

TESTIMONY OF

Joe Morrisette, Director of the Office of Management and Budget

Chairman Delzer and members of the House Appropriations Committee, I am Joe Morrisette, Director of the Office of Management and Budget (OMB). I am here to testify in support of House Bill No. 1431. Although the bonding proposal authorized in this bill differs substantially from that proposed by the governor as part of the 2021-23 executive budget, we are supportive of a bonding proposal that takes advantage of historically low interest rates, invests in priority infrastructure, and leverages a portion of future Legacy fund earnings.

Although both proposals include an infrastructure revolving loan fund to consolidate and expand existing infrastructure loan programs, HB 1431 takes a much more limited approach. HB 1431 uses \$50 million of bonding proceeds compared to the \$700 million proposed in the executive budget. Establishing perpetual loan funds that will indefinitely benefit future generations of North Dakota's is a wise use of bonding proceeds and future Legacy fund earnings. I encourage you to consider increasing this allocation.

This bill proposes a \$70 million allocation to the state Highway Fund. The executive budget proposed nearly \$300 million for Department of Transportation (DOT) road and bridge infrastructure. The state's transportation infrastructure is vitally important to maintain and grow the state's primary economic base of energy and agricultural production. Investing in our transportation infrastructure is wise use of bonding proceeds because the economic return on the investment exceeds the current low cost of borrowing. I encourage you to consider increasing this allocation.

This bill proposes \$92.5 million for building and equipment grants to expand career and technical education (CTE) offerings in the state. The executive budget proposed \$45 million for this purpose. It is a wise use of bond proceeds to expand CTE offerings and invest in programs that grow our workforce to meet the demands of the future.

There is one significant area not addressed in this bill and that is state facility maintenance and repair projects. During the 2019 legislative session, you approved funding for OMB to conduct a condition assessment of major state buildings as part of a comprehensive real estate study. This analysis identified over 500 priority projects, in 16 agencies, costing \$130 million. These projects will protect the state investment in these buildings and ensure state assets are maintained in a consistent manner. This is the first time we have ever had consistent, objective data regarding maintenance and repair needs to use in allocating repair funding. I hope you

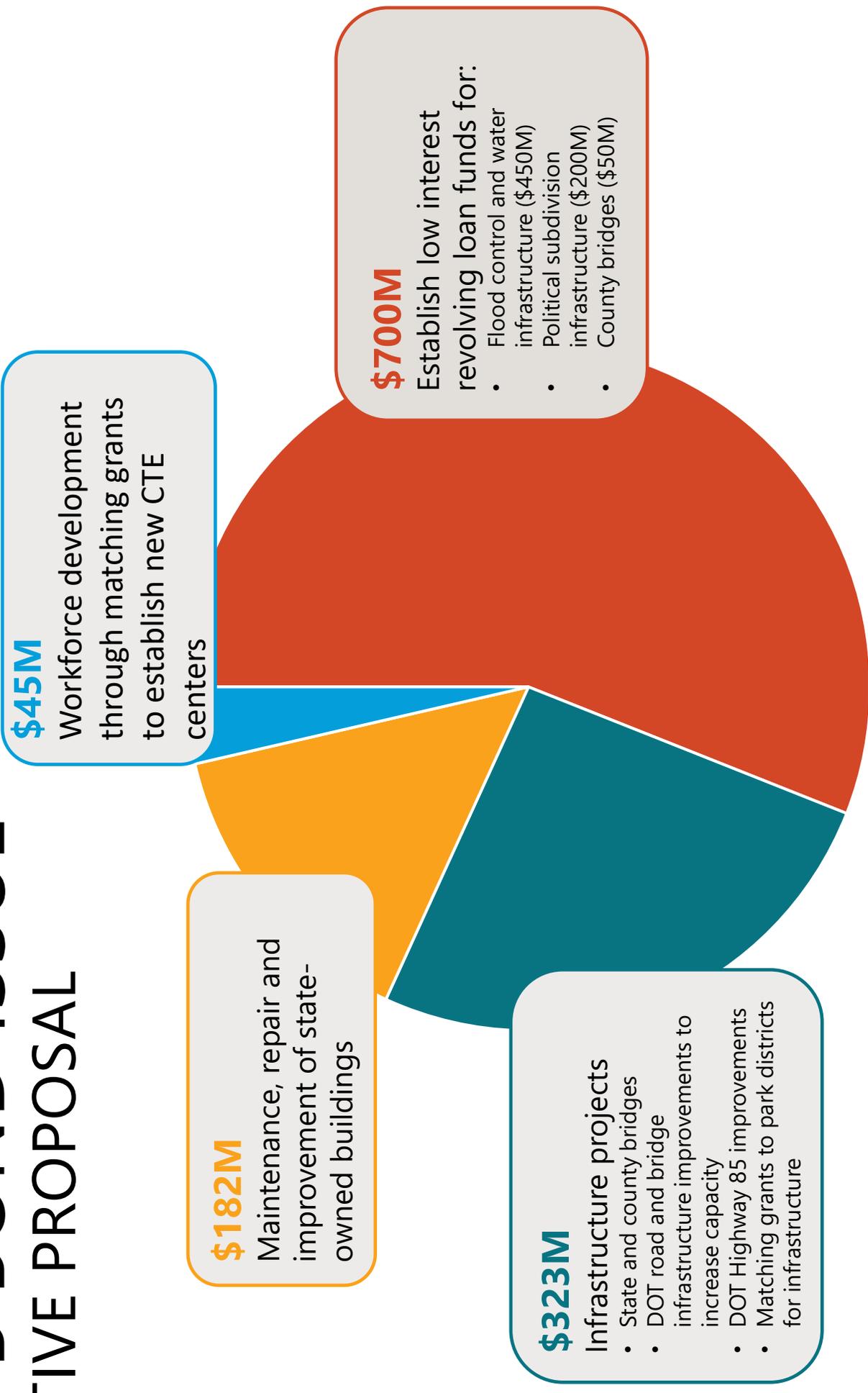
take advantage of the availability of this data by including an allocation to address this backlog of deferred maintenance in state buildings.

