2015 HOUSE APPROPRIATIONS

HB 1014

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/15/2015
Recording Job# 22003

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachment A

Chairman Thoreson: Opened the hearing on HB1014.

Karlene Fine, Executive Director and Secretary, ND Industrial Commission: See testimony attachment A.

Lynn Helms, Director, Department of Mineral Resources: See testimony attachment A.

Chairman Thoreson: How many wells have we added over the last 5 years?

Lynn Helms: Over the last 5 years we have added 9,000 wells.

Lynn Helms continued with his testimony.

Representative Kempenich: Are those annual leases that you have at the bottom; that Bismarck is just under $400,000.00 and Dickinson $60,000.00?

Lynn Helms: That's a two year number.

Lynn Helms continued with his testimony.

Chairman Thoreson: That option is ongoing?

Lynn Helms: That option is written into the lease. We have a 20 year lease and that option stays there for the 20 years.

Chairman Thoreson: What year are you on the lease right now?

Lynn Helms: Both of those were renegotiated 2 years ago; so we have 18 years left.

Representative Kempenich: What are your square foot costs?

Lynn Helms: Eighteen dollars/sq. ft. in Bismarck, $15.00/sq. ft. in Williston, $9.50/sq. ft. in Dickinson and $8.50/sq. ft. in Minot.

Lynn Helms continued with his testimony.

Vice Chairman Brandenburg: Who are the people who appealed that action?

Lynn Helms: It's the land owners over where the CO2 plume is going to be placed. Illinois does not have a statute like HCR3822 in place; which compensates the surface owners for the use of their pour space.

Chairman Thoreson: If Ms. McCarthy gives North Dakota her approval, is there a chance that someone will come in and appeal or try and sue us in the same way; or will that not happen if she gives her blessing so to speak?

Lynn Helms: There's always that possibility. We do have one company called C12 that has 2 projects designed and ready to go in place in North Dakota; one is in Dickinson and one is in Halliday. The reasons behind the lawsuits in Illinois don't exist in North Dakota; because you did put in statute who owns the pour space and how they out to be compensated. We go through a rigorous system of public hearings and notices. I would say the probability is pretty small.

Lynn Helms continued with his testimony.

Representative Kempenich: They're drilling new injection wells now instead of using old oil wells right?

Lynn Helms: That's correct. The inventory of old oil wells that had deep enough surface casing is gone. We're dealing with brand new locations and newly drilled wells.

Representative Kempenich: How long does an injection well last?

Lynn Helms: The life of an injection well is 40 years.

Representative Skarphol: How long do you think we'll be using water to frack?

Lynn Helms: For the next decade or two.

Lynn Helms continued with his testimony.

Representative Kempenich: Is it mostly cementing the job?

Lynn Helms: That's correct. Ninety percent of the time in that 4% category; one of the Bakken shale's caves in because they've been drilling in too long. They don't frack the well until it's properly cemented.

Lynn Helms continued with his testimony.

Representative Kempenich: How often do you test?

Lynn Helms: We're there once a year to watch that test.

Lynn Helms continued with his testimony.

Chairman Thoreson: What does that mean?

Lynn Helms: In terms of gas storage, chalk is about as good as it gets. It has 30% to 40% porosity. The problem is it has almost no permeability; so it's a lot like the middle Bakken. This likely is a very large, maybe 4 or 5 county and extending into South Dakota, unconventional play.

Vice Chairman Brandenburg: We may not have oil but we have natural gas.

Lynn Helms: Absolutely.

Representative Skarphol: How shallow is it?

Lynn Helms: About 1,800 feet. This is going to be like the northern regions of Pennsylvania and West Virginia.

Lynn Helms continued with his testimony.

Chairman Thoreson: A lot of the core library are students that are working there also?

Lynn Helms: That's correct. Dominantly they are master's and PHD students; so their schedule is more flexible. Maybe 1/3 are undergraduates; but, they are geology/geological engineering and petroleum engineering students.

Lynn Helms continued with his testimony.

Representative Kempenich: What do you have in mind with that?

Lynn Helms: What we have in mind for these people are the construction phase. We're finding that pipelines aren't being buried deep enough; they should be 4 feet deep or more and where they cross section lines, they should be 6 feet deep. That's not happening. Our guys are going to focus on that construction phase.

Representative Kempenich: That is a key element in this whole thing.

Lynn Helms: We're looking for a specialized individual. They've been authorized since July and we have 1 on staff. They're filling another engineering technician spot; and we're interviewing for the other 2 right now. We'd like someone who has 3 to 5 years of pipeline construction crew experience.

Lynn Helms continued with his testimony.

Representative Skarphol: The 200 wells you referred to that you need to reclaim per year. I'm assuming that you mean that you have to monitor the reclamation by other companies. As an agency, are you reclaiming any of the old abandoned wells utilizing the petroleum fund?

Lynn Helms: You're right. There's 200 that are reclaimed every year; of that 180 are paid for and reclaimed by the operator and we just monitor that reclamation. Right now we have 18 that belong to us; they're orphaned wells that we're doing the reclamation process on. The current structure of the abandoned wells sight restoration fund limits our activities to wells drilled after August 1, 1983. There is a bill that is going to set up for that fund $3 million a biennium to be spent on the legacy bad reclamation wells and issues that you're talking about. It will be set up in the same manner that the abandoned mine lands program is set up; where we build a list, prioritize it and we spend $1.5 million a year to fix those old legacy problems.

Representative Skarphol: The back log that you have on those wells drilled after 1981; you say you're working on 18 now, what's the backlog that remains out there?

Lynn Helms: If you bring in the legacy?

Representative Skarphol: Leaving out the legacy.

Lynn Helms: We'll go from 18 to 19. We've been very aggressive in terms of making sure that post 1983 stuff is taken care of. There's a backlog of just 1 in that area. If you go back to pre1983, that's probably going to quadruple that number or maybe 5x that in terms of locations that we need to go back and revisit.

Representative Skarphol: There are numerous situations that we've been very unfortunate in the past and there's some pretty significant damage out there. For example, slews that had salt water run into them; is that the type of thing you're considering in the backlog?

Lynn Helms: Yes. There are a couple issues that would be vying for top priority for that $3 million per biennium; because they represent an ongoing increasing area being contaminated by that old contamination. There are a handful of flowing seismic shot holes that date back to the 1970's that are mixing ground water and also flowing out on the surface and causing erosion and contamination.

Representative Skarphol: There are some of these that go back into the 1950's. Have you done any work on any of those? If so, have you done soil profiles to see how far that contamination has penetrated into the soil?

Lynn Helms: If you go back to page 7 you'll see that there's an updated publication. The geologic survey has surveyed several of those to look at the depth and aerial extent of those contaminations. Those are the worst ones. We think we have an idea. That same bill includes a $2.5 million pilot project to take on the worst of those and see if we can fix them. It's HB1032 and its amendments.

Representative Kempenich: It's well sites because you bring in the reserve pits.

Lynn Helms: This particular legislation would allow pipeline spills and associated contamination issues to be put on the priority list.

Lynn Helms continued with his testimony.

Chairman Thoreson: You have the authority to be able to access that money should you need to file suit at some point?

Lynn Helms: Correct. It's an endangered species lawsuit by the Center for Biological Diversity and they sue US Fish and Wildlife over threatened or endangered species. We need to put a qualified legal counsel person at that table within 24 hours so that North Dakota's interests are protected in that sue and settle thing.

Representative Skarphol: Is there anything new happening in the "sue and settle" situation?

Lynn Helms: What I've been hearing is it's going to be taken up again with the new Congress. They tried with this last Congress and the bill sat in Senator Reed's desk drawer. The problem was that it came out of the farm credit agency lawsuits and takeover of farmers in the 1990's. They intend to stop the practice of suing the EPA or US Fish and Wildlife, coming up with a settlement agreement and getting your attorney fees paid.

Vice Chairman Brandenburg: Agriculture is dealing with the same thing that oil and gas is dealing with. We need to be at the table whether it's agriculture or oil and gas.

Lynn Helms continued with his testimony.

Chairman Thoreson: What type of demolition has to be done?

Lynn Helms: That long grey area on the east which is existing offices and labs and the pumping unit has to be moved. Also the west wall has to be taken out.

Chairman Thoreson: So you would be building over the existing parking lot?

Lynn Helms: Correct.

Chairman Thoreson: What happens to parking for this facility? How many parking spaces are going to be taken out of commission and need to be replaced?

Lynn Helms: Seventy-four parking spaces would disappear from the lot just to the west of the existing core library; and a small amount of parking to the south. The university is anticipating at some point of building another parking structure; which would replace those 74. Part of this includes buying those 74 parking spaces.

Chairman Thoreson: I would like to see what it is you would be buying and what it is they would be requesting at some future date. Would that come through this budget or does it go through the higher education budget?

Lynn Helms: We will get you a detailed line item breakdown of this project. The sky bridge could or couldn't be put in there; it creates a great access for the students to get from Leonard Hall and the Collaborative Energy Center over to this classroom.

Lynn Helms continued with his testimony.

Chairman Thoreson: Any potash updates?

Lynn Helms: We just published a publication following the potash expiration well in Burke county. The company walked away from that because it contained a significant percentage of carnelite magnesium chloride; that wasn't a preferred product for them. Russia mines huge amounts of potash with magnesium chloride as their bi-product.

Lynn Helms continued with his testimony.

Representative Kempenich: What does it cost per well over a lifetime?

Lynn Helms: I'd be happy to figure it out and provide that number.

Chairman Thoreson: Recessed the hearing.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/15/2015
Recording Job# 22026

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Sheri Lewis

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Minutes: See attachments A, B and C

Chairman Thoreson: Reopened the hearing on HB1014.

Ron Ness, ND Petroleum Council: We wanted to stand in support of the department. These are highly skilled, highly technical people across the country. We also support the additions to the core library in Grand Forks.

Eric Hardmeyer, President, Bank of North Dakota: See testimony attachment A.

Representative Skarphol: Did you say that you have 137 loans or 137 people have taken advantage of it?

Eric Hardmeyer: Three thousand people have taken advantage of this.

Representative Skarphol: Wasn't 137?

Eric Hardmeyer: $137 million.

Representative Skarphol: You said $143 million as well.

Eric Hardmeyer: It's actually been paid down since we originated that.

Representative Kempenich: What's the length of the loan?

Eric Hardmeyer: It varies based on the amount of loan that you have. If it gets over $10,000.00 to $15,000.00, we'll take the term and extend it from a regular term of 10 years and it will go up to as long as 25 years.

Representative Kempenich: That's fixed interest then?

Eric Hardmeyer: They can have a fixed or variable rate. Eighty-four percent of the individuals using this program are taking the variable rate. Today the variable rate is 1.73% and you can reduce that by another ¼ of a point by doing ACH or automatic payments; so you can get your interest rate down to 1.48% today. We cap the amount of adjustment per year to 1%. The fixed rate is 4.84%.

Representative Kempenich: I know those federal loans are 6%. You've dropped it $7 million; so people must be accelerating the principle down.

Eric Hardmeyer: We think we've scratched the surface. The total of residents available maybe as many as 50,000 people; and we've done about 3,000.

Representative Hogan: I'm interested in how you're marketing these programs to students. We've heard in financial aid meetings with students that they often don't reference the Bank of North Dakota options. Are you part of that routine package?

Eric Hardmeyer: Financial aid offices are restricted in particularly talking about our program. They can't specifically use us as a preferential program; and that's federally driven.

Representative Hogan: Do you know if you're automatically included in those lists of options? I've heard from students that you're not automatically included.

Eric Hardmeyer: I believe we are and we're trying to work with higher education that we could be listed as a preferential lender.

Chairman Thoreson: You said 50,000 in the state possibly. Is this a product only available to people within North Dakota or could a student from out of state try to consolidate loans through this?

Eric Hardmeyer: This is a program available only to North Dakotans.

Chairman Thoreson: Do you have any loans that others from out of state or students from out of state attending universities or colleges in North Dakota would use through the bank?

Eric Hardmeyer: The DEAL1 Program is only available to North Dakota residents. The DEAL Program, which is not the consolidation; but is just a student loan program, is available regionally. We do this program in not only North Dakota but Minnesota, Montana and South Dakota as well. Any student who goes from outside of North Dakota can use this program when attending a North Dakota school.

Chairman Thoreson: But they have to be going to school in North Dakota or could they be from those other states?

Eric Hardmeyer: They can be from other states using this program.

Chairman Thoreson: In other states.

Eric Hardmeyer: Yes.

Representative Kempenich: Can the schools initiate this program?

Eric Hardmeyer: Yes.

Chairman Thoreson: Do you have a document that shows who qualifies for what?

Eric Hardmeyer: We can get that for you.

Representative Skarphol: Do you have enough history with the DEAL Program to know what kind of a delinquency rate you're looking at?

Eric Hardmeyer: I do.

Chairman Thoreson: That's something that you can provide.

Eric Hardmeyer continued with his testimony.

Vice Chairman Brandenburg: Do you see more operational costs for the DEAL Program?

Eric Hardmeyer: We had to spend about $150,000.00 to get our systems updated so we could handle this rollout. We don't see a need right now.

Eric Hardmeyer continued with his testimony.

Representative Kempenich: Have you thought what that building would cost today if we had to do that over again? Do you track what that cost would be if we were going to build it again?

Eric Hardmeyer: We look at construction costs all the time. In 2008 the new building cost about $13 million and construction costs were about $143 per sq. ft.; today construction costs would be about $220 to $250 per sq. ft.

Eric Hardmeyer continued with his testimony.

Vice Chairman Brandenburg: So there's another $50 million coming for the medical school?

Eric Hardmeyer: As we understand it, HB1286 will specifically address medical facility construction.

Representative Skarphol: You referenced HB1137 on the first page of your testimony. What type of infrastructure are we talking about there?

Eric Hardmeyer: Actually HB1137 is $100 million for the total. What I have referenced here is how much of that will actually spend in the first 6 months. The $100 million in HB1137 designed for city infrastructure; water, sewer, roads, gutters, etc.

Representative Skarphol: Is it available for cities statewide?

Eric Hardmeyer: Yes it is.

Representative Skarphol: For any and every type of infrastructure?

Eric Hardmeyer: Yes it is. As I understand the bill, it's based on the growth of the community. The dollar amount is based on the size of the growth of the city.

Eric Hardmeyer continued with his testimony.

Vice Chairman Brandenburg: Is the $7.4 million committed or is that available?

Eric Hardmeyer: That's available. So we have about $5 million left for the rest of the biennium.

Representative Kempenich: So you work with LSS?

Eric Hardmeyer: We don't have a specific definition for what "affordable" is; ours is driven by the community. The community decides what's affordable in their community.

Representative Kempenich: Those are variable lengths of terms?

Eric Hardmeyer: The interest rate?

Representative Kempenich: The interest rate and the term. How far out is the payback time?

Eric Hardmeyer: You'd see a term of 15 to 20 years and interest rates depend on what the borrower and the bank negotiate.

Eric Hardmeyer continued with his testimony.

Dan Zink, Red River Valley and Western Railroad Company: We are one of three primary short line railroads in North Dakota. We have about 15 locomotives and 100 employees; and about 60 or 70 customers, mostly in central and southeast North Dakota. The Red River and Western, as well as the other short lines, serve almost complete the rural areas of North Dakota. We have either purchased or leased track from the larger railroad companies who couldn't or wouldn't profitably serve these branch lines. We have been able to improve most of the branch lines that we operate over. We're seeing ½ or 2/3 of our system have been brought back to a serviceable condition; the remaining part is

either marginal in terms of its profitability or no chance for making these lines profitable. We've used the loan program that is available to short lines for the entire history of our company. Replacement of the rail itself is critical in serving these rural communities and the short lines are incapable of bearing that investment. The proposal to add $10 million in loan funds to the Bank of North Dakota is welcome.

Vice Chairman Brandenburg: You were instrumental in providing a lot of information to the Upper Great Plains study.

Connie Ova, CEO, Jamestown/Stutsman Development Corporation and Vice President, Economic Development Association of North Dakota: See testimony attachment B.

Eric Hardmeyer continued with his testimony.

John Philips, Lutheran Service Housing: Testified in support of HB1014 for the portion concerning the Bank of North Dakota.

Vance Taylor, President and General Manager, ND Mill and Elevator: See testimony attachment A.

Representative Kempenich: Does that go out in bulk?

Vance Taylor: It can go out in bulk but it primarily shipped in bags to smaller pasta makers that deal with high end pasta.

Vance Taylor continued with his testimony.

Representative Kempenich: Where is most of the market at?

Vance Taylor: It is mostly to the east coast and the Ohio river valley.

Vance Taylor continued with his testimony.

Representative Kempenich: Is this in addition to an existing mill or is it something new?

Vance Taylor: It is in addition to our cleaning house building and also a new milling building that will be big enough to hold the 11,500 100 wt. unit. It will also provide space in the future for an additional 11,500 100 wt. unit.

Representative Kempenich: So you're going 22,000?

Vance Taylor: At some point in the future.

Vance Taylor continued with his testimony.

Vice Chairman Brandenburg: Could you give that figure again for how much more you're going to be able to ship?

Vance Taylor: It's11,500 100 weights per day; it will add an additional 30% to our total capacity. It will give us the ability to go from about 12 million 100 wt. per year up to about 16 million 100 wt. per year; that's a conservative figure for the first 2 years.

Vance Taylor continued with his testimony.

Representative Kempenich: Do employ any hedging?

Vance Taylor: We've had a policy to try and stay fully hedged. After 2008-2009 we rerouted our hedging policy to make it more strict and well defined. We try to stay completely hedged on our flour sales and our wheat purchasing.

Vice Chairman Brandenburg: Are you just basically buying and selling during those days when it's volatile?

Vance Taylor: We change our hedging position the instant our grain purchases are made or the instant our sales are made; so, several times per day we're taking positions in the market to offset what we're doing in the grain purchasing or flour sales.

Vice Chairman Brandenburg: If at 3:00 someone wants to make a transaction, are you waiting until 9:30 the next morning and dealing with it when the market is open so there's not a risk position or do you deal with an overnight trader?

Vance Taylor: Sometimes we use the overnight markets and at other times we'll ask the customer to wait until the next morning to see what the markets do.

Vance Taylor continued with his testimony

Representative Kempenich: Has quality been an issue this year?

Vance Taylor: We've had to deal with some quality issues this year. We've been able to find the wheat we need.

Vance Taylor continued with his testimony.

Representative Kempenich: How long does your contract run?

Vance Taylor: We just finished negotiations this summer on a new contract. It was a 5 year contract.

Vance Taylor continued with his testimony.

Representative Kempenich: How many railcars do you have?

Vance Taylor: We have over 500 railcars now; and with the new mill we'll be adding 190 more railcars to handle that additional flour.

Representative Kempenich: So you at 700 cars then?

Vance Taylor: Yes.

Vance Taylor continued with his testimony.

Representative Skarphol: Can you tell us what your unutilized overtime dollars amount to?

Vance Taylor: I can get that to you.

Jolene Kline, Executive Director, ND Housing Finance Agency: See testimony attachment A.

Representative Kempenich: Where are these homeless people coming from?

Jolene Kline: Homelessness has many different faces. It may be veterans who are not able to find adequate employment, somebody coming into the state with the hopes of gainful employment who is under experienced, it maybe somebody who was adequately housed prior to the energy impact on the rents, etc.

Representative Hogan: I'm interested in the voucher programs. Has North Dakota ever looked at developing a North Dakota voucher program for low income individuals?

Jolene Kline: Yes. There is interest from the housing authorities in developing a voucher program. One of the things that was contemplated was using a portion of the housing incentive fund to help with the rental subsidy program. With the shortage, $50 million isn't adequate to support both a bricks and mortar program as well as a rental assistance program. In my estimation it would take significantly more HIF funding to be able to use that for rental assistance.

Jolene Kline continued with her testimony.

Representative Kempenich: What is an average house price in North Dakota?

Jolene Kline: The average market price depends by community. There's very limited inventory for our buyers.

Kim Zeeb, Fraser Ltd of Fargo: See testimony attachment C.

Chairman Thoreson: What age group are we talking about?

Kim Zeeb: Eighteen to 26 and our mean age is age 20.

Representative Hogan: Because there are such long waiting lists for section 8; and your kids are so young they can't apply, are you going to have an ongoing funding challenge?

Kim Zeeb: Yes. We're taking it one step at a time. This part of the organization receives no help from the state. It is an ongoing issue and we're just looking at it day to day. We want to get phase 3 completed so we can house 21 people plus the 4 families.

Representative Hogan: They also don't get any funding voucher or any subsidy.

Kim Zeeb: Absolutely.

Chairman Thoreson: Recessed the hearing.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/15/2015
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☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

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Minutes: See attachments D through J

Chairman Brandenburg: Reopened the hearing on HB1014.

David Klein, Executive Director, Stutsman County Housing Authority: See testimony attachment D.

Representative Boehning: What percentage breakdown do you have of vouchers going to the younger residents?

David Klein: I don't have any percentage breakdowns for that; because, HUD doesn't give that back to us in any type of report. Each housing authority can also decide who it's going to help first. In Stutsman county we see under 10% of younger families.

Representative Boehning: What's the threshold to get help under this program?

David Klein: They are HUD guidelines for income; and they're set annually by HUD. Each county has their set amount. Rent and utilities have to be underneath the cap that's set by HUD as the fair market rent.

Representative Boehning: Can you explain the $2.00 a pack increase on cigarettes?

David Klein: I work with a local community health partnership in Stutsman county. The Tobacco Coalition wants to raise that tax; because our tax is one of the lowest in the United States. Surrounding states are averaging $2.00 and we're at $.44 per pack. That coalition wanted to see that raised up but they had no use for the funding of it; because they receive some funding from the federal government for their advertisements and it raises about $35 million per year. I haven't had the chance to ask if anybody could get that into any bill to look at for long term funding.

Lynn Fundingsland, Executive Director, Fargo Housing and Redevelopment Authority: See testimony attachment E.

Representative Kempenich: Do you have any statistics on the retirees? Do you have any statistics for what they have going into retirement?

Lynn Fundingsland: I have access to them. I can get those for you.

Lynn Fundingsland continued with his testimony.

Representative Hogan: Does that $100 million include any voucher program or is that a direct loan program for building?

Lynn Fundingsland: My understanding is that of the $100 million, $10 million was allocated towards vouchers.

Representative Glassheim: The 11,400 affordable housing units. How did you get that on a statewide basis? Is there a certain dollar amount that that would amount to?

Lynn Fundingsland: This is census data and how they arrived at that is that we know the household income and we know what rents are across the state. They matched up the demographic data to the number of units available and concluded that we're short that many.

Representative Glassheim: So it's calculated differently for each city?

Lynn Fundingsland: Yes sir.

Representative Glassheim: That's 30% of income for housing.

Lynn Fundingsland: So anybody paying more than 30% of their household income is unaffordable.

Representative Skarphol: With regard to the 11,400 units, do you have the statistics that you could provide us that would tell us how that compares on a per capita basis with other states? Is that available to you in some fashion?

Lynn Fundingsland: Yes.

Representative Skarphol: Could you provide the committee with that so we could see how we compare with Montana, South Dakota and Minnesota on a per capita basis?

Lynn Fundingsland: I'd be pleased to do that.

Dan Madler, Chief Executive Officer, Beyond Shelter Inc: See testimony attachment F.

Terry Hanson, Executive Director, Grand Forks Housing Authority: See testimony that was submitted by email; attachment G.

Tom Alexander, Executive Director, Minot Housing Authority: See testimony attachment H.

Jessica Thomasson, CEO, Lutheran Social Services of ND: See testimony attachment I.

Representative Kempenich: How many partners do you usually wind up having in these projects?

Jessica Thomasson: It depends on the project. The smallest number of partners we've had is 4 and sometimes up to 10 or 12. We'll work with local economic developers, we always work with the local bank, the state through the Housing Finance Agency or the department of commerce, and local churches.

Chairman Brandenburg: Are we losing some homes and they're being replaced by more expensive? Is that part of the problem?

Jessica Thomasson: Yes.

Jaclyn Hall, Executive Director, Ruth Meier's House: See testimony attachment J.

Mark Johnstone: Testified to the need for affordable housing in ND.

Chairman Thoreson: You're working here at the capitol?

Mark Johnstone: I work in the parking lot.

Jaclyn Hall continued with her testimony.

Representative Boehning: When you collecting the rents, how much of that are you putting aside for capital investments in the future for the maintenance of the building?

Jaclyn Hall: Through our housing incentive fund we have a 15 year covenant. With that we are told how much money can be set aside for improvements. Knowing the clients we serve, it's usually more than that. We also capitalize some of that with other different things; so we may use CVBG or home funds to do some major renovations. Usually $300 to $500 per unit is what we use for maintenance. We also have a full-time maintenance individual on staff.

Representative Boehning: You don't have a large fund of $20,000 to $30,000 to replace windows, etc.? You don't have that type of money set aside? Is it an ongoing expense?

Jaclyn Hall: It's an ongoing expense. As a nonprofit we don't have a huge fund for capital improvements.

Representative Skarphol: Can you share with the committee what's been transpiring in Williams county and give us some idea of numbers with regard to that? According to information provided by the state the average income in Tioga is $82,000.00. How does that play into what these entities are able to charge?

Jolene Kline: Federal funding has to follow HUD guidelines to the letter. We have more flexibility with the housing incentive fund; but there are still some limitations. Our century code states that we as an agency have to benefit households of low to moderate income; that moderate income we've pushed up to 140% of area median income. We use the HUD published county income with the 140%. We have such a backlog of units that are needed for the very low income; that pushing that above 140%; which is probably in the $65,000 to $70,000 for a single individual in Williams County.

Representative Skarphol: The concern is the distribution of units within the facility that was in Tioga; the extremely low vs the high category.

Jolene Kline: We're talking about Jessica's 26 unit project in Tioga. That was a federal loan from housing tax credit funded projects. That project is mandated at the 60% area median level. That flexibility to go to 140% is not there; but the maximum is 60%. If she rents to a household greater than 60% of area median income, as the compliance agency for that program, we must notify the IRS that she is not eligible for the credits on that unit.

Representative Skarphol: Three out of the 26 were eligible for the very low. That seemed incredibly low to me.

Jolene Kline: Now we're back to that issue where you have to have enough rent stream to support that project. The more units you put down; the more pressed your annual operating is going to be, the more need for state funding to supplement the federal dollars. The lower we're trying to drive those rents, the more state money has to come in on the front end to reduce the debt.

Representative Skarphol: How does the state money help you accomplish that? How does the state money help you make 6 or 10 of those units available? Is it the upfront money that the entity would get in grant dollars in order to be able to reduce the cash flow needed?

Jolene Kline: Yes. It's going to be twofold. If you want to achieve those extremely low rents, you're probably not going to be able to support any debt on that project. You may also need to look at property tax relief on that project. There's another bill out there that's looking at what the property taxes should be for affordable housing. We have replacement reserve requirements; generally in that $300 per unit per year.

Representative Skarphol: If the city of Tioga said there would be no property tax on this building, it's conceivable they could lower the rent.

Jolene Kline: Yes.

Chairman Brandenburg: Recessed the hearing.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/15/2015
Recording Job# 22051

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachments A and K through N

Chairman Brandenburg: Reopened the hearing on HB1014.

DeAnn Ament, Executive Director, Public Finance Authority: See testimony attachment A.

Representative Hogan: What's the average interest rate you charge on most of these loans? How is that established?

DeAnn Ament: The capital financing program is a market rate program. When we issue bonds, whatever the interest rate is that we pay on the bonds is passed along to the borrower. The state revolving fund program is a fixed rate program because there's environmental protection agency capitalization grants that the state of North Dakota receives, we have to provide that at a below market interest rate. Currently, that rate is 2% interest plus .5% administration fee.

Al Anderson, Chairman, Renewable Energy Council: See testimony attachments K and L.

Al Anderson, Chairman, Empower Commission: Testified in support of the Housing Incentive fund part of HB1014.

Jason Bohrer, Chairman, Lignite Research Council: See testimony attachments M and N.

Representative Kempenich: On top of this $10 million there's $22 million in there; so you're looking at $32 million in total?

Jason Bohrer: The additional appropriation would only be $10 million.

Representative Kempenich: The total for the research council would be what?

Jason Bohrer: The total appropriation would be $18 million.

Representative Glassheim: Is that in order to have cleaner coal?

Jason Bohrer: That's not the only purpose. We do feel pressure from EPA regulations. Regardless of where those regulations end up, we're going to have cope with the reality that we're going to continue to operate in this carbon constrained world. We've done research on carbon capture in the past. It is a path forward for the future.

Representative Skarphol: What are you going to do with the carbon when you capture it?

Jason Bohrer: We don't have a use identified for the carbon dioxide aside from enhanced oil recovery. There's continued research to find other potential uses for the carbon dioxide.

Wade Moser, Chairman, Outdoor Heritage Fund: See testimony attachment A.

Representative Kempenich: How did you come up with the way you funded those projects?

Wade Moser: The project is an application process; they have to put a dollar amount to it as to what it would cost them for that project. We find out what they're putting forward themselves and then they describe the project.

Representative Kempenich: Are you doing what they do on the impact fund or are you reimbursing as they bring things forward? How do you reimburse them? Is this used as "upfront" money with those projects?

Wade Moser: It is reimbursement only. They have to submit their expenses and a report to Karlene at the Industrial Commission office. Once they submit their expenses and it's in line with their contract that they signed with the Industrial Commission; then they are reimbursed for them. There might be an occasion where a few dollars are given up front.

Representative Boehning: Looking at the total cost and the amount of funding; there's some that are 100% and they're all over the board. Are you going to set up a certain amount of 25% or 50% match on these?

