

2013 HOUSE INDUSTRY, BUSINESS, AND LABOR

HB 1297

2013 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1297
January 23, 2013
Job 17573

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Partial forgiveness of loans from the rebuilders loan program

Minutes:

Attachment 1

Hearing opened.

Representative Ruby, District 38: Provided background on HB 1297. This bill proposes forgiveness for 1/3 of the principal of the loan, rather than a 50% forgiveness like in a bill in the past. If they stayed in the state for five years or sixty months, it did not require that they build that exact building to qualify for this forgiveness. In some cases, there had been a buyout, and the loans were used for a variety of structures. I wanted the five year mark to start after they had originated the loan. The way it was drafted, I asked John Walstad for an amendment to clarify that, but I don't think that what I received from him quite does that. I will pass that around. (Attachment 1, proposed amendment 13.0614.01001) As you know, there is a two year lag time on what they would have to pay. It is basically the forgiveness of a portion of that loan. Reviewed specifics of the bill and the amendment.

Representative Louser: Have you talked to any representatives of the Bank of North Dakota to find out how they feel about forgiving 1/3 of the loan principle?

Representative Ruby: I did not talk to them about it. I assumed that they were aware during special session about that provision, but I did not sit on that committee, so I am not aware if they came in unopposed to that.

4:50 **Representative Kreun:** I suspect that this maybe has not been done before because have we actually loaned money in the housing area before? Is there precedent?

5:13 **Representative Ruby:** Putting that kind of loan was new, and certainly the forgiveness is something we have not done. There is no precedent. The severity of the flood showed that there was severity of damage that justified doing something in that situation. I think that the reason it was pulled out during the special session is that it might set a precedent.

Representative Amerman: Since this is all new language on page 2 and it does say that the state treasurer will transfer amounts from the general fund to replenish this, would there be a fiscal note?

Representative Ruby: There is a fiscal note, but it shows no effect.

6:30 **Chairman Keiser:** We dealt with HB 1185 and nonowner-occupied properties. If that passes, do nonowner-occupied properties qualify for this debt forgiveness?

Representative Ruby: Representative Louser and I were talking about that this morning. I do not think this can qualify for only people who have gotten a loan before today or before we pass it, so I assume it would go on unless we limited it.

Chairman Keiser: If we pass it (1185) before this passes and it becomes law before this becomes law, this would apply unless we limit this to owner-occupied, which is an option.

Representative Ruby: That was an expansion of the program, so if we did not want that, that is something I'd be open to.

Representative Louser: It was not the intention of the previous bill (1185) to have this apply, although the previous bill does say the same terms, so it would be appropriate to amend this.

Representative Kreun: Asks question regarding the fairness to individuals in areas which had not qualified for this type of loan.

8:32 **Representative Ruby:** The parameters of the loan apply to people who are affected, not just in the Minot area. I did not hear people complain about not qualifying if they were outside of the flood zone. I don't know that they would complain about this provision.

Representative Kreun: I'm talking more about rural areas that were not able to qualify for this kind of loan. For examples, ranchers and farmers downstream. Restated previous question and summarized concerns he has heard from constituents.

10:05 **Representative Ruby:** You have heard from one individual, and I have not heard from anyone that they feel there is an unfairness to it. We would consider additional expansion to this if there are grounds to do so.

10:40 **Representative M. Nelson:** If I remember the parts of the debate about the original loan, there was talk about giving grants. But it was felt that giving individuals grants was not constitutional. Now you've given them a loan and you wait a few years, and then you make it a grant. What's the difference?

Representative Ruby: I talked with John Walstad about this. Could this be considered gifting, which is not allowed. It comes from a loan and then there is forgiveness. It's something we need to decide if we want to provide. The adage that everything is constitutional until it is challenged in court applies. I don't know who would take this to

court and to remove something that benefits people. It's possible, but until it is unconstitutional, I guess what we do is constitutional.

12:12 **Chairman Keiser:** Assume was have someone who takes loans and rebuilds. In theory, at the end of the loan period, they would have a home worth 100% of its real and true value. But this would then give them in effect 33% off of the full and true value, so it's a good deal.

Representative Ruby: I don't know that it gives them more value than they had. It's a loan they are paying and they had to borrow to get that. People have said that the state has a surplus, and they could use the help. Told story of one of his friends who was impacted by the flooding.

14:40 **Representative N. Johnson:** Was the max they could get in a loan \$30,000, so the most that could be forgiven with this bill would be \$10,000 by any one person? The fiscal impact would not happen until 2019, but did they give you any idea of what the impact would be in 2019?

Representative Ruby: The total loan is \$50 million. If everyone took a loan and no one defaulted and everyone stayed in the state, then they would receive that. The maximum impact would be a third of the \$50 million.