Attached to my testimony are the following three slides:

- A chart showing the allocation of bonding proceeds proposed in the executive budget.
- A chart showing the allocation of bonding proceeds proposed in HB 1431.
- A chart showing how the transfer of capital into the revolving loan fund creates a perpetual infrastructure funding mechanism separate from the issuance and repayment of the bonds.

Mr. Chairman and committee members, this concludes my testimony. I ask for your support for House Bill 1431 and ask you to consider the changes and priorities I have addressed in my testimony. I would be happy to answer any questions.

\$1.25 B BOND ISSUE EXECUTIVE PROPOSAL



\$45M

Workforce development through matching grants to establish new CTE centers

\$182M

Maintenance, repair and improvement of state-owned buildings

\$323M

Infrastructure projects

- State and county bridges
- DOT road and bridge infrastructure improvements to increase capacity
- DOT Highway 85 improvements
- Matching grants to park districts for infrastructure

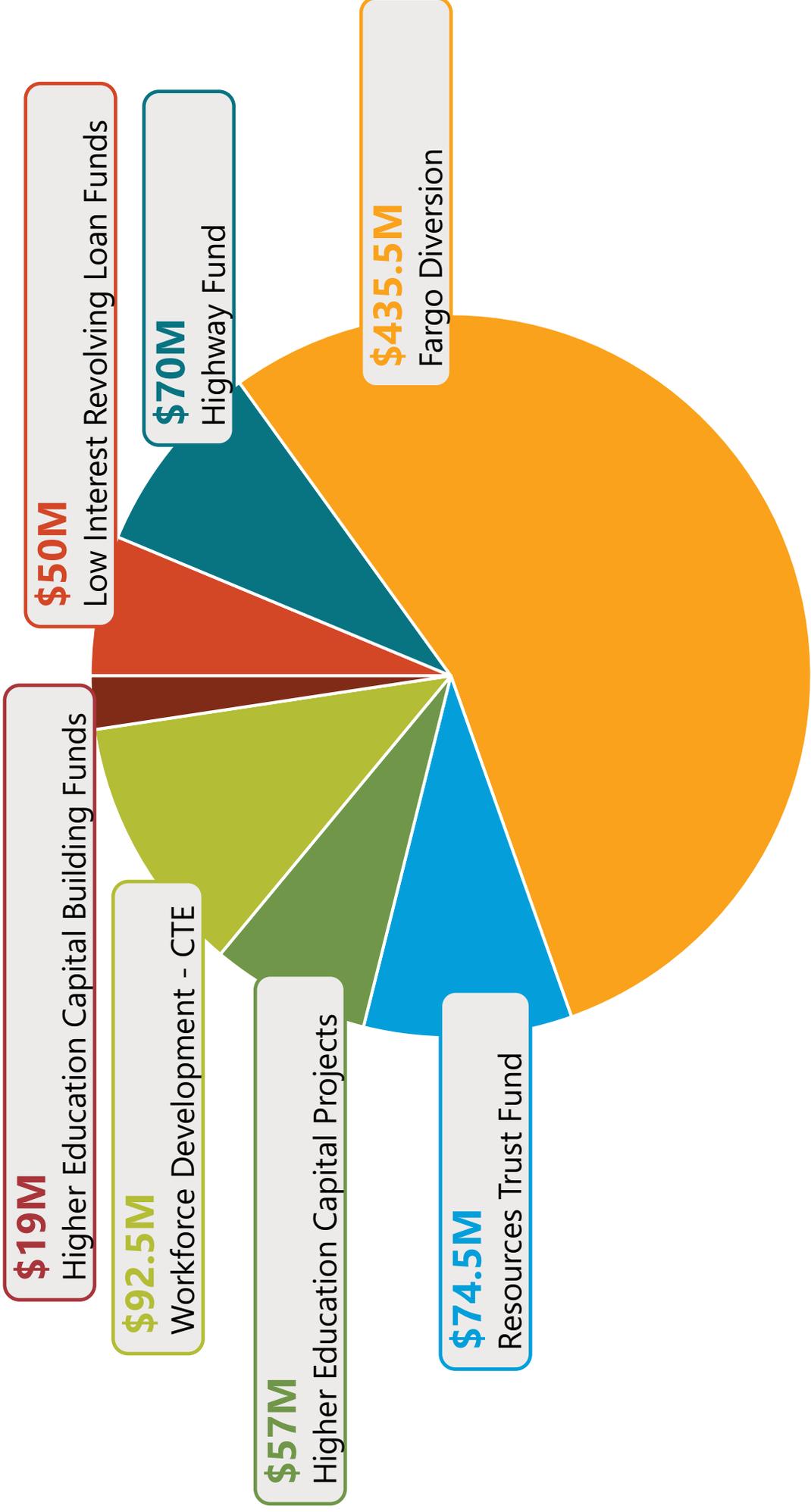
\$700M

Establish low interest revolving loan funds for:

- Flood control and water infrastructure (\$450M)
- Political subdivision infrastructure (\$200M)
- County bridges (\$50M)

\$798.5 M BOND ISSUE

HB1431



\$1.25B BOND ISSUE FOR INFRASTRUCTURE PROJECTS & \$700M REVOLVING LOAN FUNDS