Wade Moser: We would like to have at least 25% of the project funded by the applicant. We have talked to the Industrial Commission about setting a firm dollar amount or

percentage; and they didn't approve that. We have the flexibility to be all over the board based on the project and the need. I don't think at this point we're looking at changing that unless the legislature directs us to. I know there is a bill that is going to be introduced to talk about the policy about how we do these.

Representative Skarphol: If you have uncommitted dollars left after your next grant round, do they carry forward?

Wade Moser: Yes they carry forward.

Brent Brannan, Director, Oil and Gas Research Program: See attachment A.

Representative Kempenich: How are you working with the Lignite Research Council? Did you put money into their projects or try enhance your projects with what they're doing?

Brent Brannan: The two programs are separate. The appropriations are distinctly different.

Karlene Fine: See testimony attachment A for the Pipeline Authority and Transmission Authority.

Chairman Thoreson: Closed the hearing on HB1014.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/22/2015
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☐ Conference Committee

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Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachments A and B.

Vice Chairman Brandenburg: Opened the discussion on HB1014.

Joe Dunn, Tribal Councilman, Standing Rock Indian Reservation: What we're trying to accomplish is the opportunity for tribal members to build their homes. We have 50 acres that we can develop. We've identified some lenders; but we'd like to provide some security for our lenders.

Vice Chairman Brandenburg: Maybe you could explain the barriers of building on the trust land.

Joe Dunn: It seems that lenders are reluctant to provide opportunities on trust land because of the possession issue. We think that's been resolved. We know there have been a number of projects that have been done on trust land. We have one lender that has been doing this successfully.

Representative Skarphol: What kind of participation are you anticipating that you will receive from HUD with regard to this? Do they have any current programs that you can utilize and if so, can you share with us what they're able to do? What are your expectations of the Bank of North Dakota or the state of North Dakota?

Joe Dunn: We're not sure what HUD can contribute. We know they have the 184 program and we're not sure how that would impact the project. We're anticipating building 30 to 40 houses over the course of 5 years. We would like to have security for lenders to say we have the financial backing to come into our community and provide home loans to individuals who qualify.

Representative Skarphol: Can you tell me what the HUD 184 program is?

Joe Dunn: I'm not familiar with all the specifics of the 184 program. I believe it offers some backing and lending as well.

Representative Skarphol: Maybe we have someone in the audience that can give us some more information.

Joe Dunn: I have made contact with the housing finance agency and we will be meeting next Tuesday; then we'll have a better understanding of what they'd be able to provide.

Eric Hardmeyer, President, Bank of North Dakota: As you may recall the Bank of North Dakota was given authority to originate mortgages in places where those services are not readily available. So on the surface, it sounds like it's a potential for the Bank of North Dakota to join in the meeting next Tuesday to visit with North Housing Finance Agency and the tribe to understand what their needs are. Then we can see where the Bank of North Dakota can play a role.

Vice Chairman Brandenburg: Maybe you could figure out some sort of plan to make something work.

Steve Sitting Bear, External Affairs Director, Standing Rock Indian Reservation: There's a need for housing and on the Standing Rock Reservation we have over 350 families on the waiting list. We have over 1,000 employees that are in the Long Soldier District that have to commute back and forth from Bismarck/Mandan. In order to address this problem, we can't go back to the subsidized solution. We have to start developing a private economy and that's the idea behind this.

Vice Chairman Brandenburg: The part that you're dealing with is that you have members living on Standing Rock and when they try to get financing for a home they can't get it. They have good jobs and good income; but to try to get financing on the reservation is tough.

Steve Sitting Bear: We do know that we have a population that can sustain themselves; that work every day and can build their own homes. If we work together, we can make things better on the reservation.

Representative Skarphol: As tribes, do you have any resources that exist of a cooperative nature between the tribes that would help you as an individual? To try to educate yourselves with regard to what needs to happen for this to be accomplished? I know that there are organizations that exist between the tribes. Is there any such entity

with regard to housing that's trying to work together to accomplish this on a more regional scale or even a national scale?

Steve Sitting Bear: I'm not currently aware of any private market that exists. Each tribe is its own sovereign entity. On Standing Rock we're trying to give ownership back to our members so they can become self-determined. Other strategies are to find more subsidized housing and we don't think that's a solution. We have no control over what's going on with other reservations.

Representative Glassheim: Is the problem that lenders are afraid that they have no standing on the reservation to recover their loan? That the laws are different or the court system is different and that's why they're reluctant to make loans on the reservation?

Steve Sitting Bear: That is one of the concerns. There have been some issues in the past with these projects. A big problem was that the tribe didn't have the codes and the laws in place to adequately enforce. We are the first tribe in North Dakota to establish or form commercial code that's going to sync with both North Dakota and South Dakota's uniform commercial codes. We have a business code that's in draft that should be completed in the next few months and a natural resource zoning. We understand we can have all the codes and laws in place; but unless they're enforceable in tribal court that it's pointless to do that.

Representative Skarphol: I think it would be good to have Jolene comment about what she does know and what the prospects may be.

Jolene Kline, Executive Director, ND Housing Finance Agency: I have visited with our home ownership director on the 184 program. I wanted to find out what we've done on Indian land with the 184 program. I believe we've done 37 loans totaling $3.2 million. Right now the activity under the 184 program is non-existent; that's because Wells Fargo used to be the financial institution that originated the 184 loans in the state. The individual that worked at Wells Fargo have left and there isn't enough volume today for a local lender to bring staff up to speed to become an approved 184 lender. If the bank can become the originator, we can purchase a loan; as a housing finance agency we can't originate single family loans.

Representative Skarphol: Has there been any conversation with Wells Fargo about the issues with regard to this? What are the obstacles that were difficult to overcome? Could you have those conversations prior to this meeting?

Jolene Kline: My understanding was that the biggest obstacle was the enforceability; that's why the 184 program is really the only viable program out there. That's the reluctance of lenders to do business on Indian land.

Representative Skarphol: What may need to happen is for the legislature to have legislative council research that enforceability with the new ordinances that they've created in their laws.

Jolene Kline: That could work and whether what they accomplished on that reservation can be replicated on other reservations to make it become truly a statewide Indian solution; as opposed to just one reservation.

Representative Skarphol: As a lender, can we give you the authority to do a pilot project with this reservation if their laws have been updated to the point where they are more acceptable? Can we give you the authority to have a pilot project on one reservation in the state without having to do them all?

Jolene Kline: Are you looking as a backstop for any potential losses if those loans aren't enforceable?

Representative Skarphol: I'm thinking that you could not have a discriminatory policy with regard to who's eligible. If we create a special program for the Standing Rock Reservation, because of your Involvement with the federal government going to be required to provide the same opportunity on other reservations who have not updated their laws and codes to the extent that Standing Rock has?

Jolene Kline: I'm not prepared to answer that today. I believe we are authorized to do pilot programs in just certain parts of the state. There is some precedence that we're working on with another legislature that we're working on a pilot program on a different housing situation. As long as it is a pilot, I believe we can specify a certain region of the state.

Representative Skarphol: I would suggest you contact legislative council and have someone there at the meeting so they become more familiar with the issues.

Vice Chairman Brandenburg: I think that would be good.

Jolene Kline: I would ask to have that meeting be moved to Bismarck; because we're involving a lot more Bismarck people now.

Vice Chairman Brandenburg: I think that if that meeting is scheduled in Fort Yates, I think that's where you should go. There are dozens more people down there that aren't going to come here and I think if you make that connection down there and have that conversation.

Joe Dunn: That would be fine. What we have on the agenda right now is a presentation from a prospective developer who would put his own money into building these homes and then offer them for resale.

Representative Boehning: I'm printing a document that lists all the banks that are section 184 approved lenders. See attachment B.

Eric Hardmeyer: The Bank of North Dakota is approved to do VA loans, FHA loans and USDA loans; so if it's something that we can take a look at in terms of being an eligible 184 lender, we're happy to take a look at it.

Dan Wogsland, Executive Director, ND Grain Growers Association: See testimony attachment A.

Representative Glassheim: How is that structured? Is that loan money or grant money?

Vice Chairman Brandenburg: It's set up as a revolving loan.

Eric Hardmeyer: It's a short line revolving loan fund. It's set up as a $10 million fund and the money comes from the SIF Fund. The idea is to loan money at a low interest rate with a term of 20-25 years. It's to assist short line rails and track repair or to hook up agricultural producers and suppliers to rail. There was some discussion of increasing this from $10 million to $30 million. The Bank of North Dakota would administer this program; so it would be money that would be appropriated to the Bank of North Dakota to administer.

Representative Skarphol: Are there any revolving loan funds that aren't being used anymore that we should be considering get rid of? Maybe utilize it in a different fashion for a different purpose?

Eric Hardmeyer: The only one that came to mind was we had a growing surplus in the beginning farmer revolving loan fund; where it wasn't being utilized. We have done it for other purposes; including buy down and cattle. We're actively looking at the funds that we administer. We've gotten rid of several them. I can't think of any fund that we haven't addressed.

Representative Skarphol: Do we have some that you're anticipating that we're going to see more utilization of? Are we underfunding anything today that we should consider putting more dollars into?

Eric Hardmeyer: We looked at the community water program; and there are other infrastructure funds that are being discussed. There is also HB1137 and HB1443 that both deal with infrastructure. The funds we are administering are adequately funded.

Representative Hogan: I have in my notes that you said that there would be up to $140 million available for potential loan funds. Did that include the short line rail funds or not?

Eric Hardmeyer: The $140 million that I talked about was money that was coming out of the Bank of North Dakota's capital to provide either $100 million in infrastructure financing which is under HB1137 or a transfer to the public finance authority to create an infrastructure revolving loan fund. The other $40 million is to fund our buy down programs. The $140 million is, based on bills we've seen, is closer to $240 million; so there's at least 2 other funds being contemplated using the Bank of North Dakota profits.

Representative Hogan: Could we get a spreadsheet of all the potential requests?

Eric Hardmeyer: I think we have that.

Vice Chairman Brandenburg: The $10 million for the short line railroads is coming out of the SIF fund.

Representative Glassheim: The $140 million doesn't injure your ratios or reserves?

Eric Hardmeyer: It's a dollar amount that we're comfortable with.

Representative Glassheim: You would be uncomfortable with much more than $140 million.

Eric Hardmeyer: We would be.

Representative Vigesaa: Can any North Dakota resident consolidate their student loans into DEAL1?

Eric Hardmeyer: You're correct.

Representative Vigesaa: According to the chart you have $137 million for that? You would anticipate that to grow rapidly wouldn't you?

Eric Hardmeyer: We would continue to see continued growth in this program.

Representative Hogan: There's a number of workforce targeted bills for various professionals is DEAL1 going to cover those so that those bills aren't needed?

Eric Hardmeyer: This program is meant for those that are in repayment. HB1049 is meant for addiction counselors. That would be as they're going to school and paying for their classes; they wouldn't use DEAL1. They would use the DEAL Program.

Representative Hogan: You talked about the authority of the bank to originate mortgages if loans aren't available. Have you ever used that authority?

Eric Hardmeyer: Yes. This is our 4th quarter report. In 2014 the Bank of North Dakota originated 37 loans for roughly $6 million. We did recognize and ask for authority to originate mortgages at the request of the banking associations because there were areas in rural North Dakota where the banks stated there was too much regulation.

Representative Hogan: Have you done any tribal loans at all on any of the tribal lands?

Eric Hardmeyer: We have not. We have done a series of commercial loans; so we have been active on many of the reservations.

Representative Skarphol: Representative Boehning printed this list for Section 184 approved lenders. See attachment 2.

Jolene Kline: There was a comment made during testimony last week about the origination fee. We are not a general fund agency; we're a special fund agency which means we pay all our own bills. The original language in the HIF fund allowed us to charge up to a 10% administrative fee and pull it out of the fund. This meant that we had 90% of the fund to allocate to projects. We didn't feel that was doing justice to the number of units that needed to be created. In 2013 we asked for legislative change to pass that

administrative fee on to the borrower or the applicant which is the model used for all the federal programs that we administer; where there's a fee that's paid by the developer for it.

Representative Skarphol: The Housing Incentive Fund sells itself does it not?

Jolene Kline: The Housing Incentive Fund sells itself to the developers. We are still marketing on a significant level.

Representative Skarphol: Do you have trouble raising the money?

Jolene Kline: We were successful in 2013. That didn't happen without marketing. In 2014 we had no credits to award. In 2015 if the program is reauthorized by and with the $30 million in tact; we will have go out there and remind everyone that the program is once again allowable to accept contributions.

Representative Skarphol: So 2013 was the first time this program was available?

Jolene Kline: No. 2011 was the $4 million credit.

Representative Skarphol: How long did it take for the $4 million to get filled? In 2013 how long did it take to get done?

Jolene Kline: In 2013 the bill was signed into law in early May and we generated the $20 million in credits by the end of 2013. Now the proposal is to increase that to $30 million. The change in the financial institution tax made it very successful. Out of that $20 million more than $11 million came from financial institutions.

Representative Skarphol: The program became effective in May and by the end of the year you filled it. So why do you need to market it?

Vice Chairman Brandenburg: You shared here it was $20 million and the credits are going to $30 million; is that correct?

Jolene Kline: That's correct.

Representative Hogan: The requests from the housing agencies were up to $100 million. Wasn't that the request from the various housing agencies?

Jolene Klein: That's correct. Senator Mathern has a bill that is SB2220 that's being heard tomorrow morning that requests an increase of the Housing Incentive Fund to $100 million; $30 million of that would be retained as an income tax credit and $70 million would be a general fund appropriation.

Representative Hogan: If we can raise increased income tax credits from this; should we not raise it to however much money we happen to raise?

Jolene Klein: Instead of capping it at a $50 million program with a $30 million piece; have there be some upper threshold.

Representative Hogan: Have we looked at that?

Vice Chairman Brandenburg: I think there's discussion out there and we'll have to have more discussion. Right now we have $20 million in the governor's budget of general fund and $30 million of tax credits.

Jolene Klein: Correct. The $20 million is in the governor's jumpstart bill. Our fees aren't hidden; it's clearly in the allocation plan and we allow those fees to become a part of the total project cost of which we put in 30% of the total cost. So in essence, we are covering 30% of those fees.

Vice Chairman Brandenburg: Closed the discussion.

2015 HOUSE STANDING COMMITTEE MINUTES

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Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachment A.

Chairman Thoreson: Reopened the discussion on HB1014

Lynn Helms, Director, Department of Mineral Resources: See testimony attachment A.

Ed Murphy, State Geologist, Department of Mineral Resources: See testimony attachment A.

Representative Kempenich: What is the weight of this core? You don't keep cores out of every well do you?

Ed Murphy: The core box weighs about 30 lb. on average. By law, companies are required to furnish the core library with a representative portion of that core. In many cases that means 2/3 of the core. They are required by law to collect cuttings in the vertical section and there are different rules for where they're drilling that well. Typically it's 50 ft. in the vertical and 100 ft. in the horizontal.

Representative Kempenich: What Lynn is predicting off of 30,000 to 40,000 wells, you addition isn't going to be enough.

Ed Murphy: I think the next slide will answer a lot of that for you.

Ed Murphy continued with his testimony.

Vice Chairman Brandenburg: What is the minimum or maximum?

Ed Murphy: When they're coring the Bakken or Three Forks, they'll drill the vertical hole and core that. Then they'll do the horizontal core.

Vice Chairman Brandenburg: I was wondering how many samples. You said some have 3 and some have 13; and I was wondering kind of what was the average core samples that come out of a well.

Ed Murphy: They can core at whatever level they want to.

Vice Chairman Brandenburg: So they're sending in the core sample where they're finding good rock or area where you get oil out of.

Ed Murphy: It's an area that they're interested in.

Representative Kempenich: To core you have to use a different bit.

Representative Skarphol: I suspect if every well was cored, you'd need a lot more room than you have. Is that a correct assumption?

Ed Murphy: Yes.

Representative Skarphol: How frequently do you require coring or is that strictly up to the company? Give us a little background on the frequency of coring and who makes that decision.

Ed Murphy: I don't know of any situation where the state has required someone to core. It's up to the operator to core and then if they do, by law they have to provide us with a representative core.

Lynn Helms: I believe they're on well 24,000 and headed for 90,000.

Representative Skarphol: How many different wells have representative core samples?

Ed Murphy: 4,619.

Representative Skarphol: How many of those have been brought into the lab since Bakken horizontal well drilling?

Lynn Helms: I think since 2008 the number of core has doubled or more than doubled since the advent of Bakken. On average 1 out of 7 or 10 wells cut a core. With the advent of multi-well pads, we've started to grant a lot of log and core and sample waivers; because you don't 28 sets of logs and samples when the wells are 50 ft. apart.

Representative Skarphol: So you require samples and not cores?

Lynn Helms: Correct.

Representative Skarphol: Samples on every well?

Lynn Helms: Correct.

Representative Skarphol: Why do they need a waiver if you don't require anything other than samples?

Lynn Helms: They requesting sample waivers. Samples take up a significant volume of space. We want every foot of core that's taken; but it's unnecessary to have so many samples.

Representative Skarphol: If a company decides to core a well, how much additional time does that well typically take?

Lynn Helms: The drilling rate of coring is going to be 1/10 of the speed of the drilling rate used in a conventional bit. It will take them 3 or 4 additional days in the neighborhood of $50,000.00/day of just rig costs. So the company is acquiring $250,000.00 in cost just to acquire the core' and in addition are the lab analysis.

Vice Chairman Brandenburg: There's got to be something back for the companies to do this; so they want to do this but they don't want to do too much.

Lynn Helms: That's very accurate. They need that core to study the mechanical properties of the rock; that's how they design frack jobs.

Representative Skarphol: The company owns that core and does the research they want on that core and after they've completed their research, they submit it to the core library. Is that correct? Once it belongs to the core library, any company that wishes can come in and ask for samples and do research on that same core if they so desire. Is that also a correct assumption?

Ed Murphy: Correct. Sometimes the original company comes back in and resamples.

Representative Skarphol: So it becomes an open record that anyone can look at and receive and get benefit from.

Ed Murphy: That's correct.

Representative Hogan: Why was there the significant drop on the level of core boxes in 2013?

Ed Murphy: It takes sometimes 2 or 3 years for the core to come in and it may have been backed up in the core labs. In some cases, companies are given permission to keep core a little longer if they need to for various reasons.

Representative Kempenich: Is that public record for that? When they take samples of the core; do they take pieces and go somewhere else?

Ed Murphy: By the time we get the core, it's generally out of tight hold. We lock them up and no one can look at them, not even ourselves, until they come off of tight hold status.

Representative Kempenich: Do they share that information with you then? After it gets to you and they come back again, do they share that information or is it shared all the way through the process?

Ed Murphy: All the way through the process. If they have the core, they're running the tests in their labs; that information goes to oil and gas division. If the core comes into geological survey, any testing that's done after that; that information has to come back to us. In both cases it's made public.

Ed Murphy continued with his testimony.

Representative Skarphol: What percentage of that is studied by academia vs the industry?

Ed Murphy: Industry does the majority of that; because the students are focused on much shorter cores. Companies will often look at 8 or 10 cores in a day and a student will look at 1 core.

Representative Skarphol: Is that local students from UND or within the state? Do you have a lot of attention paid to the core samples outside of the state of North Dakota by academia?

Ed Murphy: In 2013 we had 139 scientists representing 28 companies, 8 universities and 18 graduate students at UND that are looking at core.

Ed Murphy continued with his testimony.

Representative Skarphol: So academia and the oil companies come there and do their research rather than pick up the samples and take them somewhere else?

Ed Murphy: That's correct. We will ship core back to companies to the lab; but not to individual companies once we have them.

Representative Skarphol: Is there degradation of the core samples they study to where they lose value?

Ed Murphy: We have a set of rules that they have to adhere to. They can't destroy the face of the core. When they're sampling we have a protocol that they have to follow.

Ed Murphy continued with his testimony.

Chairman Thoreson: Can you give us a little information about that?

Ed Murphy: It will physically connect the Upson Engineering Department and Leonard Hall.

Representative Kempenich: Where are you going to move your parking space to?

Ed Murphy: I will address this momentarily.

Ed Murphy continued with his testimony.

Vice Chairman Brandenburg: You're trying to accommodate that issue?

Ed Murphy: That's correct.

Vice Chairman Brandenburg: One of these labs will be for students and 2 for industry?

Ed Murphy: That's a good point and if you go up to the second floor there's a lab dedicated for students.

Representative Boehning: The cores that you're studying. Do they go back 10 or 20 years or is it all the new stuff they're studying?

Ed Murphy: The vast majority of the companies coming in are focused on the Three Forks. The students are working on all horizons.

Representative Kempenich: What are they up to in the Bakken or Three Forks/ are they up to 6% or 7%? There's more in the ground than coming out of the ground.

Ed Murphy: That's correct.

Ed Murphy continued with his testimony.

Representative Kempenich: Who brought up putting cars on top of the storage?

Ed Murphy: That's something we thought of and the problem was that it would be a very steep ramp.

Representative Vigesaa: Based on the current rate of travel in regard to storage, when would the current facility be completely full?

Ed Murphy: 2017. We've been able to push that date back. We're currently getting 90 bins full per year.

Representative Vigesaa: What's the time frame of the construction?

Ed Murphy: We need an emergency clause so we can do demolition before classes start in the fall. If we were able to do that, they think the building would be completed by January 2017.

Representative Boehning: With this new structure how many years of storage will you have if we build it?

Ed Murphy: It's very difficult for us to project this out. We're forced to use today's rate of fill. We wanted to get out 50 years; it might get us 40 to 60 years,

Representative Boehning: How far to the right does the parking actually go?

Alice Brekke, Vice President Finance and Operations, University of North Dakota: The lot that's to the west and just to the south of the existing structure; there's 160 parking spots. To the left of the building and then that row just below that building is 160 slots in those two areas. The number of slots that would be taken off line with the expansion is 74.

Representative Boehning: How many more slots aren't on the picture?

Alice Brekke: About 90.

Representative Boehning: We would be able to build a parking ramp on top of that very easily.

Alice Brekke: We're looking at both our parking and transportation infrastructure with an eye to should we build hub parking ramps as other existing hits its estimated useful life and needs to be redone. There are newer EPA regulations that come into effect and as we redo that impervious surface, we have storm water runoff issues that need to be addressed and so forth.

Representative Boehning: How much is it going to cost the students?

Alice Brekke: In the normal course of events, parking is a self-supporting enterprise; supported by user fees. Faculty staff and students do pay a fee which goes into the parking infrastructure and that's how we maintain. We would request the replacement parking dollars so we wouldn't have to impact the user rate for this portion of the replacement.

Representative Hogan: If this project doesn't get funded, do you have a contingency plan?

Alice Brekke: For the core library?

Representative Hogan: For the core library

Ed Murphy: We really don't. There's nothing that works. If we try to find something else to store, then we have to bring that into the building for the scientists to look at.

Representative Skarphol: I think that nationwide no one has a core library of the caliber of North Dakota. Is that correct?

Ed Murphy: There are bigger facilities; but nobody has as high a percentage as we have of representing the core.

Representative Skarphol: If you want to talk about difference in size, Texas has drilled well over 500,000 wells in that state; we've drilled 25,000. Oklahoma has drilled well over 325,000 wells compared to our 25,000. When it comes to quality of core libraries, I believe North Dakota is second to none.

Ed Murphy: I agree.

Vice Chairman Brandenburg: Your rocks don't just sit in a box, they're being used by companies nationwide.

Representative Boehning: Have you looked at a different location for this building?

Ed Murphy: We really didn't because of our historic connection with the department of geology and the usage by the students and faculty.

Representative Skarphol: We've had quite a list of buildings we've had requests to build. I'm trying to figure out how to present this in front of others. Can you help us out?

Ed Murphy: I'm sure that the Bank of North Dakota or the mill and elevator make the same argument. We need to keep this a viable facility. There are a lot of things we're going to be able to do with this that we can't do now.

Lynn Helms: Our only option would be to find something for the cutting storage. We would have to look for some warehouse space in or around Grand Forks; and then move the cuttings out of the core library and replace with core. There's some risk to that because it's the top 2 shelves and it's a slow and expensive process. It would be a last resort. It would have the potential to extend.

Vice Chairman Brandenburg: If you go to another site you have to have another forklift, security, etc.

Lynn Helms: There's a tremendous cost of moving the material that's in this warehouse. This is a critical education facility for the geologists who are getting their bachelor's and master's degree.

Representative Skarphol: Push back against buildings is going to be tremendous in this session. We adopted a policy a few sessions ago where we weren't going to borrow any money to build buildings. What would it cost if we were to bond a $16 million facility over long term?

Karlene Fine: I did show you a chart of the outstanding debt for the building authority; which is the bonding authority all the projects other than the revenue producing ones that

the University system does. Our outstanding debit is approximately $53 million. We have under the stipulation you have in law of the amount of debt that we can pay; which is a formula. We have the ability to bond for over $300 million; and we'd still be able to meet the requirements of the law. The rate is under 2% if we were to do some bonding.

Representative Skarphol: I kind of wanted to know is what the bonding percentage would be. If this facility is as critical as it appears to be, 2% isn't a very large investment in order to do something like that. When you say 2%,is that a 10 year bond or 20 bond?

Karlene Fine: We typically do 20 years but we can set it up for shorter. I can run a couple of different scenarios for 10 and 20 year.

Representative Vigesaa: Can we say it's going to cost so much per $1 million to bond?

Karlene Fine: Yes.

Representative Boehning: What type of structure is this going to be? Is it going to be a precast? Is there some way we can save some money doing a different type of construction into this?

Ed Murphy: It would be a precast. It looks like brick but it's a cast.

Representative Boehning: You have the parking ramp for $1.8 million; would that be something we could take out of there?

Ed Murphy: One of the things we agreed to do was to ask for that money; understanding that we were taking their parking spots.

Alice Brekke: As we go forward, it won't occur in the 2015-2017 biennium; but in the following biennium we will need to make sure that that replacement parking gets put in place. The exact location and capacity that does get put into a ramp at that time is all in planning right now; so we don't need the cash right now. The concern would be getting to the next biennium and the question of whether funding would be available or would we be put into a position where we would need to support this ourselves.

Representative Boehning: Of the total parking spaces on the university; what's the total percentage utilized?

Alice Brekke: I don't have the numbers here; I can get those for you. Part of the dilemma becomes location of the parking and then access to where people are trying to get on the campus. We are looking currently at the parking infrastructure as well as campus transportation or shuttle service to make sure we're working towards an optimal solution.

Representative Skarphol: We did talk to legislative council about checking on the changes in the codes that they've made to see whether or not that's something has been beneficial.

Representative Boehning: When you talk to the APC; one of my suggestions would be to take out the parking ramp out of that $1.8 million and then we get down to $14.2 million. Is there a way that we can pare the building down a little bit more? Is there a way that we could possibly get those numbers down with a different design or concept?

Ed Murphy: We can certainly look at that. The contingency is built in because you don't know what the bid is going to come in at. They added the 15% on and I don't know if in the last 6 months these numbers had changed at all.

Representative Boehning: If we don't need the contingency we won't have to bond for it either. That's something we can take a look at as well.

Ed Murphy: We'll go back to APC and discuss with them and see where we can trim.

Vice Chairman Brandenburg: Closed the discussion on HB1014.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/27/2015
Recording Job# 22592

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachments A through F

Chairman Thoreson: Opened the discussion on HB1014.

Karlene Fine, Executive Director, ND Industrial Commission: Discussed the agenda for the discussion on HB1014.

Jason Bohrer, President and CEO, Lignite Energy Council: See attachments A and B.

Wade Boeshans, President and General Manager, BNI Coal: See attachment C.

Representative Kempenich: What time line is the EPA giving you?

Wade Boeshans: The time line is still unknown. The rules are still in the proposal stage, they're not yet final. The EPA is targeting a 30% reduction by 2030. Our goal is to have that technology ready in the mid-2020's.

Representative Kempenich: Do you think they'll change that? It looks like it's something worth pursuing.

Wade Boeshans: There's a lot of uncertainty around the development of these regulations through the EPA. There's going to be lawsuits from many groups that are pushing for

acceleration, groups that are pushing for reasonable development timelines and implementation timelines. A solution will be needed at some point.

Wade Boeshans continued with his presentation.

Representative Kempenich: You're showing $30 million here. Is this going to be a multiple state effort?

Wade Boeshans: The current North Dakota Allam Cycle development team and partnership consists of Dakota Gasification through Basin Electric, ALLETE through BNI Coal and Minnesota Power, Eight Rivers Capital, and the Lignite Energy Council. The funding at this point has come from the previous entities not through the Lignite Energy Council. There's research going on for natural gas and that's the partnership in Texas; they're developing the gas cycle. We proposing to develop the coal cycle.

Vice Chairman Brandenburg: When you say partnerships, are you watching them, are you there in the court hearings? It's going to take partnerships to fight these guys off. What's going on?

Wade Boeshans: We're very active in this EPA debate. We're at the table and we're engaged.

Vice Chairman Brandenburg: As far as the rule making effect, are they listening to you? What's your observation?

Wade Boeshans: My view is that North Dakota and the lignite industry have been very effective. There's no guarantee that we can push these regulations back. I believe at some point they will move forward.

Representative Glassheim: I'm enthused by the change of emphasis of totally fighting against clean air and water. The other $20 million in stage 2; will you be coming back to the state for some more or do you have industry partners who are going to be investing with the state?

Wade Boeshans: Moving this project through stage 2 will be a joint funding between industry partners, federal sources and state sources. We're proposing a 1/3 state, 1/3 industry, and 1/3 federal sources of funding.

Representative Glassheim: This will be loan money for stage 3 or would you need $50 million from the state to be a partner in the plant construction?

Wade Boeshans: As we move on to stage 3 you will see the dollars getting much bigger. We would be looking for additional support from the state in that stage as well. The exact structure of funding has not yet been determined. Our goal is to get through stage 2, if we still have a technology that's equally promising; we would put together the appropriate funding at that time.

