

2009 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2136

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2136

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 01/08/09

Recorder Job Number: 6682

Committee Clerk Signature *Katia Oliver*

Minutes:

Tom Porter: See attached testimony #1

Senator Nelson: What is the PFA?

Tim Porter: It is more commonly known as the Municipal Bond Bank, the name was changed in the 2005 session to the Public Finance Authority.

Senator Nelson: Who constitutes your board?

Tim Porter: 3 member board made up of people who have municipal finance experience, economic experience, and legislative experience.

Senator Nelson: Where do you get your money?

Tim Porter: We bond for our money through federal capitalization grants.

Senator Horne: You talked about raising the cap but I don't see anything in the bill about that?

Tim Porter: 2136 takes off any language that has to do with the cap and that would be set by the industrial commission.

Senator Ohelke: Have any of the projects that you loaned money to failed?

Tim Porter: The projects are municipal, so they are through a city or rural water district; none have failed or gone broke.

Senator Dever: So this bill comes with the blessing of the Industrial Division?

Tim Porter: Yes

Senator Horne: What is a typical year of loans amount?

Tim Porter: In 2008 under our drinking water program, it's in excess of 40 million for that program. Under the clean water program that provides money for sewer projects the amount is 69 million.

Senator Horne: Some of the grants are substantial.

Tim Porter: In 2008 the largest loan we approved on the drinking water side was \$29,240,000 to the city of Fargo. On the clean water side the largest amount was \$63,725,000 also to the city of Fargo.

Senator Horne: Do you have a sense of what the cap would be if you didn't have to get permission from the Industrial Commission?

Tim Porter: We would like to go up to 1 million.

Senator Cook: All of these projects are owned by a political subdivision?

Tim Porter: The only entities that are outside of that arena are those in the Industrial Development Bond Program.

Senator Dever: Is there anyone else here to speak in opposition to SB2136.

Mike Manstrom: I am with Dohrity and Co we are a regional investment banking firm. We operate as public financial advisors and underwriters in the public market working strictly with municipal issuers and political subdivisions through North Dakota only. We can't compete with that low interest federal money so the political subs now benefit from that program. Originally the \$200,000 was a limit that established was a sort of checks and balances so that we don't have a government agency competing in the private market without some sort of oversight to begin with. The capital finance program that Tim also administers would be the program that competes' the most with us in the private market. We would like to inform you that the private

market is very efficient and does a good job of taking care of the needs of the political subs of North Dakota. If we can't find a market then the Public Finance Authority is the place to go to. If we remove the language for how it stands today then there is no limit. I would like to see a policy in place that has a level of oversight.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2136

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 01/08/09

Recorder Job Number: 6739

Committee Clerk Signature

Katie Aweel

Minutes:

Senator Dever: On SB2136, yesterday we asked to have an amendment drafted to restore the language in the bill and set the number at \$750,000. Tim Porter sent me an email saying that he had gotten together with Mike Manstrom, who is the other guy that testified yesterday, and they had agreed to an amendment at \$500,000 so they had that amendment drafted by the Attorney General's office and that is what we have before us.

Senator Nelson: It would be nice if they agreed.

Senator Dever: Well it sounded like they did and Mr. Manstrom said in his testimony that \$500,000 was the number that he would like to see.

Senator Horne: Was this brought in by Mr. Porter?

Senator Dever: Yes.

Senator Cook: This could apply only to Capitol Financing Program, correct?

Senator Dever: Yes there are 2 things different with this bill, one is that it changes from \$200,000 to \$500,000 and the other is page 1 line 10 that adds the words "purposes of the Public Finance Authority's Capital Financing Program." So I think it just clarifies that. The other references through there are just to update that.

A motion was made by Senator Nelson with a second by Senator Cook to approve the amendment as proposed by Tim Porter. The motion passed 5-0. Senator Oehlke moved a Do Pass as amended with a second by Senator Horne. The motion passed 5-0. Senator Oehlke was named the carrier.

FISCAL NOTE
Requested by Legislative Council
12/23/2008

Bill/Resolution No.: SB 2136

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

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

Senate Bill 2136 has no fiscal impact.

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

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

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

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

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

Name:	Tim C. Porter	Agency:	ND Public Finance Authority
Phone Number:	701-328-7120	Date Prepared:	12/23/2008

PROPOSED AMENDMENTS TO SENATE BILL NO. 2136

Page 1, line 9, remove the overstrike over "and"

Page 1, line 10, remove the overstrike over "for", and insert immediately thereafter "^{after which} purposes of the public finance authority's capital financing program", remove the overstrike over "^{o/s} the principal amount of any one issue does not exceed", and insert immediately thereafter "^{two} insert "five", and remove the overstrike over "hundred thousand dollars."