Support:

16:35 to 18:54 **George Withus, alderman for Ward 2 of Minot and a flood victim:** The bill is important for several reasons. First of all, this loan allowed people to get back in their houses quickly. It also gave them hope. The average cost to rebuild a home in the valley was between \$80,000 and \$100,000. The people who were mostly affected were service industry people, middle income people. These are people who fell through the cracks. They did not qualify for CDGB (Community Development Block Grant) money; they did not qualify for state grants when the governor gave \$3 million to the Souris Valley United Way. Rebuilding their houses only put them farther in debt. There were over four thousand homes flooded in the Souris River flood, and only a small portion qualified for the grants. This bill is the only relieve they are going to get. Now we are relying on our elected representatives to help us rebuild our homes. If this happened to you, what would you want your representatives to do?

Representative Louser: Please let the committee know how you became an alderman.

George Withus: Summarized how he became an alderman.

20:37 **Chairman Keiser:** If you don't mind, would you walk us through the financing? What kind of funding have we given you to support you to date?

George Withus: Summarized sources of funding he received for rebuilding.

Chairman Keiser: So you went from having \$30,000 debt on your home before the flood to \$57,000, and you have a new home?

George Withus: Confirmed.

Chairman Keiser: Would you sell it to me for \$57,000?

George: No. The reason I rebuilt my home was so that I could live in my home.

Opposition:

Neutral:

Hearing closed.

Chairman Keiser: We do need an amendment to take out the nonowner-occupied, so we have to hold this one.

Representative Becker: We may need to change the carrier.

2013 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1297

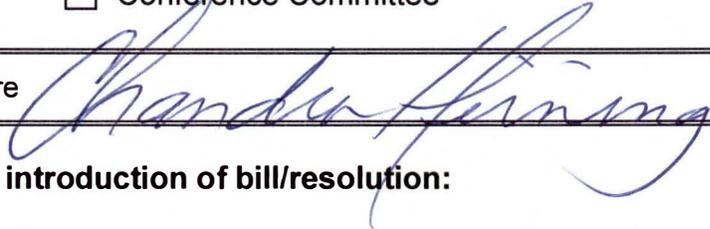
February 4, 2013

Job 18248, minutes 25:00 to 1:00:50

Recording contains committee action for various bills

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Partial forgiveness of loans from the rebuilders loan program

Minutes:

No attachments

Begins at minute 25:00 of recording job. Ends at minute 1:00:50.

Representative Becker: Reviews HB 1297

26:31 **Representative Ruby:** I understand there are concerns about precedence. In discussing this and evaluating the original bill in the special session that removed the higher amount, it was a creative way to help those who are getting minimal or no assistance. Comments were that they would have liked the forgiveness portion, but some expressed interest in being able to borrow more because \$30,000 was not enough to cover their expenses. There were issues with qualifying for SBA loans. They did appreciate the interest rate and the delay in the payments. They felt that the state had funds that should be helping them. We did put grants to communities to help with the infrastructure, but we did not really do anything for the individuals. This forgiveness, while appreciated, is considered by some to be a token assistance rather than substantial. There was an amendment prepared for me. I think it was to get more in line with my intent that it was for a third of the principle rather than \$10,000 because maybe an individual did not get the full amount of the loan. People believe this is something that will help them; it does reward them for rebuilding or for buying again in North Dakota and staying in the community. If they did sell their place, it was very expensive to find other housing.

30:09 **Representative Louser:** Some of the testimony came from one of our city alderman. I think there is some confusion when people receive FEMA money, and also the rebuilders loan. In the alderman's case, he had a lot of equity prior to the flood. I don't mean to make light of this, but his equity literally washed away. He took \$40,000 out the bank and put it into his home. Out of the \$30,200 on average, it was about \$15,000 to gut the property. Half of the FEMA money was used for the most part to get the house down to the studs and to sanitize it. The other half, for most people, was used for living expenses because mortgages were still due. For those who did not have equity and were able to get additional financing, most of that FEMA money helped them to get back on their feet. It

was not intended for the house. Many of those people did have temporary living units with FEMA. The bill that I had to give a two year income tax credit for flood victims did not relate to the homebuilders loan; that failed in the house last week. There is not much left to help the individual property owner. There are obviously a number of bills going back to infrastructure and that type of thing, but there is very little we're able to do from this point forward for those flood victims on an individual basis. I think this is one of the few.

Chairman Keiser: Jacob, please review for us what the other bill did so we can have this bill in context.