Representative Kempenich: If stage 3 worked in the demonstration part of it, could you reconstruct existing plants? Would you have to start over on every plant?

Wade Boeshans: If we look at a pilot plant, we would co-locate that pilot within an existing facility. It could be a facility that could become a commercial facility. This technology could be both a new site; or it could be co-located with existing sites or replace existing sites.

Representative Boehning: When you get to stage 3, would there be any possibility of rate increases? Would you be able to fund it that way?

Wade Boeshans: Alternative funding mechanisms are a possibility.

Representative Boehning: What size plant are you looking at; 150 megawatts or 100 megawatts?

Wade Boeshans: Fifty to 100 megawatts is what we're planning.

Vice Chairman Brandenburg: With this new construction, what kind of costs are you looking at for this?

Wade Boeshans: Our cost estimates indicate that power coming out of that plant would be about $.04. Compared to a best available conventional coal technology will be closer to $06 today. Those are preliminary estimates.

Vice Chairman Brandenburg: So if you get around $.05 your pretty good.

Wade Boeshans: Yes.

Representative Kempenich: The amount of coal being used would be dropping also.

Wade Boeshans: That's correct. We're moving from conventional plants at 35% efficiency and to this facility that would be closer to 50% efficiency.

Representative Kempenich: So that would double a 1,000 year; wouldn't it?

Wade Boeshans: We're using less BTU's to get the same amount of electricity out of the plant.

Representative Kempenich: Basically it is ground up then. What you have today wouldn't be what's used in the future.

Wade Boeshans: That's correct. It's a completely different cycle. It wouldn't be retrofitting existing plants. You would be talking about a new plant running on a new technology that is near zero emissions.

Chairman Thoreson: Is there anything you have that shows what we have now to what this would be?

Wade Boeshans: We have some graphics that we can provide.

Representative Hogan: I'm curious about who would own the technology we invest in this?

Wade Boeshans: Thief Rivers Capital still owns the technology. We're still working on the rights that we, as the funding partners, would secure. That is part of our next stage as we move into phase 2. We'll be starting that process within a week.

Representative Hogan: I think that's a critical question if we're doing a major investment in it.

Vice Chairman Brandenburg: Now I see how you can keep that cost down because you're using half the coal and get more efficiency out of it.

Wade Boeshans: We can provide you a best estimate of how this technology stacks with all other available natural gas and coal technologies. You'll see from that that our estimate will be the lowest commercially available technology at the end of the process.

Chairman Thoreson: That would be interesting to have. Are the lots of other new technologies being tried? Is this the only one that we're looking at changing from where we are now to where we're going?

Wade Boeshans: There's a lot of research going on with next generation technologies. This is the most promising technology I've seen in my career.

Representative Vigesaa: Would this technology and efficiency open the door for additional new plants in the years to come?

Wade Boeshans: Our hope is that not only does it provide a solution for the regulatory challenges; but also creates an opportunity for growth in this country.

Mike Jones, Vice President for Research and Developtment Lignite Energy Council and Technical Advisor, Lignite Research Program: The Lignite Energy Council has taken the long term position that we will remain a carbon based society. Lignite coal is the cheapest source of carbon we have today.

Representative Kempenich: Are the Germans ahead of us or at the same point?

Mike Jones: I met with the Germans last year a couple of times. They are struggling with how they're going to structure things for the future. They're not able to achieve the revenue for that stream to maintain it. They're looking at a scenario where they pay just to have capacity available. They are eliminating the nuclear option. They had commissioned 3 new super critical lignite boilers in the last 5 years; each of them about 1,000 megawatts. That's another partnership we're looking to develop.

Representative Kempenich: This is a global thing and that's why I was wondering where we were at.

Representative Skarphol: This process burns pure oxygen; so where do you get the oxygen and what's the cost? You're talking about using the CO2 for enhanced oil recovery; there's probably a zero market for that in North Dakota right now. If there's no market for your CO2, what does that do to the economics? Did you say this demonstration would be a 50 megawatt facility?

Mike Jones: That's correct.

Chairman Thoreson: We'll start with pure oxygen. Where does that come from?

Mike Jones: At this stage there are a number of options that could be used for the liquid oxygen. Dakota Gasification is using a cryogenic process to produce oxygen. That's all figured into the cost for this demonstration. There's a numbering technology which is under develop and is moving closer to commercialization which could significantly drop that cost. That technology is 3 to 5 years out before it would be considered commercial. We're working with the oil industry and Lynn Helms sees the future of North Dakota oil tied to North Dakota coal.

Representative Skarphol: The potential does exist for liquid CO2 to be used for fracking. The CO2 emissions on that facility are ¼ of what a natural gas plant would do; it's a 150 megawatt facility at Boundary Dam. By comparison the economics would be of a facility such as that facility vs this?

Mike Jones: I have looked at that and visited with them a number of times. I think it's a tremendous opportunity. They would not duplicate that as it stands today. They are seeing opportunities to change that. I spoke with the director of power and he thinks they could cut somewhere between 20% and 30% of the cost today.

Representative Skarphol: They're already producing more CO2 than they were purchasing from the state of North Dakota.

Mike Jones: They're producing a little over 1 million tons. They're delivering about 110 megawatts to the grid right now. We're putting about 2 million tons into the pipeline right now up there.

Representative Skarphol: In your discussions with them about the facilities they're looking at upgrading, I would assume the efficiency is going to improve on those. Are you thinking in terms of a surplus of carbon dioxide for period of time it would affect your economic?

Mike Jones: I don't know how the need is going to ramp up. I don't feel I'm competent to give you an honest answer on that. They're saying they see a target for 50 million tons/year in North Dakota.

Representative Kempenich: Where in the life cycle are we at?

Wade Boeshans: Most of the existing lignite facilities will be fully depreciated and at the end of their life by the mid 2030's.

Wade Boeshans continued with his testimony.

Chairman Thoreson: If this works out it will make you money. It's something we'll take into consideration.

Representative Skarphol: With regard to CO2 and enhanced oil recovery, what percentage of the carbon dioxide adheres to the rocks in the formation or to the oil so that it's not available to come back with the gas?

Lynn Helms, Director, ND Department of Mineral Resources: The conventional oil reservoirs that have been utilizing CO2 typically exhibit about a 25% sequestration rate. Of the carbon dioxide that's injected into the rock, 25% ends up in pore spaces or on the rock face and is never seen again.

Representative Skarphol: What does that translate into as far as the marketability of the natural gas? How do they resolve that issue? What's the cost effectiveness of that?

Lynn Helms: In west Texas large natural gas plants have been constructed to remove the carbon dioxide for reinjection and sell the natural gas. Current North Dakota's natural gas infrastructure has a value of around $6 billion. We would have to see an investment of $6 million in CO2 removal processing in order to remove the 75% and re-inject it.

Representative Skarphol: If the industry moves to using liquid CO2 for purposes of fracking, would that doubling down not have to take place in advance of that utilization of CO2 for fracking to insure that the carbon dioxide that injected was properly handled after the fact?

Lynn Helms: It more than likely would because the CO2 regulations that the current administration keeps tightening down wouldn't allow that carbon dioxide to be vented to the atmosphere following a hydraulic fracture. It would have to be collected during the flow back period and run through that process and separated. We would see a need for major investments in gas gathering and processing.

Jason Bohrer continued with his testimony see attachment B.

Representative Glassheim: That's the 44-03-04? What is it now and what does it change?

Jason Bohrer: That 44-03-04 refers to membership of these types of committees. It would change it only as it applies to lignite research council. It would keep that prohibition in place for all of the other committees.

Representative Glassheim: You have to be a North Dakotan to sit on these councils?

Jason Bohrer: Yes.

Chairman Thoreson: Not overall but just in this.

Jason Bohrer: Correct.

Representative Kempenich: Texas is moving ahead with their gas and they're talking about $140 million. Where do they get they're funding from?

Jason Bohrer: Their funding structure probably looks a lot like ours; it's the same technology owners who we would be working with. They just formed a group to deal with the gas side and a group to deal with the coal side.

Representative Kempenich: Some of these projects are pretty advanced. We're going to use as much off the shelf technology that we can find.

Jason Bohrer: When you look at the magnitude of this technology; what it has the magnitude to do for this country, I think it's surprising the amount of new and unproven technology that goes into it.

Karlene Fine, Executive Director, ND Industrial Commission: See attachment D.

Representative Kempenich: What would the penalties be for paying early?

Karlene Fine: When you do a bond issue you usually set it up to have some call provisions. If I did a 20 year bond issue right now, I'd have a 10 year call; so I could completely pay it off in 10 years without any penalties. With a 10 year bond issue you generally don't have calls. You can put some into your financing that may cost you.

Representative Skarphol: Basically what you're telling us is if we want to do a 10 year $16 million bond; it's going to cost us $2.3 million/10 years.

Karlene Fine: The debt service on that would be yes. The bond size would only be $12 million.

Representative Skarphol: We're going to pay $23 million for that $16 million building?

Karlene Fine: We're going to pay $16 million for that $14 million project.

Representative Skarphol: What's it going to cost us on a biannual basis?

Karlene Fine: $4 million.

Representative Skarphol: $4.6 million.

Karlene Fine: The average bio-net debt service will be $4 million.

Representative Skarphol: For 5 bienniums?

Karlene Fine: It's only four.

Representative Skarphol: So a 10 year bond only has 4 payments.

Karlene Fine: Because we have 2 years that we're not anything the first biennium. The total debt service for getting the $14 million would be $16 million.

Representative Skarphol: The cost in the end is going to be about $2.4 million more than the project if we would pay cash for it.

Karlene Fine: $2.1 million. It would be $16.1 million for total interest and principle on the bond.

Representative Skarphol: The biannual payment would be $4.6 million.

Karlene Fine: You're right on the $16 million project. If I were structuring a bonding issue for this I wouldn't fund the parking; because you're funding cash.

Representative Skarphol: You're saying you're funding cash. You're not going to build the parking?

Karlene Fine: The parking ramp won't be built for 4 years.

Chairman Thoreson: You're paying today for what you're building tomorrow.

Karlene Fine: Right.

Representative Kempenich: It might be cheaper to bond them than to use cash.

Karlene Fine: See attachment E.

Vice Chairman Brandenburg: So you're saying with the triple A rating we've got the lower interest rate and if that rating changes, the interest rate could be higher.

Karlene Fine: It could. They just reaffirmed this rating.

Vice Chairman Brandenburg: How often do they that rating on that bond?

Karlene Fine: The rate of the bond is set when you sell the bond. They rating on the state of North Dakota; they will look at that every time we go to market.

Representative Skarphol: Do the public finance authority's bonding affect the amount that we are capable of bonding or are they a separate entity?

Karlene Fine: No.

Representative Glassheim: What number are we working with?

Karlene Fine: This chart is showing you that you could have $60 million of debt service. The amount of bonds you could issue are $360 million. This doesn't limit it at all; this is the amount of debt service.

Representative Glassheim: So on the core library that would add $4 million?

Karlene Fine: Correct.

Representative Boehning: Can you go over the pension and other posted funded benefits and how it affects the rating?

Karlene Fine: The rating agencies in the last 8-10 years have focused in on the outstanding liabilities that political subdivisions had for their pension plans and they carved out a particular part of their analysis for what political subdivisions, states and cities have as liability. This is the analysis they get on North Dakota's pension funds and the liability we have and how that might impact the state. The state's unfunded pension liability is $3,110/per capita; 5.4% of personal income. We consider this below average.

Representative Boehning: Did they take the state's PERS plan or did they include the cities that are in the PERS plan as well?

Karlene Fine: They look at everything that's related to PERS.

Representative Boehning: So they're lumping in teachers?

Karlene Fine: There's a role they have for overall state debt.

Representative Boehning: So like the city of Fargo where they're in pension plans; do they take their amount of liability? Is Fargo getting charged for that or are we assuming all the responsibility and political subdivision don't get any?

Karlene Fine: I don't have an answer for that right now.

Representative Boehning: I think a lot of this is due to Dodd-Frank where it's going to be a liability on their spreadsheets.

Karlene Fine: I don't know if I can answer correctly.

Lynn Helms: Made introductions and gave agenda.

Ed Murphy, State Geologist, ND Department of Mineral Resources: See attachment F.

Chairman Thoreson: Does that dissipate or do you notice it months and years later on?

Ed Murphy: It does dissipate; but for the first few months it's pretty smelly.

Chairman Thoreson: What about fire suppression. Is there something special that has to be done in that case?

Ed Murphy: We want to make sure that we're nowhere near the explosive limit.

Representative Hogan: Rather than moving samples are there any sections of core that aren't routinely used by your scientists or your students?

Ed Murphy: We've had core that has sat for 40 years and all of sudden there's interest in it. The minute you split the rocks and cuttings apart, you have problems.

Ed Murphy continued with his presentation.

Representative Skarphol: The cores that they looked at. Who delivered those cores to the lab? I'm assuming they didn't come from one company. Is that correct?

Ed Murphy: That's correct.

Representative Skarphol: If we didn't have the core lab and each of these companies kept their cores in their own facilities. What happened in Whiting and Prawn Horn Field probably may not have happened? Is that a correct assumption in your mind?

Ed Murphy: That's absolutely correct.

Representative Skarphol: If that resource hadn't been available of having those cores available in a central location is what you're saying in all likelihood would not have happened?

Ed Murphy: That's correct.

Representative Boehning: When Karlene was giving her presentation in bonding that we wouldn't want to bond cash for parking spaces. Would you be able to take out the parking structure; since it wouldn't be built for 4 years? That should be a cost savings of about $1.5 million.

Ed Murphy: We touched on this when vice president Brekke was here. We signed an agreement with the University of North Dakota saying that we would put this in our budget. That's not something we can take out or even suggest.

Representative Boehning: Karlene would have to explain that unless we come up with cash for that part of the project; I would assume.

Ed Murphy: Yes

Representative Boehning: Another question. Are there any hazards in that coal pile? Has there been anything that's leached into the ground?

Ed Murphy: They will be taking soil samples beneath that to look. I don't know what that pile has been treated with over the years for dust suppression.

Representative Boehning: How long has that coal pile been laying there next to the tracks?

Ed Murphy: It was there in 1977 when I attended the University of North Dakota; so in excess of 40 years.

Representative Boehning: I'm just looking for more information.

Ed Murphy: We walked that entire area with a civil engineer with the APC.

Lynn Helms: That's part of the reason our architect was so resistant to reducing contingencies. He thought about that and built that in as a possible surprise.

Representative Boehning: I just want to cover our base and they can expense thing.

Representative Skarphol: Maybe we'd be better off to clean it up sooner rather than later. I would be more interested to know what happens if you don't need to use the contingency money. I'd like to know what happens to the money if you don't use the money for the project. Does it get turned back?

Ed Murphy: We do have a history of turning back money.

Chairman Thoreson: Is any of this land railroad land? Do they have any right of way in that area?

Ed Murphy: The railroad does and the university and the APC spent quite a bit of time looking into that. We would not be extending out to that boundary.

Chairman Thoreson: Anytime you're in or near a railroad sometimes their claim extends far past the land they're using.

Ed Murphy: We pulled back 15 feet from where that outer limit had been.

Representative Boehning: One is the UND parking fee; what's the 2% fee?

Ed Murphy: As Lynn pointed out we went back to the APC and I pointed out there was a concern of the contingency and that 15%. There were a number of things rolled into that and one of those things is that the UND facility's architects are going to be doing a lot of work on this. So, that 2% goes to them. That's not related to parking and then the construction manager at risk was added in.

Representative Boehning: So the fees are about the same then?

Ed Murphy: That was my understanding that that number didn't really change. He was pointing out what he used to arrive at that 15%.

Chairman Thoreson: Recessed the discussion.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/27/2015
Recording Job# 22604

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes:

Chairman Thoreson: Reopened the discussion on HB1014.

Lynn Helms: Referenced original testimony attachment A for this budget.

Chairman Thoreson: Do you have a sheet for a list of options?

Lynn Helms: One of the options we've looked at is when would we anticipate that occurring. There's better than 50/50 probability that the "big trigger" is going to trigger; probably by June 1 of this year. It will likely trigger off in May of 2016. If we built a contingency around that, we'd be looking at postponing these FTE's until May or June 2016.

Chairman Thoreson: So about mid-point through the biennium.

Lynn Helms: That's correct. If that happens, the earliest we'd reach a 20,000 well count would be in July 2016. If all of that happens, we're unlikely to reach a 20,000 well count at all during the biennium.

Representative Kempenich: Is it $55.09 minus $2.50 dollars? The numbers are always changing.

Lynn Helms: The actual trigger price is calculated based on a producer price index. That trigger price is $52.59. The average price that has to intersect that trigger price is the posted price of West Texas Intermediate at Cushing Oklahoma as published in the Wall Street Journal; that's in statute, minus $2.50. When the trigger was written, the basis price difference between a North Dakota barrel and a Cushing barrel was $2.50.

Representative Kempenich: If it was $58.00 average price for Cushing Oklahoma West Texas Crude it would be $55.50. Wouldn't it?

Lynn Helms: That's correct.

Representative Kempenich: Today it would be $52.59; and once it goes below that?

Lynn Helms: It's defined in statute of what is average price; and that is that West Texas Cushing Oklahoma published in the Wall Street Journal minus $2.50. If that stays below $52.59 for 5 consecutive months, then the "big trigger" hits; and if it stays above $52.59 for 5 consecutive months, the "big trigger" goes off.

Representative Kempenich: If it triggered off, it would take the better part of a year to trigger on and off.

Lynn Helms: That's right. You have the 5 months to trigger it on and then the expectation of the forecasters now is that it triggers on in June and stays in place. The 5 months expires in May of 2016.

Representative Skarphol: One previous session I was given a link to a website that gave me the price of oil every day since 1981. Is that link available and could you provide it to us and on a daily basis see what the price of oil was for any given day?

Lynn Helms: Yes. That link is still available and still active. I'll provide it.

Representative Skarphol: Can you provide us with a sheet and list them in priority order with the trigger?

Lynn Helms: We'd be happy to provide that. As you touch on that some of these could be made contingency and so they'd drop down the list.

Representative Skarphol: There are a couple of things you could consider. One could be the trigger and if it goes off; and the other would be if we reach a certain level of activity or funding.

Lynn Helms: Exactly. We looked at 3 different mechanisms and we think this trigger price is the best one; because everyone is tracking it.

Representative Skarphol: If we go to 50 rigs, what does that do to your needs? How do you anticipate that playing into the trigger mechanism?

Lynn Helms: When we were at 200 drilling rigs and going to 218, he projected 350. I'm hoping he's 100 off this direction.

Representative Kempenich: The backlog, is that from permits for drilled wells?

Lynn Helms: That backlog exists everywhere. Our 775 wells waiting on completion is based on companies getting their paperwork in on time. There are 1,083 industrial commission orders waiting for my signature. The backlog for drilling permits is just under 700.

Representative Kempenich: That's what we're going to have to look at to justify what you're asking for.

Vice Chairman Brandenburg: When the trigger goes on it goes for 24 months. What happens at the end of 24 months?

Lynn Helms: When the trigger goes on, every well completed after that date gets 24 months at zero extraction tax. At the end of the 24 months, its extraction tax rate would then be 4%; instead of 6.5%. The overall impact that's been calculated by the tax department is a statewide reduction of the effective oil extraction tax rate from 6.5% to 1%.

Representative Boehning: It's a 10 month process, it goes on, off and back on; do all the wells go back to the 6.5% rate or is that only if it's been off for 24 months?

Lynn Helms: Once that trigger trips, any well drilled during the trigger period or prior to it always sees a 4% tax rate for the rest of its life. It's a permanent tax reduction for any well drilled since 1987 up through the date the trigger turns back off. New wells once the trigger goes back off, are at 6.5%.

Representative Skarphol: You said previous that if a drill was 4 months prior to the trigger going on, that they would get 20 months at zero. How do the wells drill in 1988 benefit from this?

Lynn Helms: Those wells are going to see their tax rate go to 4% oil extraction tax rate.

Representative Skarphol: It wouldn't go to a zero extraction tax rate to a 4%. Only those wells that would have an opportunity to fit into that 24 month scenario would go to zero and then come back to 4%?

Lynn Helms: That's correct.

Representative Boehning: Where would that put us in comparison to other states if this trigger goes on?

Lynn Helms: It would put us at par with the state of Texas, ½ of the tax rate of Wyoming, 10% low to Colorado, on par with South Dakota and on par with Montana.

Representative Boehning: This may help us in the future to have more activity in the oil field?

Lynn Helms: That was always the idea behind this trigger price; that the state would exchange extraction tax dollars for income/sales tax dollars because it would maintain or increase activity. The typical well pays $250,000.00 in sales tax to the state; which is general fund revenue. There was also an estimate of the number of employees and the income tax associated with them.

Vice Chairman Brandenburg: It's really just a holiday for those wells that are drilled within this period.

Lynn Helms: That's the primary thing, the 2 year holiday. There's been an enormous amount of wells drilled; 9,000 wells since 2006. They're going to see a rate reduction from 6.5% down to 4%.

Representative Vigesaa: When the big trigger is on, wouldn't there be an enormous increase in drilling activity to take advantage of that lower tax rate going forward?

Lynn Helms: We think that is the effect. Instead of dropping to 90 or 100 drilling rigs, we'd see 120 to 130 drilling rigs operating. The big impact we're going to see are people sitting on drilled wells and having not completed them. That 775 is going to grow between now and trigger time; it will be the fracking of those wells that's the payoff for the trigger price.

Representative Kempenich: It's a commodity and will go up and down. It's going to be a challenge even with the taxes coming off on it.

Representative Skarphol: The commencement of the 24 months of zero tax, it's initiation of production?

Lynn Helms: It's on completion date.

Representative Skarphol: If oil goes back to $100.00 or $150.00/barrel there's only a 5% tax?

Lynn Helms: That's right. It's a long window to trigger it back off; and then only a 4% tax.

Representative Kempenich: We didn't touch much on that small trigger but that goes on until the end of June.

Lynn Helms: I believe I saw a bill to push that trigger out to June 30, 2019. That would mean if you passed that one, you'd do the little trigger, big trigger, and then the little trigger again; but not until we're above $72.50.

Chairman Thoreson: Closed the discussion

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/28/2015
Recording Job# 22718

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See Attachment A.

Chairman Thoreson: Opened the discussion on HB1014.

Vance Taylor, President and General Manager, ND Mill and Elevator: See attachment A.

Representative Kempenich: You're going to hire about half of them next year or are you going to start hiring them now?

Vance Taylor: The mill is scheduled to be completed late this year or early 2016. To start that mill of the employees will need to be hired and trained. We only add people when we have to. Early in 2016 we'll need all 12 of these employees.

Representative Kempenich: Is this new mill more efficient? What is our cost?

Vance Taylor: It averages around $2.00 per 100 weight of flour produced. I think this will make us more efficient.

Vance Taylor continued with his testimony.

Representative Kempenich: Have you ever done any impacts with the local economy?

Vance Taylor: Total economic impact is $761 million.

Vance Taylor continued with his testimony.

Representative Kempenich: Where are we at with the cycles in these mills?

Vance Taylor: Each unit goes down for 8 hours per week for scheduled repairs. Occasionally there are breakdowns but not many; we average less than 1% unscheduled maintenance.

Representative Kempenich: That's the ongoing or preventive? For the 8 mills do you have them scheduled for major repairs? What's the life cycle of a mill?

Vance Taylor: Thirty years.

Representative Boehning: Why did we have such a large amount of overtime?

Vance Taylor: We do operate 24 hours a day/7 days a week. Some of the overtime comes in for weekend work. There's overtime to cover for vacations and breaks.

Representative Boehning: The salaries/others; what is that?

Vance Taylor: It depends on if we meet the goals and what the profits are; we don't know what that amount is from year to year.

Representative Boehning: Is that profit sharing?

Vance Taylor: We do have a gain share program at the mill and it's based on 4 different goals that we have to meet. We don't gain share if our profits are below $1 million.

Representative Boehning: You have a budget in there for $15 million of salaries; then you have a budget of about $12 million for salaries, others and overtime. You must be really understaffed with that much overtime?

Vance Taylor: We operate 24/7 and on the weekend there's overtime to cover for vacations.

Representative Boehning: You have 135 employees and if I divide that out it would be about the average of their salaries?

Vance Taylor: Offhand I don't have an average salary for you.

Representative Kempenich: What is your average turnover?

Vance Taylor: It's stayed pretty consistent. Once an employee works at the mill for a year or two they usually stay. We have quite low turnover with our older employees. Our average seniority is above 25 years.

Representative Boehning: Just doing some simple math with the numbers of FTE's you have; the average per year is $147,000.00 per employee? That includes the whole line item with benefits.

Vance Taylor: That sounds a little high. With benefits that's the possible high end of the range. We can give you a breakdown.

Vance Taylor continued with his testimony.

Representative Kempenich: Do you do any advertising?

Vance Taylor: The bulk comes on the retail end; but we do some advertising nationwide in trade journals.

Vance Taylor continued with his testimony.

Representative Kempenich: How do you control your rail cars?

Vance Taylor: We lease our railcars and those leases run from 3 to 5 to 7 years long. We stagger our leases so every few months we have more railcars coming up for lease. If we need less cars, we can reduce our fleet by not renewing those leases. If we need more, we can lease more cars.

Vance Taylor continued with his testimony.

Chairman Thoreson: How many square feet is that building going to be?

Vance Taylor: It's right at 75,000 square feet.

Representative Kempenich: What is your storage capacity?

Vance Taylor: Both the cleaning house building and the mill building will be large enough to hold an additional unit.

Representative Kempenich: What is you're flour storage?

Vance Taylor: Right now we can store a little over 100,000 100 weights; which is around 3 day's worth of production on the flour side. For wheat storage, the total capacity is about 4 million and inventory usually runs about 3 million; which is about 1 ½ month's worth of wheat.

Representative Boehning: In the requested budget you had $5.2 million and the recommendation on the budget was $7.6 million. Why is there a $2 million plus difference?

Vance Taylor: I'm not sure. The possible difference could be the health and retirement members that were added later by OMB.

Chairman Thoreson: Closed the discussion.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
1/30/2015
Recording Job# 22903

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachments A through E

Chairman Thoreson: Opened the discussion on HB1014.

Jolene Kline, Executive Director, ND Housing Finance Agency: See attachment A.

Representative Vigesaa: Do you ever get any complaints about the fees?

Jolene Kline: No.

Vice Chairman Brandenburg: I think that some people didn't understand that those fees would be charged; that they were thought that was the amount the loan would be and then when 5% was taken out, it was an impact that they weren't realizing. In the future, maybe the loan should be another 5% higher so you can deal with the fee issue. Can that be done?

Jolene Kline: The wording in the century code gives us considerable flexibility on how we recover that fee. The language in the century code says "the agency may collect a reasonable administrative fee from the fund, from project developers, applicants or grant recipients." When we were administering the first HIF fund, the $15 million, we pulled that fee out of the fund as opposed to charging it to developers. That meant we were able to fund less units because we were pulling that out of the $15 million fund; we held back

$789,000.00. Assuming that the program is reauthorized, we will develop another allocation plan that goes out for public comment.

Vice Chairman Brandenburg: It sounds like that information is already out there.

Jolene Kline: It is.

Jolene Kline continued with her presentation see attachment B.

Chairman Thoreson: Is there a plan to follow up and have more of an open dialog with those folks?

Jolene Kline: There's dialog going forward.

Vice Chairman Brandenburg: What do we have to do with any legislation to be able to facilitate that the tribes are eligible for this funding? Are the laws permissive to allow it?

Jolene Kline: What staff found out when they were down there that it was the uniform commercial code. That deals mostly with business transactions as opposed to housing transactions. That will help them on the economic development front; but, it didn't relate to development of this housing division. Right now there's nothing for the legislature to do.

Vice Chairman Brandenburg: So if they can get things worked out with the bank, the housing is ready to go?

Jolene Kline: If Mr. Barnett comes in and originates a 184 loan; we have the ability to buy that loan.

Vice Chairman Brandenburg: What was the indication of the tribes of you coming down and talking to them? Anything you would like to share there?

Jennifer Henderson, ND Housing Finance Agency: They were pleased we attended; and they thought the information we provided was beneficial to them. We do need to have more discussions on that. There has been administrative turnover on that reservation; so reintroducing programs is important.

Vice Chairman Brandenburg: Did you get a general feeling that they were sincere about what they're trying to do?

Jennifer Henderson: I think one of the things that was mentioned was they had a housing officer that did some counseling services and provided a $25,000.00 down payment for their tribal members to have down payment assistance; that has gone away. They are going to look back into that particular program.

Representative Glassheim: Is the 184 program sufficient for their needs or do they need sub-lenders to have real estate transaction capability in order to buy the 184 loans?

Jennifer Henderson: The 184 program is a well-used program in other parts of the United States. It just needs to be done here as well. There are other options available for financing. USDA does have a rural development direct loan program for tribal members and then the VA provides a VA direct loan for Native Americans.

Representative Glassheim: Would the 184 or USDA all work without changes to the real estate code?

Jennifer Henderson: Correct.

Representative Glassheim: They would work given current situations?

Jennifer Henderson: In today's world they work.

Representative Glassheim: We might not need the Housing Finance Agency to be involved in order to get this project off the ground?

Jennifer Henderson: Our involvement would be to purchase the loans once they are originated. We can act as a secondary market for those particular loans.

Representative Glassheim: They would need that? They could do the project without us.

Jennifer Henderson: Yes.

Representative Glassheim: In order to buy on the secondary market, we would need to have changes to the real estate security codes?

Jennifer Henderson: No changes are needed.

Representative Glassheim: So we could go ahead with that as is?

Jennifer Henderson: Yes.

Vice Chairman Brandenburg: Let us know before we leave if there's something you need to be addressed before we go home.

Jolene Kline: Yes.