Page 1, line 11, remove the overstrike over "~~However, the public finance authority may lend money to political subdivisions~~"

Page 1, line 12, remove the overstrike over "~~through the purchase~~" and remove the overstrike over "~~of securities issued by the political~~"

Page 1, line 13, remove the overstrike over "~~subdivisions~~", and insert immediately thereafter "^{after parties} through the capital financing program", and remove the overstrike over "~~without regard to the principal amount of the bonds~~"

Page 1, remove the overstrike over line 14

Page 1, line 15, remove the overstrike over "~~authority to purchase~~", remove the overstrike over "~~the securities. The~~" and insert immediately thereafter "capital financing program", and remove the overstrike over "~~authorizing resolution must state that the~~"

Page 1, remove the overstrike over line 16

Page 1, line 17, remove the overstrike over "~~needs of the issuing political subdivision~~" and remove the overstrike over "~~concerning the securities or,~~"

Page 1, remove the overstrike over lines 18 and 19

Page 1, line 20, remove the overstrike over "~~public finance authority's involvement in the bond issue~~"

Renumber accordingly

Date: 1-9-09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

*2136
Amendment*

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt Amendment

Motion Made By Nelson Seconded By Cool

Senators	Yes	No	Senators	Yes	No
Dick Dever	X		Dwight Cook	X	
Dave Oehlke	X		Carolyn Nelson	X	
Robert M. Horne	X				

Total Yes 5 No 0

Absent _____

Floor Assignment _____

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

Date: 1-9-09
Roll Call Vote #: _____

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

2186

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Oehlke Seconded By Horne

Senators	Yes	No	Senators	Yes	No
Dick Dever	X		Dwight Cook	X	
Dave Oehlke	X		Carolyn Nelson	X	
Robert M. Horne	X				

Total Yes 5 No 0

Absent _____

Floor Assignment _____

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

REPORT OF STANDING COMMITTEE

SB 2136, as amended, Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2136, as amended, was placed on the Sixth order on the calendar.

Page 1, line 9, remove the overstrike over "and"

Page 1, line 10, remove the overstrike over "for", after "which" insert "purposes of the public finance authority's capital financing program", remove the overstrike over "~~the principal amount of any one issue does not exceed~~", after "two" insert "five", and remove the overstrike over "~~hundred thousand dollars.~~"

Page 1, line 11, remove the overstrike over "~~However, the public finance authority may lend money to political subdivisions~~"

Page 1, line 12, remove the overstrike over "~~through the purchase~~" and remove the overstrike over "~~of securities issued by the political~~"

Page 1, line 13, remove the overstrike over "~~subdivisions~~", after "parties" insert "through the capital financing program", and remove the overstrike over "~~without regard to the principal amount of the bonds~~"

Page 1, remove the overstrike over line 14

Page 1, line 15, remove the overstrike over "~~authority to purchase~~", remove the overstrike over "~~the securities. The~~" and insert immediately thereafter "capital financing program", and remove the overstrike over "~~authorizing resolution must state that the~~"

Page 1, remove the overstrike over line 16

Page 1, line 17, remove the overstrike over "~~needs of the issuing political subdivision~~" and remove the overstrike over "~~concerning the securities or,~~"

Page 1, remove the overstrike over lines 18 and 19

Page 1, line 20, remove the overstrike over "~~public finance authority's involvement in the bond issue~~"

Renumber accordingly

2009 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2136

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2136

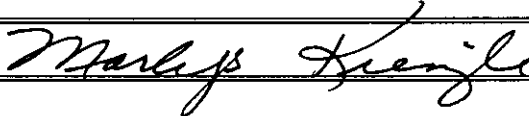
House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: February 26, 2009

Recorder Job Number: #9795

Committee Clerk Signature



Minutes:

Chairman Grande: Opened the hearing on SB 2136.

Tim Porter: I am for the North Dakota Public Finance Authorities. We are a state agency that operates under the Industrial Commission. We are self supporting.

Testimony attachment # 1

Chairman Grande: I see that where we are removing does not excide \$200,000 but I don't see where we are capping that \$500,000?

Tim Porter: Are you under the engrossed version of the bill? In the Senate side this was removed completely and is to be placed by policy. When speaking and discussing with the person who opposed this, as long as we were concerned about the capital financing program, he agreed to a half a million limit and leave the others out.

