

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

ECONOMIC IMPACT COMMITTEE

Monday, September 29, 2014
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Dave Oehlke, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Dave Oehlke, Tom Campbell, Ron Carlisle, Mac Schneider, George B. Sinner; Representatives Thomas Beadle, Rick Becker, Joshua A. Boschee, Mike D. Brandenburg, Ed Gruchalla, Nancy Johnson, Matthew M. Klein, Gary R. Sukut

Members absent: Senator Terry M. Wanzek; Representatives Bob Hunsakor, Vernon R. Laning

Others present: See [Appendix A](#)

It was moved by Representative Klein, seconded by Senator Carlisle, and carried on a voice vote that the minutes of the June 25, 2014, meeting be approved as distributed.

TRANSPORTATION INFRASTRUCTURE STUDY

Mr. Grant Levi, Director, Department of Transportation, presented a report ([Appendix B](#)) relating to highway funding, road and bridge project progress, state strategic freight system for highways, railroad system infrastructure, and challenges facing the Department of Transportation (DOT). He said 2013 Senate Bill No. 2176, which provided highway construction funding immediately, allowed for a balance of the construction program and an early start. He said that has aided DOT in making progress, particularly in the western portions of the state.

In response to a question from Representative Klein, Mr. Levi said the United States Highway 85 project has four completed lanes between Watford City and Alexander. He said the portion between Alexander and County Road 16 should be completed this year, which will mean the project will be approximately two-thirds complete. He said the highway portion of the project between County Road 16 and Williston will be complete in 2015 and the bridge on that portion will be completed in 2016.

In response to a question from Senator Sinner, Mr. Levi said the United States Highway 85 project is utilizing all state funds and the bypass projects also are funded by state money. He said the federal highway process was followed with respect to the United States Highway 85 project because of the federal nexus involved with areas like wetlands. He said DOT has worked with several federal agencies to address environmental concerns.

In response to a question from Representative Gruchalla, Mr. Levi said the opportunity to use federal funds on those projects is no longer available after the state proceeded down the path of state funding.

In response to a question from Senator Campbell, Mr. Levi said some states have essentially eliminated 2015 construction due to concerns with respect to federal funding. He said DOT is proceeding as though federal funding will be available at the same level as this year. He said Congress will find a way to fund infrastructure.

In response to a question from Representative Brandenburg, Mr. Levi said funds received by DOT for safety and transit also are impacted by the lack of federal action. He said DOT will estimate the amount of likely federal funding for 2015, but may need to make adjustments in the estimates during the legislative session. He said it is difficult to plan with \$45 million when you are anticipating \$240 million.

In response to a question from Representative Becker, Mr. Levi said DOT received funding for the amount the department requested during the last legislative session. In hindsight, he said, DOT possibly could have used additional funding. However, he said, DOT puts forward a budget that department officials believe the department and the industry can deliver.

In response to a question from Representative Johnson, Mr. Levi said because economic conditions in other states may not be as positive as this state, contractors from around the country have sought jobs in North Dakota and have provided additional competition.

Mr. Levi said because of the dramatic growth in traffic in the western area of the state, DOT will focus on the four largest oil-producing counties to establish an integrated road system to move commerce. He said the goal is to complete that project before the 2015 legislative session.

In response to a question from Chairman Oehlke, Mr. Levi said DOT attempts to work closely with tribal officials on road projects within reservations. He said there have been occasions in which tribal governments have changed positions and DOT generally has been able to work through those changes on the projects. He said the Three Affiliated Tribes is examining the potential for creating its own transportation department. He said all highway projects depend on relationships and DOT has been successful in working with all of the entities involved.

Mr. Levi said DOT is required to develop a state rail plan. However, he said, DOT has little jurisdiction over the rail industry.

In response to a question from Senator Campbell, Mr. Levi said if the Legislative Assembly added additional resources to the railroad loan program, DOT would be capable of managing the additional loans. He said the railroad loan program was designed to support rail service in an effort to get commodities off the roads. He said DOT generally performs a cost-benefit analysis on proposed projects before funding any project.