Representative Vigesaa: Would our only involvement in a project like this to be the purchaser of those loans? Would we be just a participant in the total project?

Jolene Kline: I think that our role is going to need to be more than just a secondary market to purchase those loans.

Representative Vigesaa: If we're just a participant in the project and there's a default on the mortgage, who's going to be in first place on that particular mortgage?

Jolene Kline: The 184 loan would come with a HUD guarantee. We're in first, but there's a backstop for our agency with the HUD 184 guarantee.

Jolene Kline continued with her presentation.

Chairman Thoreson: Zombie homes.

Jolene Kline: The abandoned homes.

Chairman Thoreson: The end of this biennium?

Jolene Kline: Right. They need an amendment to extend that because the city of Minot doesn't feel that they can get through all the legal processes to get these homes done.

Chairman Thoreson: The money is there it's just a question of what happens at that date?

Jolene Kline: Right.

Vice Chairman Brandenburg: How long are you looking at?

Jolene Kline: The amendment will request an additional 2 years.

Representative Vigesaa: How far would that go to getting rid of all the "zombie" homes?

Jolene Kline: The application from the city of Minot indicated that would help them to acquire 6 to 10 homes.

Representative Boehning: With that money that Minot is getting how much of that is going to be used for administrative?

Jolene Kline: There is no administrative money available under this second go around. The city of Minot is not allowed to charge an administrative fee. We are to use that money only on a reimbursement basis to the city.

Lynn Helms, Director, Department of Mineral Resources: See attachment C.

Chairman Thoreson: When you say cases; what does that entail?

Lynn Helms: A case initiates with an application by an oil and gas company or a mineral owner or the division itself. It ends up being put on a hearing docket and 30 days later it's heard by an examiner and examiner staff.

Chairman Thoreson: There are a lot of attorneys involved?

Lynn Helms: There are an enormous amount of attorneys involved. There is at least 1 for the applicant and there can be 2 or more representing people that are in opposition to the case. We come to a decision and then an industrial commission order has to be written that lays out all the facts and then makes a decision.

Chairman Thoreson: When you say it goes to the industrial commission; who has the authority to sign those within the industrial commission?

Lynn Helms: There are 3 commissioners have to vote and physically sign the document.

Lynn Helms continued with his presentation.

Representative Kempenich: Is that a barrel?

Lynn Helms: That is one barrel on location and any amount off location.

Representative Kempenich: When does the health department get involved in this process?

Lynn Helms: We have a memorandum of agreement with the health department. They're responsible for the clean water act. If the inspector determines there's a threat to shallow ground water or surface water than the MOA brings the health department into it.

Representative Kempenich: It's about every time?

Lynn Helms: About 25% of the time.

Representative Kempenich: How many reclamation specialists do you have now?

Lynn Helms: I have one.

Representative Glassheim: How many spills?

Lynn Helms: It is 2,129 total; 25% off site.

Representative Glassheim: Of those 500 do you have categories for the spills? Do you have a printout for us or some way to break them out into major or minor spills?

Lynn Helms: I don't have a printout but I do have staff that analyzes this. The size of the spill is a significant factor but the most significant is if it is or isn't contained. The second most significant is what was spilled.

Representative Glassheim: There's been some conversation of punitive fines. On the whole the emphasis is on getting these remediated and fixed? How successful are you at doing that?

Lynn Helms: You're correct about the priority of response. The first response is to make sure the spill is remediated. The second response is to change the company behavior so they don't have a future violation. The third response is to make sure that the penalty is punitive enough that the company is made to realize it cost more to cut corners. We've been extremely successful in land farming and remediating crude oil spills. There's been a great deal of progress on the salt water side.

Representative Glassheim: That was the 1 million?

Lynn Helms: Yes. That was the 1 million gallon spill in 2006.

Representative Glassheim: How are we doing with the 3 million gallon spill at Williston?

Lynn Helms: The pipeline system has been repaired but we have not allowed them to put it back into operation.

Representative Kempenich: How do you do that once it's in the ground?

Lynn Helms: The typical salt water system is built out of fiberglass or plastic pipe. They are too small and the joints don't allow for internal inspection of things. There are monitoring systems that can be placed on them. This one had meters and pressure cutoff switches.

Lynn Helms continued with his presentation.

Chairman Thoreson: Is that being used now someplace; or is it just in the developmental stage?

Lynn Helms: The infrared technology is in the developmental stage. There is some laser detection technology that was developed in Alberta and is already in use.

Representative Hogan: You're asking for 2 ATV's and trailers. Do you have adequate staff to do all the pipeline inspection you need?

Lynn Helms: We're currently authorized to have 3 FTE's and up until this week we had zero. The anticipation would be that some of these 7 engineering techs would do pipeline inspection during the summer construction season and then well and facility inspections during the winter.

Representative Boehning: When you have these salt water spills, how are the land owners being reimbursed?

Lynn Helms: I don't know the answer to that. That is a private contract; it's part of their right of way agreement.

Representative Boehning: Have you tried listening devices?

Lynn Helms: That was discussed in House Energy and Natural Resources yesterday. There was one attempt that we helped orchestrate; but the noise of the oilfield pump drowned out their ability to detect any leaks.

Chairman Thoreson: What constitutes a special wasteland fill?

Lynn Helms: It is one that takes non-household waste; so it's industrial and oilfield waste. It's limited in its radioactive level under the current rules.

Chairman Thoreson: To make sure it stays where it's at.

Lynn Helms: Yes.

Lynn Helms continued with his presentation.

Representative Vigesaa: Am I right in interpreting that when you're over 120 rigs you're about 7 short?

Lynn Helms: That's correct.

Representative Vigesaa: Are there certain activities that are being held up because you're short or are you simply behind?

Lynn Helms: To the best of my knowledge our activities have not been held up. Our inspection goals have been less than 100%. If we continue at 120 rigs or more that inspection gap will grow.

Lynn Helms continued with his presentation.

Chairman Thoreson: Do you see that activity coming back pretty rapidly?

Lynn Helms: The Bakken is the first or second most profitable play on the North American continent. When that price comes back, we'll be first or second to get the activity.

Chairman Thoreson: Who's the competition in that case?

Lynn Helms: The Eagle Ford is the competition.

Vice Chairman Brandenburg: Other than the Eagleford and the Bakken what price puts them where they become profitable?

Lynn Helms: For the Bakken outside the core area it starts to happen in the $60.00 to $65.00 range. For the Eagleford it's in the mid $50.00 range.

Chairman Thoreson: Is that the West Texas price or is that what North Dakota is being sold for?

Lynn Helms: I like to talk in local prices.

Chairman Thoreson: The private sector will snap up those people right away; is that the reason?

Lynn Helms: They will.

Chairman Thoreson: For those positions are they going to have to have some experience or can you hire people right out of school?

Lynn Helms: We prefer people with a year or more experience. We have hired some right out of school; but you invest a great deal of time training them. Our preference is people with 1 to 3 year's experience and a 2 year technical degree. If someone has a 4 year degree, we'll take them right out of school.

Chairman Thoreson: If they have a 4 year degree, have they had any experience out there? Do they have to do any kind of internship?

Lynn Helms: Almost all of the 4 year degree programs require an internship.

Vice Chairman Brandenburg: Inside the Bakken what price is that?

Lynn Helms: It varies but the highest break-even price for continued drilling is $36.00.

Vice Chairman Brandenburg: So Eagleford and the Bakken are really equal plays.

Lynn Helms: That's right. The Eagleford is more mature because the oil window is more concentrated. Because of their climate they have drilled it up much more rapidly.

Lynn Helms continued with his presentation.

Chairman Thoreson: They're able to do the job properly?

Lynn Helms: Yes. There's a lot of turnover.

Representative Boehning: How many leave and how many do you hire?

Fred Anderson, Tech Support Staff Officer, Department of Mineral Resources: The number isn't a large number; about 3 to 4 positions per year.

Ed Murphy, State Geologist, Department of Mineral Resources: See attachments D and E.

Vice Chairman Brandenburg: If you could explain the difference between the $16 million and the $12 million expansions?

Ed Murphy: Explained the attachments.

Chairman Thoreson: The first one was what we saw from the beginning?

Ed Murphy: That's correct.

Ed Murphy continued with his presentation.

Chairman Thoreson: On the $12 million plan it says 41,410 sq. ft. total is that number listed on the original plan for how many square feet that is? How many fewer square feet are we talking about?

Ed Murphy: What we looked at more so is the shelving space.

Vice Chairman Brandenburg: I'm seeing you're taking as much of the parking lot.

Ed Murphy: That's correct.

Vice Chairman Brandenburg: Maybe then the coal pile will be gone.

Ed Murphy: That's correct.

Representative Glassheim: I like the idea of saving money; but one of them you get a 28 year life and the other you get 65 years for the extra $4 million? Why wouldn't we bond it for the longer life?

Chairman Thoreson: I think that's a discussion we need to have. This would take just a few parking spots if you were to go to the revised plan? What would the university stance be on that; would they still require those spots to be replaced somewhere?

Ed Murphy: The replacement cost is in both of those and it does reduce it.

Chairman Thoreson: Closed the discussion

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

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☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Sheri Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachments A through D. Handout #1

Chairman Thoreson: Opened the discussion on HB1014.

Karlene Fine, Executive Director, ND Industrial Commission: See attachment A.

Representative Kempenich: If the state was bonding for the local political subdivisions; how would that work? Could you do something like this? Could the state get a fairly low interest rate on a bond and turn around and put that money out into these local political subdivisions with a payment source over 20 years?

Karlene Fine: If you're looking towards the Legacy Fund, we haven't been to the bond market for that at all. There's the possibility that we could structure something like that; but, it would go to what the law says how monies can be accessed from the Legacy Fund.

Representative Kempenich: The law says you're not going to access it until 2017. The intent is that we don't use it.

Karlene Fine: The bond rating agencies would look at how you can access that. If there isn't a way to do that, other than a vote by the legislature, they would look at that and decide it may not be rated as high. I think they might look at it the same as our appropriation bonds.

Representative Kempenich: We'd have to be somewhere down around 2% to make it worthwhile.

Karlene Fine: I think a good example was when the legislature authorized the DOT to GARVEE Bonds when Highway 2 was done.

Representative Glassheim: Are you asking if we could sell $100 million worth of bonds that we would re-loan out to counties and cities and it would be backed first by the general fund and by 2/3 vote of the legislature, it would be double backed by the legacy fund? Then cities and counties would do repayments?

Representative Kempenich: It's kind of what the thought process is.

Representative Glassheim: Representative Boe said we would be in a lot better shape if we tried to buy down the interest rate.

Representative Kempenich: That's not a bad idea.

Karlene Fine: In the public finance authority, you might want to look at the moral obligation section because it has some ability to do some of those things with political subdivisions.

Adam Mathiak, Fiscal Analyst, ND Legislative Council: See attachment B.

Chairman Thoreson: Will this be something that will be updated again before we're done?

Adam Mathiak: Yes, it will be. We will update it cross over and it will be in the final state budget actions report after session.

Representative Skarphol: Is there a single page or multi page document that council has prepared that shows the transfers that were proposed in the governor's budget?

Adam Mathiak: I don't think we prepared all of them into one single document. It would probably show up in various places.

Representative Skarphol: Is it possible to do that?

Adam Mathiak: I think we could probably put that together.

Representative Kempenich: Would the ending fund balance be in your request also?

Representative Skarphol: All transfers however they are done.

Karlene Fine: See attachment C.

Representative Skarphol: Can you give us a little run down on the mill and elevator for example?

Karlene Fine continued with her presentation.

Representative Skarphol: That money that you don't spend goes back into the profits?

Karlene Fine: It stays in the operations of the mill. It doesn't get reflected in their profit statement.

Representative Skarphol: Is it carried forward in that way? Is it called carry forward into the operating?

Representative Kempenich: They run a line of credit with the bank; they don't use the operating part of it. Isn't that how it works?

Karlene Fine: The mill and elevator does have a line of credit with the Bank of North Dakota for its costs and grain purchases. The $52 million when we make the appropriation is set aside into an account for general operations and when we get to the end of the biennium if we haven't spent it, it's used for the continued operations of the mill.

Representative Kempenich: How do you treat that with the salaries? They're outside of what the state does for salary increases aren't they?

Karlene Fine: For the mill and elevator there is a contract in place for some of the employees. That is negotiated every 5 years. The rest of the employees get the same compensation as other state employees.

Representative Kempenich: What's the breakdown of the union/nonion?

Karlene Fine: I'll have to get back to you.

Representative Kempenich: There's a 25% increase in operating and about that in salary.

Karlene Fine: The proposed FTE's that we have for the mill and elevator will all be for the operations of the new mill.

Vice Chairman Brandenburg: When's that mill going to be ready to operate?

Karlene Fine: The target for that is the end of 2015.

Karlene Fine: See attachment D.

Vice Chairman Brandenburg: It's giving $25 million/year and $50 million total?

Karlene Fine: Correct.

Representative Kempenich: There have been some things raised about how much is coming out of the bank. Do you have a breakdown of what's being proposed in different pieces of legislation and how it's affect the bank?

Karlene Fine: I do not have the most current update. There were some actions by the Senate yesterday that were going to impact some of the transfers out of the Bank of North Dakota.

Representative Skarphol: We have a document where you prioritized your employee needs. The number 15 is causing concern and I'm wondering if you were given an amount of money and given the flexibility to pick which ones you wanted out of that amount of money, if that would be a scenario you could work with.

Karlene Fine: We need these employees. There vital for us to do what the legislature has charged us to do. I will start with that premise.

Representative Skarphol: I understand that but we are in a different environment than when this was originally proposed.

Karlene Fine: We're also in the challenge of managing and doing all the work we're supposed to be doing. Anything we get would be greatly appreciated; but the dollar amount we need is this.

Representative Skarphol: Is that broken out someplace what those employees would amount to?

Karlene Fine: Yes.

Representative Kempenich: On page 25 there's a breakdown for January 15.

Karlene Fine: We'll get the information back to you.

Vice Chairman Brandenburg: If I remember right it's not the 15; it's 24 positions.

Karlene Fine: Yes, with the contingency employees.

Representative Skarphol: They listed the ones needed now and the ones that could be used for a contingency. The 15 are in the top category.

Representative Glassheim: All sources of housing finance money; where do they come from?

Karlene Fine: $20 million of general fund was in the governor's jumpstart; that has not been passed by the Senate. So at this point there is not a vehicle for the $20 million. The vehicle for tax credit is in this bill; and that's $30 million.

Representative Glassheim: That's real money.

Karlene Fine: Yes. Tax payers have to contribute.

Representative Glassheim: That's the full HIF fund?

Karlene Fine: That's just for the housing incentive program. Within the housing finance agency they have other funds. They have funds that they accumulate from the bond issues they do for the first time home owner program as well as the other programs they administer.

Representative Glassheim: It's self-funded?

Karlene Fine: Yes.

Representative Skarphol: At what tax rate does the tax advantage of having these credits available for buying these credits from the housing incentive become useless? If our income tax rate gets low enough why would we mess with it?

Karlene Fine: Jolene might have that information.

Representative Skarphol: With the environment of wanting to take the personal income tax to zero and corporate income tax to zero, tax credits become useless.

Karlene Fine: When Jolene was speaking it was becoming more and more of a challenge of informing the public that this is available to them.

Representative Skarphol: There's a prioritized listing of requests not included in the executive budget. That's not included anywhere?

Karlene Fine: It's not more employees it's the market equity compensation for the current employees. That's what the $800,000.00 is for. It's also the 2 ATV's for pipeline inspection. I believe there's some market equity compensation in the OMB budget.

Representative Skarphol: On that list there are 4 FTE's listed. Are they in addition to the ones we just talked about in the other handout? Are they duplicated in the other handout?

Karlene Fine: We'll find out.

Vice Chairman Brandenburg: Weren't those for pipeline inspections?

Karlene Fine: That's right.

Vice Chairman Brandenburg: Closed the discussion.

Handout #1 Field Trip submitted later, not discussed in the meeting.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
2/12/2015
Recording Job# 23717

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Sheri Lura

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachments A through C

Chairman Thoreson: Opened the discussion on HB1014.

Becky Keller, Fiscal Analyst, ND Office of Management and Budget: Explained attachment A.

Representative Hogan: With the retirement increase, could it be that employee would have to pay that 1% and the net on the first year would be 2%?

Becky Keller: If you would bring back the retirement, it would drop down to 2%.

Representative Hogan: This is assuming there wouldn't be any additional retirement.

Becky Keller: This is based on the legislative intention to remove the retirement increase.

Representative Hogan: It wouldn't necessarily assume that it would go to the employees to pay the difference. Is that right?

Becky Keller: The retirement increase that is proposed in the executive recommendation, includes 1% to be paid by the state and 1% to be paid by the employee. The legislative intent is to remove that retirement increase that the employees have to pay.

Representative Hogan: And the employer side?

Becky Keller: Yes.

Jason Bohrer, Lignite Energy Council: See attachment B.

Representative Skarphol: In the current biennium you have administration and litigation at $400,000.00 and $500,000.00; then you have administration in the next biennium of $900,000.00. Does that administration number include litigation?

Jason Bohrer: It does not. The reason the administration is lower in the current biennium is because that administration gets spent out throughout the biennium. It increases over the 2015-2017 biennium because those administration costs reset and then we begin spending them down again. The litigation is covered under a separate pool of money.

Representative Skarphol: Is there more money in the account than what is reflected here that you're going to spend?

Jason Bohrer: The litigation account will receive money from the current year appropriation and so it will be built back up. In our normal round of appropriations, we would add money to that appropriation. The current balance reflects how we have spent down that litigation account over the past 2 years.

Representative Glassheim: These minuses in the bottom column; what are they minuses from?

Jason Bohrer: Those minuses represent the commitments we have already undertaken that will gather against the incoming appropriation.

Representative Glassheim: You will spend those minuses; but you'll also spend the $10 million. That will leave you with $50,000.00.

Jason Bohrer: You put it well. If we were to spend all those things we currently have commitments to that would spend us down to $10 million; then if we used that remaining $10 million to fund our project, that gets us down to the $50,000.00.

Representative Hogan: Does that ALIM cycle have to have $10 million? Could we look at that at $8 million or is that a negotiable number?

Jason Bohrer: Yes. I'm confident we could survive with $8 million or $9 million.

Representative Hogan: Are we going to need that full $10 million of the biennium?

Jason Bohrer: I wish I had a really good answer to that question.

Representative Hogan: If we say we'll commit $7 million now and anticipate $3 million in the next biennium, is that a reasonable plan?

Jason Bohrer: I think it is.

Representative Boehning: The current balance on the chart is $17.6 million; is the spend down for the rest of this biennium?

Jason Bohrer: Yes. The outstanding project one is where that particular calculation gets fuzzier. The outstanding project of $6.2 million is an LB21 project, it's an ongoing project that is ongoing operation but not expending money.

Representative Boehning: You're going to have a carryover balance of $9.2 million with all that deducted to carry over to the next biennium?

Jason Bohrer: The $9.2 million carry over would begin this new biennium. We will have a carry over balance of approximately $9 million.

Representative Boehning: The debits down below are what you're expecting to spend in the next biennium?

Jason Bohrer: That's not necessarily what we expect to spend, those are our current commitments.

Representative Boehning: You'll have quite a bit of money in that fund.

Jason Bohrer: Yes. There will be a significant amount of money in there. We can use that money to fund this type of project.

Representative Boehning: You could probably pull $3 million out of that budget someplace and commit to the full $10 million.

Jason Bohrer: I think you're right.

Chairman Thoreson: Which project was that?

Jason Bohrer: The $6.2 million dollar project. I think there's a way to do that with an appropriation that isn't $10 million; but perhaps would be $7 million.

Representative Boehning: We may have to get some language to allow them to transfer between line items.

Jason Bohrer: That would be extremely useful to have some language.

Lynn Helms, Director, Department of Mineral Resources: See attachment C.

Chairman Thoreson: Is it 2 ATV's and then a trailer for each one?

Lynn Helms: Yes.

Representative Kempenich: Are you getting tracks on those?

Lynn Helms: We're exploring a track system for one ATV. These are primarily for pipeline inspections so I don't think tracks would be necessary for that. We are looking in our current budget at putting tracks on our geophysical ATV.

Vice Chairman Brandenburg: You have 15 FTE's there that you really need, 6 that you're looking at the trigger price and then 3 of them at well count. That's a total of 24.

Lynn Helms: There were 22 in the executive budget recommendation.

Vice Chairman Brandenburg: And 2 ATV's.

Lynn Helms: Yes.

Representative Kempenich: Which are the harder positions to fill?

Lynn Helms: We've had the hardest time filling pipeline inspector positions and probably the 2 contingency ET field inspectors.

Representative Kempenich: Do the companies check on these people also?

Lynn Helms: They are trying to handle all the contractors and subcontractors and are stretched too thin to watch these people also.

Representative Glassheim: On the contingency positions, we appropriate the money but you just don't hire them unless it's the trigger price or the 20,000 well count?

Lynn Helms: The money is appropriated as a contingency line in the budget and OMB authorizes the hiring. When that event occurs, we send a letter to OMB and they authorize us to move forward with filling the FTE's. Prior to that, we went to the emergency commission with that letter and received emergency commission approval to move ahead.

Representative Glassheim: What do we lose or what doesn't get done if we don't have the geology analyst and the treating plant inspection person?

Lynn Helms: Without the geology position, the 2 people we have are focused on well construction. What doesn't get done are the formation tops. On the treating plant inspection, what won't get done, is traveling to treatment plants and making sure that they are not accumulating a huge amount of untreated waste. Our goal is to inspect those plants quarterly.

Representative Glassheim: Is it simply data or is there some consequence in not having that?

Lynn Helms: It's primarily data that industry uses.

Representative Skarphol: How many treating plants are we talking about?

Lynn Helms: I think right now we have 12 treating plants; up to the slow down, we were permitting one additional treating plant per month.

Representative Skarphol: That's the treating plants that we heard about in full committee.

Lynn Helms: Yes. They bring in, for example, drill cuttings; they make their money by removing the diesel fuel and oil and selling it; they move the salt water to a salt water disposal well.

Representative Skarphol: When do you anticipate we'll reach that 20,000?

Lynn Helms: If we had stayed at 190 drilling rigs, we thought we'd get there the last 6 months of the biennium. At the current rig count, we will not get there until a year or so into the next biennium.

Representative Kempenich: You have this trigger price and I'm thinking this budget was based on $80.00 oil.

Lynn Helms: That's true. This budget was based on the December forecast numbers and that was $72.00 to $74.00. The idea of attaching the trigger price to this was that if we remain below the trigger price, when price increases beyond that trigger and the trigger goes off, activity will pick up very quickly.

Representative Kempenich: Those are federal regulations?

Lynn Helms: It's a Texas regulation that says after it's passed through that process and passes the standards that are set by the Texas Department of Environmental Quality, it is no longer a waste; it a beneficiated product. That goes state by state.

Representative Kempenich: Does HB1390 allow it to go away?

Lynn Helms: The intent of HB1390 is to do what we just described.

Representative Skarphol: I had some of the same concerns. When a pipeline is being inspected, what steps are they going to look at?

Lynn Helms explained the process of pipeline inspections.

Chairman Thoreson: How do they become a certified pipeline inspector?

Lynn Helms: That's going to be the industrial commission.

Lynn Helms continued with his explanation.

Chairman Thoreson: What about settling?

Lynn Helms: If it's properly backfilled and compacted, it's not a problem. You have to leave it for a few weeks.

Representative Boehning: When you certify pipeline inspectors, do you give them a class?

Lynn Helms: We have not done that with the meter proofing and I don't expect that we would provide that training. We would look at their resume to see what training they had undergone and how many years of experience they had.

Representative Boehning: You de-certify them so they can't be working for us if they aren't doing a job properly?

Lynn Helms: They would be watched.

Representative Hogan: We've laid a lot of pipeline in the last 2 or 3 years. How much of it has been inspected by state inspectors?

Lynn Helms: None of it.

Representative Skarphol: Any pipeline that's laid by an oil company has to be entered into the one-call system and surveyed so that we know where they're at.

Lynn Helms: That's right. Last session you implemented the GIS mapping requirement for all the oil, gas and water pipelines. We're almost complete on that.

Representative Boehning: The amount of pipeline inspectors are they bonded; so if there's a leak, does that go back on their bond?

Lynn Helms: Up to this point, pipelines have not had any bonding. I am not aware of a pipeline inspector being bonded and insured.

Chairman Thoreson: Recessed the discussion.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
2/12/2015
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☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: Attachments D-G

Chairman Thoreson: Reopened the discussion on HB1014.

Lynn Helms, Director, Department of Mineral Resources: Discussed the state of oil prices in regard to West Texas Oil.

Representative Skarphol: What's going on with the gas gathering? Are they making any progress during the winter on getting things connected?

Lynn Helms: The connection and pipeline construction is at a standstill. There have been several large compressor projects that are getting up and running.

Chairman Thoreson: What kind of federal approval?

Lynn Helms: One involves forest service pipeline right of way and the other one involves a Corp of Engineers pipeline right of way project. Between those two there's about a 90 million cubic foot/day bottleneck. The Corp of Engineers has approved the cultural study to build the pipeline; the forest service hasn't approved anything yet.

Adam Mathiak, Fiscal Analyst, ND Legislative Council: Explained the worksheets attachments D through G.

Representative Skarphol: I would suggest that we move the positions listed in the first category across. I would suggest we also move the ATV's across. See attachment C.

Representative Kempenich: So you want to move $2,975,701.00 and the $41, 500.00.

Representative Glassheim: Is that the first category or the contingency also?

Representative Skarphol: The first category.

Representative Boehning: I would move over the base payroll changes, the salary increase, the 3% and 3%, and health insurance.

Representative Hogan: Do we need to move over the two negative ones also? We should move those over.

Adam Mathiak: One thing I should bring to your attention. Last session there was SB2233 that approved the industrial commission to do the industrial water sales. There was an issue with the way the bill was written. It was our interpretation as we were preparing the budget that it needed the position nor the funding that was talked about in there were authorized. OMB felt the position was authorized; so we're reflecting an increase of one FTE. The funding goes to the industrial commission but it didn't authorize the expenditure of the funds. See attachment D.

Becky Keller, Fiscal Analyst, ND Office of Management and Budget: I think from our perspective we're asking you to allow them to use that $150,000.00 that they get from WAAS for this.

Representative Skarphol: I would suggest we just move it across since it's already paid for by other funds. I would like some comments on the $104,000.00 expenditure for aerial photography, $125,000.00 for core analysis. Attachment D.

Chairman Thoreson: This would be for department 405.

Ed Murphy, State Geologist, Department of Mineral Resources: That would be to replace the ones that we're missing.

Chairman Thoreson: They are ones we had but have been deleted or misplaced?

Ed Murphy: Most of our photos we got through the NRCS when they discarded them and some are misplaced over time.

Representative Skarphol: Are they older photographs?

Ed Murphy: These were taken from 1957 through 1962. We prefer those because it's before you had a lot of infrastructure.

Representative Skarphol: Where do you anticipate that you're going to get them?

Ed Murphy: They come from Utah and they have special paper that they use and once they run out of that paper, they're no longer going to print these aerial photographs on paper,

Representative Skarphol: So they're in a library somewhere; you just need to get them reproduced. How many photographs?

Ed Murphy: It is for 8,000 photographs. What's in the archives are the negatives.

Lynn Helms: As we move forward with HB1358; which is anticipating setting up a program to deal with legacy oil and gas issues that happened in the 1960's and 1970's, these photographs would be helpful for that.

Vice Chairman Brandenburg: I would say you want to get this information because any time you get those old maps it's going to help you for old history.

Representative Skarphol: The contract cost related to core analysis. What does that mean?

Ed Murphy: A portion is for contract drilling and another portion is for analysis. The last two sessions we've had one-time funding that paid for oil and gas core analysis. This would be for shallow drilling.

Ed Murphy continued explaining the green sheet.

Representative Skarphol: I would recommend that we move all four of those across.

Vice Chairman Brandenburg: With litigation do you still think we need that there?

Lynn Helms: Our preference would be to remove it from this budget and place it in the pool that is anticipated by HB1432. Our concern with that bill is that if we move this money over we need to expand the areas of coverage of that bill to include the safe drinking water act and clean air act.

Representative Hogan: Do we need to move over the increased operating expenses on department 405.

Karlene Fine: Yes we need to move that.

Representative Hogan: I'd move that over.

Representative Glassheim: In the 2013-2015 salary adjustments, there's a net gain but there's also a net loss.

Representative Skarphol: That moves that water position to the general fund and I would like not to do that.

Adam Mathiak: If you want the funding to stay with WAAS, you would need to leave it over. There were some base budget changes to reflect the additional $150,000.00. In order to be able to show that the $150,000.00 is special funds being added; there's that netting at the top. You would need to move it across if you wanted to maintain the WAAS position funding as special funds.

Representative Skarphol: So you want the $7,056.00 moved across.

Adam Mathiak: Yes.

Representative Skarphol: That would ultimately be paid by WAAS?

Adam Mathiak: The $7,056.00 was related to some other minor base level changes. It should have shown up along with the $44,000.00 at the top.

Representative Skarphol: So it is actually general fund money.

Adam Mathiak: The $7,000.00 is.

Representative Skarphol: So we're moving that across.

Representative Kempenich: (Unintelligible)

Lynn Helms: We have not had our servers moved but the lines that connect our district offices are under that; also the telephones. These would involve the wall jack for everyone of these new FTE's.

Representative Kempenich: So that didn't reflect in your move over?

Lynn Helms: No

Representative Kempenich: Is the professional services your department also? It has about a $2 million increase.

Lynn Helms: I don't have the answer to that.

Karlene Fine: What was the amount?

Representative Kempenich: You had a request of $142,000.00 and you have a recommended increase of $2.1 million.

