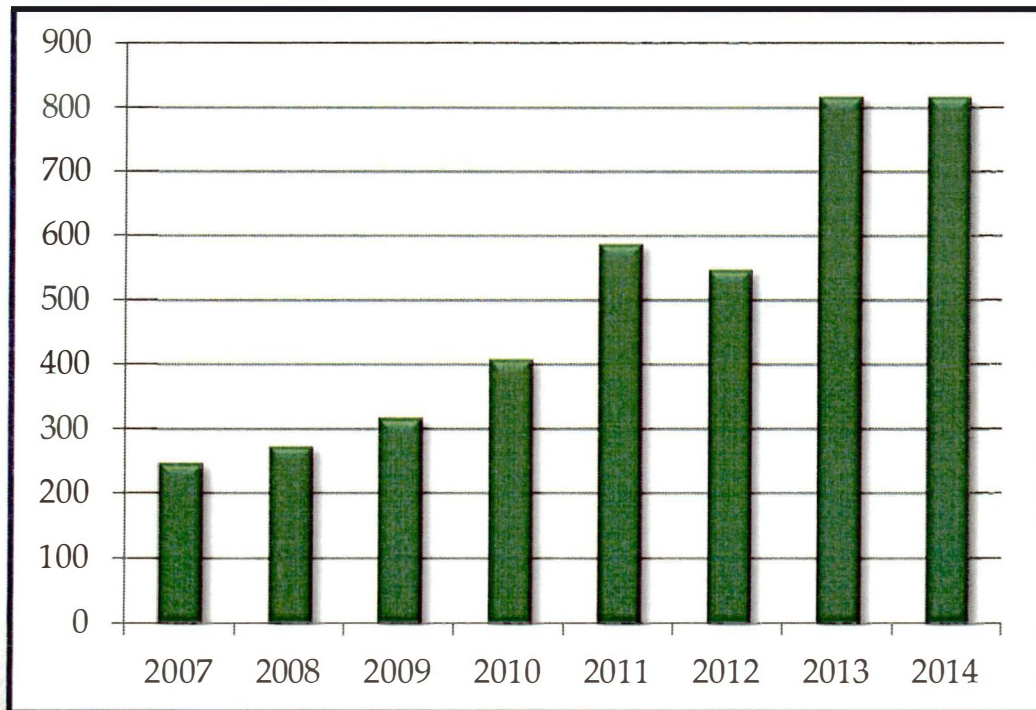
No payment may be made and no obligation may be incurred against any appropriation unless such payment or obligation has been authorized as provided by law. Every official authorizing payments in violation of this chapter is subject to the penalties and provisions of chapter 12. 1-23.

54-16-03. Unlawful to expend more than appropriated-May secure approval from commission for use of other funds-Deficit void

A state officer may not expend, or agree or contract to expend, any amount in excess of the sum appropriated for that expenditure, and may not expend an amount appropriated for any specific purpose or fund or for any other purpose without prior approval in the form of a transfer approval or expenditure authorization as provided in this chapter. The office of management and budget shall provide information to the emergency commission with respect to all emergency requests. Any debt or deficit created by a state officer in violation of this section is void.

Historic Construction Program

- Over \$800 million a year in 2013 and 2014.
- Balanced program possible because of \$620 million made available early in SB 2176.



Section 2 of SB 2126

- Provides \$450 million to NDDOT to start projects early.
 - Portion of the \$1.354 billion for enhanced state highway investment apportionment as requested in HB 1012.
 - Makes funds available upon passage of act through 2017.
 - Costs eligible starting Jan. 1, 2015.

SB 2126 Early Funding - \$450 Million

The proposed advanced funding of \$450 million would enable NDDOT to work on several phases of highway projects in 2015. Some of the NDDOT projects in western North Dakota that would benefit from early access funding include:

Enhancing Load Carrying Capacity and Restoring Pavement Infrastructure:

- US 2 – restore the eastbound lanes of pavement for increased load carrying capacity from Stanley to west of Minot and reconstruct the westbound lanes from Junction US 85 to Ray.
- ND 23 – completion of Super 2 Highway concept on roadway from Watford City to US Highway 83. This project will enable NDDOT to work on the remaining 46 miles of the 175 mile segment of highway that is being reconstructed to increase load carrying capacity, add passing lanes, and widen the roadway and shoulders.
- ND 22 – reconstructing roadway from Manning to Killdeer.
- US 85 from Interstate 94 to the US 85 Bypass south of Watford City – environmental work to four-lane US 85 with the intent being to reconstruct Long X Bridge as the first project.
- US 85 – restore pavement for increased load carrying capacity from junction US 2 north to junction ND 50 near Appam.

SB 2126 Early Funding - \$450 Million

Building truck bypasses and reliever routes to improve traffic movement and safety:

- Funding resources will be utilized for bypass work which includes design, planning, engineering, right of way and construction of Dickinson Permanent Bypass and Killdeer Bypass.
- The bypass work also includes environmental work for the New Town Northwest and Williston Northeast truck reliever routes.

Rebuilding of state highways within communities:

- New Town Main Street reconstruction.
- ND 23 reconstruction in Watford City from city limits to ND 23 bypass to serve new school.
- ND 40 from junction US 2 to the Tioga overpass – reconstruct road that is gateway to the community.
- Environmental work on ND 1804 from Williston east to the Epping turn - to accommodate expansion of Williston to the east.
- US 2 in Williston - Dakota Parkway from 32nd Ave W to 11th Street W - environmental work to consider operational improvements.

Section 3 of SB 2126

- \$100 million to be distributed to city, county and townships within the non-oil producing counties.
 - \$20 million allocated equally to organized and unorganized townships.
 - \$80 million distributed to cities & counties in the non-oil producing counties using formula in subsection 4 of section 54-27-19.
 - \$28 million to cities
 - \$52 million to counties

Section 3 of SB 2126

- Cities less than 4,999 population will be provided a direct allocation.
- Counties or cities greater than a population of 5,000 will be provided funding following the formula in subsection 4 of section 54-27-19. The following provisions will be used to administer:
 - (1) Each county or city requesting funding under this section shall submit the request in accordance with criteria developed by the department of transportation.
 - (a) The city improvement projects must be consistent with projects identified in the city's capital improvement plan or long-range transportation plan that will rehabilitate or reconstruct the transportation infrastructure within the city.
 - (b) The request from counties must include a proposed plan for funding projects that rehabilitate or reconstruct the transportation infrastructure within the county.
 - (c) The plan must be based on actual transportation infrastructure conditions and the integration of projects with state highway and other city or county projects.

Section 3 of SB 2126

(2) The department of transportation, in consultation with the city or county, may approve the plan or approve the plan with amendments.

(3) The funding appropriated in this section may be used for transportation infrastructure development costs.

(4) Upon approval of the plan, the department of transportation shall transfer to the city or county the approved funding for engineering and plan development costs.

(5) Upon execution of a construction contract by the city or county, the department of transportation shall transfer to the city or county the approved funding to be distributed for rehabilitation and reconstruction projects.

(6) Each recipient city and county shall report to the department of transportation upon awarding of each contract and upon completion of each project in a manner prescribed by the department.

- The funding provided in this section may be applied to engineering, design, and construction costs incurred on related projects as of January 1, 2015.

Summary

- In summary the NDDOT needs early funding to allow work on several projects this year including:
 - ND 23 in Watford City to ND 23 bypass
 - New Town Main Street
 - US 2 pavement restoration
 - ND 23 pavement restoration and widening
 - Work which includes design, planning, engineering, right of way and construction of the Dickinson Permanent Bypass and Killdeer Bypass.
 - The bypass work also includes environmental work for the New Town Northwest and Williston Northeast truck reliever routes.
 - Continue environmental work on US Highway 85 south of Watford City.
 - Balance the construction program.
 - Allow planned eastern projects to proceed.
- The bill also makes funds available to non-oil producing counties to allow work to begin early.

SB 2126
1-16-15
#3

DEPARTMENT OF COMMERCE TESTIMONY ON SENATE BILL 2126
JANUARY 16, 2015, 8:00 A.M.
SENATE APPROPRIATIONS COMMITTEE
BRYNHILD HAUGLAND ROOM
SENATOR RAY HOLMBERG, CHAIRMAN

ALAN ANDERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good morning, Mr. Chairman and members of the committee, my name is Alan Anderson and I serve as the Commissioner for the North Dakota Department of Commerce. I am here to voice my support for additional funding to address infrastructure needs associated with oil and gas development.

Commerce has been involved in coordinating the multiple agency response with regards to western infrastructure needs. This has been an ongoing effort over several bienniums to ensure adequate communication existed to enhance the understanding of the critical infrastructure needs brought on by the explosive growth of the oil and gas industry in western North Dakota.

My predecessor led numerous meetings discussing the challenges faced by both state and local entities during his tenure and I've done the same. During the last couple of years, I've held town halls in western communities and met with both city and county leaders to discuss their challenges.

The 2013 Legislative Assembly made substantial progress towards meeting the critical infrastructure needs of the state with an investment of \$2.5 billion in oil and gas impacted areas, nearly double the amount appropriated in 2011. However, continued growth of our energy industry and the state's economy are leading to infrastructure shortfalls and more must be done to assist communities in closing the gap.

Of the many concerns raised by local leaders, infrastructure issues were identified as critical to maintaining North Dakota's quality of life. The state needs to continue to make a long-term commitment of capital to address the acute infrastructure shortfalls related to the significant growth of oil and gas production, processing and transportation facilities. It is important that this include some immediate funding in order to take full advantage of the 2015 construction season.

Over the last year, my focus has been on where the majority of the development and impact was occurring. This priority was based on rig count and locations, both current and planned, to highlight road and other impacts as well as on rapid population growth to highlight impacts to our people. All areas of North Dakota have some oil and gas impact but the acute growth occurs in 3 of our larger communities (Williston, Dickinson and Watford City) and 4 of our counties (Williams, McKenzie, Mountrail and Dunn). This is demonstrated in the attached graphs but can be simply said that 85% of our rigs were in the 4 counties last summer and will probably move closer to 100% with lower oil prices. These communities exceeded 20% growth per year over the last 6 years demonstrating their experience with the most acute infrastructure needs. This population growth is understated since the Census numbers are based on permanent residents and we know that nearly 50% of the people living in Williston and Watford City are part of a

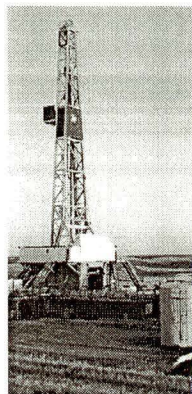
transitory workforce and nearly 25% in Dickinson. This can be shown by the difference in population count versus water meter usage.

Questions have often been asked if the local leadership is doing everything they can to fund these needs with tools within their control. Areas of utility rates, tax rates and community debt were considered and discussed. What you'll see in all of the communities are significant increases in taxes, utility costs and debt loads that exceed any other city within North Dakota. I can also assure you that the quality and planning that has gone into their multi-year community growth plans are exceptional. Engineering companies have been employed and a great deal of discussion has occurred on what areas are critical to growth and what number of housing units can be established by year for the next several biennium's. Categories identified and discussed in detail by project included transportation (roadways, traffic signals/lights, rail needs); wastewater (treatment, lift/pump stations, trunk mains); water (trunk mains, modeling, pump stations/storage); stormwater (modeling, ponds); solid waste (landfill); airports and public buildings and improvements. Each has the possibility to be funded differently. Models have been made to link city operational expenses and investments to the growth projections as well as include revenue changes associated with the oil price impact.

These discussions became critically important this past fall with the lack of funds available to do engineering and planning for the 2015 construction season and additional levers were identified to help in the interim. State Water Commission programs were accessed and the Bank of North Dakota has helped tremendously with a new short term loan program to bridge the gap. However, the need for additional funding remains and should be supported both in early funding and a gross production tax formula change.

Mr. Chairman and members of the Appropriation Committee, that concludes my testimony and I would gladly respond to any questions.

Rigs and "LOC" Wells



County	LOC's	Rig
Billings	45	3
Bottineau	9	3
Bowman	8	1
Burke	42	4
Divide	83	11
Dunn	265	27
Golden Valley	8	1
McKenzie	422	73
McLean	6	
Mountrail	177	35
Renville	7	1
Stark	39	5
Ward		1
Williams	210	21

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North Dakota
LEGENDARY

Total Debt in Millions

2012/2013 Financials



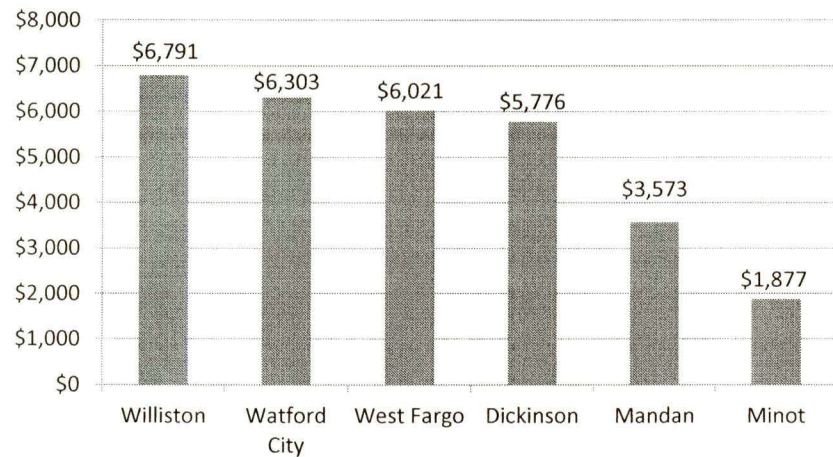
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North Dakota
LEGENDARY

3.3

Debt per Capita

2012/2013 Data



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North Dakota
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Population Change

Community	2008	2009	2010	2011	2012	2013	SixYrChg	PerChg6Yr
Watford City	1,679	1744	1764	1984	2487	3284	1,605	96%
Killdeer	667	751	752	789	823	975	308	46%
Williston	14,305	14716	14919	16205	18310	20850	6,545	46%
Minot	38,555	39,762	41,290	43,053	43,916	46,321	7,766	20%
Dickinson	17,450	17787	17973	18560	19744	20826	3,376	19%
West Fargo	25,085	25830	25928	26566	27560	29878	4,793	19%
North Dakota	657,569	664,968	674,344	684,867	701,345	723,393	65,824	10%

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North Dakota
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3.4

Testimony
Senate Bill 2126
Senate Appropriations Committee
January 16, 2015, 8:00 a.m.
North Dakota Department of Health

SB 2126
1-16-15
4

Good morning Chairman Holmberg and members of the Senate Appropriations Committee. My name is David Glatt, the Environmental Health Section Chief for the North Dakota Department of Health (Department). The Environmental Health Section is responsible for the implementation of a majority of the environmental protection programs in the state. I am here today to provide testimony in support of Senate Bill 2126.

Senate Bill 2126 would provide funding to the Department to begin the hiring process for up to 15 environmental scientists before the end of the biennium. As noted in my opening statement, the Department implements the majority of environmental protection programs in the state. Each of these programs have experienced exponential increases in workload due to oil development and associated industrial and population growth in North Dakota. To illustrate the impact oil development has on every North Dakota Department of Health environmental protection program, I have provided you a document entitled *Oilfield Impacts and the North Dakota Department of Health, Environmental Health Section*.

Feel free to review the document at your leisure, but please note that the data depicted in various figures shows dramatic increases in all areas, most notably in the number of regulated facilities and new construction.

The Environmental Health Section is in critical need of additional staff to begin to address the increased workload. New staff, once trained, will be used in the areas of:

- > Facility compliance inspections
- > Enforcement
- > Permit/plan review and processing
- > Spill response
- > Environmental quality assessment/monitoring

SB 2126 will enable the Department to begin the process of selecting and hiring qualified individuals to assist in addressing the additional workload. It is important to note that we do not anticipate any substantial reduction in workload in the near future. The need for additional staff is immediate and continues on into the future.

We believe SB 2126 will allow the Department to address this need as soon as possible.

This concludes my testimony. I am happy to answer any questions you may have.

**Oilfield Impacts and the
North Dakota Department of Health
Environmental Health Section**

SB2126
1-16-15
4a

January 2015



Environmental Health Section
North Dakota Department of Health
918 East Divide Avenue
Bismarck, North Dakota

4a.1

Table of Contents

I. Background	1
A. Division of Air Quality	2
B. Division of Laboratory Services	2
C. Division of Municipal Facilities	3
D. Division of Waste Management	3
E. Division of Water Quality	4
F. Section Chief's Office	5
II. Impacts of Oilfield Growth	6
A. Division of Air Quality	6
B. Division of Laboratory Services	8
C. Division of Municipal Facilities	12
D. Division of Waste Management	15
E. Division of Water Quality	19
III. Assistance Needed to Meet Increased Workload	24
A. Division of Air Quality	24
B. Division of Laboratory Services	24
C. Division of Municipal Facilities	24
D. Division of Waste Management	24
E. Division of Water Quality	25

Figures

Figure 1. Environmental Health Section Organizational Chart	1
Figure 2. Air Quality Industrial Construction Permits	6
Figure 3. Air Quality Well Permit Registrations	7
Figure 4. Radioactive Materials License Applications	8
Figure 5. Clinics and Hospitals Testing - Oil-impacted Communities	9
Figure 6. Public Health Customers Testing - Oil-impacted Communities	9
Figure 7. Oilfield Response Samples	10
Figure 8. Oilfield Response Analytes	11
Figure 9. Public Water Systems	12
Figure 10. SDWA Violations	12
Figure 11. Non-Community Public Water System Inspections	13
Figure 12. PWS Meeting Operator Certification Requirements (Water Distribution)	14
Figure 13. Plans and Specifications Approvals - Water and Wastewater Projects	14
Figure 14. State Revolving Loan Fund - Total Project Amount from Intended Use Plans	14
Figure 15. Hazardous Waste Large Quantity Generators	15
Figure 16. MSW and Special Waste Landfills	16
Figure 17. Tons of Oilfield Special Waste Generated	16
Figure 18. Increases in New Underground Storage Tank Installations	17
Figure 19. New Waste Transporter Permits	17
Figure 20. Number of Spills by Year	19
Figure 21. Spill Response by Staff	20
Figure 22. NDPDES Permits Workload	21

Figure 23. Ground Water Protection Program Workload (2009-Present)	22
Figure 24. Ground Water Protection Program Workload (2009-Present)	23
Figure 25. Enforcement Penalties and Number of Cases	23

Oilfield Impacts and the North Dakota Department of Health Environmental Health Section

I. Background

The Environmental Health Section of the North Dakota Department of Health (NDDoH) is responsible for safeguarding North Dakota's air, land and water resources. The section, which has 164 employees, works closely with local, state and federal entities to address public and environmental health concerns and implement protection policies and programs. The section has a Chief's Office and five divisions: Air Quality, Laboratory Services, Municipal Facilities, Waste Management and Water Quality.