32:39 **Jacob Geiermann, legal intern for House IBL Committee:** HB 1185 also amended the same portion of the Century Code, and HB 1185 passed the House chamber. At issue for the committee to determine is if HB 1297 passed by the committee and the legislature, whether non-owner occupied loans would be covered under HB 1297. If so, to what extent. The language in HB 1185 is not necessarily clear if a particular owner is limited to one loan for non-owner occupied or essentially unlimited. So this is an important issue for consideration at the committee level. It could be pretty large loan forgiveness if it is unlimited.

33:57 **Representative Louser:** I will provide amendments to the Senate for HB 1185 for a couple things. It was not my intention to have that program for the non-owner occupied suspended for two years. That will be one amendment that the loan repayment will start immediately. It also was not my intention to have any debt forgiven a year and a half afterward, so I will add that as well. As far as the number of loans, I think it was the bank's interpretation that it would be per individual owner, not per property. If I need to add some clarifying language for the Senate, I will do that as well.

34:37 **Representative Ruby:** If there was forgiveness to any loans or to individuals, by chance if nobody who was doing it for non-owner occupied units applied, the liability to the state is one third of what was approved, which was \$50 million, so it is not an ongoing, unlimited amount. If it is limited somewhat more by Representative Louser's amendments, then it would be less than that.

35:36 **Representative Sukut:** I do not want to speak against this at all because I understand the plight. We have a lot of people in Williston that feel they have experienced the same thing, even though it's not a flood. The community has been torn apart. We have a lot of individuals who are struggling to stay in their homes, trying to purchase homes, individuals who have been eliminated from their apartments--I'm looking at this, and as it passes, I am looking at what is going to come back. We have people now who are putting a lot of pressure on us as representatives to pay for schools, basically saying that oil has generated all the problems, and they should come in and pay for everything. We tell them that is not going to work that way. I can see some negative ramifications when you get down to doing some of these things specifically and directly for individuals. I understand it and I think it is probably the right thing to do if we can afford to do it, but I do see some problems coming from it also.

37:05 **Representative Kreun:** Summarized what happened in Grand Forks and how the city and individuals financed the flood recovery after the 1997 flood. Minot did not lose its

entire tax base, whereas Grand Forks lost a substantial portion of its tax base. We've already set a precedent of giving loans from state money. Forgiving the loans would set another precedent.

31:36 Representative Ruby: The situation Minot was already in because of the oil impact before the flood needs to be remembered. This is not only a Minot issue. People along the Missouri River were impacted as well. It was more of a regional flooding issue statewide that would qualify for this. We talk about giving loans in a way that is a new precedent, but it is not. We give student loans from the Bank of North Dakota. We give all kinds of incentives and loans. Is the loan forgiveness new? Not really. We give loan forgiveness for certain occupations and depending on where they locate. Overall, I do not think we're breaking a lot of new ground. It's maybe something in this situation that is different, but I think that in some of our other areas of state government, this falls within existing precedence.

43:05 Representative M. Nelson: If they are delinquent once, they lose out on the entire forgiveness. That seems like an extreme penalty and probably penalizes those most in need of the loan forgiveness.

43:50 Chairman Keiser: There is still time for amendments. We can hold the bill. Historically, there were two sources of funding outside of state funds. There were community development block grants issued quite readily to communities when needed. There was also what was called colloquially Air Force One funding. With the deficit, that has ended. Hurricane Sandy is much bigger, and they cannot get those grants or funding now. When the city alderman was here, I asked him about his funding. From an equity standpoint, he is ahead because he has a new house, and some was a grant and some was a low interest loan. This bill would give forgiveness toward the BND loan. The arguments are that this would set a major precedent; there will areas other than Minot which would qualify. What about other impacts?

48:23 Representative Kreun: The money did flow with the CDBG funds, but those were loans to local business. They were loans which must be paid back. This is a natural disaster, not man made. Even your insurance isn't designed to make you whole again, just to get you up and going.

50:15 Representative Ruby: Many in Minot will blame the flood on government management, not on natural disaster. They paid extra dollars for extra feet of protection on the dams up in Canada which they believed were adequate. Many said that if the government made the problem, the government should help get them back to where they were prior to the flood.

52:14 Representative Louser: Summarized common rates on loans. Many people I spoke with had limited equity on their homes. In some cases, they were given the opportunity to defer payments to the back of the loan; many were not. For those who had equity, that was their nest egg. That was their retirement. When there were historically low rates, it probably made sense to borrow. So there were a lot of people who borrowed, did not have a lot of equity, still have the house payment due, and used the FEMA money to tear the house apart, borrowed some more money. Gave example of increase in prices of

homes. In the areas on the hills, values climbed, and property taxes increased. People feel they are participating in helping their community in one way or another.

54:45 Representative M. Nelson: Provided background on situation in Grand Forks regarding proximate cause.

Motion to adopt amendment 13.0614.01001. Motion made by Representative Ruby and seconded by Representative Frantsvog.