Karlene Fine: I'm going to have to check on that.

Lynn Helms: The $250,000.00 for IT contractual; that isn't for the new employees. That's for contracting with ground water protection council to enhance our database. It's a movement to a new operating system.

Representative Hogan: On the back page under subsection 12; do we want to add the ALIM cycle allocation of $7 million?

Chairman Thoreson: You would add an additional $7 million.

Representative Hogan: It might be a new section.

Karlene Fine: The $4.5 million; in section 12 of the bill it talks about our non-matching requirement for the program. It's not related at all.

Chairman Thoreson: So you would need a new section?

Karlene Fine: Right. What you would add would be under a possible one-time item.

Chairman Thoreson: Would any of that be needed prior to the start of the new biennium; in case we would have to do an emergency clause?

Karlene Fine: No.

Representative Glassheim: Do we want to bond the core library?

Representative Skarphol: I think a lot of us think it needs to be done; but I think we need some time to consider some options.

Lynn Helms: It is the change in litigation. We created a line item that added $2 million; but that disappears with the conversation I was having with Representative Brandenburg.

Chairman Thoreson: Let's go to department 471.

Representative Kempenich: I think on the bank we'd move the base payroll over for the Bank of North Dakota and the 3% and 3% and health insurance. I would suggest we move those two positions over.

Chairman Thoreson: So the information security and analyst positions?

Representative Kempenich: Yes. Do you want to comment on the change to operating expenses?

Eric Hardmeyer, President, Bank of North Dakota; Changes to the operating expenses include $2.5 million for information technology costs and $800,000.00 for other fees.

Tim Porter, CFO, Bank of North Dakota: Explained the operating costs.

Representative Skarphol: What do you pay in IT fees if you have $1 million in increases?

Tim Porter: Our overall expense in the budget is about $4.3 million.

Representative Skarphol: That increase is due to ITD increased costs or is it other information technology costs along with ITD changes?

Tim Porter: That specific $1 million is pretty much ITD. The other services are projected to go up $500,000.00.

Representative Kempenich: The professional development is a $400,000.00 increase. Is that starting something new?

Tim Porter: That includes the tuition reimbursement that we pay for employees, situational leadership and other initiatives that we do through our HR.

Representative Kempenich: What's this special line for others?

Tim Porter: That would be for contingency.

Eric Hardmeyer: We're running on a two year budget and things are changing dramatically in the banking business.

Representative Skarphol: The most surprising detail is the $200,000.00 increase in postage.

Eric Hardmeyer: That is something we're working very hard on reducing. It has to do with compliance and disclosure.

Representative Skarphol: Do you have the ability to incentivize people in regard to getting them to do that?

Eric Hardmeyer: Yes. For ACH we take off .25% your rate if you do it automatically.

Representative Skarphol: I would suggest that we move everything here across with the exception of the 3% and 3%.

Vice Chairman Brandenburg: You're talking about the bottom changes?

Representative Skarphol: I was talking about the upper portion.

Vice Chairman Brandenburg: I would move the transfer for the PACE of $28 million, AGPACE of $3 million, biofuels PACE of $2 million, $7 million for beginning farmer loan revolving fund and the FLEXPACE program. On the short line revolving loan fund of $10 million to take $5 million and put it in the revolving loan program that's now in the DOT.

Eric Hardmeyer: So the change is $5 million going to DOT instead of the bank?

Vice Chairman Brandenburg: Yes.

Eric Hardmeyer: That's fine.

Representative Kempenich: So section 14 and 15 of the bill disappear?

Vice Chairman Brandenburg: Adam if you could do some language to go into HB1012 with that $5 million to go into the revolving loan fund.

Representative Kempenich: It's section 6 of the bill and I don't see it.

Becky Keller: It's included in the industrial commission's other sections.

Representative Kempenich: Why don't we

Representative Skarphol: My intent was that the bank would the same 3% and 3% as anyone else.

Vice Chairman Brandenburg: For housing we can move the 3% and 3%, health insurance, and base payroll.

Representative Hogan: I'm very interested in moving the housing incentive over. I would like to increase it based on the testimony we had.

Representative Skarphol: I understand the need but I'm not sure if I'm ready to do that at this time.

Representative Kempenich: We have a proposed amendment that was brought forward yesterday. So this won't be the last time on this issue.

Representative Boehning: I don't know if it was in Representative Skarphol's motion; but move the negative lines over as well.

Karlene Fine: Section 18 of the bill didn't have any money in it. Section 19 starts to deal with the housing incentive fund.

Representative Boehning: How much did we give to agencies with the outdoor heritage fund?

Karlene Fine: In the first grant round we did $1.9 million to game and fish; we had 2 small projects that went to parks and recreation and we also did another one to game and fish just recently that was $3 million.

Representative Boehning: I was under the impression that the heritage fund was supposed to be used for local government agencies and other organizations. I really don't like this language and I really don't like that we're using outdoor heritage funds for agencies that we can appropriate money to. I would like an amendment to remove that from the language.

Chairman Thoreson: That request is noted.

Vice Chairman Brandenburg: For the mill and elevator, I move the 3% and 3%, base funding changes and the health insurance.

Representative Skarphol: I think the new mill has been built; has it not?

Karlene Fine: Yes. It will be completed by the end of this year.

Representative Skarphol: So the FTE's being requested are primarily for the operation of that new mill?

Karlene Fine: The 12 positions are for the new mill.

Representative Skarphol: There are other issues to argue about in this budget; but I'm not sure that this is one of them.

Vice Chairman Brandenburg: They really wouldn't need these until later this summer. So we have time to deal with these FTE's.

Representative Skarphol: Are these numbers for 24 months or they adjusted to reflect the fact that you don't need them for the entire biennium?

Karlene Fine: These numbers were built for the entire biennium. We had hoped to have the mill up and running by August 1st.

Representative Hogan: The salary increases are zero and zero on market equity and performance. They don't have the salary increase that we have in the other areas.

Karlene Fine: The mill's budget is done a little differently than the other ones; because of the contracts involved and the way they roll up their dollars. We roll it all into base payroll changes.

Representative Hogan: The 4% and 3% still apply to some employees?

Karlene Fine: Yes.

Representative Hogan: That will just come in your base.

Karlene Fine: Correct.

Representative Boehning: On page 6 on line 1 I would like to change that from 50% to 90%.

Karlene Fine: That's a number that's difficult to come up with because we don't know what those earnings are.

Representative Boehning: I suppose we would have to put a number in there; say $12 million?

Karlene Fine: Yes.

Vice Chairman Brandenburg: On those 12 FTE's there probably isn't a two year cost associated with them.

Karlene Fine: We may just be talking about a couple of months; but you do get the people in and start their training.

Representative Boehning: Just looking at the amount of positions; are there any that we can do with contract employees?

Karlene Fine: Those are some of the tasks those individuals have. You could look at contracted employees; but we've found that it's probably more costly.

Representative Boehning: With contract work you wouldn't have to pay any overtime.

Karlene Fine: I'll inquire.

Chairman Thoreson: Closed the discussion.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
2/13/2015
Recording Job# 23842

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Sheryl Lies

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes:

See attachments A through D. Handout #1

Chairman Thoreson: Opened the discussion on HB1014.

Karlene Fine, Executive Director, ND Industrial Commission: When we were discussing the housing finance agency yesterday, Representative Streyle had talked to you about an amendment to extend some funding for $1.5 million. I don't know if that's something you want to add on your list?

Chairman Thoreson: We have that amendment somewhere. I haven't spoken with Representative Streyle since he brought that in.

Vance Taylor, General Manager, ND State Mill and Elevator: See attachment A.

Representative Kempenich: What kind of experience are you looking at on that?

Vance Taylor: Those positions require 5 years of experience minimum to be responsible for the mill and operate all the equipment, make the necessary grade changes, make sure that the ingredients get added at the proper time, adjust the milling equipment as needed. Those employees wouldn't come off the street; they'd move up out of the department.

Representative Kempenich: You're moving other people around in your operation.

Vance Taylor: We have assistant millers under the millers that operate the other mills. As those people get experience and receive the training they cover for the millers until they're ready to handle the mill. That's where these 3 people would come from.

Vance Taylor continued with his presentation.

Chairman Thoreson: Have we had any issues with that?

Vance Taylor: That happens very rarely.

Vance Taylor continued with his presentation.

Representative Boehning: Can we do contract workers to do the cleaning?

Vance Taylor: No. We have some temporary employees that we bring in during the summer to help us get caught up in areas. When we hire a utility worker we're hoping to hire someone that can move up through the ranks.

Representative Boehning: You're running 24 hours 7 days a week; do the people work the same shift or do they rotate?

Vance Taylor: We do it both ways. Our milling department employees prefer to rotate shifts. In other departments the jobs are given by shift and they stay on that shift permanently until they move up into another position.

Representative Boehning: Have you ever done any studies or organizational structures? Is there any way we can get that overtime down by doing a different type of rotating shift?

Vance Taylor: That is an option and we have looked at it extensively. If we did go to a 4 shift operation it would require quite a few more employees. We would have to add 30 to 40 people to make a 4 shift operation work.

Representative Boehning: I asked for some information on average wages and bonuses. Did you ever get anything compiled on that?

Vance Taylor continued with his presentation.

Representative Boehning: You bring in temporary employees during the summer based on major cleaning to my understanding. Do you hire them through an agency or are they state temporary employees?

Vance Taylor: We don't hire them through an agency, they're state temporary employees at a low rate and they don't receive benefits.

Representative Boehning: Has that become another insurance issue for you?

Vance Taylor: It doesn't.

Representative Kempenich: How did you work that before because now I see you're budgeting for health insurance increases? Did you change something?

Vance Taylor: On the health benefits that those were inputted by OMB.

Representative Kempenich: They're delineating out that stuff. Is that part of your contract?

Vance Taylor: We have a contract that covers the hourly employees and the contract states that those employees get the same benefits as the rest of the state.

Vance Taylor continued with his presentation.

Vice Chairman Brandenburg: You're going to be loading rail cars on all 3 shifts; but this extra line that you're putting in place you're trying to put more product out with this extra line. What's the number you're trying to get to?

Vance Taylor: It's an average of about 12 cars per day and that's done on two shifts.

Vice Chairman Brandenburg: So you're trying to get to 18 cars per day.

Vance Taylor: We're making sales of flour for this same time period in 2016.

Vice Chairman Brandenburg: I'm looking at your profits and you average about $5 million to $6 million per year. Are you anticipating an increased profit?

Vance Taylor: See attachment B.

Vice Chairman Brandenburg: About what percentage goes out bulk and bagged on box cars?

Vance Taylor: About 75% goes out in bulk cars and trucks. About 25% goes out bagged by truck or by railcars.

Vice Chairman Brandenburg: What kind of baggage do you have?

Vance Taylor: We do a fair bit of 100lb bags, most of our volume goes out in 50lb bags and we do 25lb to Sam's Club. We also do 5, 10 and 25lb for the retail market.

Representative Boehning: On the other salaries are those mostly bonuses? Can you break that out for me?

Vance Taylor: The gain sharing plan pays out a percentage of the previous year's W2 wages minus any gain sharing of the previous year.

Representative Boehning: What would you say the highest bonus would be for the year?

Vance Taylor: I think the average is $10,000 and the highest is $20,000.00.

Vice Chairman Brandenburg: I move the 12 positions.

Representative Hogan: I'm interested that the non-union are getting a 5% and 5% salary increase.

Vance Taylor: We did back that out.

Representative Boehning: I'd like to take out the $410,000.00 on market equity adjustments.

Adam Mathiak: I'd have to double check on that but it's probably part of the base payroll changes.

Representative Skarphol: Do you have the ability to move money between the positions?

Vance Taylor: We do have the ability to move money around within those lines.

Vance Taylor continued with his presentation. See attachment D.

Representative Boehning: Did we build on every time we added a mill.

Vance Taylor: They're all separate projects and expansions. When we did the renovation expansion project, the main part of that was to replace part of our milling units.

Representative Boehning: When you're done building this building will it be full or will you have room for expansion?

Vance Taylor: We're building the cleaning house of that building large enough to hold the G mill equipment and equipment for another mill of the same size. We're also designing the mill building to hold the unit we're putting in now plus another unit later on of the same size.

Representative Boehning: What are your long term plans? Do you have any plans for expansion 5 or 10 years down the road?

Vance Taylor: These projects have been part of our long term plan. We've been talking about a new building and milling units for a while. There will be further projects that we're considering to increase efficiency on the grain handling side. This would fill out our 5 year plan.

Representative Skarphol: Do you add ingredients to the flour you mill?

Vance Taylor: We do add some ingredients to some of our flour; not to all. We have a fairly short list of ingredients that we add. I can supply that to you.

Lynn Helms, Director, Department of Mineral Resources: Explained about treating plants.

Chairman Thoreson: That's Representative Kaiser's bill.

Lynn Helms: That's correct. They're intent with that bill is to put that 100% under the jurisdiction of the health department.

Representative Skarphol: When you have a treatment plant it separates the sludge from the beneficial part. In your case the sludge has to go from a treatment plant to some other facility. Correct.

Lynn Helms: Yes.

Representative Skarphol: The waste recycling facility can take that sludge and also do the process of a treatment plant. Is that correct?

Lynn Helms: That's a pretty fair description. In North Dakota a treating plant can remove some beneficial things for resale. It would be things that are under the jurisdiction of the industrial commission. The remaining product has to be disposed of in a special waste landfill.

Representative Skarphol: There's very little likelihood we'll have duplicated state inspections.

Lynn Helms: That's correct.

Representative Boehning: Would it be possible to have your inspector that takes care of these treating plants to also take care of the health department's? Are they two very different inspections?

Lynn Helms: There's a possibility that we could use that person.

Representative Boehning: With doing one part of the project, would it be possible to do the warehouse at one time and the other part at a different time?

Lynn Helms: That is possible. Up to this point we had avoided that discussion about multiple phasing. The warehouse space is the real crunch at this point.

Representative Boehning: I think if we do something in phased way or maybe on a trigger.

Lynn Helms: We'll have AEPC take a look at that.

Chairman Thoreson: Closed the discussion.

Handout #1 submitted later not discussed in meeting.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
2/17/2015
Recording Job# 23970

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachments A through D

Chairman Thoreson: Opened the discussion on HB1014. See attachments A through D.

Representative Skarphol: I'm looking at budget 405. Somebody remind me about the $7 million lignite research council grants. I didn't recall that we decided to do that.

Chairman Thoreson: Representative Hogan you had made that motion to include that in here.

Representative Glassheim: How is the core library being handled?

Chairman Thoreson: As of right now, it's not reflected in here. At the present time, it's not here.

Representative Vigesaa: I would make a request that maybe the $7 million lignite research council grant be voted on separately.

Chairman Thoreson: We'll separate that out from the rest of the worksheet.

Representative Hogan: I would like to have a discussion about housing finance.

Representative Kempenich: Made a motion to accept the amendments on the 475 and 471 portions.

Vice Chairman Brandenburg: Seconded the motion.

Representative Kempenich: Adding any FTE's isn't going to make or break what we're doing as far as the state goes for the bank.

Voice vote made for budgets 471 and 475. Motion carried.

Representative Skarphol: Made a motion to accept the amendments excluding the $7 million in budget 405.

Representative Boehning: Seconded the motion.

Representative Kempenich: I would like to see a trigger type deal come into place if the budget improves. Maybe we should put some intent in this.

Vice Chairman Brandenburg: What are you trying to trigger? Are you triggering FTE's or buildings?

Representative Kempenich: No.

Representative Boehning: Didn't Lynn want us to put some language in their to trigger his FTE's?

Voice vote made for budget 405. Motion carried.

Chairman Thoreson: Let's move to the line titled lignite research council grants. The original request was for $10 million and $7 million was proposed.

Representative Vigesaa: I'd be comfortable to reduce that amount to $5 million. They do have some funds available right now that they could utilize. Made a motion to reduce the amount to $5 million.

Representative Skarphol: Seconded the motion.

Representative Hogan: I'm totally fine with that. I think we just want to say we're supportive of the concept.

Representative Skarphol: In addition to the $5 million we need to put legislative intent language in here that we support the concept of establishing triggers; and that a priority list be established for the utilization of that trigger mechanism. We should state that the ALIM cycle should be considered in that priority list and the need for additional employees in the department of mineral resources; and on top of that list is the core library. I think we need to make sure that discussion takes place in full committee.

Chairman Thoreson: So we would put intent language covering those areas for targeted revenues; that if certain levels are reached that those would be funded.

Representative Skarphol: It's just to create the discussion.

Representative Glassheim: Are we saying that the ALIM cycle is going to be pushed over to the same status as the core library; or are we saying we're for appropriating $5 million?

Representative Skarphol: My intent would be to support the $5 million that Representative Vigesaa moved and then in addition to put language in the bill in the event that certain things happen that would trigger these priorities.

Representative Glassheim: Can we vote first on the $5 million?

Voice vote taken to reduce the lignite research council grants to $5 million. Motion carried.

Representative Hogan: Can we add $10 million for housing to that contingent list.

Representative Skarphol: I don't have a problem with adding that to that list as I think they all will be topics of discussion.

Vice Chairman Brandenburg: Don't we want to put that in 473 for the housing?

Voice vote taken for intent language. Motion carried.

Representative Skarphol: Made a motion to move the amendments for 473.

Representative Kempenich: Seconded the motion.

Voice vote taken. Motion carried.

Chairman Thoreson: Sections 14 and 15 of the bill are coming out. Is that correct?

Adam Mathiak: Yes.

Representative Kempenich: For the outdoor heritage fund is there anything we need to do with the language?

Adam Mathiak: Based on the conversation we had I removed that section in the amendment; that's section 18. Section 18 was allowing the Office of Management and Budget to increase the appropriation authority for any agency that received a grant from the outdoor heritage fund. I believe it was Representative Boehning who had asked that we not include that and didn't want the funding to go to agencies; but preferred that the funding go out to other political subdivisions.

Representative Kempenich: I think that HB1409 does allow agencies to get involved in it.

Adam Mathiak: Currently, some agencies have been receiving funding but the mechanism for them to receive the funding is for them to go before budget section and emergency commission; this would have allowed them to get the appropriation authority without going to budget section or emergency commission.

Representative Vigesaa: I see that we had an amendment from the Lignite Energy Council with regard to appointment of members.

Chairman Thoreson: I believe it's reflected in 405. The backside of 405 under lignite research; section 16 amends to allow the governor to appoint. That's correct?

Adam Mathiak: Yes.

Vice Chairman Brandenburg: Made a motion for a "Do Pass as Amended."

Representative Kempenich: Seconded the motion.

Roll call vote: 8 Yeas 0 Nays 0 Absent.

Representative Kempenich carried the bill.

Representative Skarphol: Is there anything in HB1409 that prohibits granting money from the outdoor heritage fund to a state agency?

Adam Mathiak: I haven't looked at it closely enough to answer at this point. I will check.

Karlene Fine, Executive Director, ND Industrial Commission: No.

Representative Skarphol: Was it a topic of discussion on that bill?

Karlene Fine: Yes.

Chairman Thoreson: Closed the discussion.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1014
2/19/2015
24185

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Mary Brucker

Explanation or reason for introduction of bill/resolution:

Provide an appropriation for defraying expenses of State Industrial Commission and the agencies under the management of the Industrial Commission.

Minutes: Attachment #1

Vice Chairman Keith Kempenich: Made a motion to amend with 15.8122.01003. See attachment #1.

Representative Skarphol: Seconded.

Vice Chairman Keith Kempenich: Explained the amendments. We started on page 4 but removed most of page 6 seven and nine then replaced on page 9 with section 15 lignite research council compensation appointment of members.

Chairman Delzer: What did you do in section 440304?

Representative Skarphol: I believe that allows for people from outside the state to be appointed to Lignite Energy Council.

Chairman Jeff Delzer: Why do they want to appoint them to that? They could certainly be there as advisors.

Vice Chairman Keith Kempenich: They have this cycle and the membership of the Lignite Council.

Chairman Jeff Delzer: But this is the research council.

Vice Chairman Keith Kempenich: We put section 18 in on contingency funding and that comes down to the oil and gas division.

Chairman Jeff Delzer: What are you doing here? Do you have a list anywhere or are you just saying we're going to put together a list?

Vice Chairman Keith Kempenich: There is a list. We were just trying to keep it in the conversation with this intent language.

Representative Skarphol: The section is intended to be legislative intent which lists the priorities that should go on a contingent list if one is developed.

Vice Chairman Keith Kempenich: We did the three and three with throughout the agencies on it. The first section of the bill deals with mineral resources, general fund dollars, the public finance authority and the industrial commission's administrative offices which are special funds. We redid the budgets as far as the three and three goes. Regarding the mill and bank we didn't change a lot other than reduce the compensations packages. On the mill there was a request for 12 more full time employees.

Chairman Jeff Delzer: You added two people to the bank?

Vice Chairman Keith Kempenich: Yes, that was their request for what they've been dealing with. We added a credit analysis and an information security position.

Representative Streyle: What do they need an Information Technology security person for when Information Technology Department manages most of their network?

Vice Chairman Keith Kempenich: They said they've been seeing more activity in their systems.

Representative Thoreson: It is because of cyber security threats. They have managed through ITD but felt it was important to have someone there with the bank to deal with that. They have four vacant full time employees they are looking to fill; a loan officer, a calling officer and business development industrial loan specialist, and an accelerated development program person.

Chairman Jeff Delzer: Doesn't that cause problems not working with current ITDs?

Vice Chairman Keith Kempenich: I know they are working with ITD. They still maintain their own systems.

Chairman Jeff Delzer: How many people do they have in IT security positions?

Vice Chairman Keith Kempenich: They are over $3.9 million over their base appropriation but it is reduced down some just from adjusting their salaries and things.

Chairman Jeff Delzer: Did you take section 18 out of the bill?

Adam, Legislative Council: Yes, it was removed.

Vice Chairman Keith Kempenich: Continued to explain amendment and discuss state mill. A lot of their employees are under contract so we did what we could with the three and three. We added funding for FTEs and operating expenses.

Chairman Jeff Delzer: There was a section in the original bill that wanted to limit the amount of money that the mill would give to the general fund. Did you get rid of that?

Representative Nelson: The 12 additional FTE's that you granted was that at their request or did they ask for more?

Vice Chairman Keith Kempenich: That was their request. The State Industrial Commission gave them permission to build another mill and that is under construction. They figured it would be in operation sometime next fall. This has the 12 FTEs to run that new mill.

Representative Nelson: They won't be part of the new biennium salary?

Vice Chairman Keith Kempenich: They'll be part of the 2015-17 biennium.

Chairman Jeff Delzer: When will they need to be hired?

Vice Chairman Keith Kempenich: It will be sometime this spring.

Chairman Jeff Delzer: I'm not sure we should be giving the Industrial Commission the authority to expand the mill without legislative approval.

Representative Silbernagel: On page 3 the possible litigation where we had $1 million last biennium they requested $3 million and we pulled that out?

Vice Chairman Keith Kempenich: Yes.

Chairman Jeff Delzer: That went to 1432.

Representative Brandenburg: It's already done and the mill is complete so they need the people to run it and load the cars. They never came to ask us if they should do it. They can't run the mill without the people and they can't load the cars without the people so that's where it's at.

Representative Vigesaa: That mill runs 24 hours a day so these are three eight hour shifts that need to be manned.

Chairman Jeff Delzer: Do they have the rail cars 24 hours a day?

Representative Brandenburg: They loading cars 24 hours a day as well. They load on two shifts and load 10-12 cars a day but they want to be able to load another five to six cars. They average somewhere between five to six cars a shift and now they'd be able to load 18-20 cars a shift.

Vice Chairman Keith Kempenich: With mineral resources we funded 16 positions. The activity was needed with what's going on in the oil and gas area. This was their priority list.

Chairman Jeff Delzer: What's a budget specialist?

Vice Chairman Keith Kempenich: They are getting enough people involved in this operation now and it was suggested they do this from an audit that was completed.

Chairman Jeff Delzer: You took out the 20,000 wells but do you have any contingency for lesser employees if the number of rigs continues to drop?

Vice Chairman Keith Kempenich: No, we didn't ratchet it down. There are 10 more they are requesting.

Chairman Jeff Delzer: We didn't take out section 11 of the bill. I think we should talk about as a committee. We worked real hard setting that up to be a way that made good sense on the profits. This section says it is up to the Industrial Commission to decide how much they want to put in to the state.

Vice Chairman Keith Kempenich: We had a proposal of 90% and that was rejected so we left the decision. It was decided to have a conversation on it.

Representative Skarphol: Section 11 changes from what the present practice is?

Chairman Jeff Delzer: Yes it does. It changes from 50% to whichever is less. It was 50% before without any limitations.

Vice Chairman Keith Kempenich: This year they had around $18 million but probably would have been closer to $9 million.

Representative Skarphol: Why is that new language and change is not underscored to where we would recognize it?

Adam, Legislative Council: This section was in last biennium so was brought over as a change that the Industrial Commission had.

Chairman Jeff Delzer: The last time the 50% was the 6.817. If they have the 18 and took it out it should be 50% of profits should go to the general fund.

Representative Skarphol: There was no reason for us to question whether or not that was existing law since it's not underlined. The new mill will increase their capacity by 30% and the number of employees increasing is less than 10% so with that you're going to get a 30% increase. I think in any business if you can increase capacity by 30% you have to anticipate you're going to have some costs associated with it. This was to add a third shift to do what needs to be done.

Representative Monson: The change to 50% or a maximum of we should be expecting a lot more profit from the mill I would hope. I wonder if we should put a cap on what they get to keep and go the other way instead of saying 50 percent.

Chairman Jeff Delzer: I would have no problems saying 75% of the profits come to the general fund.

Representative Thoreson: This language mirrors what was in the current biennium's bill.

Chairman Jeff Delzer: I understand that. The issue is that two years ago the 50% was a $6.817 and that's why it didn't get changed.

Representative Dosch: How was the new addition paid for?

Chairman Jeff Delzer: That's why they want the limiting language in there because that's how they're paying for it.

Representative Dosch: What was that dollar amount for the expansion?

Representative Skarphol: They have a line of credit they operate with. They went forward with the new mill as stated so it was paid for by either by profits or credit line. They ended up making a profit so what they've done is paid for; it hasn't been loaned on. That's how they operate.

Representative Glassheim: We have to remember this is a very well run business. Most businesses have a certain amount to their shareholders and retain a certain amount of earnings for things that break down, maintenance, repairs, expansion, etc. I would hate to disrupt what they are doing. They are selling the most amount of flour in the United States. I don't think it's wise for the stockholders to take 75% of the profits now; maybe 50% or whatever.

Chairman Jeff Delzer: One of the problems is when you have this language sitting there and if they get up to $25 million profits we'll only get $6 million back which is 15 or 20 percent. For a state mill the idea is not necessarily to be profitable and grow the idea was to help the farmers and make sure there was a market for the wheat when it was put together.

Representative Vigesaa: I have a graph with the projected profits for 2015 they are projecting about $13.5 million, for 2016 its $14 million, and for 2017 its $15.5 million.

Representative Skarphol: They also transfer money to other funds that we've demanded of those profits as well as give us 50% of the profits. In the bill it says transfers to other state agriculture related programs. There are other places the money goes besides to the state.

Representative Nelson: In our area we had a lot of issues with wheat growing areas and I can assure you the state mill offered the best protein premiums and accepted the damaged grain at a greater level than any other facility around us. They do provide the best market for wheat growers in my area by far.

Representative Skarphol: We gave the Department of Mineral Resources 16 individuals out of the 26 they requested and that's why the language is in there if there is a

contingency list created. Mr. Helms indicated to us that he doesn't anticipate a need for any more field people because he doesn't anticipate the number of wells increasing enough over the next two years that he will need them. We felt we gave him the minimum number of people to meet the needs that were being demanded of him.

Vice Chairman Keith Kempenich: A lot of our oil and gas is in the court of public opinion. There is also one-time funding for aerial photography, a core analysis, seismic profile, etc.

Representative Nelson: In going back to the state mill, I think for many biennium we budgeted for $5 million transfer.

Chairman Jeff Delzer: Part of the reason we went to the 50% was because for a number of years we budgeted for five and they came in with a loss.

Representative Nelson: I think 50% is a fair request but I don't think it should go higher than that.

Representative Pollert: What is their return on investment?

Chairman Jeff Delzer: We have real issues with the bonuses too. Adam, check and see if there has ever been a performance audit on the state?

Voice vote on the amendment: Motion carries

Representative Monson: With a new mill they shouldn't need to carryover as much money; they have a nice profit projected. I think we should take the $6.8 million cap out of there and I would say we could go to 75% for this biennium. You could put a cap in there of leaving them $10 million. **Made a motion to further amend to 75 percent and remove language of the $6.8 to cap.**

Representative Boehning: Seconded.

Representative Nelson: If they have needs to retain those profits the only way they can retain the number they want is to take it out of the hide. I'm not going to support this.

Voice vote: Too close to call

Roll Call Vote: 12 YES 11 NO 0 ABSENT
Motion carried

Representative Kempenich: Made a motion for a do pass as amended

Representative Thoreson: Seconded

Representative Vigesaa: There was a $16 million library expansion included in the bill.

Chairman Delzer: That's in your priority list.

Roll Call Vote: 17 YES 6 NO 0 ABSENT
Motion carried

Representative Kempenich will carry this bill.