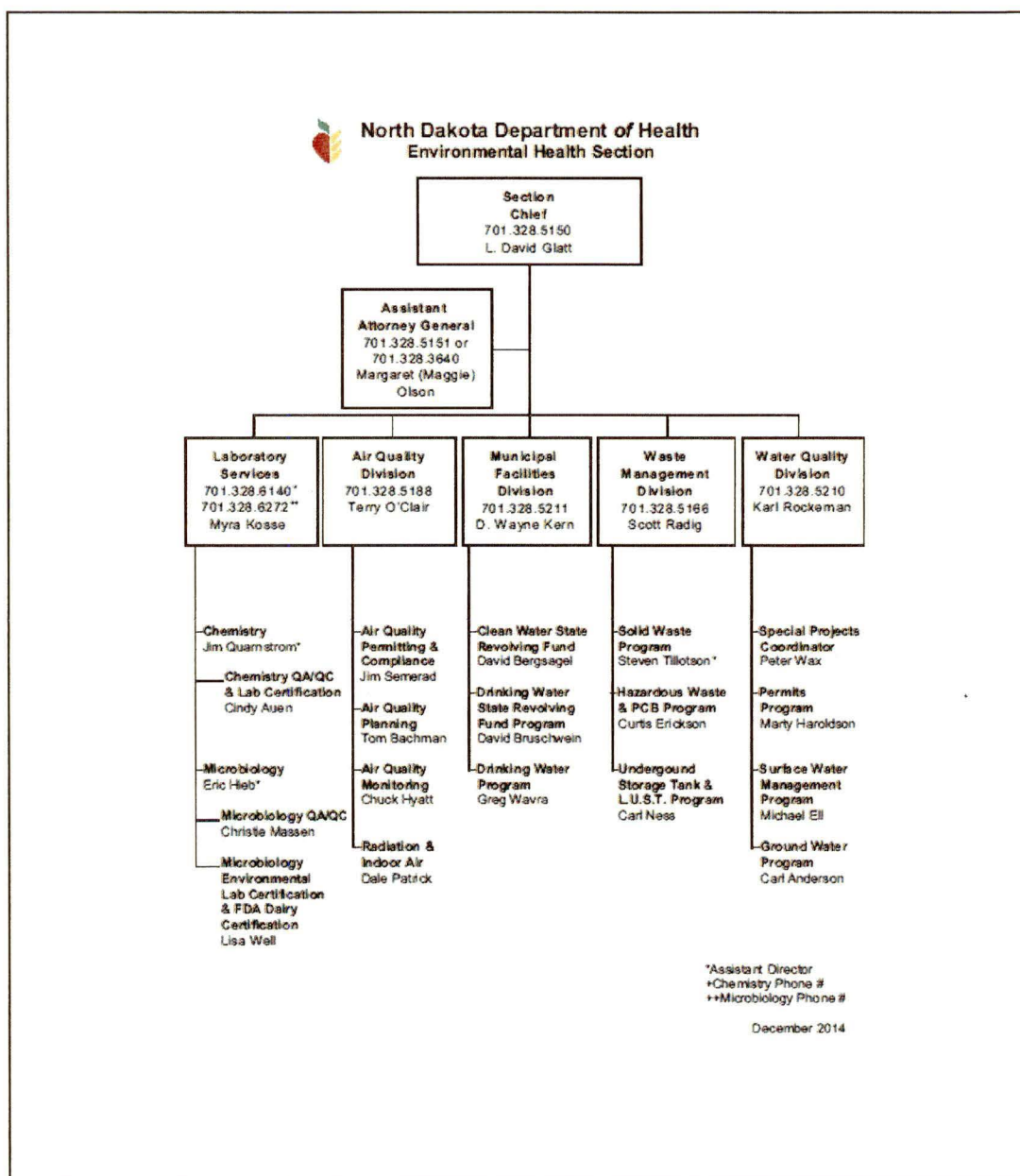


Figure 1. Environmental Health Section Organizational Chart

A. Division of Air Quality

The Division of Air Quality consists of two major programs with 33 full-time positions and one half-time position. There are 20.5 environmental scientist positions, one environmental sciences administrator, and six environmental engineers which all require the minimum of a four-year degree. In addition, there are four electronic technicians who have two-year technical degrees and two administrative support staff.

Air Pollution Control Program

This program promotes clean air activities and initiates enforcement actions to correct air pollution problems. Program staff responsibilities include implementing the Clean Air Act, evaluating permit applications, conducting computer modeling of potential impacts to air quality, issuing permits that restrict emission levels to ensure standards are met and operating an ambient air quality monitoring network.

Radiation Control and Indoor Air Quality Program

This program performs two major functions: (1) regulating the development and use of ionizing and non-ionizing radiation sources to protect North Dakotans and the environment, and (2) evaluating and mitigating asbestos, radon, lead and other indoor air quality concerns, as well as implementing a public awareness and education program concerning these health risks.

Field activities supporting the programs include inspecting facilities to ensure compliance, enforcing laws, investigating air pollution complaints and operating a statewide ambient air quality monitoring network.

B. Division of Laboratory Services

The Division of Laboratory Services has two principal support programs. There are 35 full-time employees. Twenty-six are professional microbiologists or chemist positions requiring the minimum of a four-year degree, and nine are support staff, including four medical laboratory technicians and two chemistry laboratory technicians who have two-year degrees.

Chemistry

The chemistry laboratory provides analytical chemistry data to environmental protection, public health, agricultural and petroleum regulatory programs in the state. The laboratory also maintains a certification program for North Dakota laboratories that provide environmental testing services. The department's environmental protection programs use laboratory data to monitor and/or regulate air quality; solid and hazardous waste; municipal wastewater; agricultural runoff; surface, ground and drinking water quality; petroleum products; and other media of environmental or public health concern.

Microbiology

The microbiology laboratory (i.e., the public health laboratory) performs testing in the areas of bacteriology, mycology, parasitology, immunology, virology, molecular diagnostics, bioterrorism response, and dairy and water bacteriology. The laboratory is responsible for providing rapid, accurate detection and identifying organisms that may threaten public health.

C. Division of Municipal Facilities

The Division of Municipal Facilities administers three programs. There are 29 full-time employees. Fifteen are environmental scientists, and 11 are environmental engineers requiring the minimum of a four-year degree. There is one grants/contract officer position, which also requires a four-year degree, and two administrative support personnel.

Public Water Supply Supervision (PWSS)

This program works with the public water systems (PWS) in North Dakota (currently 657) to ensure drinking water meets all standards established by the Safe Drinking Water Act (SDWA). This is accomplished by monitoring drinking water quality and providing technical assistance. Currently, 96.5 percent of community water systems are meeting all applicable health-based standards under the SDWA – one of the highest compliance rates in the region and country (EPA goal for 2014 is 90 percent nationwide).

Training and certification is provided for operators of water treatment and distribution facilities and wastewater collection and treatment plants. There are about 1,041 certified operators in the state. A total of 93 percent of public water systems are meeting operator certification requirements for water treatment (no EPA goal). There are 73 percent of community water systems meeting operator certification requirements for water distribution (no EPA goal).

Staff administer the fluoridation program and provide technical assistance to private systems. A total of 75 communities add fluoride to their drinking water. Of the population served by these communities, 95 percent (about 623,500) receive optimally fluoridated drinking water (no EPA goal).

Drinking Water State Revolving Loan Fund (DWSRF)

This program provides low-interest loans to help public water systems finance the infrastructure needed to comply with the SDWA. Since program inception (1997) through December 31, 2014, loans totaling about \$414 million have been approved. Staff members also review drinking water projects to ensure compliance with state design criteria before construction and provide technical assistance.

Clean Water State Revolving Loan Fund (CWSRF)

This program provides low-interest loans to fund conventional wastewater and nonpoint source pollution control needs. Since program inception (1990) through December 31, 2014, loans totaling about \$562 million have been approved. Staff members also review wastewater projects to ensure compliance with state design criteria before construction and provide technical assistance.

Field activities supporting the above programs include: (1) inspecting about 606 public water and wastewater systems to ensure compliance with all public health standards, (2) inspecting State Revolving Loan Fund construction projects to ensure they meet state and federal requirements, and (3) investigating complaints.

D. Division of Waste Management

The Division of Waste Management works to safeguard public health through four programs. There are 23 full-time positions and one part-time position, consisting of 14 environmental scientists, five environmental engineers, one environmental sciences administrator, the division director (all of which require the minimum of a four-year degree), and three administrative support staff.

Hazardous Waste Program

This program regulates 760 facilities that generate, store, treat, dispose or transport hazardous waste. The program also coordinates assessments and cleanups at Brownfield sites (properties underdeveloped due to actual/perceived contamination) and performs inspections at sites known or suspected to have equipment containing polychlorinated biphenyls (PCBs).

Solid Waste Program

This program regulates the collection, transportation, storage and disposal of nonhazardous solid waste. Resource recovery, waste reduction and recycling are promoted. The program helps individuals, businesses and communities provide efficient, environmentally acceptable waste management systems. There are 428 facilities under this program and about 800 permitted waste transport companies.

Underground Storage Tank Program

This program regulates petroleum and hazardous substance storage tanks, establishes technical standards for the installation and operation of underground tanks, maintains a tank notification program, establishes financial responsibility requirements for tank owners and provides for state inspection and enforcement. The program works with retailers and manufacturers to ensure specifications and standards for petroleum and antifreeze are met. There are 988 facilities currently regulated under this program. In addition, the UST Program supervises the cleanup of any leaking underground storage tank facility and other petroleum product releases.

Abandoned Motor Vehicle Program

The Abandoned Motor Vehicle Program focuses on assisting political subdivisions in the cleanup of abandoned motor vehicles and scrap metal.

Field work includes compliance assistance, sampling, training, site inspections and complaint investigations.

E. Division of Water Quality

The Division of Water Quality protects water quality through four programs. There are 34 full-time positions and one part-time position, consisting of 27 environmental scientists, three environmental sciences administrators, four environmental engineers (all of which require the minimum of a four-year degree) and one administrative assistant.

North Dakota Pollutant Discharge Elimination System (NDPDES) Permit Program

This program issues the federally required National Pollutant Discharge Elimination System (NPDES) permits for discharge of pollutants to surface waters. This may include pollutants carried by stormwater, in addition to direct discharge of wastewater. Many industries and municipalities require these permits. This program also issues permits to septic tank pumpers regulating the collection and proper disposal of domestic wastewater. The permits may be individual permits issued to one facility or general permits where multiple facilities are covered under one permit.

Nonpoint Source Pollution Management Program

This program expended approximately \$4.4 million in Section 319 funding (federal fiscal year 2014) to support 51 locally sponsored projects. These projects included 25 watershed projects, 14 education/demonstration projects, four support projects and eight assessment projects. The projects used

the funding to cost-share agricultural projects, conduct education events, deliver technical assistance to agricultural producers, design manure management systems and evaluate water quality trends or conditions. Nearly 45 percent of the Section 319 expenditures within the local project areas were used to support various best management practices (BMPs). More than 70 percent of these BMP expenditures were used to install practices that improve livestock grazing and manure management.

Surface Water Quality Monitoring and Assessment Program

Beginning in January 2013, the NDDoH, working in cooperation with the U.S. Geological Survey (USGS) North Dakota Water Science Center and the North Dakota State Water Commission, began implementation of a revised ambient water quality monitoring network for rivers and streams. This revised monitoring network consists of 81 sites located on 48 rivers and streams in the state. Lake water quality monitoring from 2011-2013 was conducted on Lake Sakakawea and Devils Lake, the state's two largest lakes. Working cooperatively with the North Dakota Game and Fish Department (NDGF) and the U.S. Army Corps of Engineers, the NDDoH conducted dissolved oxygen/temperature profile monitoring on Lake Sakakawea monthly from July through October in 2011, 2012 and 2013.

In 2012 and 2013, the NDDoH conducted sampling for the National Lake Assessment (NLA), and in 2013 the NDDoH also began sampling as part of the National Rivers and Streams Assessment (NRSA). For the NLA project, 50 randomly selected lakes and reservoirs were sampled. In addition, 25 sites were sampled in 2013 for the NRSA, and another 25 sites were sampled in 2014 for a total sample size of 50 sites. As is the case with the NLS, the NRSA uses a random sample site design to provide estimates of the ecological condition and aquatic life use of the nation's rivers and streams and to identify key stressors affecting impaired waters.

Ground Water Protection Program

This program includes the (1) Wellhead and Source Water Protection Programs to define the susceptibility of public water systems to contaminant sources, (2) Underground Injection Control (UIC) Program which helps prevent contamination of drinking water by injection wells, and (3) Ambient Ground Water Monitoring Program which assesses the quality of ground water resources with regard to agricultural and oilfield-related chemical contamination. In addition, trained personnel provide immediate response to emergency spills and continued investigation/enforcement if necessary to fully address environmental impacts. Program staff also fulfills open records requests typically received as part of property transactions or as Freedom of Information Act requests from the general public.

Field activities include inspecting wastewater treatment facilities and septic tank pumpers, and compliance audits/sampling to ensure permit requirements are met; inspecting construction and industrial site stormwater controls; meetings with local/state entities to assess nonpoint source project goals; ambient monitoring of lakes and rivers; evaluating domestic water sources for potential contaminant sources; annual collection/analysis of samples from vulnerable aquifers; overseeing remediation of spills with potential to reach water sources; and responding to complaints.

F. Section Chief's Office

Division activities are coordinated by the Section Chief's Office, which has 8.75 full-time employees (FTEs) and an attorney assigned by the Office of Attorney General. Employees oversee quality assurance procedures; help coordinate public information efforts; assist with staff training; and coordinate computer and data management activities, emergency response efforts, enforcement of environmental regulations and funding requests.

II. Impacts of Oilfield Growth

A. Division of Air Quality

Expanded activity in the oilfield has increased the workload in the division due to the number of licensing/permitting and inspection activities. The number of air quality industrial construction permits issued has increased from a historical average of approximately 20 per year to more than 90 per year (see Figure 2). Compounding the increase in the sheer number of permits is the fact that new federal regulations have increased the complexity of these permits. In addition to permits for industrial facilities, all producing oil wells are required to go through a permit/registration process with the division. Well permit registrations have risen from 3,000 to more than 8,000 (Figure 3) and are expected to increase with continued oilfield development. Similar increases have been seen in the number of crude oil storage tanks, compressor stations and gas plants.

Larger industrial developments, coupled with increasing regulatory requirements and the capacity of the environment to assimilate new emission sources, have resulted in the need for more complex and technical permits and treatment technologies, requiring significant staff expertise and resources.