Representative Brandenburg said the short line railroads need to upgrade rail. He said the railroad loan program would be a good program to consider expanding.

In response to a question from Representative Becker, Mr. Levi said the railroad loan program has been successful and he is unaware of any defaults on loans. He said the large projects that have a term of 10 years at zero percent interest are usually funded by other loans to the extent of about two-thirds of the total project cost.

In response to a question from Senator Sinner, Mr. Levi said the intent of the federal funding that was the source of the railroad loan program was to assist in promoting industries vital to the state. Although the Bank of North Dakota could administer the program, he said, banks generally require a more extensive process to demonstrate collateral that the short line railroads may not have. He said DOT is primarily interested in ensuring there is an appropriate benefit to the transportation infrastructure of the state.

Senator Campbell said the state must continue to support short line railroads in rural areas. He said those railroads are providing service where the large railroads abandoned lines.

In response to a question from Representative Johnson, Mr. Levi said the railroad loan program fund has grown beyond the initial \$13 million investment as a result of the collection of interest on the loans. He said the fund is almost entirely loaned out, but DOT is receiving requests for loans and prioritizing the loans. He said DOT entered an agreement with the Upper Great Plains Transportation Institute to examine short line railroad needs. He said the study is still being conducted, but a report likely will be completed by the 2015 legislative session.

In response to a question from Senator Sinner, Mr. Levi said there is no incentive to repay a zero percent loan early.

Senator Sinner said if the Bank of North Dakota administered the program, the Bank may be able to provide incentives for early repayment.

In response to a question from Representative Gruchalla, Mr. Levi said DOT is working to address problems regarding salaries and retaining and hiring employees.

EMERGENCY SERVICES COMMUNICATIONS COORDINATING COMMITTEE REPORT

Mr. Jerry Bergquist, Chairman, Emergency Services Communications Coordinating Committee, presented testimony ([Appendix C](#)) regarding the biennial status report ([Appendix D](#)) of the Emergency Services Communication in the state.

In response to a question from Chairman Oehlke, Mr. Bergquist said he will work with representatives of the North Dakota Association of Counties to find sponsors for the legislation proposed in the report.

It was moved by Representative Gruchalla, seconded by Representative Johnson, and carried on a roll call vote that the committee accept the report of the Emergency Services Communications Coordinating Committee as required by North Dakota Century Code Section 57-40.6-12. Senators Oehlke, Campbell, Carlisle, Schneider, and Sinner and Representatives Beadle, Becker, Boschee, Brandenburg, Gruchalla, Johnson, Klein, and Sukut voted "aye." No negative votes were cast.

CHILD CARE AVAILABILITY STUDY

Chairman Oehlke called on Ms. Carol Cartledge, Director, Economic Assistance Policy Division, Department of Human Services, for a presentation ([Appendix E](#)) relating to child care assistance program eligibility.

In response to a question from Representative Boschee, Ms. Cartledge said the Department of Human Services (DHS) has partnered with Child Care Aware of North Dakota to help provide information regarding the child care assistance program to child care providers. She said the intent of the partnership is to provide information to providers who can share that information with families that may be eligible for child care assistance.

Representative Boschee said DHS should consider targeting its outreach efforts to certain counties where the need is the highest.

Chairman Oehlke called on Ms. Jennifer Barry, Administrator, Early Childhood Services, Children and Family Services Division, Department of Human Services, for a presentation ([Appendix F](#)) regarding child care capacity and efforts to recruit licensed child care providers. Ms. Barry demonstrated a home child care provider [recruitment video](#) that DHS produced in partnership with the [Department of Commerce](#).

In response to a question from Representative Boschee, Ms. Barry said the Bright and Early program provides financial incentives to child care providers to progress through the ratings steps. She said the 2013 Legislative Assembly provided \$1 million to DHS for incentives. In addition, she said, DHS has used other funds to expand the program and allow movement to the first two steps in the program. She said she hopes that the Department of Public Instruction study being undertaken and the efforts of this committee may aid in the future expansion of the Bright and Early program. She said federal child care legislation is likely to result in the reauthorization of child care block grants, as well as implementation of other regulations such as expanded criminal background checks. Although the federal legislation may include some additional money available to the state, she said, she is unsure what the result will be.