Voice vote on motion to adopt amendment. Motion carried. The amendment is now on the bill.

Motion for a do pass as amended. Motion made by Representative Kasper and seconded by Representative Beadle.

Roll call vote on motion to do pass as amended. Motion fails.

Yes = 6
No = 8
Absent = 1

Motion for a do not pass as amended. Motion made by Representative Vigesaa and seconded by Representative Kreun.

Roll call vote on motion for a do not pass as amended. Motion carries.

Yes = 8
No = 6
Absent = 1

Carrier: Representative Becker

FISCAL NOTE
Requested by Legislative Council
02/05/2013

Amendment to: HB 1297

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

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

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

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

First Engrossment HB 1297 - There is no fiscal impact until the 2019-20 biennium because loan repayment must be current for 60 months before forgiveness of repayment occurs.

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

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

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Robert A. Humann

Agency: Bank of North Dakota

Telephone: 328.5703

Date Prepared: 02/06/2013

FISCAL NOTE
Requested by Legislative Council
01/15/2013

Bill/Resolution No.: HB 1297

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

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

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

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

There is no fiscal impact until the 2019-20 biennium because loan repayment must be current for 60 months before forgiveness of repayment occurs.

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

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

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Robert A. Humann

Agency: Bank of North Dakota

Telephone: 328.5703

Date Prepared: 01/18/2013

VR
2/5/13

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1297

Page 2, line 25, after "payments" insert ", or an equivalent amount of repayment of the principal,"

Page 2, line 31, after "Bank" insert ", but not in an amount, when added to other repayment received by the Bank, exceeding the amount necessary"

Renumber accordingly

Date: 2-4-2013

Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1297**

House Industry, Business, and Labor Committee

Legislative Council Amendment Number 13.0614.01001

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment

Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Ruby Seconded By Frantsvog

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser			Rep. Bill Amerman		
Vice Chairman Gary Sukut			Rep. Joshua Boschee		
Rep. Thomas Beadle			Rep. Edmund Gruchalla		
Rep. Rick Becker			Rep. Marvin Nelson		
Rep. Robert Frantsvog					
Rep. Nancy Johnson					
Rep. Jim Kasper					
Rep. Curtiss Kreun					
Rep. Scott Louser					
Rep. Dan Ruby					
Rep. Don Vigesaa					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2-4-2013

Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1297**

House Industry, Business, and Labor Committee

Legislative Council Amendment Number 13-0614-01001

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

Motion Made By Kasper Seconded By Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser		✓	Rep. Bill Amerman	<i>ab</i>	
Vice Chairman Gary Sukut		✓	Rep. Joshua Boschee	✓	
Rep. Thomas Beadle	✓		Rep. Edmund Gruchalla		✓
Rep. Rick Becker		✓	Rep. Marvin Nelson		✓
Rep. Robert Frantsvog	✓				
Rep. Nancy Johnson		✓			
Rep. Jim Kasper	✓				
Rep. Curtiss Kreun		✓			
Rep. Scott Louser	✓				
Rep. Dan Ruby	✓				
Rep. Don Vigesaa		✓			

Total Yes 6 No 8
Absent 1

Floor Assignment _____

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

Date: 2-4-2013

Roll Call Vote #: 3

**2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1297**

House Industry, Business, and Labor Committee

Legislative Council Amendment Number 13.0614.01001

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

Motion Made By Vigesaa Seconded By Kreun

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser	✓		Rep. Bill Amerman	✓	
Vice Chairman Gary Sukut	✓		Rep. Joshua Boschee		✓
Rep. Thomas Beadle		✓	Rep. Edmund Gruchalla	✓	
Rep. Rick Becker	✓		Rep. Marvin Nelson	✓	
Rep. Robert Frantsvog		✓			
Rep. Nancy Johnson	✓				
Rep. Jim Kasper		✓			
Rep. Curtiss Kreun	✓				
Rep. Scott Louser		✓			
Rep. Dan Ruby		✓			
Rep. Don Vigesaa	✓				

Total Yes 8 No 6
Absent 1

Floor Assignment Becker

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

Do not pass as amended

REPORT OF STANDING COMMITTEE

HB 1297: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (8 YEAS, 6 NAYS, 1 ABSENT AND NOT VOTING). HB 1297 was placed on the Sixth order on the calendar.

Page 2, line 25, after "payments" insert ", or an equivalent amount of repayment of the principal,"

Page 2, line 31, after "Bank" insert ", but not in an amount, when added to other repayment received by the Bank, exceeding the amount necessary"

Renumber accordingly

2013 TESTIMONY

HB 1297

13.0614.01001
Title.

Prepared by the Legislative Council staff for
Representative Ruby
January 21, 2013

①
1-23-2013
HB 1297

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1297

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Renumber accordingly