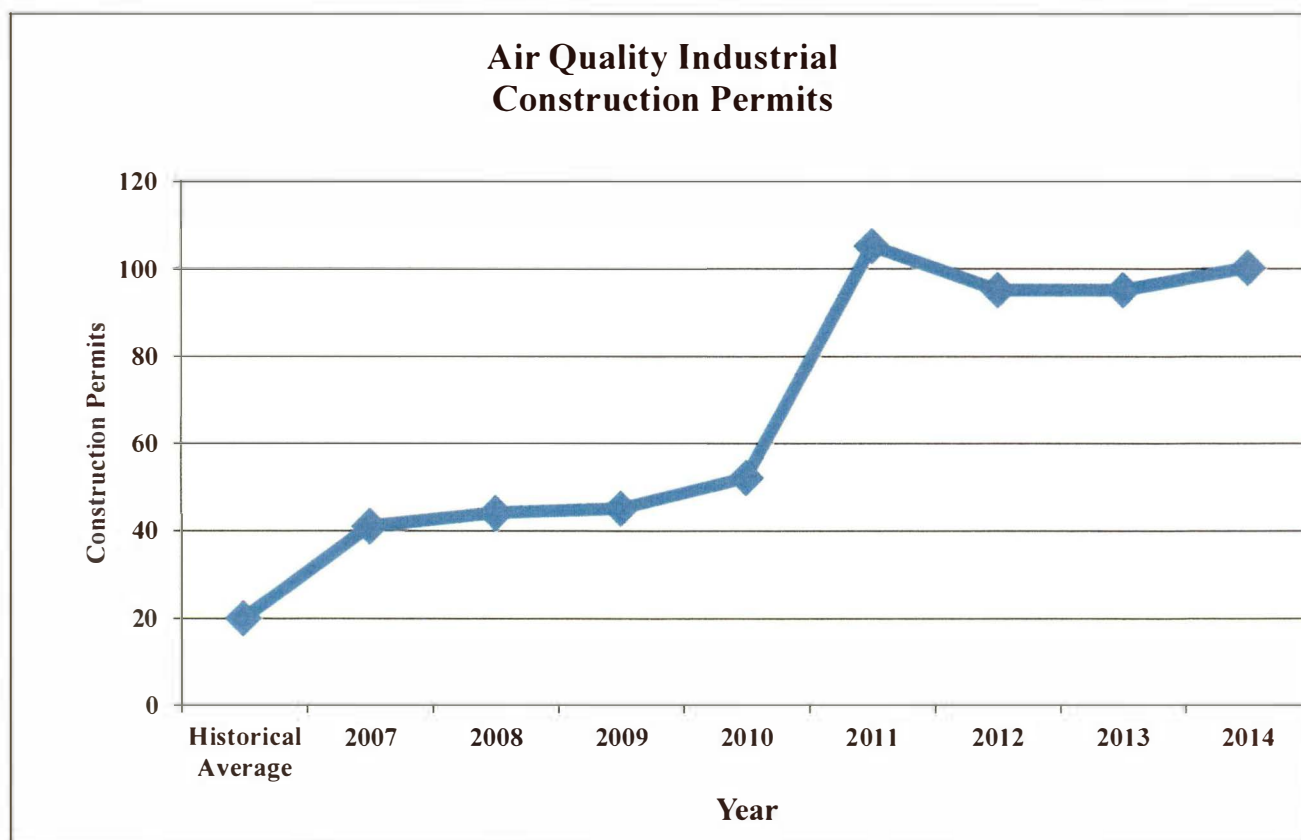


Figure 2. Air Quality Industrial Construction Permits

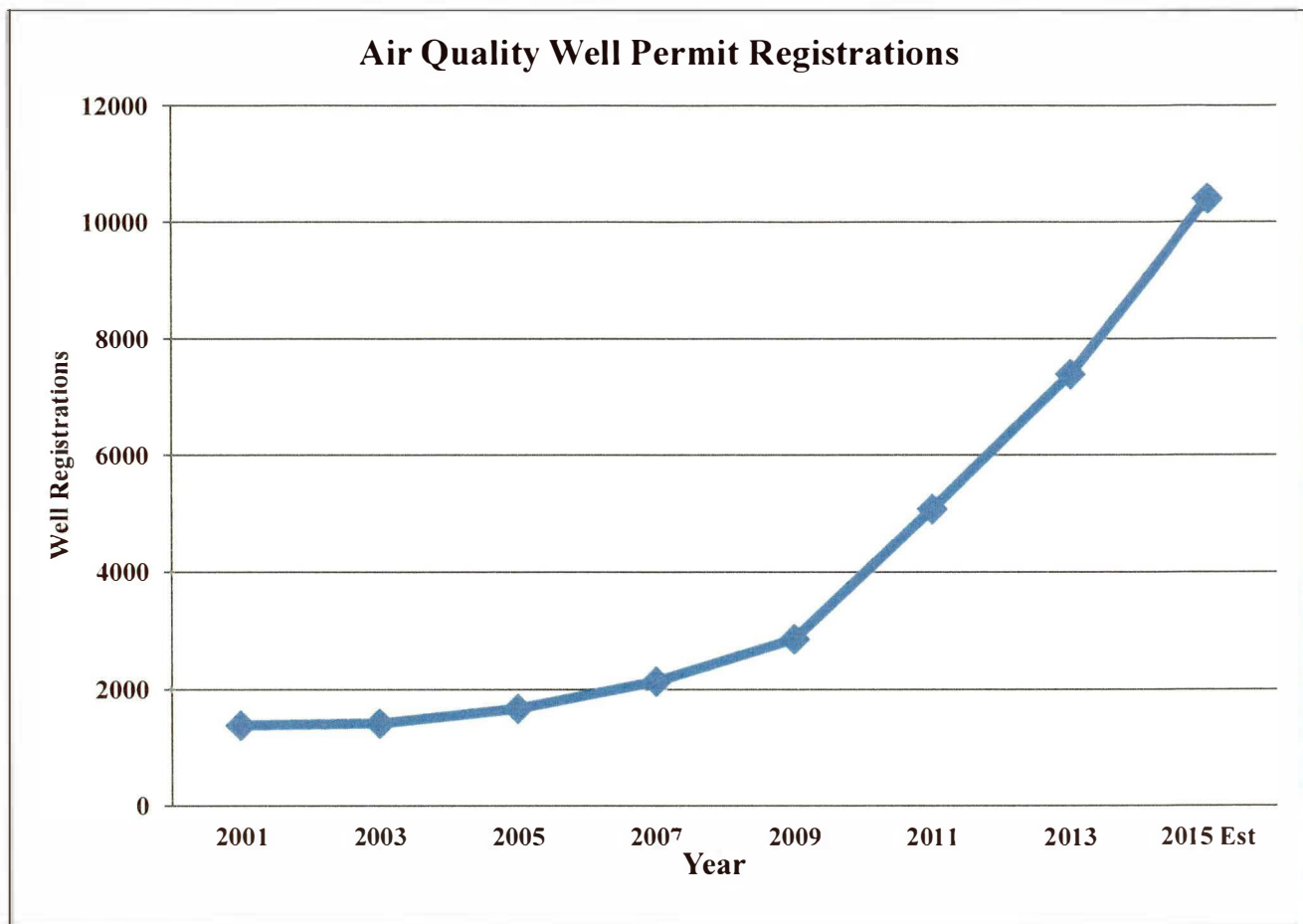


Figure 3. Air Quality Well Permit Registrations

Many companies in the oilfield use instrumentation technologies containing radioactive material, and there has been a large increase in the number of companies actively using such materials. Several operators have been identified as improperly using these materials, potentially placing members of the public at risk. North Dakota serves as an Agreement State in cooperation with the U.S. Nuclear Regulatory Commission (NRC). Through that agreement, the NRC has notified the department of a number of allegations regarding improper handling of radioactive materials.

Oilfield-related radioactive materials license applications (and inspection activity) have risen from 149 in 2011 to 215 in 2014 (see Figure 4). Licensing requirements adopted by the NRC have become more complex due to increased control tracking.

The NDDoH has drafted TENORM (Technologically Enhanced, Naturally Occurring Radioactive Materials) rules, which may become effective late summer of 2015 and could result in increased workload. In addition, increased workload demands have been placed upon the division as a result of the licensure of all TENORM radioactive waste transporters and the increase in the number of facilities that treat TENORM.

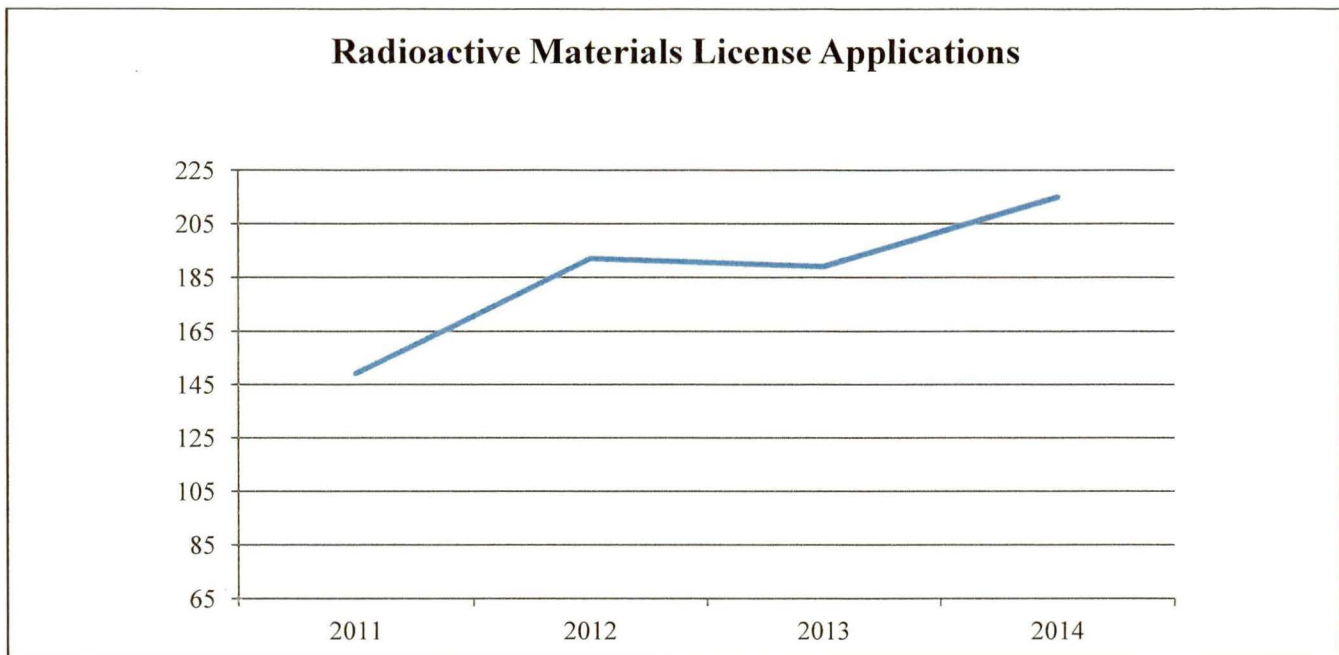


Figure 4. Radioactive Materials License Applications

Additional direct and indirect impacts on the division include:

- Expansion of the Tesoro Refinery, plus permitting work for proposed diesel refineries.
- Extensive effort on Bakken Pool Permitting and Compliance Guidance Document for oil wells.
- Increased telephone and email inquiries pertaining to air pollution control requirements.
- Increased oil- and gas-related complaints and inquiries from public.
- Operating of a new Williston monitoring site to measure air quality.
- Inspections and study of radiation from frack sand and drilling mud.
- Increased permitting activity, along with increased particulate control inspections of more rock, sand and gravel plants (three times higher than in the past), due to greater demand for these materials in the oilfield.
- Road dust has become a significant source of air pollution.
- New Environmental Protection Agency regulations directed at energy development.
- Expansion of the Tioga Gas Plant

B. Division of Laboratory Services

Microbiology

Testing volumes from 2007-2014 were evaluated from oil-impacted communities in the western half of North Dakota. Communities included principal private (clinics and hospitals) and public health entities in the Dickinson, Williston, Watford City, Minot, Bismarck, Hettinger, Mott and New England areas.

The total testing volume from these communities showed a steady increase over the period 2007-2013. There was a slight decrease (approximately 1 percent) in 2014. An increase in public health sector testing in 2014 offset the decrease in clinic and hospital testing.

Private health sector testing conducted at the state public health laboratory for 2007-2013 data shows a continual rise. The 2014 data shows a decline in private health sector sample numbers. The decline in private sector samples resulted from the recent consolidation of the Catholic Health Initiative (CHI) health care network. Many of the samples from these associated CHI facilities are now being sent to a large commercial laboratory with which CHI has a contract. Figure 5 shows the trend in private testing.

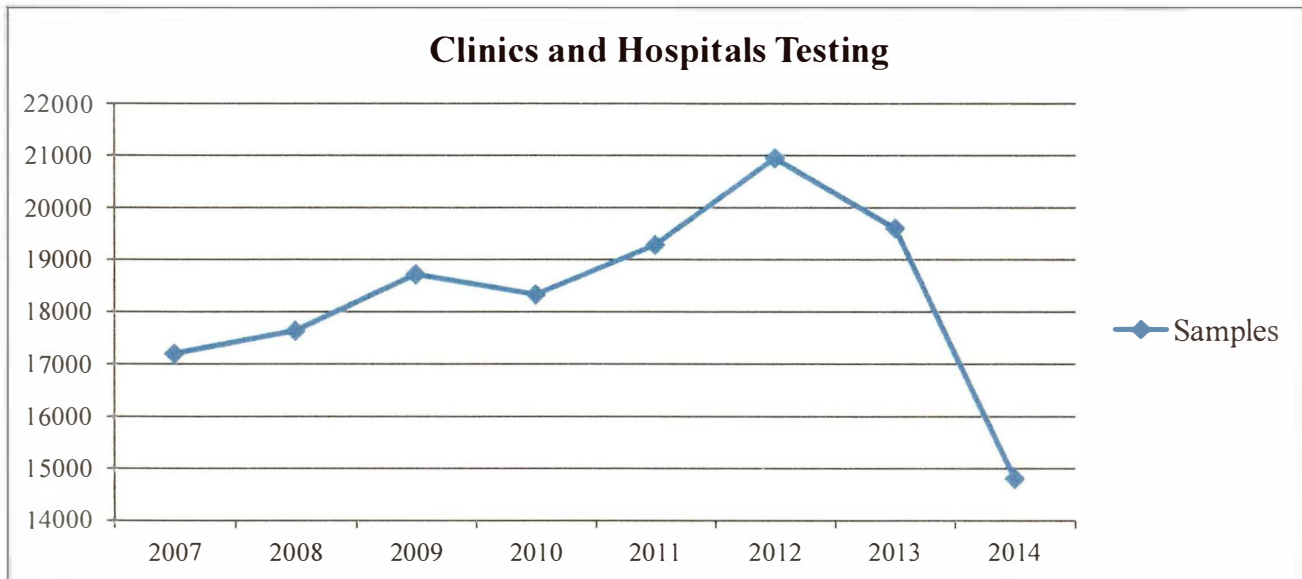


Figure 5. Clinics and Hospitals Testing - Oil-impacted Communities

Public health sector testing conducted at the state laboratory increased significantly in 2014. This increase is resulting in part from an increase in public health testing, but the primary increase is seen in submissions from correctional facilities (state and local). Figure 6 shows the trend in public testing.

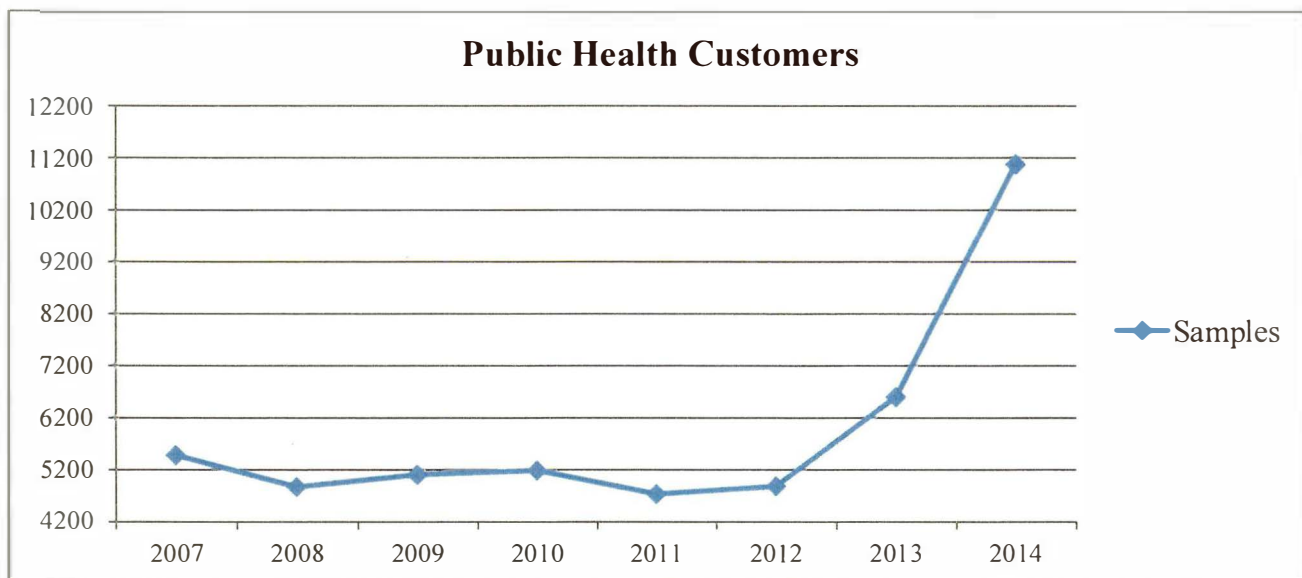


Figure 6. Public Health Customers Testing - Oil-impacted Communities

Chemistry

Since the beginning of 2012, 918 samples for 44,617 analytes have been collected by Environmental Health Section personnel, other agencies or private entities, and new public drinking water systems associated with temporary housing in the oilfield. Another 35 associated quality control samples for 674 analytes were analyzed for a grand total of 953 oilfield-related samples and 45,291 analytes. These numbers represent an increase in successive years.

Tests requests for most of these samples are for complete mineral chemistry; benzene, toluene, ethylbenzene and xylene (BTEX); gasoline range organics (GROs); diesel range organics (DROs); and semi volatile organic compounds (SVOCs). Projecting the sample load out at the current rate through the end of 2014 would result in totals of 971 samples for 46,455 analytes. The annual break outs are depicted in Figures 7 and 8.

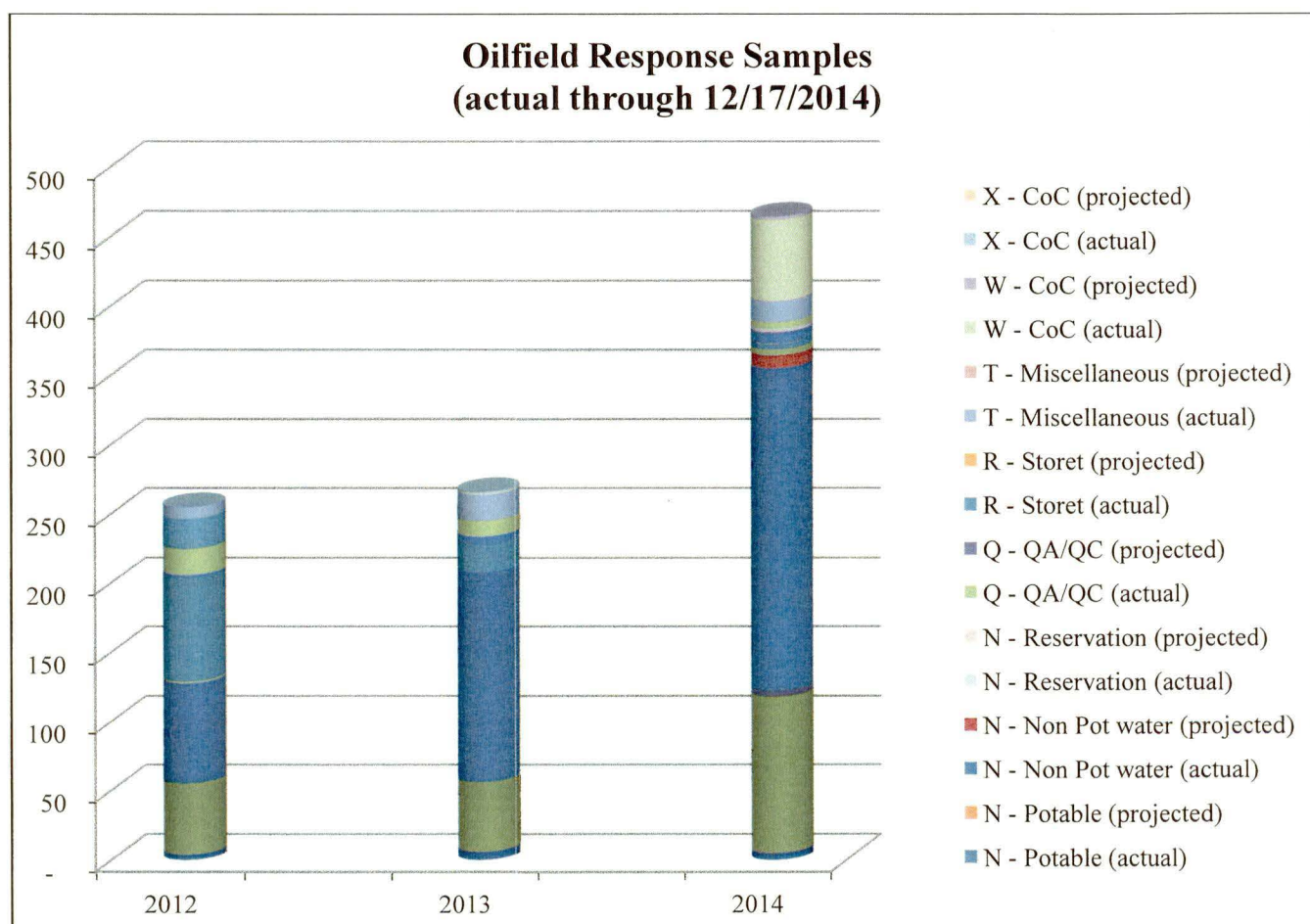


Figure 7. Oilfield Response Samples

The letters and abbreviations in the legend refer to how samples are identified when entered into the laboratory's database. X-CoC and W-CoC = chain of custody samples; T-Misc = special case samples; R-Storet = water quality samples; Q-QA/QC = quality assurance/quality control samples; N-Non Pot = nonpotable water samples; N-Potable = potable water samples; and D-Discharge = wastewater discharge samples.