Senator Carlisle said DHS should consider implementing efforts to streamline the paperwork process for the child care assistance program.

TRANSPORTATION INFRASTRUCTURE STUDY

Chairman Oehlke called on Ms. Julie Fedorchak, Commissioner, Public Service Commission, for comments regarding pipeline infrastructure in the state for the transport of crude and gas. She said oil imports have dropped over 15 percent due to development in North Dakota and in 2015 the United States has become the largest oil-producing country in the world. She said pipelines are the most efficient and environmentally sound way to transport crude. In July, she said, 34 million barrels of crude were moved by pipeline and 40 million cubic feet of gas was moved by pipeline. She said there are approximately 20,000 miles of gathering and transmission lines for gas and crude in the state.

Ms. Fedorchak said the crude pipeline capacity in the state in 2014 was 783,000 barrels per day. She said the capacity is projected to increase to 1.5 million barrels per day in 2016. She said there are three large projects that are proposed or are in the permitting process. She said the Enbridge Sandpiper project would move 225,000 barrels per day from Tioga to Superior. She said the state permitted the project in May, but the permits from the Minnesota Department of Commerce and Public Utilities Commission are still under consideration. The Energy Transfer Partners project would move 320,000 barrels per day or 1,100 miles from the Bakken region to Illinois. She said the application for that project has not yet been submitted. Another proposed project for which an application has not been submitted, she said, is the Enterprise Products project. She said that project would move approximately 340,000 barrels per day from the Bakken, and that amount could be increased up to 700,000 barrels per day with additional pressure. She said that project, if completed, could have the capacity to transport a variety of products.

Ms. Fedorchak said the capacity to transport crude by rail in the state in 2014 was about 1.1 million barrels per day. She said the capacity is expected to increase to 1.3 million barrels per day in 2016. She said the total transport capacity in the state has increased from 1.9 million barrels per day in 2014 to 2.9 million barrels per day in anticipated capacity in 2016. If the proposed pipelines are approved and constructed, she said, the pipeline capacity would be about 1.5 million barrels per day.

Ms. Fedorchak said jurisdiction for oversight of pipelines is shared among the Public Service Commission (PSC), the Industrial Commission, the State Department of Health, the Federal Energy Regulatory Commission, and the federal Pipeline and Hazardous Materials Safety Administration (PHMSA). She said the regulatory system has developed over many decades and is organized by regulatory agency with primary jurisdiction. She said jurisdiction is determined by the type of pipeline, where the pipeline operates, and the regulatory issue. She said jurisdiction for gathering pipelines rests with the Industrial Commission and with PHMSA. She said there is no formal siting process for gathering lines. She said the 2013 Legislative Assembly adopted legislation that requires companies to provide an affidavit describing the construction of a pipeline, and global positioning system information and mapping is collected and maintained by the Oil and Gas Division. She said safety monitoring is conducted by the Industrial Commission and PHMSA. With respect to in-state transmission lines for crude and gas, she said, the PSC has siting jurisdiction. She said crude gathering lines are defined as the line until the first place of storage and where pressure is added for further transmit. She said gas transmission lines are defined as gathering lines until the gas is processed and shipped for consumer use. In addition to siting jurisdiction, she said, the PSC has jurisdiction for safety on in-state gas lines. Although in-state crude transmission is currently the responsibility of PHMSA, she said, the PSC is seeking jurisdiction through legislation that will be proposed to the 2015 Legislative Assembly. She said the PSC collects and tracks geographic information system files from all jurisdictional pipelines and PHMSA has a national pipeline database that tracks all lines. She said the PSC will need experienced staff for inspections if it gains jurisdiction of in-state crude transmission lines.