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations Division Committee
February 17, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, remove lines 21 through 24

Page 2, replace lines 1 through 6 with:

"Salaries and wages	$17,873,876	$4,345,078	$22,218,954
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	1,552,846	6,328,422
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	($13,718,912)	$48,588,205
Less estimated income	40,973,792	(23,974,385)	16,999,407
Total general fund	$21,333,325	$10,255,473	$31,588,798
Full-time equivalent positions	98.75	16.00	114.75"

Page 2, replace lines 11 through 14 with:

"Bank of North Dakota operations	$51,523,916	$7,156,915	$58,680,831
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	0	745,000
Total special funds	$53,150,147	$6,275,684	$59,425,831"

Page 2, replace lines 20 through 25 with:

"Salaries and wages	$29,141,750	$6,837,821	$35,979,571
Accrued leave payments	575,807	(575,807)	0
Operating expenses	21,796,000	5,531,000	27,327,000
Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$52,123,557	$11,893,014	$64,016,571"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,434,877	$343,660	$7,778,537
Accrued leave payments	147,806	(147,806)	0
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$41,007,491	($3,453,899)	$37,553,592"

Page 3, replace lines 11 through 13 with:

"Grand total general fund	$21,333,325	$10,255,473	$31,588,798
Grand total special funds	187,254,987	(9,259,586)	177,995,401
Grand total all funds	$208,588,312	$995,887	$209,584,199"

Page 3, replace line 20 with:

"Possible litigation	1,000,000	0"

Page 3, replace line 24 with:

"Lignite research council grants	0	5,000,000
All-terrain vehicles	0	41,500"

Page 4, replace lines 1 through 3 with:

"Total all funds	$68,060,800	$5,620,643
Total special fund	51,500,000	0
Total general fund	$16,560,800	$5,620,643"

Page 6, remove lines 22 through 31

Page 7, remove lines 1 through 24

Page 9, replace lines 19 through 25 with:

"**SECTION 15. AMENDMENT.** Section 54-17.5-02 of the North Dakota Century Code is amended and reenacted as follows:

54-17.5-02. Lignite research council - Compensation - Appointment of members.

The industrial commission shall consult with the lignite research council established by executive order in matters of policy affecting the administration of the lignite research fund. Section 44-03-04 does not apply to members of the council appointed by the governor."

Page 11, after line 9, insert:

"**SECTION 18. LEGISLATIVE INTENT - CONTINGENT FUNDING PRIORITY LIST.** It is the intent of the sixty-fourth legislative assembly that a list of funding priorities be developed for contingent funding if the actual general fund revenues exceed the legislative forecast during the 2015-17 biennium. The priorities may include a core library project, additional full-time equivalent positions for the industrial commission, transfers to the housing incentive fund, and grants for the lignite research council."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of House Action

	Base Budget	House Changes	House Version
Industrial Commission			
Total all funds	$62,307,117	($13,718,912)	$48,588,205
Less estimated income	40,973,792	(23,974,385)	16,999,407
General fund	$21,333,325	$10,255,473	$31,588,798
Bank of North Dakota			
Total all funds	$53,150,147	$6,275,684	$59,425,831
Less estimated income	53,150,147	6,275,684	59,425,831
General fund	$0	$0	$0
Housing Finance Agency			
Total all funds	$41,007,491	($3,453,899)	$37,553,592
Less estimated income	41,007,491	(3,453,899)	37,553,592
General fund	$0	$0	$0
Mill and Elevator			

Total all funds	$52,123,557	$11,893,014	$64,016,571
Less estimated income	52,123,557	11,893,014	64,016,571
General fund	$0	$0	$0
Bill total			
Total all funds	$208,588,312	$995,887	$209,584,199
Less estimated income	187,254,987	(9,259,586)	177,995,401
General fund	$21,333,325	$10,255,473	$31,588,798

House Bill No. 1014 - Industrial Commission - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$17,873,876	$4,345,078	$22,218,954
Operating expenses	4,775,576	1,552,846	6,328,422
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Accrued leave payments	347,696	(347,696)	
Total all funds	$62,307,117	($13,718,912)	$48,588,205
Less estimated income	40,973,792	(23,974,385)	16,999,407
General fund	$21,333,325	$10,255,473	$31,588,798
FTE	98.75	16.00	114.75

Department No. 405 - Industrial Commission - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Adds Funding for Other 2013-15 Salary Adjustments[3]	Adds Funding for FTE positions[4]	Decreases Funding for Bond Payments[5]	Adds Funding for Operating Expenses[6]
Salaries and wages	$533,625	$1,301,128	$7,056	$2,498,269		$5,000
Operating expenses				627,432		304,771
Grants						
Grants - bond payments					(4,769,140)	
Accrued leave payments	(347,696)					
Total all funds	$185,929	$1,301,128	$7,056	$3,125,701	($4,769,140)	$309,771
Less estimated income	141,853	76,256	(150,000)	150,000	(4,769,140)	76,646
General fund	$44,076	$1,224,872	$157,056	$2,975,701	$0	$233,125
FTE	0.00	0.00	0.00	16.00	0.00	0.00

	Adjusts Funding for Lignite Grants[7]	Adds One-Time Funding[8]	Total House Changes
Salaries and wages			$4,345,078
Operating expenses		620,643	1,552,846
Grants	(14,500,000)		(14,500,000)
Grants - bond payments			(4,769,140)
Accrued leave payments			(347,696)
Total all funds	($14,500,000)	$620,643	($13,718,912)
Less estimated income	(19,500,000)	0	(23,974,385)
General fund	$5,000,000	$620,643	$10,255,473
FTE	0.00	0.00	16.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$765,984	$47,233	$813,217

Health insurance increase	458,888	29,023	487,911
Total	$1,224,872	$76,256	$1,301,128

[3] Funding is added for other 2013-15 salary adjustments.

[4] The following funding and FTE positions are added:

	FTE Positions	General Fund	Other Funds	Total
Engineering technicians	7.00	$1,513,195	$0	$1,513,195
Pipeline engineering technician	1.00	162,018	0	162,018
Safety officer	1.00	187,717	0	187,717
Human resources specialist	1.00	139,380	0	139,380
Budget specialist	1.00	174,519	0	174,519
Reclamation specialist	1.00	230,911	0	230,911
Surface geologist	1.00	244,192	0	244,192
Survey engineering technicians	2.00	323,769	0	323,769
Industrial water sales position	1.00	0	150,000	150,000
Total	16.00	$2,975,701	$150,000	$3,125,701

[5] Decreases funding for bond payments by $4,769,140, from $19,809,969 to $15,040,829.

[6] Adds funding for increase operating costs primarily related to increased travel expenses.

[7] Appropriation authority of $19.5 million from special funds for lignite grants is removed. The grants will be distributed pursuant to a continuing appropriation from the lignite research fund. One-time funding of $5 million from the general fund is added for lignite research council grants for commercializing the capture, utilization, and storage of carbon dioxide and for next generation electric generation technology, including the Allam Cycle.

[8] One-time funding is added for the following:

	General Fund
Aerial photography	$104,143
Core analyses	125,000
Seismic profile digital conversion	100,000
Information technology costs	250,000
ATV's and trailers	41,500
Total	$620,643

This amendment removes a section to allow the Office of Management and Budget to increase the appropriation authority of state agencies that receive grant awards from the North Dakota outdoor heritage fund.

This amendment removes a section related to contingency funding for FTE positions available when the total number of oil wells capable of production exceeds 20,000.

This amendment also includes:

- Legislative intent for bond payments;
- Appropriation authority, subject to emergency commission approval, for bond issuances;
- Transfer authority of $930,000 for administrative services;
- Designation of $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.
- Statutory changes relating to Lignite Research Council membership.
- Legislative intent for a contingent funding priority list.

House Bill No. 1014 - Bank of North Dakota - House Action

	Base Budget	House Changes	House Version
Capital assets	$745,000		$745,000

Bank of North Dakota operations	51,523,916	7,156,915	58,680,831
Accrued leave payments	881,231	(881,231)	
Total all funds	$53,150,147	$6,275,684	$59,425,831
Less estimated income	53,150,147	6,275,684	59,425,831
General fund	$0	$0	$0
FTE	179.50	2.00	181.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Adds Funding for FTE Credit Analyst Position[3]	Adds Funding for FTE Information Security Position[4]	Adds Funding for Operating Expenses[5]	Total House Changes
Capital assets						
Bank of North Dakota operations	858,035	1,943,112	177,836	209,809	3,968,123	7,156,915
Accrued leave payments	(881,231)					(881,231)
Total all funds	($23,196)	$1,943,112	$177,836	$209,809	$3,968,123	$6,275,684
Less estimated income	(23,196)	1,943,112	177,836	209,809	3,968,123	6,275,684
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	1.00	1.00	0.00	2.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$0	$1,148,633	$1,148,633
Health insurance increase	0	794,479	794,479
Total	$0	$1,943,112	$1,943,112

[3] Adds funding of $177,479 from special funds for 1.00 FTE credit analyst position.

[4] Adds funding of $209,809 from special funds for 1.00 FTE information security position.

[5] Adds funding for operating expenses including $2.5 million for information technology costs and $800,000 for audit fees.

This amendment removes two sections related to a $10 million transfer from the strategic investment and improvements fund to a new short line railroad revolving loan fund to be administered by the Bank of North Dakota.

This amendment also includes a section to continue the Flex PACE program for affordable housing until the end of the 2017-19 biennium and includes four sections to provide transfers from the Bank of North Dakota profits as follows:

- $28 million to PACE;
- $3 million to Ag PACE;
- $2 million to biofuels PACE; and
- $7 million to the beginning farmer revolving loan program.

House Bill No. 1014 - Housing Finance Agency - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$7,434,877	$343,660	$7,778,537
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780
HFA contingencies	100,000		100,000
Accrued leave payments	147,806	(147,806)	
Total all funds	$41,007,491	($3,453,899)	$37,553,592
Less estimated income	41,007,491	(3,453,899)	37,553,592
General fund	$0	$0	$0
FTE	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Decreases Funding for Housing and Urban Development Grants[3]	Decreases Funding for Housing Development Programs[4]	Decreases Funding for Operations[5]	Total House Changes
Salaries and wages	($125,696)	$469,356				$343,660
Operating expenses				100,000	(147,483)	(47,483)
Grants			(2,214,445)	(1,387,825)		(3,602,270)
HFA contingencies						
Accrued leave payments	(147,806)					(147,806)
Total all funds	($273,502)	$469,356	($2,214,445)	($1,287,825)	($147,483)	($3,453,899)
Less estimated income	(273,502)	469,356	(2,214,445)	(1,287,825)	(147,483)	(3,453,899)
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

[1] Funding is adjusted for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$0	$277,212	$277,212
Health insurance increase	0	192,144	192,144
Total	$0	$469,356	$469,356

[3] Federal funding for housing and urban development grants is reduced by $2,214,445.

[4] Funding from special funds for housing development programs is reduced by $1,287,825.

[5] Funding for operating expenses is reduced by $147,483.

This amendment also includes three sections to continue the housing incentive fund in the 2015-17 biennium and allow up to $30 million of income tax credits for contributions to the fund.

House Bill No. 1014 - Mill and Elevator - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$29,141,750	$6,837,821	$35,979,571
Operating expenses	21,796,000	5,531,000	27,327,000

Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000		210,000
Accrued leave payments	575,807	(575,807)	
Total all funds	$52,123,557	$11,893,014	$64,016,571
Less estimated income	52,123,557	11,893,014	64,016,571
General fund	$0	$0	$0
FTE	135.00	12.00	147.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for FTE Positions[3]	Adds Funding for Operating Expenses[4]	Adds Funding for Contingencies[5]	Total House Changes
Salaries and wages	$4,559,196	$634,719	$1,643,906			$6,837,821
Operating expenses				5,531,000		5,531,000
Contingencies					100,000	100,000
Agriculture promotion						
Accrued leave payments	(575,807)					(575,807)
Total all funds	$3,983,389	$634,719	$1,643,906	$5,531,000	$100,000	$11,893,014
Less estimated income	3,983,389	634,719	1,643,906	5,531,000	100,000	11,893,014
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	12.00	0.00	0.00	12.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes, including 2015-17 biennium performance salary adjustments of 2 to 4 percent per year for certain employees.

[2] Funding is added for 2015-17 biennium increases in monthly health insurance premiums.

[3] The following funding is added for FTE positions:

	FTE Positions	General Fund	Other Funds	Total
Mill operator positions	3.00	$0	$426,278	$426,278
Rail car loader positions	3.00	0	390,138	390,138
Flour packer positions	2.00	0	251,313	251,313
Utility worker positions	2.00	0	249,916	249,916
Electrician position	1.00	0	176,636	176,636
Maintenance worker position	1.00	0	149,625	149,625
Total	12.00	$0	$1,643,906	$1,643,906

[4] Funding is added for increased operating costs primarily related to the operation of the new K mill.

[5] Increases funding for contingencies by $100,000, from $400,000 to $500,000.

This amendment also includes a section to provide for a transfer of 50 percent of the Mill and Elevator's annual profits up to $6,817,200 per biennium to the general fund.

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Fiscal No. 2

Prepared by the Legislative Council staff for
House Appropriations Committee
February 20, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 3, remove "to provide a contingent appropriation;"

Page 1. line 4, remove "to create and enact a new section to chapter 6-09 and a new section to"

Page 1, remove line 5

Page 1, line 6, remove "program and the North Dakota outdoor heritage fund;"

Page 1, line 7, after the comma insert "54-17.5-02,"

Page 1, line 8, after "credits" insert ", the lignite research council,"

Page 1, remove lines 21 through 24

Page 2, replace lines 1 through 6 with:

"Salaries and wages	$17,873,876	$4,345,078	$22,218,954
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	1,552,846	6,328,422
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	($13,718,912)	$48,588,205
Less estimated income	40,973,792	(23,974,385)	16,999,407
Total general fund	$21,333,325	$10,255,473	$31,588,798
Full-time equivalent positions	98.75	16.00	114.75"

Page 2, replace lines 11 through 14 with:

"Bank of North Dakota operations	$51,523,916	$7,156,915	$58,680,831
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	0	745,000
Total special funds	$53,150,147	$6,275,684	$59,425,831"

Page 2, replace lines 20 through 25 with:

"Salaries and wages	$29,141,750	$6,837,821	$35,979,571
Accrued leave payments	575,807	(575,807)	0
Operating expenses	21,796,000	5,531,000	27,327,000
Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$52,123,557	$11,893,014	$64,016,571"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,434,877	$343,660	$7,778,537
Accrued leave payments	147,806	(147,806)	0
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780

Housing finance agency contingencies	100,000	0	100,000
Total special funds	$41,007,491	($3,453,899)	$37,553,592"

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Grand total special funds	187,254,987	(9,259,586)	177,995,401
Grand total all funds	$208,588,312	$995,887	$209,584,199"

Page 3, replace line 20 with:

"Possible litigation		1,000,000	0"

Page 3, replace line 24 with:

"Lignite research council grants		0	5,000,000
All-terrain vehicles		0	41,500"

Page 4, replace lines 1 through 3 with:

"Total all funds		$68,060,800	$5,620,643
Total special fund		51,500,000	0
Total general fund		$16,560,800	$5,620,643"

Page 6, line 1, replace "50" with "seventy-five"

Page 6, line 2, remove "or the"

Page 6, line 3, remove "sum of $6,817,200, whichever is less,"

Page 6, remove lines 22 through 31

Page 7, remove lines 1 through 24

Page 9, replace lines 19 through 25 with:

"**SECTION 15. AMENDMENT.** Section 54-17.5-02 of the North Dakota Century Code is amended and reenacted as follows:

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The industrial commission shall consult with the lignite research council established by executive order in matters of policy affecting the administration of the lignite research fund. Section 44-03-04 does not apply to members of the council appointed by the governor."

Page 11, after line 9, insert:

"**SECTION 18. LEGISLATIVE INTENT - CONTINGENT FUNDING PRIORITY LIST.** It is the intent of the sixty-fourth legislative assembly that a list of funding priorities be developed for contingent funding if the actual general fund revenues exceed the legislative forecast during the 2015-17 biennium. The priorities may include a core library project, additional full-time equivalent positions for the industrial commission, transfers to the housing incentive fund, and grants for the lignite research council."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

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Bank of North Dakota			
Total all funds	$53,150,147	$6,275,684	$59,425,831
Less estimated income	53,150,147	6,275,684	59,425,831
General fund	$0	$0	$0
Housing Finance Agency			
Total all funds	$41,007,491	($3,453,899)	$37,553,592
Less estimated income	41,007,491	(3,453,899)	37,553,592
General fund	$0	$0	$0
Mill and Elevator			
Total all funds	$52,123,557	$11,893,014	$64,016,571
Less estimated income	52,123,557	11,893,014	64,016,571
General fund	$0	$0	$0
Bill total			
Total all funds	$208,588,312	$995,887	$209,584,199
Less estimated income	187,254,987	(9,259,586)	177,995,401
General fund	$21,333,325	$10,255,473	$31,588,798

House Bill No. 1014 - Industrial Commission - House Action

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Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Accrued leave payments	347,696	(347,696)	
Total all funds	$62,307,117	($13,718,912)	$48,588,205
Less estimated income	40,973,792	(23,974,385)	16,999,407
General fund	$21,333,325	$10,255,473	$31,588,798
FTE	98.75	16.00	114.75

Department No. 405 - Industrial Commission - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Adds Funding for Other 2013-15 Salary Adjustments[3]	Adds Funding for FTE positions[4]	Decreases Funding for Bond Payments[5]	Adds Funding for Operating Expenses[6]
Salaries and wages	$533,625	$1,301,128	$7,056	$2,498,269		$5,000
Operating expenses				627,432		304,771
Grants						
Grants - bond payments					(4,769,140)	
Accrued leave payments	(347,696)					
Total all funds	$185,929	$1,301,128	$7,056	$3,125,701	($4,769,140)	$309,771
Less estimated income	141,853	76,256	(150,000)	150,000	(4,769,140)	76,646
General fund	$44,076	$1,224,872	$157,056	$2,975,701	$0	$233,125
FTE	0.00	0.00	0.00	16.00	0.00	0.00

	Adjusts Funding for Lignite Grants[7]	Adds One-Time Funding[8]	Total House Changes

Salaries and wages			$4,345,078
Operating expenses		620,643	1,552,846
Grants	(14,500,000)		(14,500,000)
Grants - bond payments			(4,769,140)
Accrued leave payments			(347,696)
Total all funds	($14,500,000)	$620,643	($13,718,912)
Less estimated income	(19,500,000)	0	(23,974,385)
General fund	$5,000,000	$620,643	$10,255,473
FTE	0.00	0.00	16.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$765,984	$47,233	$813,217
Health insurance increase	458,888	29,023	487,911
Total	$1,224,872	$76,256	$1,301,128

[3] Funding is added for other 2013-15 salary adjustments.

[4] The following funding and FTE positions are added:

	FTE Positions	General Fund	Other Funds	Total
Engineering technicians	7.00	$1,513,195	$0	$1,513,195
Pipeline engineering technician	1.00	162,018	0	162,018
Safety officer	1.00	187,717	0	187,717
Human resources specialist	1.00	139,380	0	139,380
Budget specialist	1.00	174,519	0	174,519
Reclamation specialist	1.00	230,911	0	230,911
Surface geologist	1.00	244,192	0	244,192
Survey engineering technicians	2.00	323,769	0	323,769
Industrial water sales position	1.00	0	150,000	150,000
Total	16.00	$2,975,701	$150,000	$3,125,701

[5] Decreases funding for bond payments by $4,769,140, from $19,809,969 to $15,040,829.

[6] Adds funding for increase operating costs primarily related to increased travel expenses.

[7] Appropriation authority of $19.5 million from special funds for lignite grants is removed. The grants will be distributed pursuant to a continuing appropriation from the lignite research fund. One-time funding of $5 million from the general fund is added for lignite research council grants for commercializing the capture, utilization, and storage of carbon dioxide and for next generation electric generation technology, including the Allam Cycle.

[8] One-time funding is added for the following:

	General Fund
Aerial photography	$104,143
Core analyses	125,000
Seismic profile digital conversion	100,000
Information technology costs	250,000
ATVs and trailers	41,500
Total	$620,643

This amendment removes a section to allow the Office of Management and Budget to increase the appropriation authority of state agencies that receive grant awards from the North Dakota outdoor heritage fund.

This amendment removes a section related to contingency funding for FTE positions available when the total number of oil wells capable of production exceeds 20,000.

This amendment also includes:

- Legislative intent for bond payments;
- Appropriation authority, subject to emergency commission approval, for bond issuances;
- Transfer authority of $930,000 for administrative services;
- Designation of $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.
- Statutory changes relating to Lignite Research Council membership.
- Legislative intent for a contingent funding priority list.

House Bill No. 1014 - Bank of North Dakota - House Action

	Base Budget	House Changes	House Version
Capital assets	$745,000		$745,000
Bank of North Dakota operations	51,523,916	7,156,915	58,680,831
Accrued leave payments	881,231	(881,231)	
Total all funds	$53,150,147	$6,275,684	$59,425,831
Less estimated income	53,150,147	6,275,684	59,425,831
General fund	$0	$0	$0
FTE	179.50	2.00	181.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Adds Funding for FTE Credit Analyst Position[3]	Adds Funding for FTE Information Security Position[4]	Adds Funding for Operating Expenses[5]	Total House Changes
Capital assets						
Bank of North Dakota operations	858,035	1,943,112	177,836	209,809	3,968,123	7,156,915
Accrued leave payments	(881,231)					(881,231)
Total all funds	($23,196)	$1,943,112	$177,836	$209,809	$3,968,123	$6,275,684
Less estimated income	(23,196)	1,943,112	177,836	209,809	3,968,123	6,275,684
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	1.00	1.00	0.00	2.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$0	$1,148,633	$1,148,633
Health insurance increase	0	794,479	794,479
Total	$0	$1,943,112	$1,943,112

[3] Adds funding of $177,479 from special funds for 1.00 FTE credit analyst position.

[4] Adds funding of $209,809 from special funds for 1.00 FTE information security position.

[5] Adds funding for operating expenses including $2.5 million for information technology costs and

$800,000 for audit fees.

This amendment removes two sections related to a $10 million transfer from the strategic investment and improvements fund to a new short line railroad revolving loan fund to be administered by the Bank of North Dakota.

This amendment also includes a section to continue the Flex PACE program for affordable housing until the end of the 2017-19 biennium and includes four sections to provide transfers from the Bank of North Dakota profits as follows:

- $28 million to PACE;
- $3 million to Ag PACE;
- $2 million to biofuels PACE; and
- $7 million to the beginning farmer revolving loan program.

House Bill No. 1014 - Housing Finance Agency - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$7,434,877	$343,660	$7,778,537
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780
HFA contingencies	100,000		100,000
Accrued leave payments	147,806	(147,806)	
Total all funds	$41,007,491	($3,453,899)	$37,553,592
Less estimated income	41,007,491	(3,453,899)	37,553,592
General fund	$0	$0	$0
FTE	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Decreases Funding for Housing and Urban Development Grants[3]	Decreases Funding for Housing Development Programs[4]	Decreases Funding for Operations[5]	Total House Changes
Salaries and wages	($125,696)	$469,356				$343,660
Operating expenses				100,000	(147,483)	(47,483)
Grants			(2,214,445)	(1,387,825)		(3,602,270)
HFA contingencies						
Accrued leave payments	(147,806)					(147,806)
Total all funds	($273,502)	$469,356	($2,214,445)	($1,287,825)	($147,483)	($3,453,899)
Less estimated income	(273,502)	469,356	(2,214,445)	(1,287,825)	(147,483)	(3,453,899)
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0:00	0.00	0.00

---

[1] Funding is adjusted for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$0	$277,212	$277,212
Health insurance increase	0	192,144	192,144
Total	$0	$469,356	$469,356

[3] Federal funding for housing and urban development grants is reduced by $2,214,445.

[4] Funding from special funds for housing development programs is reduced by $1,287,825.

[5] Funding for operating expenses is reduced by $147,483.

This amendment also includes three sections to continue the housing incentive fund in the 2015-17 biennium and allow up to $30 million of income tax credits for contributions to the fund.

House Bill No. 1014 - Mill and Elevator - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$29,141,750	$6,837,821	$35,979,571
Operating expenses	21,796,000	5,531,000	27,327,000
Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000		210,000
Accrued leave payments	575,807	(575,807)	
Total all funds	$52,123,557	$11,893,014	$64,016,571
Less estimated income	52,123,557	11,893,014	64,016,571
General fund	$0	$0	$0
FTE	135.00	12.00	147.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for FTE Positions[3]	Adds Funding for Operating Expenses[4]	Adds Funding for Contingencies[5]	Total House Changes
Salaries and wages	$4,559,196	$634,719	$1,643,906			$6,837,821
Operating expenses				5,531,000		5,531,000
Contingencies					100,000	100,000
Agriculture promotion						
Accrued leave payments	(575,807)					(575,807)
Total all funds	$3,983,389	$634,719	$1,643,906	$5,531,000	$100,000	$11,893,014
Less estimated income	3,983,389	634,719	1,643,906	5,531,000	100,000	11,893,014
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	12.00	0.00	0.00	12.00

---

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes, including 2015-17 biennium performance salary adjustments of 2 to 4 percent per year for certain employees.

[2] Funding is added for 2015-17 biennium increases in monthly health insurance premiums.

[3] The following funding is added for FTE positions:

	FTE Positions	General Fund	Other Funds	Total
Mill operator positions	3.00	$0	$426,278	$426,278
Rail car loader positions	3.00	0	390,138	390,138
Flour packer positions	2.00	0	251,313	251,313
Utility worker positions	2.00	0	249,916	249,916
Electrician position	1.00	0	176,636	176,636
Maintenance worker position	1.00	0	149,625	149,625
Total	12.00	$0	$1,643,906	$1,643,906

[4] Funding is added for increased operating costs primarily related to the operation of the new K mill.

[5] Increases funding for contingencies by $100,000, from $400,000 to $500,000.

This amendment also includes a section to provide for a transfer of 75 percent of the Mill and Elevator's annual profits to the general fund.

Date: February 17, 2015
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 1014

House Appropriations - Government Operations Divison 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 Rep Kempenich Seconded By Rep Brandenburg

Representatives	Yes	No	Representatives	Yes	No
VOICE			VOTE		

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To accept the amendments on the 475 & 471 portions
Motion Carried

Date: February 17, 2015
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB1014

House Appropriations - Government Operations Divison 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 Rep Skarphol Seconded By Rep Boehning

Representatives	Yes	No	Representatives	Yes	No
VOICE VOTE					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

To accept amendments excluding $7 million in budget 405 - Motion carried

Date: February 17, 2015
Roll Call Vote #: 3

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB2015

House Appropriations - Government Operations Divison 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 Rep Vigesaa Seconded By Rep Skarphol

Representatives	Yes	No	Representatives	Yes	No
VOICE			VOTE		

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
Reduce to $5 million lignite research council grants.
Motion carried.

Date: February 17, 2015
Roll Call Vote #: 4

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB2015

House Appropriations - Government Operations Divison 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 None Seconded By None

Representatives	Yes	No	Representatives	Yes	No
VOICE			VOTE		

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
Intent language - Motion carried

Date: February 17, 2015
Roll Call Vote #: 5

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2015

House Appropriations - Government Operations Divison 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 Rep Skarphol Seconded By Rep Kempenich

Representatives	Yes	No	Representatives	Yes	No

VOICE VOTE

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

No more amendments for 473 - Motion carried

Date: 2/17/2015
Roll Call Vote #: 1b

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1014

House Appropriations - Government Operations Divison 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 Representative Brandenburg Seconded By Representative Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Thoreson	X		Representative Hogan	X	
Vice Chairman Brandenburg	X		Representative Glassheim	X	
Representative Kempenich	X				
Representative Vigesaa	X				
Representative Boehning	X				
Representative Skarphol	X				

Total (Yes) 8 No 0

Absent 0

Floor Assignment Representative Kempenich

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

Date: 2/19/15

Roll Call Vote #: _____

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

House **Appropriations Committee**

☐ Subcommittee

Amendment LC# or Description: 15.8122.01003

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: Kempenich Seconded By: Skarphol

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer				Representative Nelson				Representative Boe			
Vice Chairman Keith Kempenich				Representative Pollert				Representative Glassheim			
Representative Bellew				Representative Sanford				Representative Guggisberg			
Representative Brandenburg				Representative Schmidt				Representative Hogan			
Representative Boehning				Representative Silbernagel				Representative Holman			
Representative Dosch				Representative Skarphol							
Representative Kreidt				Representative Streyle							
Representative Martinson				Representative Thoreson							
Representative Monson				Representative Vigesaa							

Totals

(Yes)	
No	
Absent	
Grand Total	

Motion carries
Voice vote

Floor Assignment: _____

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

Date: 2/19/15

Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

House **Appropriations Committee**

☐ Subcommittee

Amendment LC# or Description: 15.8122.01004

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: Monson Seconded By: Boening

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer	✓			Representative Nelson		✓		Representative Boe		✓	
Vice Chairman Keith Kempenich	✓			Representative Pollert	✓			Representative Glassheim		✓	
Representative Bellew	✓			Representative Sanford		✓		Representative Guggisberg		✓	
Representative Brandenburg	✓			Representative Schmidt	✓			Representative Hogan		✓	
Representative Boehning	✓			Representative Silbernagel	✓			Representative Holman		✓	
Representative Dosch	✓			Representative Skarphol		✓					
Representative Kreidt	✓			Representative Streyle	✓						
Representative Martinson		✓		Representative Thoreson		✓					
Representative Monson	✓			Representative Vigesaa		✓					
	8	1			4	5				5	

Totals	
Yes)	12
No	11
Absent	0
Grand Total	23

Motion Carries

Floor Assignment: _____

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

Page 6 Line 1 → Remove language on Section 11 on the Bill and transfer 75% of the profits

Date: 2/19/15

Roll Call Vote #: 3

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

House **Appropriations Committee**

☐ Subcommittee

Amendment LC# or Description: 15.8122.01004

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: Kempenich Seconded By: Thoreson

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer		✓		Representative Nelson	✓			Representative Boe		✓	
Vice Chairman Keith Kempenich	✓			Representative Pollert	✓			Representative Glassheim		✓	
Representative Bellew		✓		Representative Sanford	✓			Representative Guggisberg		✓	
Representative Brandenburg	✓			Representative Schmidt	✓			Representative Hogan	✓		
Representative Boehning	✓			Representative Silbernagel	✓			Representative Holman	✓		
Representative Dosch	✓			Representative Skarphol	✓						
Representative Kreidt		✓		Representative Streyle	✓						
Representative Martinson	✓			Representative Thoreson	✓						
Representative Monson	✓			Representative Vigesaa	✓						
	6	3			9				2	3	

Totals

Yes)	17
No	6
Absent	0
Grand Total	23

Floor Assignment: Kempenich

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

REPORT OF STANDING COMMITTEE

HB 1014: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (17 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). HB 1014 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "to provide a contingent appropriation;"

Page 1. line 4, remove "to create and enact a new section to chapter 6-09 and a new section to"

Page 1, remove line 5

Page 1, line 6, remove "program and the North Dakota outdoor heritage fund;"

Page 1, line 7, after the comma insert "54-17.5-02,"

Page 1, line 8, after "credits" insert ", the lignite research council,"

Page 1, remove lines 21 through 24

Page 2, replace lines 1 through 6 with:

"Salaries and wages	$17,873,876	$4,345,078	$22,218,954
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	1,552,846	6,328,422
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	($13,718,912)	$48,588,205
Less estimated income	40,973,792	(23,974,385)	16,999,407
Total general fund	$21,333,325	$10,255,473	$31,588,798
Full-time equivalent positions	98.75	16.00	114.75"

Page 2, replace lines 11 through 14 with:

"Bank of North Dakota operations	$51,523,916	$7,156,915	$58,680,831
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	0	745,000
Total special funds	$53,150,147	$6,275,684	$59,425,831"

Page 2, replace lines 20 through 25 with:

"Salaries and wages	$29,141,750	$6,837,821	$35,979,571
Accrued leave payments	575,807	(575,807)	0
Operating expenses	21,796,000	5,531,000	27,327,000
Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$52,123,557	$11,893,014	$64,016,571"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,434,877	$343,660	$7,778,537
Accrued leave payments	147,806	(147,806)	0
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$41,007,491	($3,453,899)	$37,553,592"

Page 3, replace lines 11 through 13 with:

"Grand total general fund	$21,333,325	$10,255,473	$31,588,798
Grand total special funds	187,254,987	(9,259,586)	177,995,401
Grand total all funds	$208,588,312	$995,887	$209,584,199"

Page 3, replace line 20 with:

"Possible litigation	1,000,000	0"

Page 3, replace line 24 with:

"Lignite research council grants	0	5,000,000
All-terrain vehicles	0	41,500"

Page 4, replace lines 1 through 3 with:

"Total all funds	$68,060,800	$5,620,643
Total special fund	51,500,000	0
Total general fund	$16,560,800	$5,620,643"

Page 6, line 1, replace "50" with "seventy-five"

Page 6, line 2, remove "or the"

Page 6, line 3, remove "sum of $6,817,200, whichever is less,"

Page 6, remove lines 22 through 31

Page 7, remove lines 1 through 24

Page 9, replace lines 19 through 25 with:

"**SECTION 15. AMENDMENT.** Section 54-17.5-02 of the North Dakota Century Code is amended and reenacted as follows:

54-17.5-02. Lignite research council - Compensation - Appointment of members.