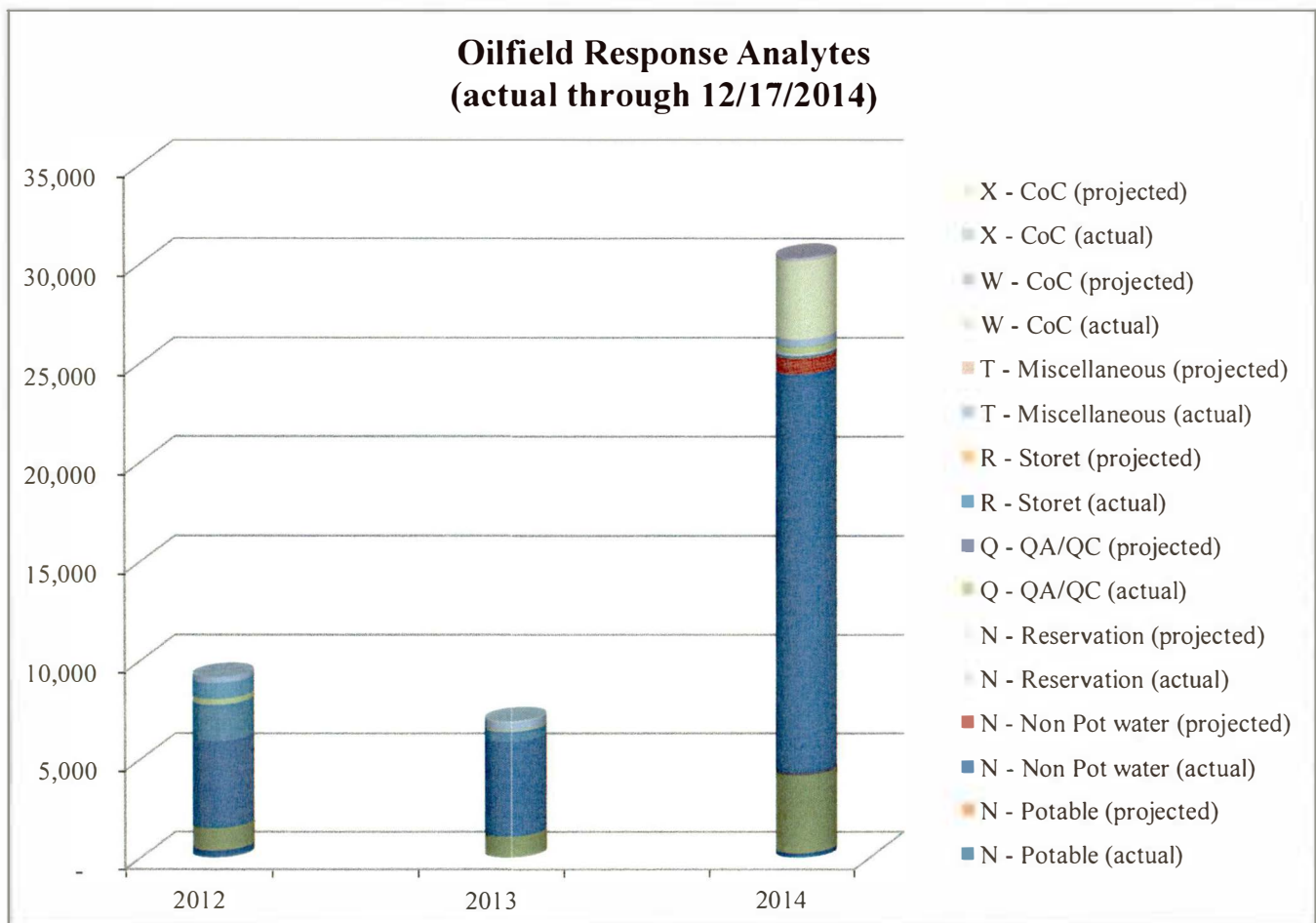


Figure 8. Oilfield Response Analytes

The letters and abbreviations in the legend refer to how samples are identified when entered into the laboratory's database. X-CoC and W-CoC = chain of custody samples; T-Misc = special case samples; R-Storet = water quality samples; Q-QA/QC = quality assurance/quality control samples; N-Non Pot = nonpotable water samples; N-Potable = potable water samples; and D-Discharge = wastewater discharge samples.

C. Division of Municipal Facilities

An ever-expanding challenge is keeping pace with new drinking water and wastewater facilities in oil-impacted areas. Figure 9 shows the total number of PWS significantly increased since 2010; 94 percent (of the increase) is in oil-impacted counties.

Figure 10 shows the total number of SDWA violations increased since 2010. About 67 percent of this increase is due to new PWS in oil-impacted counties. Implementation of new and revised rules further impacts workload and compliance rates, both compounded by the increasing number of PWS.

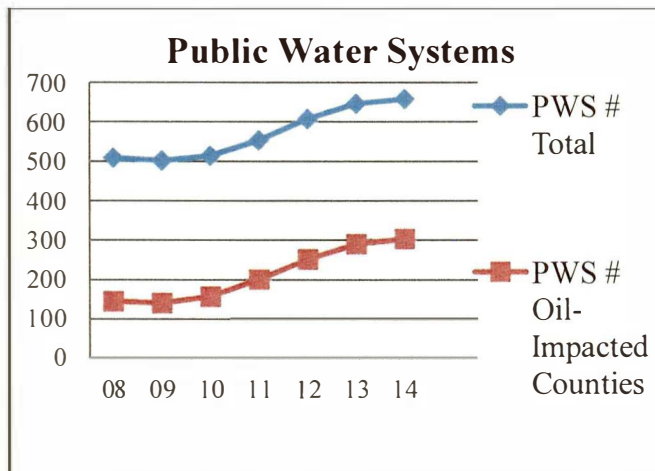


Figure 9. Public Water Systems

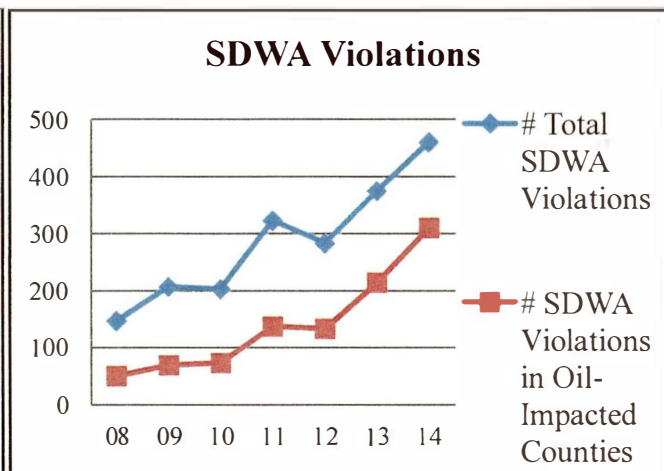


Figure 10. SDWA Violations

Figure 11 shows public health unit inspections of non-community PWS have decreased in oil-impacted counties, while division inspections have increased. (To date, public health units serving non-oil-impacted areas have kept pace with their assigned inspections.) As oil activity expands, it is anticipated the health units may not be able to complete these inspections, adding to division workload.

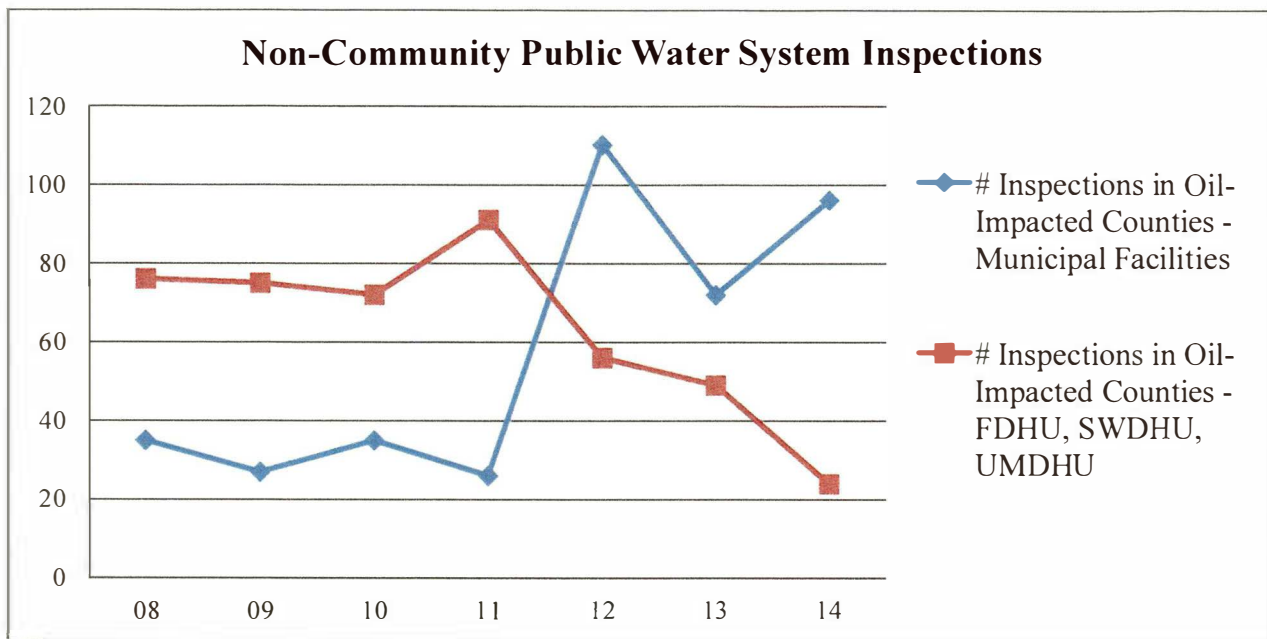


Figure 11. Non-Community Public Water System Inspections

FDHU = First District Health Unit (Minot); SWDHU = Southwestern District Health Unit (Dickinson); and UMDHU = Upper Missouri District Health Unit (Williston)

Under state law (NDCC 23-26), all persons operating water and wastewater systems, with some exceptions, must be certified by the department. Figure 12 shows decreased numbers of water distribution operators being certified due to two principal factors: (1) operator turnover (certified operators leaving for higher paying jobs in the oilfield); and (2) new systems that do not have a certified operator. Additional new systems have increased the workload of the division's operator certification and training program. In oil-impacted counties, the primary need has been for water distribution operators because most new systems obtain drinking water from other regulated sources (no treatment required) and either haul wastewater to another permitted system or provide on-site wastewater disposal. Compliance with operator certification requirements for water treatment and wastewater collection/treatment also may decrease if more systems choose to develop/treat their own drinking water sources or treat/discharge wastewater.

Figure 13 shows a large increase in plans and specifications submittals/approvals since 2010, largely due to projects in the oilfield. Project submittals decreased in 2014, but remained high and required extended review time. Many were submitted by out-of-state engineering firms (98 to date) unfamiliar with North Dakota requirements, resulting in extended review time. Many had mechanical wastewater treatment plants and/or large on-site disposal systems which require additional time for review and approval. On-site disposal systems have not historically been used or addressed by the division. Finally, many involved as-built situations which require more time to resolve design and construction issues. Considerable time also is spent: (1) evaluating and addressing noncompliant or failing wastewater systems, many of which were built and expanded without local or state approval and which have undergone numerous ownership or management changes; and (2) developing new design standards and policies to address issues primarily related to projects in the oilfield.

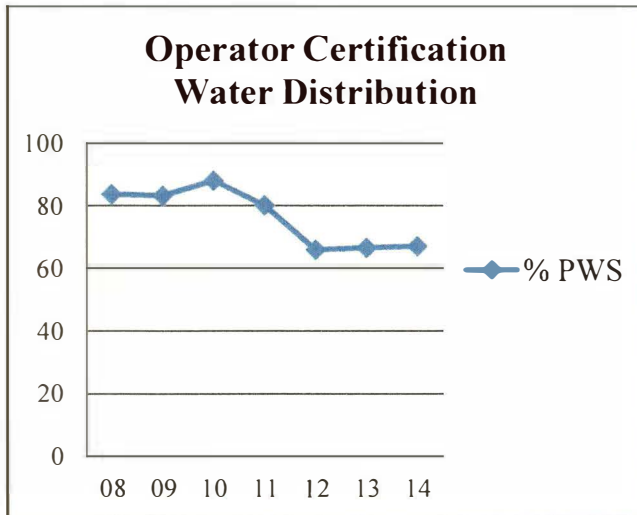


Figure 12. PWS Meeting Operator Certification Requirements (Water Distribution)

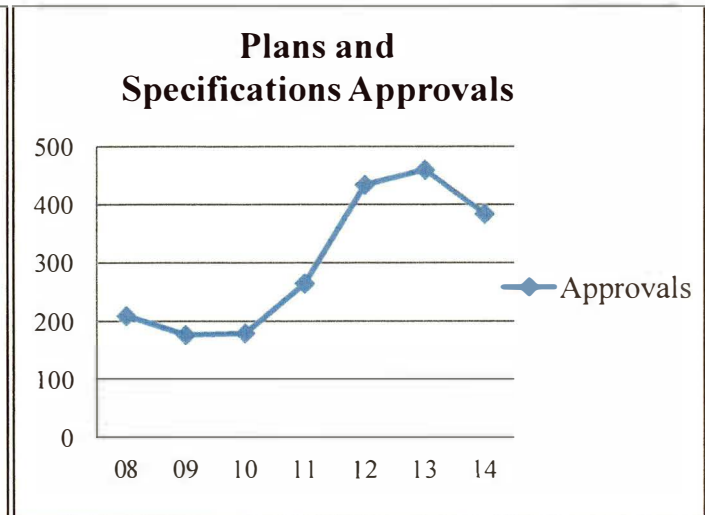


Figure 13. Plans and Specifications Approvals - Water and Wastewater Projects

Figure 14 shows the number of projects/dollar value on the CWSRF and DWSRF lists increased significantly since 2010. For 2015, the preliminary dollar value of projects is \$724 million for the DWSRF and \$484 million for the CWSRF. This will result in a large number of SRF projects to implement, increasing workload on top of attempting to keep pace with more technical reviews for non-SRF and oilfield projects.

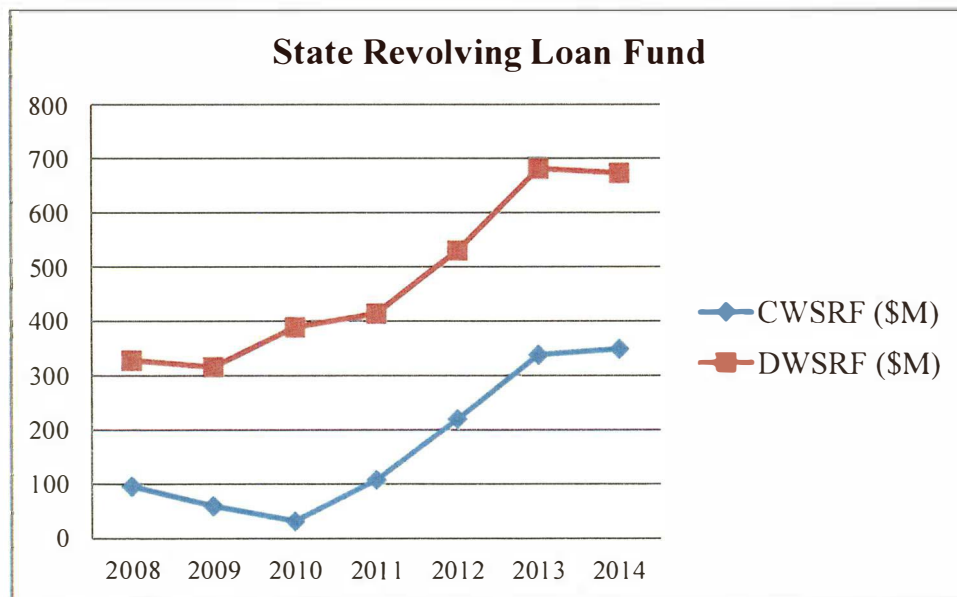


Figure 14. State Revolving Loan Fund - Total Project Amount from Intended Use Plans

Additional workload impacts to those shown in the above tables include: educating systems on SDWA requirements, implementing/enforcing the requirements, and compliance/technical assistance in addressing SDWA violations; responding to complaints; answering calls and emails about proposals for new/expanded housing facilities; addressing vendor/engineer inquiries; and attending visits and presentations on alternative wastewater treatment systems and project proposals.

D. Division of Waste Management

Oilfield activity has significantly increased the workload, from facilities directly operated by oilfield-related businesses and from peripheral businesses supporting the increasing general population. There are more oilfield service companies generating large quantities of hazardous waste and other support businesses, such as tank manufacturers generating more hazardous waste. New gas stations and truck stops are being built or expanded. Both municipal landfills and oilfield special waste landfills are dealing with new types and greatly increased volumes of waste. Figures 15 through 19 show the increase in hazardous waste large quantity generators (LQGs), municipal solid waste (MSW) and special waste landfills, tons of oilfield special waste, new or expanded underground storage tank (UST) facilities, and new waste transporter permits. The division also has three staff members on the Environmental Health Section spill response team, which requires considerable field work and office followup. Figure 21 on page 20 of this report shows spill response numbers.