Rep Meier: Do you have a fixed percentage rate on these loans or do you have variable rate.

Tim Porter: When we issue bonds we issue them at market rates to fund a project.

Rep Karls: You mentioned in your testimony that you had 3 members on an Advisory Board. Could we know what their names are?

Tim Porter: Bob Fransvog, Wade Williams, and Brian Walters

Chairman Grande: You did say that they are appointed by the Industrial Commission?

Tim Porter: Yes that is correct. We provide a list to the Commission and they select from this list.

Rep Froseth: Is this all Federal dollars and do you work directly with the Political Subdivisions or do you go with regional councils? How are the loans processed?

Tim Porter: For the Capital Financing Program this does not have a federal component with it. The Revolving Fund is financed with the capitalization of the Federal Government. For the Capital Financing we issue bonds when the Political Subdivision has a need for money for a project.

Chairman Grande: Hearing is closed.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2136 B

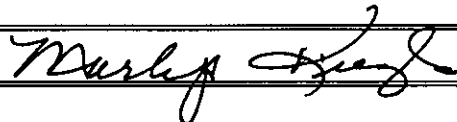
House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: February 26, 2009

Recorder Job Number: #9797

Committee Clerk Signature



Minutes:

Chairman Grande: Opened the hearing for SB 2136. Was anyone as confused as I was?

Rep Winrich: I was glad when you brought up the question. I came to the conclusion from the testimony that it was only the policy set by the agency.

Rep Froseth: Where are the dollars coming from? Are they all Federal dollars or what?

There are no state dollars here that I can see. Or is this a clearing agency for loans and bonds and how do they secure a loan?

Rep Dahl: By the actual interest they are assuming by a loan.

Rep Meier: They do name no one on it.

Vice Chair Boehning: I think it is Bonds from the Bank of North Dakota

There is some discussion that is not directed to anyone specific.

Rep Froseth: The Revolving Fund Program established by 61.28.2. That is a Public Fund through the Dept. of Commerce.

Chairman Grande: Do you want to check into this before we vote on this?

Rep Froseth: Reviewed the Century Code 61.28.2. This is Water Pollution Control Revolving Loan Fund Program which is Ag related. The Federal Funds for the administration and implantation for Waste Water Construction Grant Program. So that is a Federal Program.

Rep Nathe: Ask Rep Bob Frantsvog where they get the funds from.

Rep Frantsvog: I am the Representative from District 40 in Minot. I was appointed to the ACR Board one and ½ years ago. The Board will incur debt. Example: If you are on a commission and they want to barrow 10 million dollars to do a project, and then the Board will incur debt and then lend it out to them. I think the limits are set by the state. The Industrial Commission is actually the oversight. The Board that I sit on does nothing more than makes recommendations to the Industrial Commission and they are the ones that are the ones who are the vehicle for that debt.

Rep Winrich: Are they funded by bonding?

Rep Frantsvog: I think the Bonds are secured by the State. I am not sure. It has nothing to with the barrower it is only by the good faith to pay the bonds. I would assume that it would act like any other Bond that any Political Subdivision would get.

Chairman Grande: On page 2 line 10 it states on behalf of the state, or constitute a pledge of faith and credit of the state, but all such bonds are payable solely from revenues pledged or available for their payment as authorized in this chapter.

Rep Frantsvog: This sounds to me as if this is just a plain revenue bond.

Unstructured discussion.

Rep Kasper made a motion for Do Pass and **Rep Amerman** 2nd the motion.

Vote is 13 yes 0 no and 0 absent.

Carrier is **Rep Schneider**.

Date: 2/26/9
 Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 136

House Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By KASPER Seconded By AMERMAN

Representatives	Yes	No	Representatives	Yes	No
Chairman Grande	✓		Rep. Amerman	✓	
Vice Chairman Boehning	✓		Rep. Conklin	✓	
Rep. Dahl	✓		Rep. Schneider	✓	
Rep. Froseth	✓		Rep. Winrich	✓	
Rep. Karls	✓		Rep. Wolf	✓	
Rep. Kasper	✓				
Rep. Meier	✓				
Rep. Nathe	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Rep. Schneider

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

REPORT OF STANDING COMMITTEE

SB 2136, as engrossed: Government and Veterans Affairs Committee (Rep. Grande, Chairman) recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2136 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2136

Senate Government and Veteran Affairs Committee
Testimony of Tim Porter
North Dakota Public Finance Authority
Senate Bill 2136
January 8, 2009

For the record, my name is Tim Porter and I am the Executive Director of the North Dakota Public Finance Authority (PFA). The PFA is a state agency that operates under the supervision and authority of the Industrial Commission. It is a self-supporting state agency and receives no money from the General Fund. I am providing this testimony in support of Senate Bill 2136. Senate Bill 2136, if passed, would remove language from the Century Code that essentially sets a \$200,000 limit on the dollar amount the PFA can lend to a political subdivision (or other qualifying borrower) without prior approval of the Industrial Commission.