Ms. Fedorchak said the PSC is receiving requests to permit gathering lines as transmission lines. She said the PSC has approved two of the four requests and the other two remain under consideration. She said it is kind of a backwards process to permit a line that is already in the ground, and that will likely be an issue for discussion in the 2015 legislative session. She said there are different siting requirements for the two types of lines, particularly with respect to proximity to homes and other structures, such as schools.

In response to a question from Senator Schneider, Ms. Fedorchak said when the PSC seeks jurisdiction from PHMSA, it will act on behalf of the federal agency and the jurisdiction of the PSC would not be supplemental.

Ms. Fedorchak said the Industrial Commission has jurisdiction over saltwater lines. She said the Industrial Commission and the PSC each have information regarding an inventory of all lines and are continuing to develop the inventory. She said she is unsure if a public website is available which shows all identified lines. She said the PSC and the Industrial Commission need to assess the best use of resources with respect to monitoring, inspection, and siting with effective construction.

In response to a question from Representative Gruchalla, Ms. Fedorchak said the PSC had three public hearings with respect to the placement of the Sandpiper Pipeline under the Red River. She said the PSC evaluated documents for several months and several changes in the project were made as a result of that evaluation. She said the PSC considered whether it would be safer and more effective to cross underneath the river or with a bridge over the river. She said experts were nearly unanimous in recommending that it would be safer to place the line underneath the river. She said officials from the City of Grand Forks signed off on the location and the placement under the river.

Ms. Fedorchak said the PSC has jurisdiction over reclamation of land and returning the land to a state similar to which it was prior to construction of pipelines. She said landowners have expressed concerns with companies not properly restoring the land.

Ms. Fedorchak said there is great potential to use unmanned aerial vehicles for monitoring pipeline construction and reclamation. She said the unmanned aerial vehicles can be an effective tool in monitoring pipelines for safety issues.

Ms. Fedorchak said there are 89 communities in the state with gas service and 368 communities without service. She said additional gas pipelines would bring potential to spread gas service to unserved areas and it is important to examine programs that may assist in expanding service. She said there is a potential new pipeline that would provide service to the Cenex Harvest States facility being proposed to be built near Jamestown and another pipeline under consideration by Montana Dakota Utilities that would expand service by that company.

In response to a question from Representative Gruchalla, Ms. Fedorchak said the addition of new gas lines would provide needed redundancy to guarantee uninterrupted service.

NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION REPORT

Chairman Oehlke called on Mr. Bill Shalhoob, North Dakota Economic Development Foundation, for a presentation ([Appendix G](#)) of the report of the North Dakota Economic Development Foundation regarding progress

made toward recommendations provided as part of the 2020 and Beyond Initiative as provided by 2013 Senate Bill No. 2018.

In response to a question from Representative Becker, Mr. Shalhoob said he is cautiously optimistic the Find the Good Life campaign will be effective. He said metrics have been devised to measure the effectiveness of the campaign, which include examining in-migration in targeted areas. He said one issue of concern is affordable housing.

Mr. Justin Dever, Manager, Office of Innovation and Strategic Initiatives, Department of Commerce, said the goal of the campaign is to enhance in-migration. He said the department looks at the number of unique visitors to websites associated with the campaign and the number of resumes posted on the Job Service North Dakota jobs website. He said there are good signs as far as increased activity. However, he said, it is important to see if that activity leads to in-migration.

Representative Becker said credit for in-migration is hard to attribute to any source without surveying new residents. He said it may be necessary to ask new residents of the state what brought them to the state.

Mr. Dever said he is not sure to what extent a survey could be conducted. He said the department is holding job fairs and is seeing increases in inquiries as a result of those events. He said it is important for the businesses investing in the effort to see value in that investment.

Senator Campbell said the worker shortage is a serious crisis throughout the state. He said Canada is way ahead of this country with respect to addressing problems in getting permanent immigrants.

Representative Boschee questioned the appropriateness of spending time and resources on the Find the Good Life campaign when there are 25,000 families in the state dependent on food stamps. He said it may be more effective to focus on reskilling workers.

Mr. Shalhoob said workforce training programs have seen significant increases in funding. However, he said, additional funding for education and training is needed.