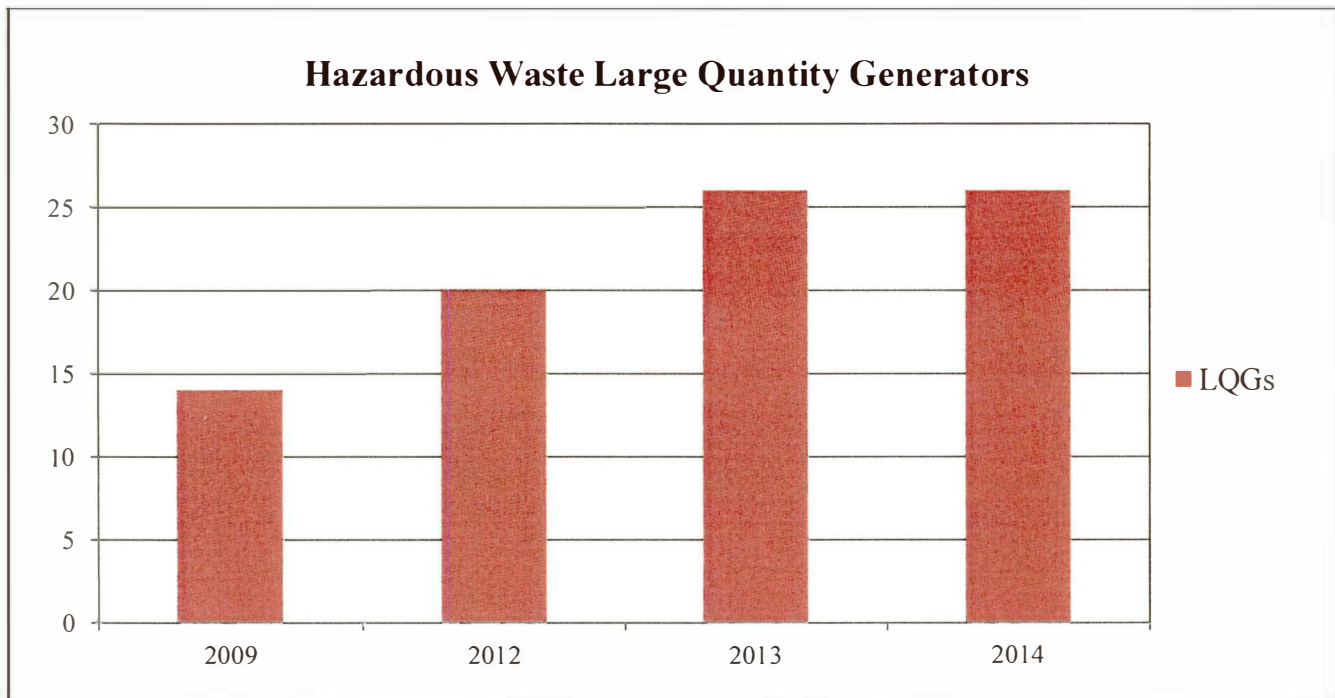


Figure 15. Hazardous Waste Large Quantity Generators

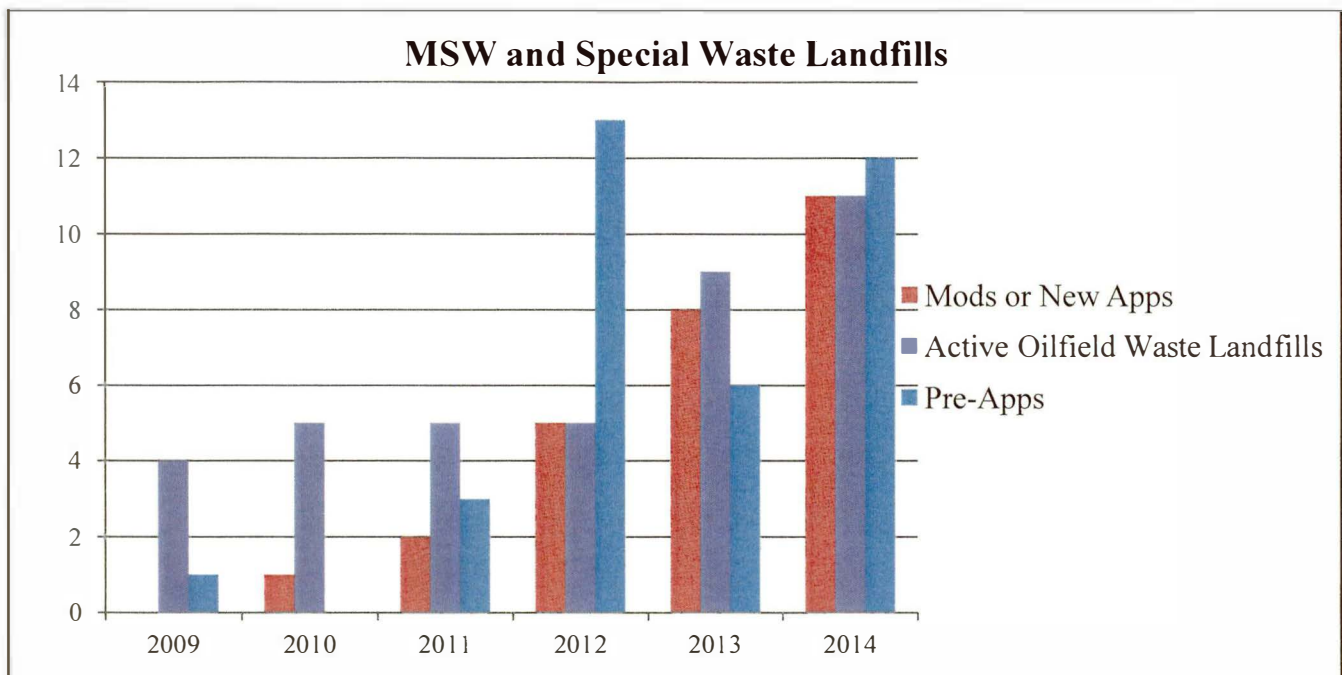


Figure 16. MSW and Special Waste Landfills

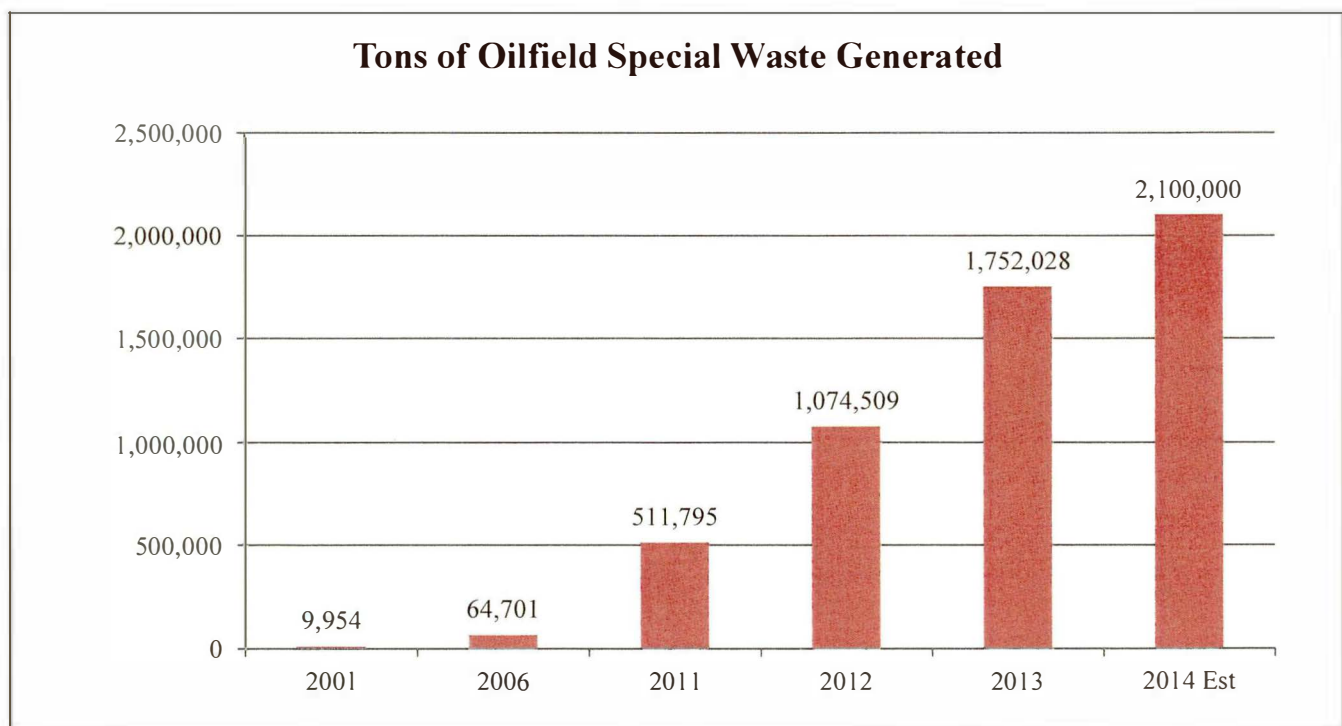


Figure 17. Tons of Oilfield Special Waste Generated

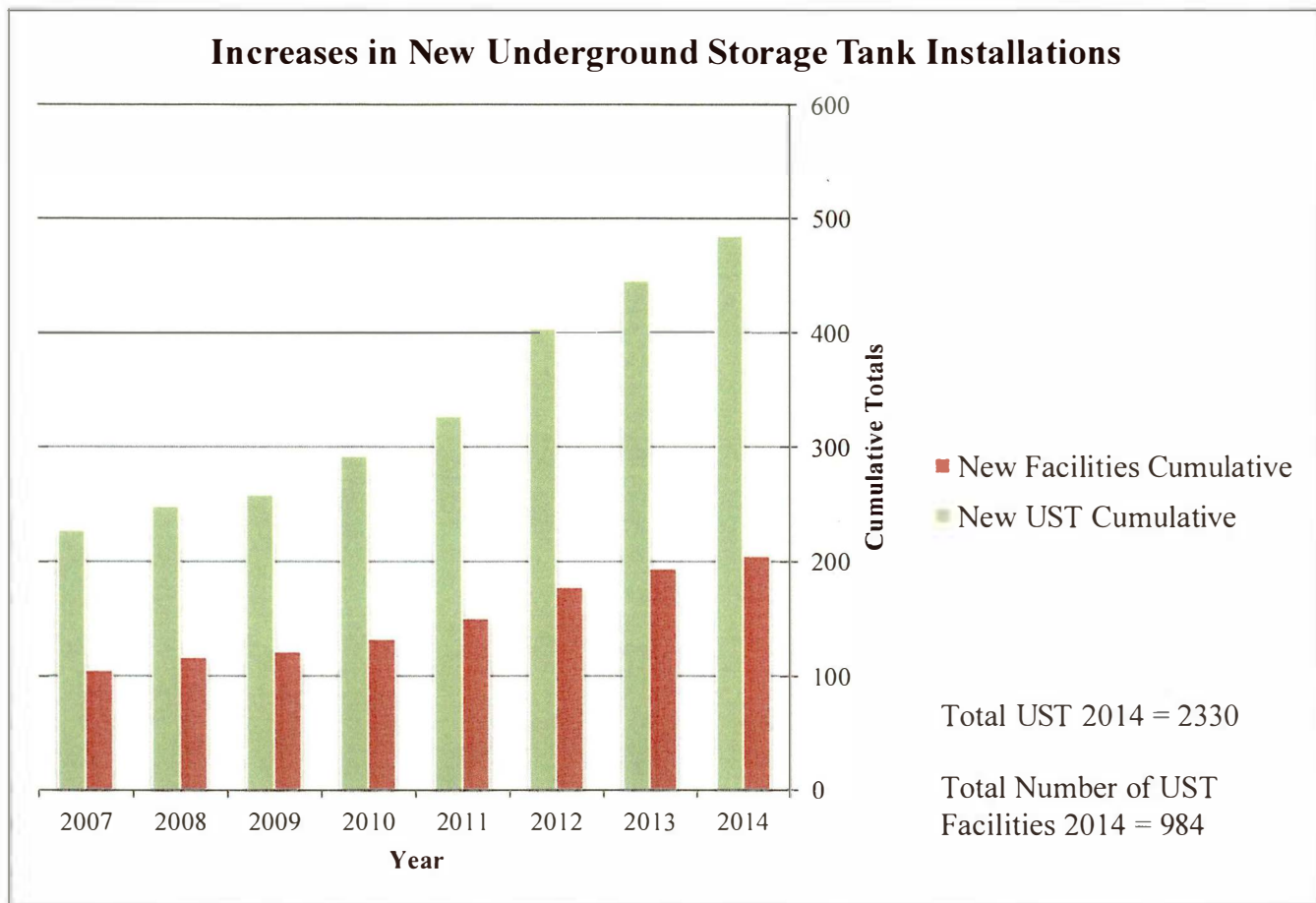


Figure 18. Increases in New Underground Storage Tank Installations

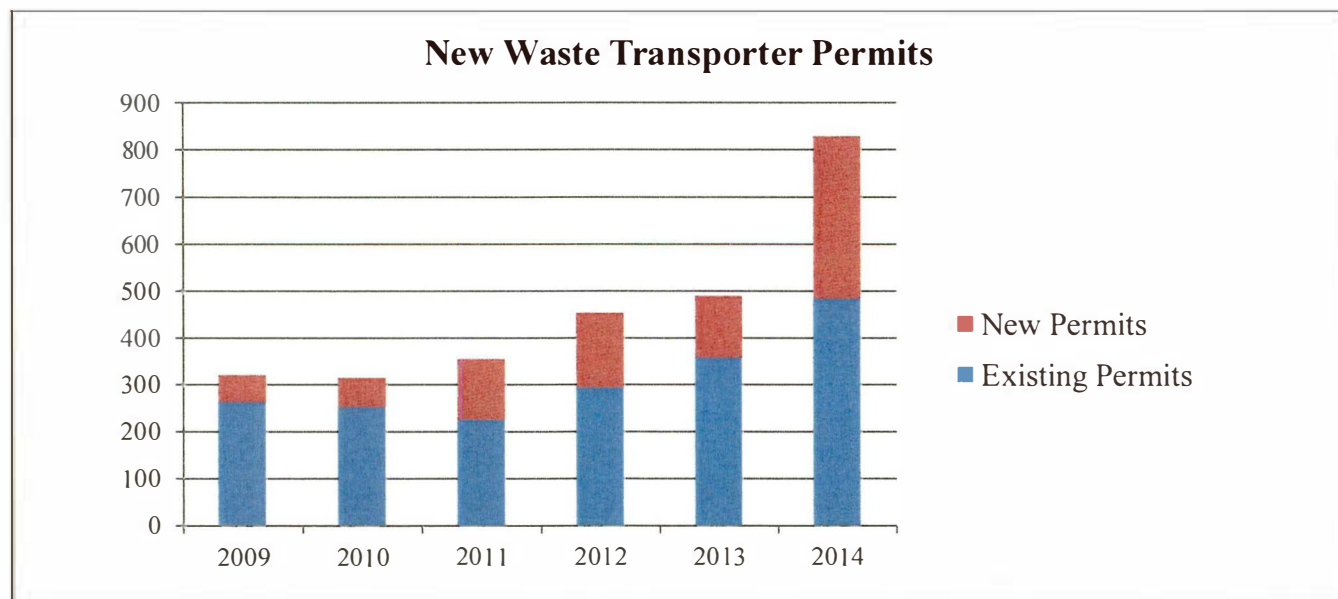


Figure 19. New Waste Transporter Permits

The significant increase in the number of pre-applications and applications for new or expanding landfills, both municipal solid waste and oilfield special waste, has greatly increased the workload of the Solid Waste Program. These applications are very detailed, highly technical documents, usually more than a thousand pages in length, that require expertise in soils, hydrogeology, plant science and engineering to review. North Dakota solid waste rules have a 120-day limit in which the department is required to complete the review. However, that has been increasingly difficult to achieve due to the volume of applications and inquiries received. At the same time, there is an increased need for inspections at the existing facilities and site visits to the new facility locations, which also takes significant staff time. This has resulted in a backlog for inspections and permits for other regulated solid waste facilities around the state. All of the programs in the Division of Waste Management have been affected by oilfield activities, but the Solid Waste Program has been affected the most.

An entirely new issue has arisen regarding the generation and proper management of Technologically Enhanced Naturally Occurring Radioactive Material (TENORM). TENORM is low-level radioactive waste that is generated primarily in oilfield exploration and production activities. It includes materials such as filter socks, tank bottom sludge and pipe scale. Responding to illegal dumping and improper management incidents has taken considerable staff time, as TENORM is a major concern of the public. The Division of Waste Management is overseeing rejected waste loads at landfills and the cleanup of illegal dump sites, although the number of incidents has decreased since implementation of requirements for TENORM waste containers on all well sites. The division is working with Argonne National Laboratory to study the risks to oilfield workers and the general public. New administrative rules regarding the proper handling, recordkeeping, reporting and disposal of TENORM have been developed and are in the public comment period. The recordkeeping and reporting requirements will take considerable additional staff time to oversee, as every oil well and salt water disposal well is a TENORM generation site. Existing special waste or large volume industrial waste landfills that want to accept TENORM waste under the new rules will have to apply for a permit modification, which may include changes to the waste acceptance plan, plan of operations and the landfill design.

E. Division of Water Quality

With increased oilfield activities in the northwestern part of the state, the division has been actively involved in many related issues. This division is primarily responsible for responding to oil spills with the potential to impact waters of the state and following up on appropriate remediation. Figures 20 and 21 illustrate the large increase in number of spills reported and response by staff. Of the spills that have been reported since 7/1/2013, there are currently 127 awaiting the initial inspection and 171 others that need additional on-site followup. Spills with the greatest potential to adversely impact the environment are evaluated as soon as possible. As the number of oil and gas facilities increase, the number of spills is expected to increase as well.