Through various programs, the PFA provides financing for local infrastructure projects to political subdivisions and other qualifying entities. These entities submit an application that provides a description of the project and the source of the revenues that will be used to repay the loan. All applications are reviewed by the PFA and approved by its Advisory Board which is made up of three members appointed by the Industrial Commission. The current PFA Advisory Board includes individuals with legislative experience and specific knowledge in municipal finance and economic development. In addition, depending upon the program and the dollar amount of the loan, these loans are reviewed by PFA's Financial Advisor and the Bank of North Dakota prior to being presented to the Industrial Commission.

When this provision was adopted into law in 1991, \$200,000 was a sizeable amount for an infrastructure project. With increasing construction costs, nearly all of our loan applications exceed this amount today. Currently, our policy allows us to approve projects up to the \$200,000 limit imposed in the Century Code. For loans approved by PFA's Advisory Board that fall under \$200,000, we submit a memo to the Industrial Commission which summarizes the amount and the purpose of the loan. If the Industrial Commission were able to adjust this limit as costs rise, it would allow the PFA to respond more quickly to the needs of our customers that rely on this funding for local water, sewer, and infrastructure projects.

The PFA has a long history of providing financing under its Programs and is committed to maintaining a high-quality loan portfolio. As a result of the underlying due diligence performed on each application, the PFA has never had a default on any of its loans. PFA's credit procedures would not be changed by this Bill, and the Industrial Commission would continue to oversee the credit decisions made by the PFA. Senate Bill 2136, if passed, simply allows the Industrial Commission to set reasonable policy limits for the PFA to follow which would reduce the processing time between the application and the receipt of the funds on some applications while preserving the quality of our entire loan portfolio.

Attachment
#1

**House Government and Veteran Affairs Committee
Testimony of Tim Porter
North Dakota Public Finance Authority
Engrossed Senate Bill 2136
February 26, 2009**

For the record, my name is Tim Porter and I am the Executive Director of the North Dakota Public Finance Authority (PFA). The PFA is a state agency that operates under the supervision and authority of the Industrial Commission. It is a self-supporting state agency and receives no money from the General Fund. I am providing this testimony in support of Engrossed Senate Bill 2136. Engrossed Senate Bill 2136, if passed, would increase the amount (from \$200,000 to \$500,000) the PFA can lend to a political subdivision (or other qualifying borrower) under the Capital Financing Program without prior approval of the Industrial Commission.

Through various programs, the PFA provides financing for local infrastructure projects to political subdivisions and other qualifying entities. These entities submit an application that provides a description of the project and the source of the revenues that will be used to repay the loan. All applications are reviewed by the PFA and approved by its Advisory Board which is made up of three members appointed by the Industrial Commission. The current PFA Advisory Board includes individuals with legislative experience and specific knowledge in municipal finance and economic development. In addition, depending upon the program and the dollar amount of the loan, these loans are reviewed by PFA's Financial Advisor and the Bank of North Dakota prior to being presented to the Industrial Commission.

When this provision was adopted into law in 1991, \$200,000 was a sizeable amount for an infrastructure project. With increasing construction costs, nearly all of our loan applications exceed this amount today. Currently, our policy allows us to approve projects up to the \$200,000 limit imposed in the Century Code. For loans approved by PFA's Advisory Board that fall under \$200,000, we submit a memo to the Industrial Commission which summarizes the amount and the purpose of the loan. If the Industrial Commission were able to adjust this limit as costs rise, it would allow the PFA to respond more quickly to the needs of our customers that rely on this funding for local water, sewer, and infrastructure projects.

The PFA has a long history of providing financing under its Programs and is committed to maintaining a high-quality loan portfolio. As a result of the underlying due diligence performed on each application, the PFA has never had a default on any of its loans. PFA's credit procedures would not be changed by this Bill, and the Industrial Commission would continue to oversee the credit decisions made by the PFA. Engrossed Senate Bill 2136, if passed, simply allows the Industrial Commission to set reasonable policy limits for the PFA to follow which would reduce the processing time on some applications while preserving the quality of our entire loan portfolio.