The industrial commission shall consult with the lignite research council established by executive order in matters of policy affecting the administration of the lignite research fund. Section 44-03-04 does not apply to members of the council appointed by the governor."

Page 11, after line 9, insert:

"**SECTION 18. LEGISLATIVE INTENT - CONTINGENT FUNDING PRIORITY LIST.** It is the intent of the sixty-fourth legislative assembly that a list of funding priorities be developed for contingent funding if the actual general fund revenues exceed the legislative forecast during the 2015-17 biennium. The priorities may include a core library project, additional full-time equivalent positions for the industrial commission, transfers to the housing incentive fund, and grants for the lignite research council."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of House Action

	Base Budget	House Changes	House Version
Industrial Commission			
Total all funds	$62,307,117	($13,718,912)	$48,588,205

Less estimated income	40,973,792	(23,974,385)	16,999,407
General fund	$21,333,325	$10,255,473	$31,588,798
Bank of North Dakota			
Total all funds	$53,150,147	$6,275,684	$59,425,831
Less estimated income	53,150,147	6,275,684	59,425,831
General fund	$0	$0	$0
Housing Finance Agency			
Total all funds	$41,007,491	($3,453,899)	$37,553,592
Less estimated income	41,007,491	(3,453,899)	37,553,592
General fund	$0	$0	$0
Mill and Elevator			
Total all funds	$52,123,557	$11,893,014	$64,016,571
Less estimated income	52,123,557	11,893,014	64,016,571
General fund	$0	$0	$0
Bill total			
Total all funds	$208,588,312	$995,887	$209,584,199
Less estimated income	187,254,987	(9,259,586)	177,995,401
General fund	$21,333,325	$10,255,473	$31,588,798

House Bill No. 1014 - Industrial Commission - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$17,873,876	$4,345,078	$22,218,954
Operating expenses	4,775,576	1,552,846	6,328,422
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Accrued leave payments	347,696	(347,696)	
Total all funds	$62,307,117	($13,718,912)	$48,588,205
Less estimated income	40,973,792	(23,974,385)	16,999,407
General fund	$21,333,325	$10,255,473	$31,588,798
FTE	98.75	16.00	114.75

Department No. 405 - Industrial Commission - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Adds Funding for Other 2013-15 Salary Adjustments[3]	Adds Funding for FTE positions[4]	Decreases Funding for Bond Payments[5]	Adds Funding for Operating Expenses[6]
Salaries and wages	$533,625	$1,301,128	$7,056	$2,498,269		$5,000
Operating expenses				627,432		304,771
Grants						
Grants - bond payments					(4,769,140)	
Accrued leave payments	(347,696)					
Total all funds	$185,929	$1,301,128	$7,056	$3,125,701	($4,769,140)	$309,771
Less estimated income	141,853	76,256	(150,000)	150,000	(4,769,140)	76,646
General fund	$44,076	$1,224,872	$157,056	$2,975,701	$0	$233,125
FTE	0.00	0.00	0.00	16.00	0.00	0.00

	Adjusts Funding for Lignite Grants[7]	Adds One-Time Funding[8]	Total House Changes
Salaries and wages			$4,345,078
Operating expenses		620,643	1,552,846
Grants	(14,500,000)		(14,500,000)
Grants - bond payments			(4,769,140)
Accrued leave payments			(347,696)
Total all funds	($14,500,000)	$620,643	($13,718,912)
Less estimated income	(19,500,000)	0	(23,974,385)
General fund	$5,000,000	$620,643	$10,255,473
FTE	0.00	0.00	16.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and

for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$765,984	$47,233	$813,217
Health insurance increase	458,888	29,023	487,911
Total	$1,224,872	$76,256	$1,301,128

[3] Funding is added for other 2013-15 salary adjustments.

[4] The following funding and FTE positions are added:

	FTE Positions	General Fund	Other Funds	Total
Engineering technicians	7.00	$1,513,195	$0	$1,513,195
Pipeline engineering technician	1.00	162,018	0	162,018
Safety officer	1.00	187,717	0	187,717
Human resources specialist	1.00	139,380	0	139,380
Budget specialist	1.00	174,519	0	174,519
Reclamation specialist	1.00	230,911	0	230,911
Surface geologist	1.00	244,192	0	244,192
Survey engineering technicians	2.00	323,769	0	323,769
Industrial water sales position	1.00	0	150,000	150,000
Total	16.00	$2,975,701	$150,000	$3,125,701

[5] Decreases funding for bond payments by $4,769,140, from $19,809,969 to $15,040,829.

[6] Adds funding for increase operating costs primarily related to increased travel expenses.

[7] Appropriation authority of $19.5 million from special funds for lignite grants is removed. The grants will be distributed pursuant to a continuing appropriation from the lignite research fund. One-time funding of $5 million from the general fund is added for lignite research council grants for commercializing the capture, utilization, and storage of carbon dioxide and for next generation electric generation technology, including the Allam Cycle.

[8] One-time funding is added for the following:

	General Fund
Aerial photography	$104,143
Core analyses	125,000
Seismic profile digital conversion	100,000
Information technology costs	250,000
ATVs and trailers	41,500
Total	$620,643

This amendment removes a section to allow the Office of Management and Budget to increase the appropriation authority of state agencies that receive grant awards from the North Dakota outdoor heritage fund.

This amendment removes a section related to contingency funding for FTE positions available when the total number of oil wells capable of production exceeds 20,000.

This amendment also includes:

- Legislative intent for bond payments;
- Appropriation authority, subject to emergency commission approval, for bond issuances;
- Transfer authority of $930,000 for administrative services;
- Designation of $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.
- Statutory changes relating to Lignite Research Council membership.
- Legislative intent for a contingent funding priority list.

House Bill No. 1014 - Bank of North Dakota - House Action

	Base Budget	House Changes	House Version
Capital assets	$745,000		$745,000
Bank of North Dakota operations	51,523,916	7,156,915	58,680,831
Accrued leave payments	881,231	(881,231)	
Total all funds	$53,150,147	$6,275,684	$59,425,831
Less estimated income	53,150,147	6,275,684	59,425,831
General fund	$0	$0	$0
FTE	179.50	2.00	181.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Adds Funding for FTE Credit Analyst Position[3]	Adds Funding for FTE Information Security Position[4]	Adds Funding for Operating Expenses[5]	Total House Changes
Capital assets						
Bank of North Dakota operations	858,035	1,943,112	177,836	209,809	3,968,123	7,156,915
Accrued leave payments	(881,231)					(881,231)
Total all funds	($23,196)	$1,943,112	$177,836	$209,809	$3,968,123	$6,275,684
Less estimated income	(23,196)	1,943,112	177,836	209,809	3,968,123	6,275,684
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	1.00	1.00	0.00	2.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$0	$1,148,633	$1,148,633
Health insurance increase	0	794,479	794,479
Total	$0	$1,943,112	$1,943,112

[3] Adds funding of $177,479 from special funds for 1.00 FTE credit analyst position.

[4] Adds funding of $209,809 from special funds for 1.00 FTE information security position.

[5] Adds funding for operating expenses including $2.5 million for information technology costs and $800,000 for audit fees.

This amendment removes two sections related to a $10 million transfer from the strategic investment and improvements fund to a new short line railroad revolving loan fund to be administered by the Bank of North Dakota.

This amendment also includes a section to continue the Flex PACE program for affordable housing until the end of the 2017-19 biennium and includes four sections to provide transfers from the Bank of North Dakota profits as follows:

- $28 million to PACE;
- $3 million to Ag PACE;
- $2 million to biofuels PACE; and
- $7 million to the beginning farmer revolving loan program.

House Bill No. 1014 - Housing Finance Agency - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$7,434,877	$343,660	$7,778,537
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780
HFA contingencies	100,000		100,000
Accrued leave payments	147,806	(147,806)	
Total all funds	$41,007,491	($3,453,899)	$37,553,592
Less estimated income	41,007,491	(3,453,899)	37,553,592
General fund	$0	$0	$0
FTE	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Decreases Funding for Housing and Urban Development Grants[3]	Decreases Funding for Housing Development Programs[4]	Decreases Funding for Operations[5]	Total House Changes
Salaries and wages	($125,696)	$469,356				$343,660
Operating expenses				100,000	(147,483)	(47,483)
Grants			(2,214,445)	(1,387,825)		(3,602,270)
HFA contingencies						
Accrued leave payments	(147,806)					(147,806)
Total all funds	($273,502)	$469,356	($2,214,445)	($1,287,825)	($147,483)	($3,453,899)
Less estimated income	(273,502)	469,356	(2,214,445)	(1,287,825)	(147,483)	(3,453,899)
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

[1] Funding is adjusted for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$0	$277,212	$277,212
Health insurance increase	0	192,144	192,144
Total	$0	$469,356	$469,356

[3] Federal funding for housing and urban development grants is reduced by $2,214,445.

[4] Funding from special funds for housing development programs is reduced by $1,287,825.

[5] Funding for operating expenses is reduced by $147,483.

This amendment also includes three sections to continue the housing incentive fund in the 2015-17 biennium and allow up to $30 million of income tax credits for contributions to the fund.

House Bill No. 1014 - Mill and Elevator - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$29,141,750	$6,837,821	$35,979,571
Operating expenses	21,796,000	5,531,000	27,327,000
Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000		210,000

Accrued leave payments	575,807	(575,807)	
Total all funds	$52,123,557	$11,893,014	$64,016,571
Less estimated income	52,123,557	11,893,014	64,016,571
General fund	$0	$0	$0
FTE	135.00	12.00	147.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for FTE Positions[3]	Adds Funding for Operating Expenses[4]	Adds Funding for Contingencies[5]	Total House Changes
Salaries and wages	$4,559,196	$634,719	$1,643,906			$6,837,821
Operating expenses				5,531,000		5,531,000
Contingencies					100,000	100,000
Agriculture promotion						
Accrued leave payments	(575,807)					(575,807)
Total all funds	$3,983,389	$634,719	$1,643,906	$5,531,000	$100,000	$11,893,014
Less estimated income	3,983,389	634,719	1,643,906	5,531,000	100,000	11,893,014
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	12.00	0.00	0.00	12.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes, including 2015-17 biennium performance salary adjustments of 2 to 4 percent per year for certain employees.

[2] Funding is added for 2015-17 biennium increases in monthly health insurance premiums.

[3] The following funding is added for FTE positions:

	FTE Positions	General Fund	Other Funds	Total
Mill operator positions	3.00	$0	$426,278	$426,278
Rail car loader positions	3.00	0	390,138	390,138
Flour packer positions	2.00	0	251,313	251,313
Utility worker positions	2.00	0	249,916	249,916
Electrician position	1.00	0	176,636	176,636
Maintenance worker position	1.00	0	149,625	149,625
Total	12.00	$0	$1,643,906	$1,643,906

[4] Funding is added for increased operating costs primarily related to the operation of the new K mill.

[5] Increases funding for contingencies by $100,000, from $400,000 to $500,000.

This amendment also includes a section to provide for a transfer of 75 percent of the Mill and Elevator's annual profits to the general fund.

2015 SENATE APPROPRIATIONS

HB 1014

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
Dept. of Mineral Resources
3/16/2015
Job # 24848

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission.

Minutes: Attachment # A, 1 & 2

Legislative Council - Adam Mathiak
OMB - Becky Keller

Chairman Holmberg called the committee to order on HB 1014. Roll Call was taken. All committee members were present. Subcommittee: **Senator Carlisle, Senator Holmberg**, **Senator Heckaman**.

Karlene Fine, Executive Director and Secretary, State Industrial Commission:
Testified in favor of HB 1014.
Industrial Commission hearing schedule and Commission members - Attachment A.
Speaking from the Administration tab in the Industrial Commission booklet - Attachment 1.

Karlene had finished saying that $65M was available for debt service. The statute says the amount of debt service that we can pay for building authority projects is ten percent of one cent of the sales tax.

(6:06) **Senator Robinson**: That's the amount available for a payment toward debt service?

Karlene Fine: The range is between $350M-400M of projects that could be funded with that level of debt service.

Chairman Holmberg: A couple session ago, there was discussion that we were flush with cash and let's buy off all the outstanding bonds. It would cost us more with various penalty fees to buy off the bonds than it was to just continue to pay them on their schedules.

Karlene Fine: The state has a AAA rating from Standards & Poor's (S&P) which is the highest rating we can get. Moody's is one notch down, a AA1. When the building authority trades, we are always one step down.

(9:27) **Senator Mathern**: Thank you for the list of outstanding bonds that we have and where they are used. When you noted the bonding ability of the state being $350M-440M, is that new authority available or does that include some of these projects that are already outstanding?

Karlene Fine: This is for new projects under the building authority. When I talk about that range, that's only for the appropriation debt that's under the building authority. Dept. of Transportation is a different cap. You could also do funding for some water or flood control projects. That's outside of that cap that we're talking about. The range of $350M-400M relates only to the building authority.

(12:18) **Chairman Holmberg**: A question about section 18 of bill - it looks like something should be done, somebody should do it, but not us. It says "It is the intent that a list of funding priorities be developed for contingent funding" - no author identified.

Karlene Fine: The members of the House felt that they weren't ready to leap into at that time and so they wanted to make sure that it would stay alive for discussion at a conference committee level. Adam Mathiak did a good job of drafting that paragraph for them.

14:**50 Lynn Helms, Director of Department of Mineral Resources:** Speaking from the Dept. of Mineral Resources Tab in the Industrial Commission booklet - Attachment 2.

(31:09) **Chairman Holmberg**: Are these the asks on this page the requests over and above what we got from the House - or are the House changes included in the "ask" on page 10?

Lynn Helms: These are the "asks" from the executive budget request. The House approved a part of these. I have a page that lays that all out in three very nice tables.

(31:44) **Senator O'Connell** asked him to explain the red and green coloring on the map.

Lynn Helms: The green towers are the drilling rigs and you can see that drilling has concentrated itself into the hottest Bakken area, but there is still some activity in the outlying areas. The red outlines are oil and gas fields - or field boundaries. 100% of Divide, Williams, and McKenzie now lies under an oil field. There is not a single section of land that doesn't have an oil field on top of it. You get a sense of the footprint of the industry in western ND.

Senator O'Connell: What is the spacing on the lots?

Lynn Helms: The typical spacing is 1280 acres - 2 sections. That does not apply up in Bottineau County where the typical spacing is 320 acres, so it's about a fourth. On the Bakken, I just signed some orders last week for approving drilling up to 28 wells for 1280 in McKenzie County. The typical spacing for even the outlying edges of the Bakken is planned to be 4 wells for 1280 at the very outside edges; they're planning 6 in the Bakken and 7 in the underlying Three Forks, so 13. It varies as you move across it. In the

Spearfish up in Bottineau County, the current spacing is 3 wells for 320 with a plan to go 12 wells for 320.

Senator Robinson: On the map, the green towers are active wells right now that are still producing today?

Lynn Helms: Those are active drilling rigs.

Senator Robinson: I heard there are 800 and some wells that are waiting to be fracked. If we had an overlay on this map of those 850 wells, would the majority still be where the drilling rigs are today?

Lynn Helms: Yes, they would. We reached 825 wells that have been drilled and not fractured. They would lie, almost all of them, within that same cluster where you see the drilling rigs.

Senator O'Connell: Is it one year that they can sit there before they go bad?

Lynn Helms: The industry is playing the oil price game with these unfracked wells. The cost to drill a well to total depth and prepare it for fracking is about $4M. The cost to actually perform the hydraulic fracturing and put the well in production adds about another $5-6M. For half of the completed well cost, they can hold the leases for a year, and our statute 38-08-04 1L allows a well to remain in that condition for 12 months. It has to produce in paying quantities within twelve months. We're considering the day on which they reach total depth and run the liner in the well to be the day the clock starts ticking. There are 125 wells in that 825 well inventory who's clock runs out in June. They're going to have to begin, in June, to chip away at that inventory and eliminate it over time. Now they can drill new wells and add them to the inventory as time goes on. Twenty percent of the oil the well will ever produce comes out in that first year so they want to try to hit the best price that they can, but they do have to maintain cash flow and there is a rule in place that only allows that well to set there for a year.

Senator Heckaman: Is there a minimum out of those 125 wells that they must pump - or is there nothing said in statute about that?

Lynn Helms: All 125 have to be on production by June 30. There didn't used to be a minimum production rate, but there was a court case that said producing and paying quantities means producing enough oil to pay the operating expenses of the well. There is a soft minimum and we have to estimate that for each individual well, but it has to produce enough oil to pay its operating costs and pay the royalty owners. That will be quite a challenge to manage that inventory and make sure the companies are moving on those wells and completing them.

(40:00) Senator Mathern: The temporary employees that will come on during high peak permit demands - what is their skill level and how do we keep them around North Dakota.

Lynn Helms: Our first choice for these temporary employees - At the core library, we used a large number of temporary employees and we use students there- UND students, so if

we expand or contract, it doesn't have a big impact on someone's life although it is a very good recruiting tool to get people interested in petroleum geology and doing petroleum jobs. Typically, young folks that are studying for a master's degree are the primary target there because their hours are more flexible. In the permitting group, we have been using interns who are in the power technology program here at Bismarck State College. They place a large number of their students that are interested in the petroleum industry or petroleum technology. We tend to hire mostly students and that's beneficial to their program. In the support staff group, that's different. These are folks with a high school education or associates degree. They're answering phones, doing filing, making sure paperwork gets in the right spots, but most of the temps we hire are student interns.

(46:16) **Senator Carlisle**: do you have anyone retiring on April 29 - the conversion out of Blue Cross?

Lynn Helms: I have not heard of any. But this will give me an opportunity to talk about salary equity. In December, we bring our entire staff together for a couple days of training and give our service awards. I asked for the 3 year service award people to come up and I had almost 20 people. Then the 5 year and I had a dozen. Then I had no one at 10 years; no one at 15 years; no one 20 years; two people came up at 25 years; two people at 30 years and one at 35 years. I have a group of people who are very nervous about that April 29th day - all of those very experienced people and then a ton of young people coming in to the agency. It will be awesome for the agency overtime, but we need to make sure that we retain the institutional knowledge of those 25-35 year folks for another 3-5 years. I have not had anyone act on that at this point.

(52:26) **Senator Bowman**: Dealing with the pipeline inspections, have they compiled any information as to what actually is the cause of that. Is the pipeline itself not strong enough? Is it the pressures that are forcing this product through the lines too high? Have you got any information that you can start to see a trend for?

Lynn Helms: We have some data, but since it's a brand new program, we don't have a lot. We collect failure information on all of the spills in ND. I was surprised when I looked at the 2014 data to find that spill containment actually went down in 2014. We had a long record of contained spills going up and we dropped from 85% to 76%. We're going to re-look at our diking rules. Something needs to change in how these locations are built and bermed so that we can contain spills better. In the pipeline area, we haven't been able to find a consistent pattern. We had one pipeline that was four years old that failed; another that was 6 months. We aren't sure if it's the materials or the installation or the temperatures of Bakken wells during flow back are so high that some of these new materials that are corrosion resistant may not be able to handle the temperatures. One of our suspicions is that when these well come back, especially if you look where the cloud of drilling rigs are, the bottom hole temperatures in the Bakken are almost 300 degrees Fahrenheit. Those frac fluids are coming back at 250-275 degrees. People may be putting stuff through the pipe that it wasn't designed to handle. The way SB 2374 and HB 1358 are set up, we'll know what those temperature limits are in advance.

Senator Heckaman: Did you say that you had an inspector inspecting the inspectors?

Lynn Helms: Yes, when we took a look at what kind of a program was manageable for the state, there are literally hundreds of pipeline inspectors working in private industry right now watching contractors put pipelines in for companies. They hire a pipeline installation contractor and then hire an independent inspector to watch them do their work. Obviously, something is broken there and not working quite right. Our intention is to go, unannounced, show up on the jobsite with one of our trained pipeline inspectors and spend a day with that private contract inspector and make sure that he's doing his job.

Senator Heckaman: Do you license the inspectors that you're inspecting? Do you license the original inspector that the company hires too?

Lynn Helms: That's what we intend to do. We did that with our meter testers. We have a list of all the approved licensed meter testers and we intend to do the same thing with the pipeline inspectors that are working in private industry.

Senator O'Connell: Is there anything to the rumor that the outfit out of Texas has come up with a way of neutralizing the salt in the salt water spills?

Lynn Helms: Yes, I've heard a couple very promising presentations lately on their ability to remove salt from salt contaminated soil. One group is using chemistry and the other is using bacteria. One of the things in HB 1358 is a program through EERC to test those folks. We need to test what they're suggesting before we turn it loose in the field.

(1:01:24) **Senator Krebsbach**: I'm noticing that in the center of page 20, there is 2 ATVs with trailer - onetime funding and from page 19, it was eliminated?

Lynn Helms: Those were incorrectly listed as included in the executive budget request and that's why they were taken off of page 19 in the center, but you'll see them down there as item #5 in the prioritized listing of requests not in the executive budget on page 19. When we talked to the House, we explained that the pipeline folks will not let us on their right-of-way in our pick-up trucks. We have to have ATVs to drive their pipeline right-of-ways. The House did put those in.

(1:02:55) **Ed C. Murphy, Assistant Director Geological Survey, State Geologist:** Testified in favor of HB 1014. Continuing on with pages 21 -

(1:08:03) **Senator Bowman**: With all these core samples, do they ever get outdated where you don't need them anymore? Or do we keep building more buildings and putting more core samples in there? How much can you take out of a core that eventually you don't that information anymore? With our technology, some of these real old formations, you know everything about it. Do you still need to keep the core?

Ed Murphy: With new technologies, that opens up rounds of possibilities for old core, and we need those cores to do those tests, so as new technologies become available, formations that we either thought were played out or have been overlooked in the past, that opens that area up. We've got some cores that have never been looked at in 60 years. That's unusual. We also have some cores that probably sat for 40 years and all of a sudden they are being looked at. If you threw all the core out, and then went back and

tried to replicate that 75 miles of core - 400,000 feet of core that we have in the core library, that would be billions of dollars to generate. That's very valuable and you don't ever want to throw that out.

Chairman Holmberg: You mentioned Whiting Petroleum in the data you had here and the mention was made about Harold Hamm. They have Recart PS - they're a British company that opened their North American office in the REAC building at UND. They said they came to ND for two reasons. One was the Bakken Conference which they attended and two was the core library. They said it was very unusual in the world. You have countries that you have to pay through the nose to have access to those cores. They're kind of state secrets, as where here, it's available for the companies to come in and utilize whatever techniques they have to try to see if this core is good, bad or ugly.

Ed Murphy: There are a series of tests that you do on core that is destructive and it destroys the core. The more destructive tests that are done, the more you need some of that other core. Four years or two sessions ago, Representative Brandenburg asked why we couldn't just take really nice photographs which we are doing, or scanning them. A year and a half later, he toured the core library and said that now he gets it.

(1:12:44) **Senator Carlisle** asked how they were going to handle the demolition. What are you going to destroy and are you going to rebuild the expansion, if it happens, on that site?

Ed Murphy: We're just going to be adding on to the warehouse which means we have to take out the west wall. That is not that big of a project, but we've got an undersized lab that is only 900 square feet. We're proposing to expand to three labs and also adding a second floor. The existing laboratory office space will not support a 2nd floor, so we have to demolish the existing lab and office which is an area of about 2,000 sq. feet and will be expanding that to about 12,000 square feet.

(1:16:51) **Senator O'Connell**: What are the federal funds used for?

Lynn Helms: The first item you see there is the underground injection control. North Dakota has had primacy over that program since 1983. The EPA promised us at the initiation of the program that they would pay 75% of the cost of the program. The best they've ever done is 25%. We do like to get that $210,000 from them. It keeps them engaged. They come once a year and audit our program. The Office of Surface Mining in the Department of interior provides some small amount of funding to our coal exploration program and then our surface mapping gets a little bit of money from the US Geological Survey. The USDS used to fund something called State Map where our surface geologist would map geo-hazards and the surface geology around growing areas, and we're going to do that without them. We just basically can't compete and can't get federal dollars in that area at this point.
That's the four areas where we get federal money.

Chairman Holmberg closed the hearing on HB 1014.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
Bank of North Dakota
3/16/2015
Job # 24852

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Dous E Perry

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission.

Minutes: Attachment #3 - #4

Legislative Council - Adam Mathiak
OMB - Becky Keller

Industrial Commission hearing continued with the Bank of North Dakota.

Eric Hardmeyer, President, CEO, Bank of North Dakota:
Testified in favor of HB 1014, Attachment #3, and provided overview of the Bank's operations, financial highlights, anticipated funding, loan portfolio, performance rating, and student loans 3.1 - 3.4. HB 1014, Section 1, Operations (3.5 - 3.7) (recording 6:46-9:15) Page 3.7 Capital Assets; proposed amendment (page 3.13 which includes $17M to build the financial center (9:17- 13:23)

Chairman Holmberg this committee heard the testimony on that appropriation. The discussion point was the removal of all building projects in the first half of the session. It will be a hot topic of discussion on the subcommittee level because it's not general fund money. There were other projects that were put on hold.

Senator Carlisle: For the record, market rates for rent and payment in lieu of taxes, are two things that come up in sub-committee we did it with worker's comp. building years ago.

Senator Tom Campbell, District 19: Legislative intent was for a one stop shop financial center. Want to reiterate it is not coming out of the general fund; it is an investment that will make money to provide lower rents and additional building sites. (13:34- 14:14:28)

Senator Lonnie Laffen, District 43: this will be a sister building to the one we have. Handed out drawing of the existing site plan as it was built, the proposed site plan, budget

summary, Testimony - Attachment 4 Right now 50% of our capital space is all rented (14:40- 17:25)

Senator Carlisle: Bismarck has ordinance - are landscaping costs included in there?

Senator Laffen: Yes.

Eric Hardmeyer: Page 3.8 discusses additional things that impacted bank. I have an idea about HB 1443, how do we prioritize? We thought we could pull the medical piece out of this bill. We would need to change other things if this committee wants to go forward with this concept, creation of MED PACE, using residual money from PACE Program. We anticipate spending $30M-$33M of the $38M that was authorized for this session. (18:17-23:37)

Chairman Holmberg: HB 1443 we are not discussing, it is on low speed.

Chairman Holmberg we will have same subcommittee for HB 1443: Senator Carlisle Chairman Holmberg Senator Heckaman

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
Housing Finance Agency
North Dakota State Mill
Public Finance Authority
3/16/2015
Job # 24878

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Emmerly Brotherg for Rose Laning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission.

Minutes: Attachment #5 - #9

Legislative Council - Adam Mathiak
OMB - Becky Keller

Chairman Holmberg called the committee to order on HB 1014.