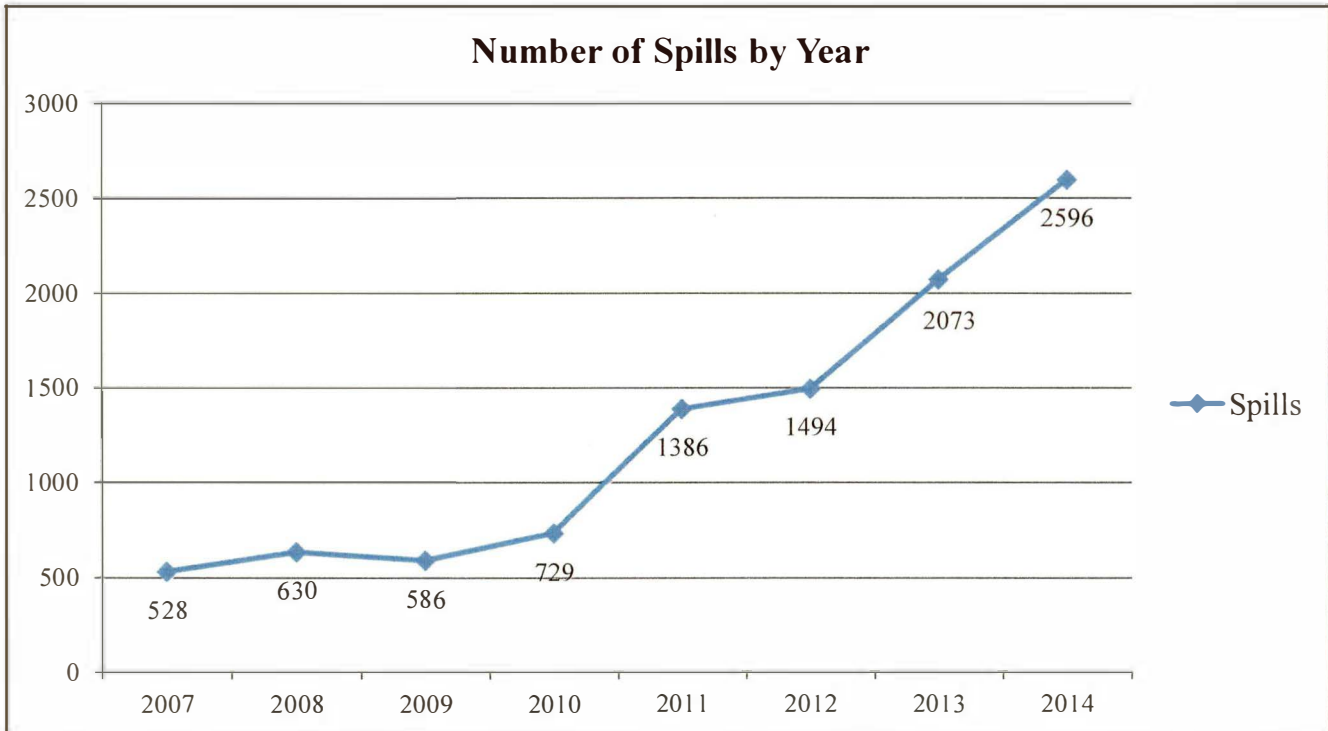


Figure 20. Number of Spills by Year

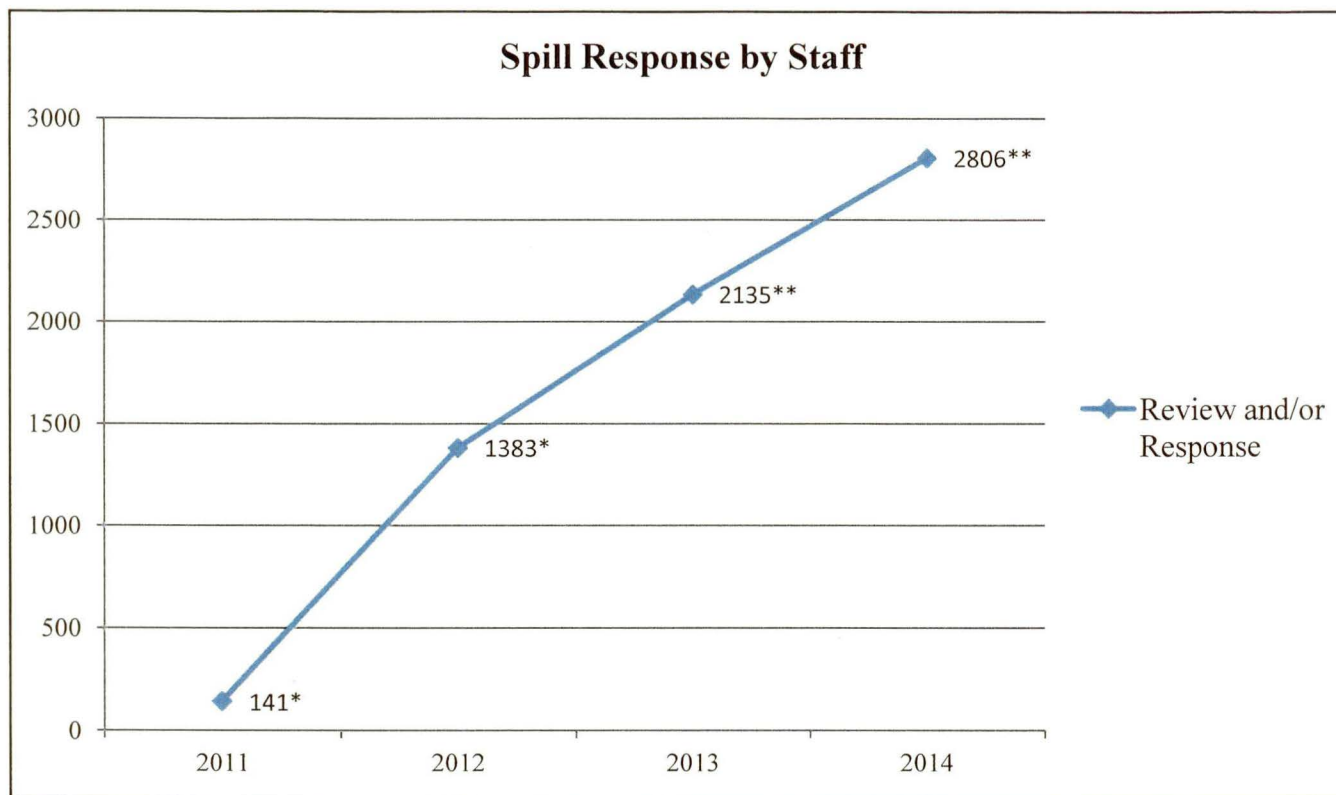


Figure 21. Spill Response by Staff

* 2011 and 2012 figures have been recalculated because the algorithm used to determine “response” has changed.

“Response” now includes the review of an incident to determine whether a follow-up is necessary. In previous versions of this graph, “response” was limited to telephone conversations and site inspections after the incident had occurred.

**The spill response team continues to work through a backlog of spills, which is why the numbers for 2013 and 2014 in Figure 21 are larger than the corresponding figures in Figure 20.

NDPDES Program

Figure 22 shows there has been a significant increase in the number of permits issued. All of the following, except for septic system servicers, are federally required permits.

- Construction stormwater
- Septic system servicers
- Dewatering and hydrostatic testing (including pipelines and tanks)
- Industrial stormwater
- Wastewater general permits (typically small domestic wastewater treatment facilities)
- Wastewater individual permits (typically major municipalities and industries)

The increase in permits has resulted in additional inspections of septic tank servicers, stormwater controls, and crew camp and hauled wastewater treatment facilities. In addition, the growth in the production of oil and natural gas has resulted in increased interest in facilities to utilize these products. Preliminary work has been done on permits for the following new facilities: two ammonia fertilizer plants, one diesel refinery and three natural gas-fired power plants. The permits for these facilities can be complex and require more staff time than most typical permits, and the interest in petrochemical manufacturing is expected to grow.

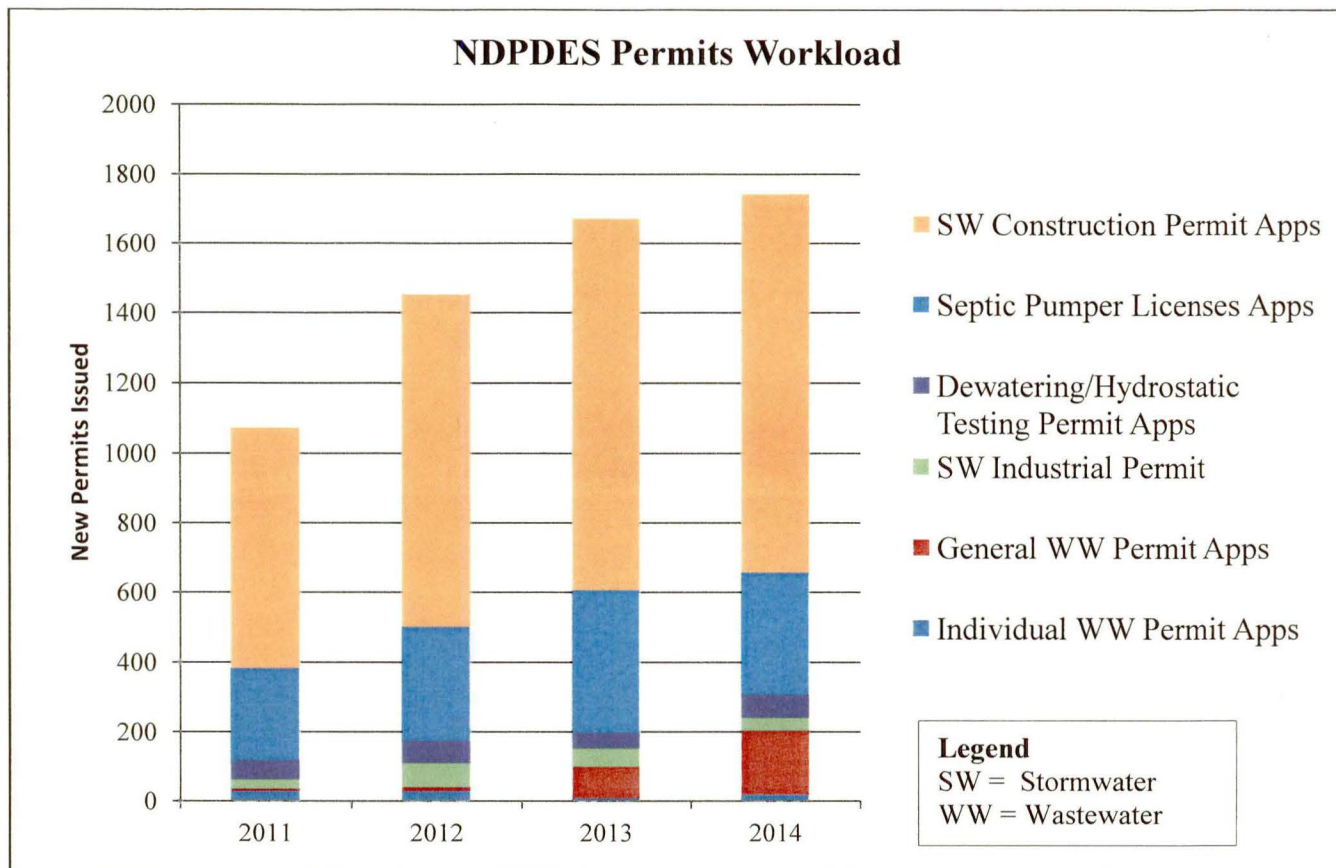


Figure 22. NDPDES Permits Workload

Ground Water Protection Program

To address the increased number of spills, one of the staff has become the team leader for the oilfield response team. This full-time effort means the program is short one full-time position. Existing staff assumed other duties of this position, which are extensive. In addition, two other existing staff members provide part-time support services to the oilfield response team, which also takes time away from their normal work duties.

The program reviews and comments on water appropriation applications received by the State Water Commission. The oil boom has significantly increased the applications for review (Figure 23), primarily related to industrial uses of groundwater. Approximately 120 water appropriation permit reviews were completed in 2014, and it is estimated that 125 reviews will be completed in 2015.

The number of public water systems in the oilfield has significantly increased, and each system requires the completion of a Wellhead Protection Area report. This report includes the delineation of the protection area, completion of a contaminant source inventory and a susceptibility analysis (Figure 23). In the last year, 62 reports have been prepared, including two reports for new community water systems. It is estimated that 70 reports will be prepared in 2015.

Figure 23 also shows significant impact on the UIC Program. The number of potential UIC sites (crew camps, oil service companies, vehicle repair businesses, etc.) increases daily. In 2015, it is estimated approximately 325 businesses in western North Dakota may have Class V wells and therefore require inspection. Available staff was able to inspect approximately 41 facilities in 2014. In 2015, it is

estimated approximately 280 facilities may warrant inspection. Additional potential UIC sites have yet to be evaluated. The program has responded to many requests for information about Class I injection wells and is in the process of permitting two Class I wells. Two Class I wells are projected for permitting in 2015. Many proposed oilfield waste disposal sites are also considering Class I wells, and some facilities are evaluating injection of treated wastewater as a disposal option.

A significant number of calls have come from the public related to sampling of private wells (e.g., how to sample, where to send samples, what to analyze, perceived impacts to wells, etc.). Workload related to landfill and facility siting reviews has increased significantly (Figure 24). Before the oil boom, one or two landfill pre-applications were received per year. In 2014, 11 oilfield special waste landfill pre-applications were received and reviewed by program staff. If the facilities obtain zoning approval, they will move through the application process requiring review by program staff.

An increased number of Freedom of Information Act open-records requests (223) were processed by program staff during 2013. In 2014, 180 requests were processed. This reduction is a result of some records moving to online availability and is not indicative of an overall decrease in demand for program data. Due to the growth in oil and gas production, North Dakota is known nationwide as a large oil- and gas-producing state, and this has resulted in increased information requests from across the country. Many of these requests are broad in scope and take additional staff time to compile.

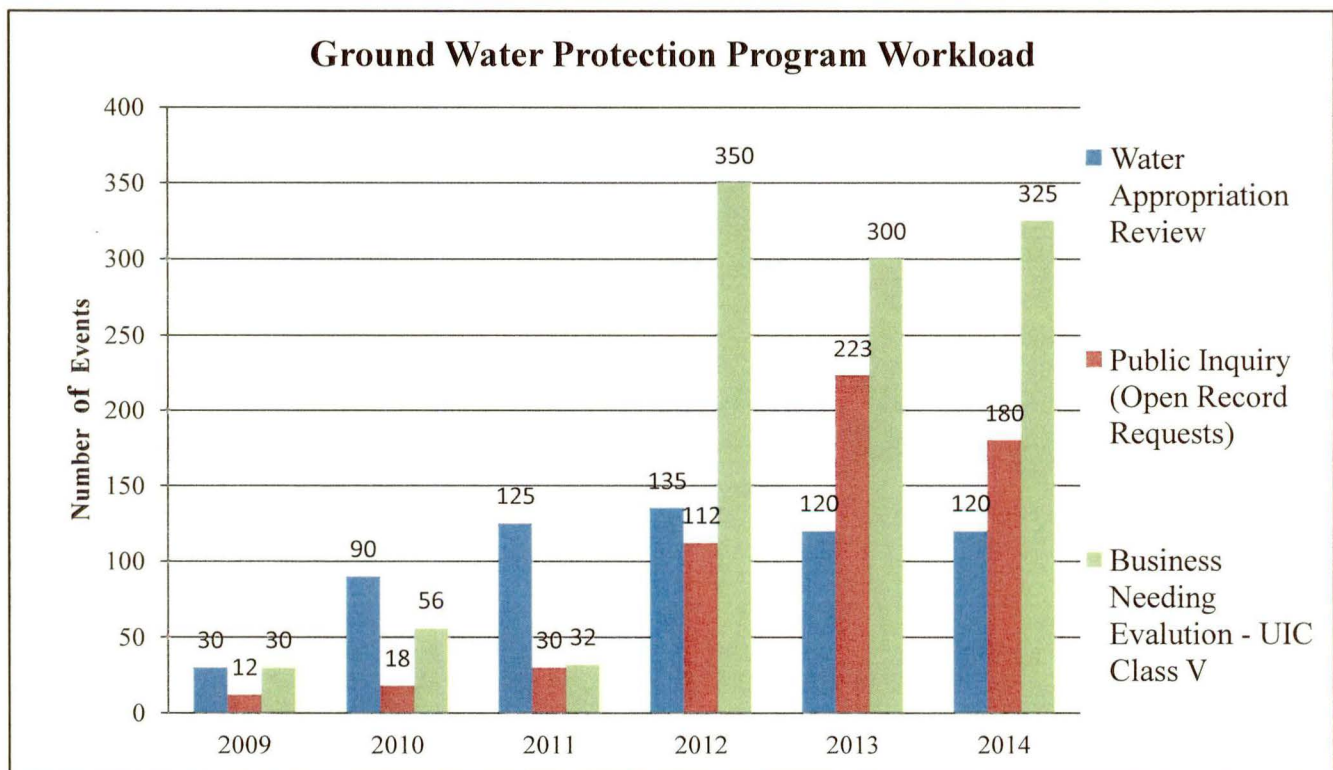


Figure 23. Ground Water Protection Program Workload (2009-Present)

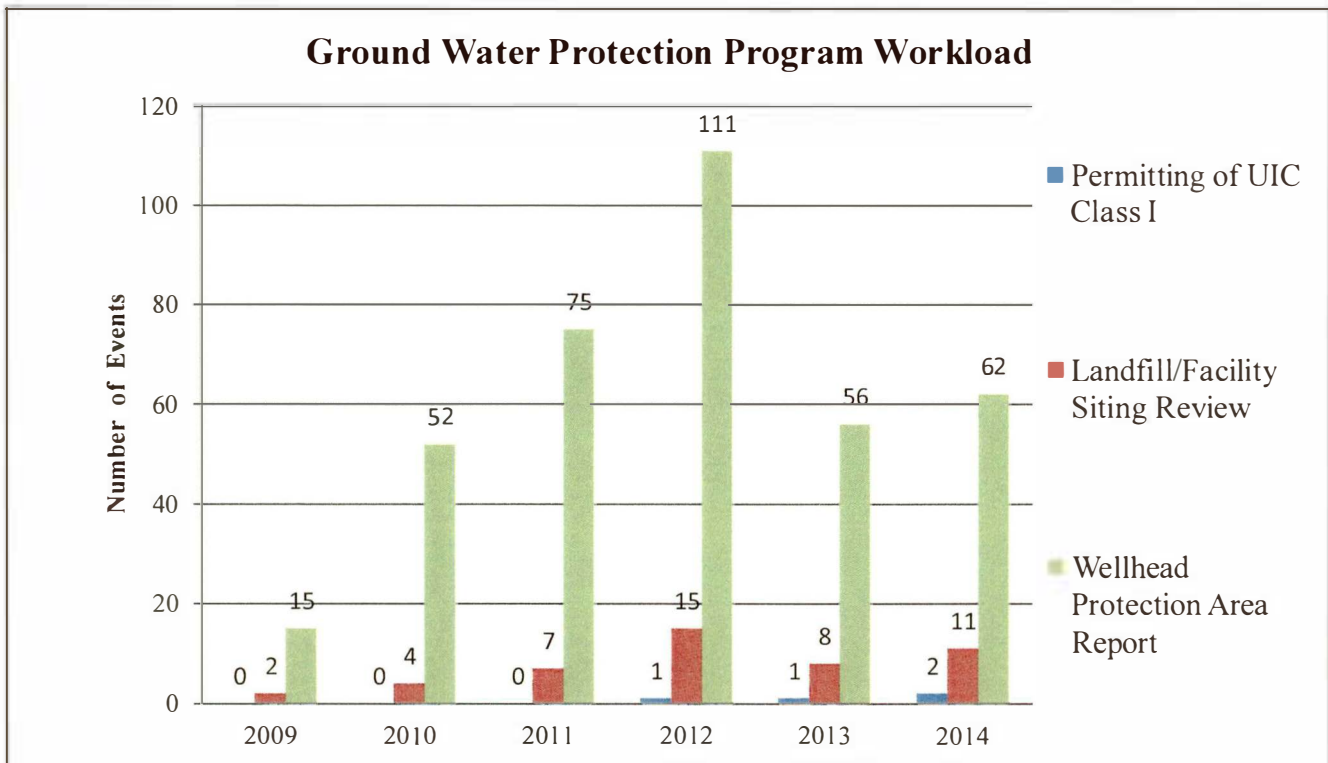


Figure 24. Ground Water Protection Program Workload (2009-Present)

Figure 25 shows that formal enforcement actions relating to violations of environmental statutes continue to increase. Enforcement actions require considerable staff time relating to case investigation, technical evaluation, monitoring and compliance reviews.