In response to a question from Senator Schneider, Mr. Shalhoob said the Economic Development Foundation is recommending the housing incentive fund be increased to \$60 million for the next biennium. He said he is unsure of a solution to address the lack of child care services in the state. Although there must be a focus on quality and space, he said, the focus of the foundation will likely be more on increasing space and making programs more affordable. He said it is necessary to make the child care business profitable and to encourage companies to provide onsite child care.

Senator Schneider said quality and quantity must be taken together in addressing availability of child care. He said it may be necessary to look at incentives other than tax credits to encourage businesses to provide onsite child care. He said space and liability issues must be addressed.

It was moved by Senator Sinner, seconded by Senator Carlisle, and carried on a roll call vote that the committee accept the report of the Economic Development Foundation. Senators Oehlke, Campbell, Carlisle, Schneider, and Sinner and Representatives Beadle, Boschee, Brandenburg, Gruchalla, Johnson, Klein, and Sukut voted "aye." No negative votes were cast.

CHILD CARE AVAILABILITY STUDY

Chairman Oehlke called on Ms. Linda Reinicke, Child Care Aware of North Dakota, to present information ([Appendix H](#)) regarding assistance available to individuals and businesses starting a licensed child care business. She said a webpage has been developed to help promote child care as a business. She said the goal is to promote the webpage as a landing place for all issues related to starting a child care business. She said child care providers are sometimes confused by what is expected by the state and local authorities. She said the information on the webpage addresses the expectations of state agencies.

In response to a question from Senator Carlisle, Ms. Reinicke said Child Care Aware of North Dakota worked with DHS on developing the video demonstrated by Ms. Barry. She said Child Care Aware of North Dakota is working with DHS to help make licensing easier.

In response to a question from Representative Boschee, Ms. Reinicke said it is not easy to separate quantity from quality when looking at child care. She said it is important for the state to continue efforts to fund quality facilities. She said the Bright and Early program provides voluntary standards to improve quality of care. If the

quality initiative is funded, she said, money will be available to help businesses, including the implementation of onsite child care facilities. She said wages in the child care industry are not competitive. She said business and provider tax credits could help to encourage more child care businesses.

AFFORDABLE HOUSING

Chairman Oehlke recognized Ms. Barbara Vondell who provided comments ([Appendix I](#)) regarding affordable housing issues in Williston and Williams County.

Representative Sukut thanked Ms. Vondell for the work she has done to bring the issue of affordable housing to light. He said the housing incentive fund has worked, but more money is needed. In addition, he said, the guidelines for use of housing incentive funds may need to be refined. He said the problems addressed by Ms. Vondell need to be addressed right away. He said part of the solution is to find local funds to help senior citizens with housing costs.

Ms. Vondell said she has been working with others to organize fundraising events to help raise money to subsidize rent.

SECRETARY OF STATE CENTRAL INDEXING SYSTEM REPORT

At the request of Chairman Oehlke, Committee Counsel distributed correspondence ([Appendix J](#)) from Secretary of State Alvin A. Jaeger regarding certification that the information technology components of the electronic filing system will be ready for implementation before August 1, 2015, as required by 2013 House Bill No. 1136 and 2013 House Bill. No. 1015.

It was moved by Representative Johnson, seconded by Senator Schneider, and carried on a roll call vote that the committee accept the report of the Secretary of State. Senators Oehlke, Campbell, Carlisle, and Schneider and Representatives Beadle, Boschee, Brandenburg, Gruchalla, Johnson, Klein, and Sukut voted "aye." No negative votes were cast.

It was moved by Representative Klein, seconded by Representative Sukut, and carried on a voice vote and the Chairman and the Legislative Council staff be requested to prepare a report and to present their report to the Legislative Management.

It was moved by Senator Carlisle, seconded by Representative Gruchalla, and carried on a voice vote that the committee be adjourned sine die.

No further business appearing, Chairman Oehlke adjourned the meeting sine die at 12:55 p.m.

John Bjornson
Code Revisor

ATTACH:10