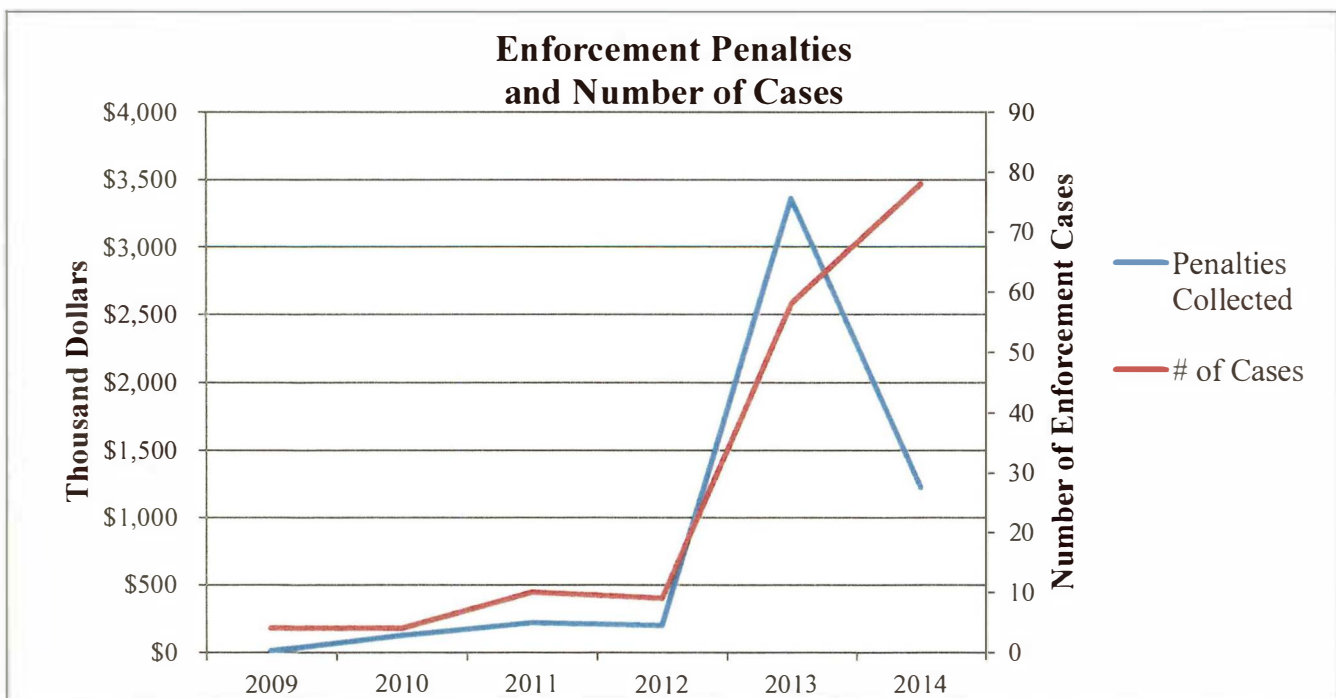


Figure 25. Enforcement Penalties and Number of Cases

III. Assistance Needed to Meet Increased Workload

A. Division of Air Quality

The division is in the process of assessing staffing needs and may need to add three FTEs to meet the workload increase in both the Air Quality Permitting & Compliance branch, as well as the Radioactive Materials branch. It is expected that funding for some positions can be met with fees that are being generated, although some General Fund support may be needed.

B. Division of Laboratory Services

Additional funds are being requested to address the increase in workload due to activities in the oilfield. One FTE (Chemist II) is needed to help with the increasing certification requests the laboratory has been receiving, as well as to help with sample analysis. In addition to the FTE, the division is requesting new instruments to replace or upgrade laboratory equipment that is old and out of date and may even be failing. Additional funds are being requested for supplies for the increased testing and new instrumentation. Funds also are being requested to purchase instrument maintenance agreements crucial to the continued operation of the laboratory instruments.

C. Division of Municipal Facilities

The division continues to experience significant increases in workload due largely to oilfield development activities. The increased workload is compounded by implementation of new and revised SDWA and State Revolving Loan Fund (SRLF) Program requirements; heightened community interest in using the SRLF programs for financial assistance to address infrastructure needs; turn back of work historically performed by local public health units; and reduced federal funding which impacts the division's ability to maintain state delegation for its programs. These challenges are not short-term but long-term. The division needs three additional FTEs (one data processing coordinator and two environmental engineers) to keep up with and address this increased workload. Due to stagnant or reduced federal funding, these positions will need to be funded using state general funds.

D. Division of Waste Management

In 2013, six new oilfield and industrial waste landfills were permitted, and two were significantly expanded. The Solid Waste Program conducted 235 inspections of 140 facilities and followed up on 110 reports of waste rejected by solid waste disposal facilities due to prohibited waste (including potential radioactive materials). Ten pre-application reviews were completed for proposed oilfield, industrial and special waste landfill units in 2013. This resulted in a backlog for inspections and permits for other regulated solid waste facilities around the state.

In 2014, two new oilfield waste landfills were permitted, and four industrial and municipal landfills were significantly expanded. The Solid Waste Program conducted 349 inspections of 195 facilities and followed up on 142 reports of waste rejected by solid waste disposal facilities due to prohibited waste (including potential radioactive materials). Ten pre-application reviews were completed for proposed oilfield, industrial and special waste landfill units in 2013.

Due to the number of permit applications that have been or are expected to be received, the year 2015 looks to be on a similar or increased pace. To respond to this increased workload, the division needs four additional FTEs (environmental scientists), one of which would be for designated for spill response.

E. Division of Water Quality

The Division of Water Quality has experienced a considerable increase in work load from oilfield activities. In the last five years, the division has responded to an approximate 230 percent increase in spills and numerous complaints regarding infrastructure shortfalls. The division needs to add three additional environmental scientists to meet the growing need for oversight of spill cleanups, underground injection control and wastewater treatment.



Jolene Kline Executive Director

SB 2126
1-16-15
#5

INDUSTRIAL COMMISSION

Jack Dalrymple Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

SB 2126

January 16, 2015

**North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony of Jolene Kline, Executive Director
Senate Appropriations Committee**

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Jolene Kline, executive director of the North Dakota Housing Finance Agency, and I am asking for your favorable consideration for Section 4 of Senate Bill 2126, which transfers \$20 million from the General Fund to the Housing Incentive Fund.

Reauthorization of the Housing Incentive Fund for the coming biennium and a provision for \$30 million in income tax credit authority for the HIF program is contained in House Bill 1014, the Agency's budget bill which was heard yesterday morning.

Using our experience from the current program, the \$50 million the Governor has proposed for HIF should result in approximately 1,200 additional affordable rental housing units and a total direct investment of approximately \$210 million in the next two to three years in our local communities.

HIF, created to incentivize the development of affordable rental housing, was first authorized by the 62nd Legislative Assembly in 2011 which also approved \$4 million in state income tax credits to capitalize it. The tax credits are issued on a dollar-for-dollar basis in exchange for contribution by taxpayers into the fund. During the special session in November 2011, the tax credit authority was raised to \$15 million. HIF was reauthorized in 2013 with \$20 million in tax credit authority and a \$15.4 million general fund transfer.

In the 2013-15 biennium, NDHFA raised the entire \$20 million in contributions by Dec. 31, 2013, a year ahead of the deadline. NDHFA held two allocation rounds in 2013 in

5.1

which 34 projects were awarded conditional commitments, exhausting the \$35.4 million in HIF funds for the biennium. Due to lack of infrastructure availability, complications with other financing and unforeseen obstacles during the course of development, four of those projects and two from the previous biennium were unable to come to fruition and returned their conditional commitments. Under our continuing appropriation authority, NDHFA used the returned funds to supplement commitments to projects that were unable to be fully funded initially or experienced significantly increased construction costs. The Agency opened a third allocation round in September 2014 to award the remainder of the money; one project in Watford City was approved.

In total during this biennium, the Housing Incentive Fund has or will create 942 housing units with 238 set aside for Essential Service Workers, 476 income and rent restricted to low- and extremely low-income households and 253 restricted to moderate-income households. The \$37.7 million in state funds will spur more than \$157.6 million in housing construction activity in Arnegard, Bismarck, Burlington, Devils Lake, Dickinson, Dunn Center, Fargo, Hettinger, Jamestown, Lignite, Mandan, Minot, New Rockford, Watford City, and Williston.

The Agency had requests for twice the amount of the HIF dollars available in the biennium. While that shows continued interest in the program by developers, the real demonstration of need comes from the number of families struggling to afford housing. According to the most recently available American Community Survey data from 2012, North Dakota is short 11,400 units of housing that is both affordable and available for extremely low-income households.

In addition, HUD Housing Choice Vouchers, which provide rental assistance to very low-income households, have not been able to keep pace with the changing housing markets in North Dakota, especially in the western part of the state. Dramatically increased rents have led to a lack of units where vouchers can be used. Market rate rents have escalated well beyond HUD-imposed payment standards in many communities. Watford City Mayor Brent Sanford reported that current market rate rent for a two-bedroom apartment in that community ranges from \$2,000 to \$3,400 per

month. The payment standard under the voucher program for McKenzie County for a two-bedroom unit, however, is \$881. The budget authority of the public housing authorities, which administer the vouchers, also has not grown with the demand meaning more resources are required to support each unit. Without rent-restricted units like those being developed under HIF, families receiving vouchers will continue to struggle to find units they can afford and the housing authorities will be pressed financially.

To further demonstrate the needs, waiting lists with some public housing authorities are extremely long or have been closed – the wait list in Fargo is more than 1,400 people long and the Burleigh County Housing Authority stopped taking new names and has more than 1,200 on the list; others, like Stark County, may have shorter wait lists, but only because potential users are unable to secure housing units that work under the voucher program.

The number of homeless persons (living in emergency or transitional shelter or unsheltered) in North Dakota in 2014 was 1,258. It is felt this is a conservative number as it is suspected that more homeless people in rural areas were not counted and that there is movement of homeless persons across state borders. The number of people precariously housed who are at risk of literal homelessness are also not included in the above number. In 2014, 1,049 people were precariously housed and it is estimated that there are many more who went uncounted. Housing being developed under HIF, like the Ruth Meiers Hospitality House Boulevard Avenue project, is helping to house these vulnerable populations, but clearly more is needed. The Interagency Council on Homelessness identified a goal of creating 50 permanent supportive housing units per year for homeless individuals in its 10 Year Plan to End Homelessness, but the state has fallen short of that goal which was set in 2008 so there is a substantial backlog of units needed. Development of these types of projects are also much more complicated than market rate or even regular affordable housing because the extremely low incomes of the tenants requires more equity and less debt to bring down rent costs to an affordable level. HIF is a critical piece of the development puzzle for supportive housing projects.

Affordable housing needs will continue with expected population growth across the state. Projections from North Dakota State University's Department of Agribusiness and Applied Economics show sustained growth in oil-impacted areas in the next two years, while the rest of the state exceeded population projections for 2015 two years ahead of time and is expected to continue to grow. Correspondingly, the number of housing units will need to increase to accommodate the growth. According to the HUD Office of Policy Development and Research, the rental housing inventory in Ward, Williams and Mountrail counties increased by 1,100 units between 2010 and 2013, but the number of renter households increased by 2,025 leading the rental vacancy rate to decline from 3.5 percent in 2010 to less than 1 percent in 2013. This is not isolated to the oil-impacted areas, however. Rental vacancy rates are very low across the state.

The reauthorization language of this program in HB 1014 is identical to the previous biennium including a priority for housing for essential service workers (ESW). At the end of 2014, NDHFA conducted a survey of ESW employers concerning their needs. We asked respondents the number of units they felt would be needed to accommodate their workers in the near term, within the next year and within two years. The following shows the needs indicated from the 218 respondents:

Type of Respondent	Needs Indicated			
	Total	Immediately	Next 12 Months	Next 24 Months
City	132	13	74	45
County	120	13	78	29
First Responder*	99	16	45	38
Medical**	170	37	80	53
School Districts	253	40	102	111
Totals	774	119	379	276
* Includes Police, Sheriff, EMS, Fire Department				
** includes nursing facilities, hospitals, basic care facilities				

The numbers above show a dramatic increase over the responses in April 2013 when respondents said 215 units were needed.

It is also important to understand that in working to address the rapid growth of our communities, many ESW employers have added staff. According to a report from the North Dakota Association of Oil and Gas Producing Counties, McKenzie County staffing

increased by 76 since 2010 with 14 in the past years, Mountrail County grew by 35 with 13 last year, Williams County has added 96 employees with 30 in the past year, the City of Minot added 68 with 10 in the past year, the City of Dickinson 65.5 with 26.5 last year, the City of Williston 98 with 18 in the past year and Watford City plans to hire at least 15 new employees this year.

Schools have also seen an increased need for staff as enrollment continues to grow. McKenzie County Public School District #1 has hired 44 new teachers and administrators over the past two years. In McKenzie County, enrollment increased 15.6 percent from the 2012-13 to 2013-14 school years; Stark County saw a 9 percent K-12 enrollment increase; and Williams County experienced a 13 percent increase in enrollment.

The housing needs identified are substantial and while housing construction is happening at high rates, there were concerns identified by survey respondents about the increased costs of housing for employees. Without adequate supply of affordable housing, recruitment and retention of ESWs will continue to be a challenge for public entities.

The Housing Incentive Fund has been a model of public-private partnership in developing affordable housing options in North Dakota. It has had a significant impact in developing new housing and we are very proud of what we have accomplished in a short amount of time, however it is evident that the need for affordable housing is as strong as ever. In order for HIF to continue to have a positive impact on North Dakota's affordable housing needs, it is essential that it receive the \$20 million appropriation in Section 4.

Thank you and I would be glad to answer any questions.

5.5

HIF Project Awards (2013-15)

Project Name	Location	Applicant / Developer	Tenant Type	Project Activity	Total Units	Income Targeting	Essential Service Worker Units	Total Development Cost	HIF Award
June 28, 2013 Application Round:									
Collins Place	Mandan	Dakota Commercial & Development	Family/ Senior	New Construction	29	80%: 9 140%: 20	0	\$3,885,000	\$1,100,000
McKenzie Ranger District Station Apts	Watford City	Girard Family Trust	Workforce	Adaptive Reuse	9	140%: 9	9	\$2,426,615	\$725,000
Rolling Ridge Estates	Minot	SW Design Build	Workforce/ Family	New Construction	48	80%: 15 140%: 10 Market: 25	24	\$7,613,000	\$2,250,000
WSC Housing-Phase II	Williston	Horizon Capital LLC	Workforce/ Family	New Construction	74	80%: 23 140%: 20 Market: 31	43	\$10,000,000	\$3,000,000
Independence Pointe	Bismarck	Independence Pointe, LP	Disabled	New Construction	24	30%: 6 80%: 17 Market: 1	0	\$3,800,563	\$425,000
Agassiz Circle Phase II	Devils Lake	Agassiz Properties, LLLP	Family	New Construction	8	140%: 8	0	\$1,287,599	\$385,269
McKenzie Healthcare Systems Employee Housing	Watford City	McKenzie County Healthcare Systems	Workforce/ Family	New Construction	24	80%: 4 140%: 14 Market: 6	18	\$6,098,517	\$1,830,000
North Sky I	Fargo	Beyond Shelter, Inc.	Senior	New Construction	24	30%: 5 80%: 19	0	\$2,855,460	\$1,142,184
Sullivan Apartments	Dickinson	Sullivan Properties	Family/ Disabled	New Construction	30	30%: 3 80%: 6 Market: 21	0	\$4,794,132	\$1,416,837
North 19th Street 5-Plex	Bismarck	Community Homes of Bismarck, Inc.	Disabled	New Construction	5	80%: 5	0	\$1,205,610	\$361,683
Wolf Run Village	Watford City	Wolf Run Village, Inc.	Workforce/ Family	New Construction	42	140%: 10 Market: 32	10	\$6,721,699	\$1,483,231
Heritage Hills	Dickinson	Heritage Hills I LLLP	Senior	New Construction	42	30%: 9 80%: 33	0	\$8,194,643	\$200,000
Lignite Housing Project	Lignite	Lignite Investments, LLC	Workforce/ Family	New Construction	28	80%: 8 140%: 1 Market: 19	9	\$4,564,060	\$1,265,000
Dunn Center Apartments	Dunn Center	LSS Housing, Inc.	Workforce/ Family	New Construction	18	140%: 9 Market: 9	6	\$2,324,200	\$700,000
Courtside Village	Hettinger	LSS Housing, Inc.	Workforce/ Family	New Construction	24	140%: 12 Market: 12	12	\$3,062,500	\$932,400
Renaissance on Main	Williston	Renaissance Station LLC	Workforce/ Family	New Construction	30	140%: 15 Market: 15	15	\$10,014,069	\$3,000,000
Totals for June 28, 2013 Funding Round:					459	30%: 23 80%: 139 140%: 128 Market: 171	146	\$78,847,667	\$20,216,604
September 30, 2013 Application Round:									
Independence Living	Bismarck	Independence Living LLC	Disabled	New Construction	14	80%: 14	0	\$1,665,802	\$483,045
McKenzie Healthcare 5-Plex	Watford City	McKenzie County Healthcare Systems	Workforce/ Family	Retirement of Debt	5	80%: 1 140%: 2 Market: 2	3	\$550,000	\$136,950
Arrowhead Estates	Amegard	Big Mountain Development	Workforce/ Family	New Construction	16	80%: 5 140%: 3 Market: 8	8	\$3,673,093	\$1,021,000
Second Avenue Apartments	New Rockford	Lesmeister Enterprises, LLC	Workforce/ Family	New Construction	8	80%: 3 140%: 5	3	\$800,000	\$240,000
Jamestown Court Rowhomes	Jamestown	Jamestown Rowhomes LP	Family/ Senior	New Construction	24	30%: 5 80%: 19	0	\$4,716,588	\$600,000
Garden Hills II	Jamestown	Hometown Living LLC	Senior	New Construction	40	30%: 4 80%: 7 140%: 29	0	\$4,995,084	\$1,497,625
ParkRidge Townhomes	Williston	ParkRidge Townhomes LLC	Workforce/ Family	New Construction	36	140%: 18 Market: 18	18	\$6,827,414	\$2,048,224
714 Place	Williston	Envision Land & Development	Workforce/ Family	Retirement of Debt	5	80%: 2 Market: 3	2	\$1,125,000	\$315,000
The Willows	Burlington	Beyond Shelter, Inc.	Workforce/ Family	New Construction	40	30%: 8 80%: 32	8	\$8,257,000	\$3,000,000
Fleldcrest	Minot	Beyond Shelter, Inc.	Workforce/ Family	New Construction	42	30%: 9 80%: 33	9	\$8,278,959	\$2,310,000
Cook's Court	Minot	Beyond Shelter, Inc.	Senior	New Construction	40	30%: 8 80%: 32	0	\$6,830,000	\$600,000
North Sky II	Fargo	Beyond Shelter, Inc.	Senior	New Construction	30	30%: 6 80%: 13 140%: 11	0	\$4,197,100	\$600,000
Heritage Hills II	Dickinson	Beyond Shelter, Inc.	Senior	New Construction	39	30%: 8 80%: 31	0	\$7,138,819	\$600,000
Boulevard Ave Community Center	Bismarck	Ruth Meiers Hospitality House	Homeless	Adaptive Reuse	84	30%: 16 80%: 52 140%: 16	0	\$9,518,500	\$2,855,500
Totals for September 30, 2013 Funding Round:					423	30%: 64 80%: 244 140%: 84 Market: 31	51	\$68,573,359	\$16,307,344
McKenzie Park Apartments	Watford City	G.A. Haan Development	Family	New Construction	60	80%: 6 140%: 41 Market: 13	41	\$10,258,686	\$1,247,173
Totals for September 30, 2014 Funding Round:					60	80%: 6 140%: 41 Market: 13	41	\$10,258,686	\$1,247,173
Totals for All Funding Rounds:					942	30%: 87 80%: 389 140%: 253 Market: 215	238	\$157,679,712	\$37,771,121

5.6

SB 2126 January 18, 2015 testimony

Chairman Holmberg and members of the Appropriations Committee

SB 2126
1-16-15
#6

My name is Lynn Fundingsland and I am the Executive Director of the Fargo Housing and Redevelopment Authority

In Fargo today we have over 1,000 households on a waiting list for housing assistance and the list is growing. The list is growing in part because of the national demographic shift of the baby boomers retiring - we have a lot of seniors coming at us with that population projected to double in the next 10 years. In Fargo we are also seeing fixed income households coming from the western part of the state seeking more affordable housing, which adds to the demands created by normal population growth.

The same sort of thing is happening across the state. In 2012 the US Census Bureau identified **a shortage of 11,400 affordable housing units statewide.**

At the same time that the demand for affordable housing is increasing, market pressures are pushing rents up so that there are fewer affordable privately owned units on the market, as those of you from the west know all too well. We are also losing subsidized units due to private owners converting their units to market rate since it is more profitable. In Fargo we are looking at potentially losing 248 units of subsidized housing due to a building that is deteriorating beyond repair.

The market generally doesn't deliver affordable housing; the economics don't work so some public investment/subsidy is needed. There is some Federal help but it is limited and, the Federal programs don't really fit well in all communities.

The currently proposed level of Housing Incentive Fund funding is quite inadequate to meet the serious and immediate needs of the state - **the Housing Authority Directors Association advocates for an increase to a \$100,000,000 funding level,** which will be leveraged with other programs. This level of investment doesn't solve the problem but it will make a significant dent in the need. It will take the sometimes crushing financial pressure off of hundreds of households for years to come and, will help to stabilize populations in many communities across the state.

Thank you for the consideration and I would be happy to answer any questions you may have.

Lynn Fundingsland

6.1

North Dakota Housing Authority Directors Association

Regarding the N.D. Housing Incentive Fund (HIF) for the 2015-17 Biennium

North Dakota's Housing Authority Directors recommend and support the authorization of a HIF program for the coming biennium at a level of \$100 million to be used for new construction of affordable housing and the preservation (or replacement) of currently subsidized affordable housing that is at risk. As supported by the data summarized here, the Governor's request of \$50 million is woefully inadequate to meet the growing and increasingly urgent needs of North Dakotans – which are due in part to housing market pressures created by the oil-play.

New construction and preservation or replacement

Background

- Projections show growth between 29,000 and 44,000 more people in oil-impacted areas in the next two years (NDSU Ag Economics Dept)
- New housing in the oil-impact area is projected at 12,000 to 15,000 units in the next two years
- The balance of the state is exceeding population projections and will continue to grow
- For the balance of the state the housing production projection is 3,400 in the next 2 years (this number is from the 2012 statewide housing needs assessment and is now considered to be conservative)
- Per the 2013 American Communities survey - 11.8% of North Dakotans (82,398 individuals) are below the poverty level
- 35% of North Dakota households are renters
- 23,600 households or 23% are extremely low income (30% of area median income)
- 28% of renters are cost burdened – spending more than 30% of their income on housing

Need

- In 2012, according to the US Census Bureau, the state-wide **shortage** of housing both affordable and available to extremely low income households was **11,400 units**
- There are currently less than 25 units for every 100 needed
- A January 2014 census counted 1,258 homeless and 1,049 precariously housed people in the state – the consensus is that there are many more who were not counted

6.2

- A cost-benefit analysis of Cooper House in Fargo demonstrated significant cost savings to communities to house the homeless in supportive housing over working with this population on the streets (arrests, incarceration, emergency shelter costs, detox, emergency room and hospital stays, judiciary costs etc.)
- Due to age and condition issues, 248 units of public housing for low-income residents (Lashkowitz high-rise in Fargo) are in danger of becoming uninhabitable without major renovation or replacement of units.
- Federally subsidized Farmers Home projects are being lost and others are at risk in rural communities across the state
- Public entities have identified a need for 774 additional essential service workers in the next two years – where will they be housed, especially in our western communities with sky high rents?
- Federal development programs are unable to keep pace with needs - The Federal Low Income Housing Tax Credit program produces affordable housing but is limited to about 4 projects or approximately 160 units per year statewide
- The \$50 million level of funding proposed in the Governor's budget will leverage approximately 1,200 units of housing
- The \$100 million the Directors advocate for will fund up to 2,400 units which is still seen as considerably short of what is needed but, which can realistically be put on the ground in the next biennium

NATIONAL LOW INCOME HOUSING COALITION 2014 State Housing Profile

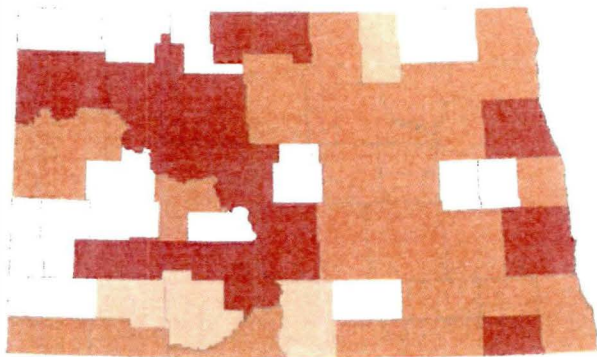
North Dakota

Senators: Heidi Heitkamp and John Hoeven

Many renters in North Dakota are extremely low income and face a housing cost burden. Across the state, there is a deficit of rental units both affordable and available to extremely low income (ELI) renter households, i.e. those with incomes at 30% or less of the area median income (AMI).

Last updated: 9/5/14

AFFORDABLE & AVAILABLE UNITS FOR ELI RENTER HOUSEHOLDS

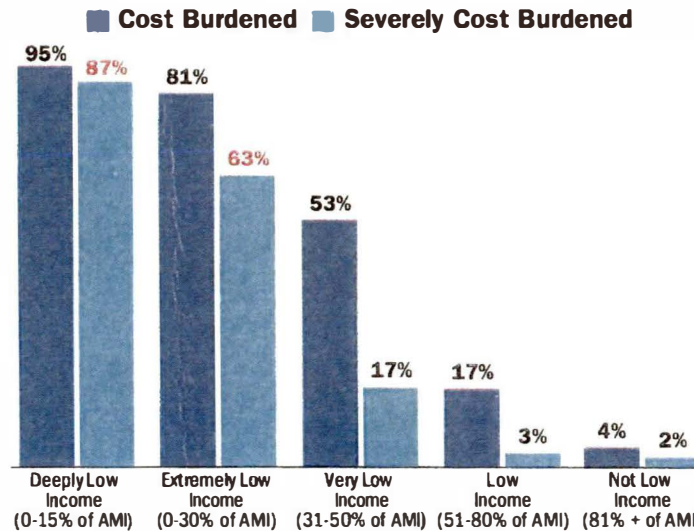


- Insufficient data
- Less than 25 units per 100 ELI households
- Between 25 - 40 units per 100 ELI households
- More than 40 units per 100 ELI households

Source: NLIHC tabulations of 2006-2010 Comprehensive Housing Affordability Strategy (CHAS) data

HOUSING COST BURDEN BY INCOME GROUP

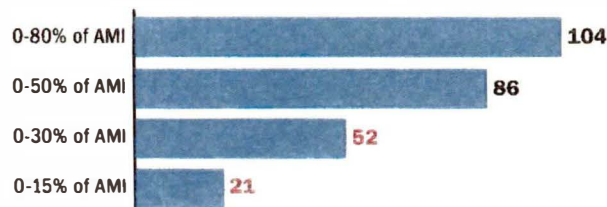
Renter households spending more than 30% of their income on housing costs and utilities are **cost burdened**; those spending more than half of their income are considered **severely cost burdened**.



Source: NLIHC tabulations of 2012 American Community Survey Public Use Microdata Sample (PUMS) housing file

HOUSING SHORTAGE BY INCOME THRESHOLD

The lower the income threshold, the greater the shortage of affordable and available units per 100 renter households.



Source: NLIHC tabulations of 2012 American Community Survey Public Use Microdata Sample (PUMS) housing file

KEY FACTS

35%

Households in this state that are renters

23,594

OR

23%

Renter households that are extremely low income

\$20,622

Maximum state level income for an ELI household

11,424

Shortage of units affordable and available for extremely low income renters

\$14.19

State Housing Wage

The hourly amount a household must earn to afford a two-bedroom rental unit at HUD's Fair Market Rent

SB 2126
#7
1/16/2015

Mr. Chairman & Members of The Committee, I urge passage of SB 2103.

My name is Gaylon Baker and I have been in the Economic Development field for over 30 years, the past 19 years being in Stark County.

When our area began to experience the run-up in oil-based activity we quickly learned that along with the hard working blue collar workers we also were seeing an influx of very smart, very well-educated, very well-travelled executives. Their advice & counsel over the past several years has helped us tremendously.

We have a bi-monthly meeting of Business and Community Leaders dubbed the Manufacturer's Round table. At a recent meeting hosted by a major oil company in Stark County one of these seasoned executives gave us a fascinating presentation on the effect of falling oil prices.

At the end of that presentation we asked what our response should be. He advised us to continue to invest in the capacity to host the oil industry. He noted that states like Texas that have a lot of experience with the volatility of oil prices will continue to invest in the necessary infrastructure to support oil production. OVER

Should North Dakota not do likewise, other states will be targeted for ramping oil production back upward when the price of crude rebounds.

SB 2103 provides a fair and well thought-out plan to keep North Dakota in the game and assure that when oil prices rebound, North Dakota oil production and the flow of tax dollars will rebound as well.

Thank You,
Gordon Baker

Testimony on SB 2126
Appropriations
Chairman: Senator Ray Holmberg
January 16, 2015

SB 2126
1-16-15
#8

Submitted by: Dan Madler, Chief Executive Officer - Beyond Shelter Inc. (BSI), 701-730-2734, Lobbyist #161

Chairman Holmberg and members of the Committee, thank you for the opportunity to be heard.

My name is Dan Madler and I am the CEO of Beyond Shelter, Inc. (BSI), a North Dakota nonprofit developer of affordable housing.

Since HIF's inception and through today, BSI has closed on the financing of 281 HIF units, providing quality affordable housing to Essential Service Worker and Elderly households living in the communities of Dickinson, Minot, Burlington, and Fargo.

I have found the HIF's design to be nimble and BSI has been able to put the money to work quickly, leveraging approximately \$9.8M in HIF's to produce \$49.5M in quality affordable housing assets. Essentially for every \$1 of HIF's, BSI has been able to produce \$5 in affordable housing assets.

As a housing practitioner and affordable housing provider for the past 21 years, I have never seen the need for affordable housing as great as it is in North Dakota today. Many renters in North Dakota are extremely low income and face a housing cost burden. Across the state, there is a deficit of rental units both affordable and available to extremely low income renter households. And that is why I join with the Housing Authority Directors Association in advocating for an increase to a \$100M funding level.

Funding the HIF at \$100M would be an investment in North Dakota communities and in the State of North Dakota. If a community and state want to be strong economically, they need to provide a balance of housing stock to its residents. There needs to be housing for all income levels. The HIF program helps ND communities and the State of ND provide this balance.

Using BSI Development numbers, \$9.8M to produce 281-units serving ND households at 80% area median income or below and \$1 of HIF's to produce \$5 in quality affordable housing assets, a \$100M investment would produce approximately 2,900-units providing approximately \$500M in affordable housing assets serving ND communities for the next 15-30 years.

In closing, I respectfully request your support for a continuing appropriation of the HIF at \$100M and I support SB 2126 \$20M surge appropriation. This would be a continued investment in ND communities, offering great financial leverage, while

8.1

providing quality affordable housing options that will enable local families, longtime residents, and those on fixed incomes to affordably live in the ND community that they call home.

Thank you for your time and consideration and I stand for any questions that you may have.

Testimony

Senate Bill 2126 – Housing Incentive Fund

Senate Appropriations

Senator Holmberg, Chairman

January 16, 2015

SB 2126
1-16-15
#9

Chairman Holmberg, members of the Senate Appropriations Committee, my name is Royce Schultze, Executive Director of Dakota Center for Independent Living, Inc. We provide services to people with disabilities in South Central and South Western North Dakota. I am here today to provide testimony in favor of SB 2126 to appropriate \$20 million into the Housing Incentive Fund. One of the services we provide is assisting people with disabilities to find decent affordable accessible housing in our 18 County service delivery area. With the oil boom that has hit Western North Dakota, it becomes more and more difficult to find decent affordable accessible housing for people with disabilities. With the price of rental units skyrocketing, it makes section 8 vouchers virtually useless because rents are so much higher than what the section 8 vouchers will cover. This means individuals that we transition from nursing facilities back to the community have to stay in nursing facilities longer because they have no place to go, thus costing the state even more money. There are apartments that do fall within section 8 voucher limits that people with disabilities are living in; however, the conditions are so poor that neither you nor I would even think of moving into them. There are decent, affordable, accessible apartments that fall within the section 8 voucher limits, but we need more! So in closing, I encourage you to support SB 2126 and appropriate a minimum of \$20 million into the Housing Incentive Fund to provide safe, decent, affordable, and accessible housing to those that need it most.

Thank you!

 701 722-3636 9.1



SB 2126
1-16-15
#10

WRITTEN TESTIMONY PROVIDED TO
ND SENATE
APPROPRIATIONS COMMITTEE
DURING THE 64th LEGISLATIVE ASSEMBLY
ON JANUARY 16TH, 2015
IN SUPPORT OF
SB 2126
REGARDING SECTION 4
APPROPRIATION – TRANSFER – GENERAL FUND TO
HOUSING INCENTIVE FUND

Chairman Holmberg
Vice Chairman Bowman
Vice Chairman Krebsbach
Members of the Appropriations Committee

I write today to ask for your support for increased funding for the Housing Incentive Fund (HIF) and to include specific appropriations for authorized but as of yet unaddressed, unmet housing needs in the state.

Funding:

Governor Dalrymple's proposed budgeted amount of \$50 million for the HIF fund falls far short of what is needed to address the affordable housing needs across the state. Over the past two biennium's \$49.610 million of HIF funding has been allocated to housing projects having total development costs of \$251.508 million for the creation of 1,521 units. To illustrate how woefully insufficient \$50 million is to addressing the housing needs of the state, a Housing Needs Assessment for the City of Grand Forks released in July of 2012 stated: **"The city has a current shortage of 2,339 units to serve renters who need units priced less than \$405/month."** To date, the HIF allocations of the past two legislative sessions have been enough to cover only 65% of the needs of the City of Grand Forks, let alone the remaining State's needs.

A minimum funding level of \$150 million would be more appropriate just to keep up with needs. **A \$250 million funding level would**, perhaps, allow the state to start getting



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ahead of the ever increasing demand/need and still be at a level that can be sufficiently administered state wide.

Allocations:

To date all appropriations to the HIF fund have been used for the development of new units. While new units are sorely needed, there remains a need for rehabilitation/preservation of existing units as well as assistance provided to households to enable them to remain in the home they currently occupy at rents that they can afford. To address these additional state wide needs the following allocations are suggested, assuming a total appropriation of \$150 million:

New unit development (current program):	\$100 million
Rehabilitation/Preservation of existing units:	\$ 35 million
Tenant Based Rental Assistance (TBRA)	\$ 15 million

Across the nation HUD estimates that there exists some \$28 billion in deferred maintenance of public, assisted housing. As a result of this deferred maintenance thousands of units of affordable housing are lost annually. North Dakota is not immune from the results of deferred maintenance of affordable housing. There exist today housing projects, large and small, located in the largest cities of the state as well as the smallest communities, that are on the verge of failing due to many years of neglect as the result of insufficient financial resources. **\$35 million** would begin to address these deferred maintenance needs.

As well, there are many families today, in Eastern North Dakota as well as the "oil patch" that are paying in excess of 30% of household income towards their housing needs. The ND Housing Authority Directors Association has proposed a TBRA demonstration program whereby households, primarily "essential service workers", are provided assistance to bring their housing burden down to under 40% of household income. A **\$15 million** appropriation will assist an estimated 500 to 750 households for the suggested five year period of the program with assistance ranging from \$300 to \$500 per unit per month.

Please do not hesitate to contact me with any questions you may have regarding any of the above program enhancements.

Thank you in advance for your support in increasing the State's allocation to the HIF Program and to expand the use of these funds to address additional needs within already authorized uses and Thank You for all you do.

Respectfully submitted,

Terry Hanson
Executive Director

10.2