Chairman Holmberg questioned Ron Ness on Mineral Resources on new flaring regulations.

Ron Ness, ND Petroleum Council testified in favor of HB 1014. He said that the industry has met the targets in the new flaring regulations and they have spent over $13B.
He said the commission recognizes that winter happens, and plants go up and plants go down and there has to be flexibility. HE said they have gone from 36% to 22% and there are three easement situations: (1) tribal land, (2) federal lands, (3) private lands. Altogether, those encompass more than 10% of the total flaring. He said that he thought they had done well on flaring and the gas capture plan required by the commission was very effective.

Senator Mathern (4:32) made comments about supporting the budget and asked if there is anything new going on in the industry in terms of the core library and information.

Ron Ness: At the request of the geological survey, we purchased a high resolution camera and the staff at the geological survey went in and photographed and they are available on the website. As a geologist anywhere in the world, you can look at that. Some will want to look at the rock and hold the rock because the rocks all change. The core library is digital but there is no replacement for seeing the actual rock. The oil and gas division is misunderstood; they are so far advanced in the terms of technology. In MT, you can't find well files. When wells come off confidential status in ND, the companies have

data mining people. In MT, that information is not available. This agency is so far advanced across the country that they set the trend and you need to allow some flexibility with salary equity because if you don't have experts regulating industry, you don't get the type of regulation you want

Jolene Kline, Executive Director, North Dakota Housing Finance Agency (HFA): (7:45)
Testified in favor of HB 1014.
Testimony in HFA tab in the Industrial Commission booklet - Attachment 5.

10:25 **Chairman Holmberg:** Who is the legislator with the amendment?

Senator Krebsbach provided the amendment. - Attachment 6

14:30 **Senator Carlisle:** When you said Fargo, is there a complex in Fargo?

Jolene Kline: The big concern in Fargo is dealing with the Fargo Highrise that houses 249 very vulnerable individuals. With the $50M housing fund, we are not going to be able to solve that. Their need is $20M because that is as big as the gap is. The cost of renovating or selling off that building and getting the same number of new units is closer to $40M. We can help with tax exempt bonds and for percent credits through the federal government, but the gap is over $20M. If would be difficult with the $50M to solve that issue but we can put some money into replacing some of those units.

Senator Carlisle: That was my question, Fargo will apply for the credits and the cash; but you're saying to do it right there's a $20M gap, but that's not in any budget, correct?

Jolene Kline: Correct. There is nothing that would give a $20M allocation to the Fargo Highrise

Chairman Holmberg: Do we have a history of designating money to specific projects through your agency?

Jolene Kline: We have not earmarked any funds for any particular project using the HIF (Housing Incentive Fund). Under our federal loan, we have a set aside that provides funding for Native American housing, but the HIF program is application driven without any particular earmarks for any areas other than initially when the Governor had asked that 90% of that fund go out to oil impacted areas.

18:17 **Senator Heckaman:** In the bill itself on section 13 on page 7, it says "agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients." Can you explain a little about that and tell us what fees you have collected?

Jolene Kline: This language was changed in the 2013 program. The initial 2011 program allowed us to collect a reasonable fee from the fund.

Senator Heckaman: Do you use the same percentage out of those four groups that are delineated there too?

Jolene Kline: Out of the first fund, we collected 5.26% of the fund, so $789,921 was taken out of that $15M fund. In the 2013 session, we asked for a change that would allow that fund to be charged to the applicant, or pull it out of a fund. In conversations with our stakeholders, they asked that it be a developer fee as opposed to pulling it out of the fund, and the reason why they wanted it in there is because sometimes they'll couple this program with federal programs and federal programs work off of total project costs, so an administrative fee gets rolled into the cost of the project so they can access some additional dollars to help pay for that. We did a careful analysis of what costs associated with the program are; in the 2013 program, we decreased that from 5.26% to 5%. Our administrative costs broken out are slightly over 5% so we are losing some money on this but we are paying that with other revenue from the agency so the 5% is fully supportable with what costs are. Those costs are everything from occupancy, rent, travel, telephone, professional fees, title and recording fees with mortgage. All ongoing expenses of training property management staff, there is considerable amount of work that goes into this. Once the project is in service, it shifts from oversight of construction to a monitoring and we monitor that for a minimum of fifteen years. These are structured as loans, there is zero percent interest and they are forgivable after 15 years if that project is operated in accordance with the terms of that loan so we collect nothing.

Senator Heckaman: I am unsure about "applicant." So if I apply for a grant and I'm a big town in ND and I get a grant to build something and my grant is $15M, that money is taken off the top of my grant then or is the money taken off before I get my grant?

Jolene Kline: The maximum is $3M and we'd give you 95% of $3M and that is paid in two different stages. If they aren't able to make that, we'll waive it and pull it out of the draw.

Vance Taylor, President and General Manager of ND Mill and Elevator:
Testified in favor of HB 1014.
Testimony in State Mill tab in the Industrial Commission booklet - Attachment 7

32:19 **Senator Carlisle:** With Cuba, if congress does things, you work through our trade office and then is it possible you get the authorization in the next biennium?

Vance Taylor: It is, we have worked to grow our export shipments. Right now, we ship quite a bit of product to the Caribbean Islands and Cuba could be a fit for us going forward and I plan to make a trip down there to investigate that situation.

35:31 **Senator Carlisle:** Do you have employees with criteria to convert by the April 30 retirement?

Vance Taylor: We have been lucky at the Mill to retain virtually the same executive management team for the fifteen years with only one change, but we're all older so there will be key changes in the next 5-10 years.

Senator Heckaman: On your budget requests, one of the line items says that there's a reduction in office workers salaries, but not in management or the mill itself?

Vance Taylor: We originally had 5% in our office salaries which includes all of our non-unit employees and that was changed to 3% in House version. The union wages are set by contract and are at or close to 3%.

45:11 **Senator G. Lee:** You referenced the competitors that you have, do you still have any instate competitors?

Vance Taylor: There are about 4 mills that could compete with us: Fairmont, Minot, Dakota Growers, the Cando durum mill.

Senator Mathern: I'm impressed with steady upgrade of the facility--are there new issues with employees and overtime? I got call from someone earlier in the session concerned about being required to work overtime and we've sort of created a lifestyle around overtime.

Vance Taylor explained that there has not been much controversy and explained issues with union and stated that they prefer 3 shift overtime. He said that a man would rather have the overtime and the additional income and there are no savings to the mill to go to a 4 shift operation and we will continue to look at that going forward.

Senator Robinson said he noticed that the market is largely in the Ohio Valley, and asked why they were not doing more in the western states.

Vance Taylor stated that the reason what because of how the freight and transportation works in the US. He said that flour mills compete for the eastern business because it is difficult to ship to the west and over the Rockies.

Senator Wanzek: You're adding an 8th mill which would increase milling by 30% and then you say the project will allow us to service additional demand from current and new customers. I'm assuming that demand is good?

Vance Taylor: Demand is extremely good, we're already selling flour into 2016.

DeAnn Ament, Executive Director, Public Finance Authority (PFA):
Testified in favor of HB 1014.
Testimony in PFA tab in the Industrial Commission booklet - Attachment 8
2014 Annual Report - Attachment 9.

56:40 **Senator Mathern:** We have another bill before us regarding the possibility of starting a state revolving loan fund for political subdivisions. Does your authority allow you to do that? Is the infrastructure in place to operate a state revolving loan fund?

DeAnn Ament: Our agency worked with the governor's office on a bill similar to 1443 and the intent pf both bills is to fill a gap. Our capital financing is our market rate program: fixed terms, fixed rate. Our state revolving fund is a below market rate program, so we were

looking to take the best of both. The state revolving fund can only be used for water and sewer projects so we were looking for something to fill in that gap.

Senator Mathern: We funded that somewhere between $400M; you'd have the staff to manage it?

DeAnn Ament: My understanding is that HB 1443 has approximately $115M in it for revolving fund at this time. I believe with some assistance from other agencies, our staff could handle administering another revolving fund.

Karlene Fine, Executive Director and Secretary: This takes care of all the budgets that were in 1014, we'll talk a little about the $5M for the Lignite Research program but everything else is a continuing appropriation and we've always promised with our continuing appropriations to come in and give you an update on those this afternoon.

Senator Krebsbach: It's an amendment for Senator Streyle and was overlooked in House so that is why I'm bringing it forward at this time for him and it's an extension of the proceeds from the $1.5M disaster relief money in the last session to carry into the 15-17 biennium and was state that if it was not utilized by then it would return to general fund.

Adam Mathiak: I think there's been some reference to the money going back to the general fund, but it was appropriated to the state disaster relief fund. So it would return to that fund so there would be no impact to the general fund so by providing this exemption you wouldn't effect on the general fund.

Chairman Holmberg closed the hearing on HB 1014.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
Lignite Research Program
Continuing Appropriations
3/16/2015
Job # 24908

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Dons L Perez for Rose Laning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission.

Minutes: Attachment #10 - #17

Legislative Council - Adam Mathiak
OMB - Becky Keller

Chairman Holmberg called the committee to order on HB 1014.

Karlene Fine, Executive Director and Secretary, Industrial Commission: we are looking at the lignite research program, Line item on 1st page - base level of $19.5M and adjustment of $14.5. Previously we had the funding in here but because they are a continuing appropriation we had taken it out this session. They came to House and asked for funding and came back into this line item. Section 12 page 6, section 15 that talks about appointment.

Jason Bohrer, President, Lignite Energy Council: Testified in favor of HB 1014. Provided program background (2:43 - 5:56) the first change we requested deals with appointments to the Lignite Research Council. Right now it is constrained to membership of strictly North Dakotans; we are asking for the ability to have the governor appoint non North Dakotans. As we have expanded we have a broader mandate and we are executing it by working with out of state people. This would help them increase their investment in the state and in the lignite industry. (Attachment #10: 10.5)
The additional appropriation we requested to create the next generation energy future in ND, we identified this promising technology with the research fund, we are looking for additional appropriation to help bridge the gap to get it out of the lab and into the field where we can demonstrate the next phase of success. This has the potential to transform the energy and coal industry in the state. We are working with out of state technology partners who own the intellectual property. We are $5M-$10M short and that is what we are asking you for. We have flexibility in our current RND to bridge the gap, that is why the

House appropriated an additional $5M. (7:47 - 11:12) Speaking from LRP tab in Industrial Commission booklet - Attachment 10

Senator Mathern: Would the state of ND own and interest in the result of that research with the appropriation of $5M or more? (11:16 - 11:26)

Jason Bohrer: Probably not. We've worked trying to get the universal rights but in order to do that; we'd have to increase our investment by a factor of 10. They have put hundreds of millions of dollars into this and with that level of commitment are maintaining their interest in this project. We do hope to get some rights, but it wouldn't be and ownership right. The negotiations are still ongoing can give too many details (11:27 - 12:38)

Senator Bowman: We have a lot of lignite; this would be great for us. If you start project today, how many dollars needed for research and then building a plant. How many years would this take?

Jason Bohrer: Start to finish - about a 10 year time frame. Compared to new traditional new generation sources, that is very quick. Part of reason for that optimism: there is not a lot of brand new technology in this. We would be solving problems associated with gasification of coal at super critical temperatures. We know how to do this. Power plants we know how to do. The part that is unproven is the generation cycle itself which is being tested now in Texas. By the time this gets to ND, most of the questions are going to be answered and we will just have to prove the gasification side. The cost to get the project out of the lab into the field is about $30M, beyond that it scales up dramatically and by the time you are building a commercial plant it is in the $100Ms range. As this technology proves itself, it will be easier to get that type of capital from the investing community and our industry partners. (13:27 - 14:53)

Senator Bowman: will all the power plants we currently have need to be rebuilt or just updated?

Jason Bohrer: This is not a retrofit technology. It would allow the creation of brand new Greenfield power plants. Outside of this project we continue to identify retrofit technologies that would exceed any current EPA regulations. That is a different track. This is for new plants.

Wade Boeshans, President, General Manager, BNI Coal LTD and ALLETE Company, Headquarters in Duluth, MN: Testified in favor of HB 1014. Testimony - Attachment 11 Read testimony and walked committee members thru the North Dakota Lignite Allam Cycle Development Pathway, Exhibit 1, attachment 11.3 (17:19- 23:43)

Senator Mathern: I see the great potential, the considerable expense and the partnerships it requires. How do you keep a partner in the federal government if we are suing them? Wouldn't all the energy we are using in suing the government propel us further to this common vision? It takes a lot of energy and resources to be in conflict.

Wade Boeshans: It's true that there is plenty of opposition for coal and challenges coming from Washington. In order to make a vision a reality, they need a solution same way as we

do. The country still needs affordable electricity. I feel we'll make a strong partner in Washington DC. We have in ND significant assets we need to protect and to which North Dakotans have made commitments to the tune of billions of dollars. This is a solution. The cost of not protecting them is VERY high.

Senator Bowman: it looks like the combination of this technology, and the utilization of CO2 for secondary recovery, multiply our opportunities for a long time energy development, no matter how you look at it. We're waiting for CO2 to come from Wyoming to Bowman County. With what we're seeing out west, we're seeing all kinds of availability of energy.

Wade Boeshans: Within our company, we are currently working on a solution as you described. As I talk to Petroleum industry, they need enough CO2 to make tertiary recovery happen.

Senator Bowman this looks like a second Bakken coming to ND. I was on the Lignite Council long time ago. It is nice to hear positive things coming out of there.

Jaclyn Hall, Housing Incentive Fund recipient, Ruth Meiers Hospitality House: Testified in favor of HB 1014. Testimony - Attachment 12 (30: 31- 35:03)

Senator Mathern have you discussed this with the HFA. If we make the change you recommended, what would they do and say? (35:08

Jaclyn Hall I brought up this 5% origination. In century code it says 5% or the HFA can make an adjustment as needed. I asked them because the original explanation was this 5% was used to market the Housing Incentive Fund. As a non-oil producing county, Burleigh, we worked on our own development in the Capital Campaign, but we sold the Housing Incentive Fund, because you received more money if you had more backers come in and single out your agency. We were told that it would be taken under advisement and was taken from 6, origination to 5. (35:29 - 36:30)

Senator Carlisle to Adam Mathiak, can they change the fee arbitrarily?

Adam Mathiak they are allowed to collect a reasonable fee per century code.

Senator Heckaman: they pay another fee on top of that, monthly or yearly?

Adam Mathiak There is an annual $50/development and $35/ grant restricted unit fee.

Senator Heckaman, to Adam Mathiak, how much that totals for the biennium? It is significant for low income housing.

Jaclyn Hall we pay $50 per unit/yr. for the duration of our housing incentive fund award, which is 15 yrs.

Karlene Fine, Industrial Commission: went over the rest of the continuing appropriations. Introduced testimony by

Alan Anderson- Commissioner, ND Dept. of Commerce, Chairman Renewable Energy Council in favor of this bill, attachment #14
Wade Moser, Chairman of the Outdoor Heritage Fund Advisory Board, in favor of this bill, attachment #13
Outdoor Heritage Fund, when established a maximum amount of $30M was set for the current biennium based on the January forecast it appears the number will be closer to $19.8M that will come into the fund for the current biennium. HB 1409 now at the Senate is looking at increasing the maximum amount into $40M but based on the January forecast it will be $33M Attachment 13 (39:20-40:13)
Renewable Energy Council - Attachment 14
North Dakota Oil and Gas Research Council - Attachment 15
North Dakota Pipeline Authority - Attachment 16
North Dakota Transmission Authority - Attachment 17

39:40 $$$ coming into the Outdoor Heritage Fund. That

Senator Carlisle asked Wade **Moser**, Chairman, Outdoor Heritage Advisory Board, if there some way of making the rules a little easier this time. You were pretty restricted the last time?

Wade Moser: That's the purpose of HB 1409, also addresses the fund's appropriation. We tried to put rules in place so we knew what the legislature's intent was on where these dollars should be granted. And that we know the people applying so we wouldn't have grant applications from people who didn't qualify.

Chairman Holmberg closed the hearing on HB 1014.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
3/26/2015
Job # 25465

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature Doris E Perez for Rose Laning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission.

Minutes: Attachment 1 - 2

Legislative Council - Adam Mathiak
OMB - Becky Deichert

Senator Carlisle called the sub-committee to order on HB1014. **Senator Holmberg** and **Senator Heckaman** were also present
Will hear today from Bank, Housing Incentive Fund, and Mill
Monday - Mineral Resources

Senator Carlisle: now that we have our budget numbers, give us some information on how the financial center would be paid for.

Eric Hardmeyer, President, Bank of North Dakota: handed out information on the ND Financial Center (Attachment 1) to illustrate the flow of funds, starting with a condensed version of the bank's balance sheets of 3/24/15. There were questions on how we will pay for this. Explained the attachment's last page, 1.3, the financial center financial campus analysis; we will be getting a return and providing efficiency and effectiveness in state government. (1:32-7:04)

Senator Heckaman: on first page, capital margins, are those similar to the previous ones?

Eric Hardmeyer: they improved; we climbed out of 6% capital ratio and are now at 8.65%.

Senator Carlisle: this is an option hanging on the corner of the table; we don't know what is going to happen. Once things start to move, they'll go fast.

Eric Hardmeyer: We acquired this land in 2011; we don't need it if we aren't going to use it or to improve it. We want to bring state agencies that are engaged in economic activity together to one campus.

Senator Heckaman: Moving 72 out of commerce, 40 out of finance and 19 out of financial, does that move all employees out of there? (Answer was inaudible)

Chairman Holmberg: Karlene, would there be any liability for the location or building where they are; is there a term lease? What about where commerce is?

Karlene Fine, Executive Director, State Industrial Commission: two year lease.

Justin Dever, Dept. of Commerce: Commerce is located in the Century Center; it includes WSI, Parks and Rec., Council of the Arts, and Risk Management

Chairman Holmberg: what would happen to that space?

Justin Dever: WSI could take over some of that space.

Senator Carlisle we have their budget too.

Eric Hardmeyer handed out a proposed amendment to Engrossed HB 1014 - Attachment 2. It creates a Medical PACE program. The idea is to finance critical access hospitals infrastructure needs. There are many needs outside of western ND. It could be $400M to a billion.

Senator Carlisle: I have amendment to pull critical access and fiber optics out and put the bill back, would that work?

Eric Hardmeyer: It would work great. We want to address critical access thru Med PACE.

Senator Heckaman: This is for current biennium, what would the next biennium look like?

Eric Hardmeyer We have $40M for 2015-17 biennium for PACE buy down. We will have between $5M - $8M extra money in this biennium we won't spend. That was $38M tab this biennium; we had proposed to take that up to $40M for the upcoming biennium. We have an extra $5M. Explained the PACE buy down. We are not asking for more money just for the opportunity to spend it in a different way. That would address all of the critical access hospital construction. ND Housing and ND Hospital Assn. are comfortable with this. (11:48 - 16:15)

Senator Carlisle: House and Senate agreed on salaries, we will hold 3 - 3 and the medical. We don't see any changes at this point.

Karlene Fine: the Industrial commission asked for guidelines from the legislature regarding other state programs that would be able to provide the infrastructure needs. Are you leaving that up to the Industrial Commission? HB 1443

Senator Carlisle: My intent was to take the two entities out of there and make it strictly like the bill was for the local $100M. If you have suggestions when we meet on 1443 be there.

Karlene Fine: We will put together some suggestions for 1443.

Senator Carlisle: in the Housing Incentive Fund. How many $Ms in house bill?

Jolene Kline, Housing Finance Agency: HB 1014 has $30M in credits, it did an amendment to cut out appropriation, passed it out and removed emergency clause. There is no general fund money now. The governor strongly supports to restore to the $50M level

Senator Carlisle all we have between the two budgets is $30M in credits.

Senator Heckaman: would it be $50M general funds or credits or a combination?

Jolene Kline: combination, he is looking for the $20M appropriation to be added back in.

Senator Carlisle s this will go to conference committee to settle it.

Jolene Kline: It could either be accomplished now with SB 2257 that is now on the senate side. The Senate could ask for that to be added back in; or HB 1014, before you now, it could be added to.

Senator Heckaman: On top of page 7, the wording "reasonable administrative fees" worries me because of where it could take us. I've had Adam look at adding language.

Adam Mathiak: we talked about potentially looking at language that would provide a limitation that the fees be no more than 5% in total fees per project. Senator Carlisle we didn't put anything on maintenance fee, the agencies receiving the funds are willing to pay it maintenance fee for inspections and monitoring.

Senator Heckaman: The administrative fees are reasonable.

Jolene Kline: Capping it at 5% - we can live with that. Today we are at 5% with an annual compliance monitoring fee. Keep in mind that we are not a general fund agency. Each program we look at, if it doesn't support itself we have to pull other funds out bond indentures. We have to maintain a certain capital reserve within those bonds issues. We need spread between what our bond issues are and what the mortgage interest rates are. The interest rate we pass on to our homeowners. Our Planning and Housing Development Division, created in 2005, to primarily serve as an outreach to rural communities making them aware of available resources. We work with Commerce, USDA, nonprofits, etc... That division has cost the agency $8M since it was created. If you cap at 5% and inflation hits, you'd be undercutting some of our programs for those who are disabled etc...

Senator Heckaman that money comes out of this fund? (No) Then how is it applicable?

Jolene Kline: This program is running a deficit, we have to pull funds out of another program, and we will have to short something else.

Senator Heckaman we only gave the BND 1 ½% we don't have consistency between agencies. I want the $30M to go out to the communities.

Senator Carlisle we will need an amendment.

Jolene Kline: Is Senator Krebsbach's amendment is still out there, for flood in Minot?

Senator Carlisle: that is Streyle's amendment. It hasn't been acted on. We'll take that up

Jolene Kline: money to finish up in Minot to purchase abandoned homes, demolish them and clear the lots. It's about $1.49M; they are looking for an extension.

Senator Carlisle: **Vance Taylor (**on a conference call) the House made a significant change on your profits. Let me know your ideal scenario.

Vance Taylor, President, General Manager, ND State Mill & Elevator: The executive recommendation was 5% and the general transfer of 50% of remaining profit up to a max of (inaudible) $s Considering the large projects we are tackling right now, including addition of a new mill ($34M) The House changed to 75% of profits with no maximum, nothing left to cover the cost of our large project. We suggest that the Ag _ transfer remains the same, want to go back to the 50% profits with a maximum transfer amount of $8M as a compromise. 50% is OK as long as we have the maximum in there, we need to conserve funds to put debt down and pay for the projects we have now. (31:19-33:08)

Senator Carlisle: the deal made last time was 50%- you used it to update your shop?

Vance Taylor Yes projects to maintain and to add capacity and grow the business with our new mill project with is $34M.

Senator Heckaman the mill is doing a good job - I agree with amendment.

Senator Carlisle you're making money and need money to operate. On page 7, market adjustments, we don't know what is going to happen at that point.

Vance Taylor We had market adjustments, recruiting and retention bonuses; $410 was removed by the House. Managers will reach Rule of 85 in this next biennium. We will need to retain or replace them.

Senator Carlisle: the money percentage and retention was all you had.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
3/30/2015
Job # 25617

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature Dora E Ruiz for Rose Laning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission.

Minutes: Attachment 1 - 3

Legislative Council - Adam Mathiak
OMB - Becky Keller

Senator Carlisle called the committee to order on HB 1014. **Senator Holmberg** and **Senator Heckaman** were also present.

Senator Carlisle: this morning we had 1176 - $10M for hospitals. On this bill, Eric Hardmeyer was proposing an amendment for MED PACE.

Adam Mathiak: In HB 1358 - $9.6M was appropriated to Human Services for Critical Access hospitals, to help them cover bad debts. That same criteria and language were carried over to HB 1176 for bad debt. The language in the amendment relates to interest rate buy downs for loans for critical access hospital constructions or remodeling projects. Two different programs, two different purposes.

Chairman Holmberg they can stand alone or separately.

Senator Heckaman: we passed a bill last week that provided for nursing homes and rural hospitals for capital improvement, I don't remember the amount for funds. An amendment went in so it could only be used only for capital improvements.

Senator Carlisle we will check that out. First thing we have is your staff roughly for 190-200 rigs - we have fewer than 100. You say you got a way to keep people busy. The second part is, if you have any FTEs you are going to work off a rig, triggers that kind of a plan.

Lynn Helms, **Director, Department of Mineral Resources**
Senate Appropriations subcommittee HB-1014 Attachment 1 He explained the handout: first two pages show the staffing request from the current biennium and contrast with going

into this biennium. In pages 1.4, drilling rigs inspectors, and 1.5, wells inspectors. Walked committee thru those pages. There is a contingency proposal included and proposed current employees reassignment. (5:30 -9:52) This adds an FTE for every 10 rigs. They are currently advertising for field inspectors.

Senator Carlisle: a lot of that you can do in the house, but you need a rig count trigger amendment.

Lynn Helms: yes. The last page shows what came over from the House, left side of the page. On the right side shows employees reassigned. It leaves us with two positions unfilled. The rig count contingency adding an FTE and doing the reassignment for every 10 rigs. Contingent funding priority list, bottom of page 1.6 as rig count comes back we would hire one person each 10 rigs and transfer people back to their original job. It leaves us 2 people short as we come from the House, the program supervisor for the new pipeline regulatory program and the administrative assistant.

Chairman Holmberg: In the past did we have some stipulations regarding rig count; did it have to be 120 rigs for a period of time, how did that work?

Lynn Helms: We've done it both ways. At first we required the rig count to go up and stay there for a month, we would go the emergency commission, get approval and do hiring. In the most recent biennium we would assign that task to OMB, the FTEs would be in a pool at OMB and they'd allow us to advertise for the FTE. I would prefer the later, it worked extremely well. There may be concerns about rig counts jumping up and down. Based on what I hear from the industry rig counts are not going back up until we get back up to about $60/barrel.

Senator Carlisle: You had the positions named and they just kicked in, you didn't have to go to the emergency commission. Here's the count and here's the people we need.

Chairman Holmberg it may or may not work on a conference committee.

Lynn Helms, back page explains what we talked about and the amendments that would be required would be the rig count contingency and, if you so choose, the 2 FTES for the pipeline regulatory program. I have one additional request, now that the BLM has passed its final fracturing rule, I anticipate the Industrial Commission will be proceeding with litigation; the Atty. General asked that rather than turn back the $1M in the current biennium, that it be rolled over so they could pursue the lawsuit

Senator Carlisle there's another bill with fracking, HB 1432, some adjustments might be needed, and the hearing will be tomorrow morning.

Ed Murphy, State Geologist, Department of Mineral Resources, power point presentation- Attachment 2- the Wilson M Laird Core and Sample Library, problem with the increase in the number of core boxes more space is needed. Mentioned the Core Library studied by Industry and academia, slides 2.8-2.9. Slides 2.10-24 projected expansion; costs estimate 2.15-2>16; ways to reduce expansion costs 2.17-2.21; full size construction costs 21.22;

mid-sized project costs 2.23; core library bonding 2.24; bins filled in the library 1991-2013. The Core Library will be full by 2017. (18:39 - 23:35)
Chairman Holmberg in UND and NDSU, the power plants are being overrun by campus.

Ed Murphy: that is correct; I know they are looking at going to silos for the coal. $7.9M for general construction costs; $425K for the skywalk; total construction $11.6M, another $2M for fees, $13.6M total We would come to UNS for replacement costs for the parking spots we are taking, $25K each. Reviewed actual usage chart with **Senator Carlisle**, phasing, and bonding.

Ron Ness, ND Petroleum Council: This core library is a critical piece in the development of the Bakken. We support this bill.

Chairman Holmberg I think you'd find a lot of people being unhappy if you go offsite to build. Years ago a parking ramp was built and fees were charged to everyone. They can't pay for it, but payments went up a million dollars this year. You are presenting to us and the legislature has to decide.

Ed Murphy: we'll keep coming back.

Items to be discussed in the next meeting: amendments, the core library, rig count contingency, additional FTEs, the midsized core library, $1M in litigation

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
3/31/2015
Job # 25644

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Discussion regarding the Industrial Commission. (Other bills discussed on this job are HB 1005, HB 1015, HB 1003.

Minutes:

No testimony submitted

Chairman Holmberg called the committee to order on Tuesday, March 31, 2015. All committee members were present. Michael Johnson, Legislative Council and Lori Laschkewitsch, OMB, were also present.

Discussion on HB 1014 begins on Job # 25644 (2.22 - 4.04)

Senator Carlisle: On the Industrial Commission we're meeting Thursday and as you heard this morning, the Ag bill that had $4M. I invited Senator Wanzek just for a minute to explain the plan. My understanding is to put $2.5M, the other $2.5M into the Industrial Commission because of the fracking part of it with the oil and gas division, do I have it right, Senator Wanzek?

Senator Wanzek: Yes, it's entirely up to the subcommittee or the Industrial Commission as to whether you want the full $2.5 or some other number. The original $3M that was in there was taken out because it was assumed to be in 1432 and the amendments remove the fracking part of it.

Senator Carlisle: I just met briefly with Karlene Fine of the Industrial Commission and at our meeting Thursday, anything we miss, we want to talk about everything that's related to the Industrial Commission including potential $2.5M.

Chairman Holmberg: That's the 3:00 meeting on both 1014 and 1443, and hopefully by the end of that we should be close to asking council to draft appropriate amendments.

The discussion was closed on HB 1014.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
(also HB 1358, HB 1432, HB 1443)
4/2/2015
Job # 25774

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature Emmery Rotberg for Rose Laning

Explanation or reason for introduction of bill/resolution:

This is a sub-committee hearing on the budget of the State Industrial Commission.

Minutes: *Attachments: # 1 - 5*

Legislative Council - Adam Mathiak
OMB - Sheila Peterson

Chairman Carlisle called the sub-committee to order on HB 1014. Senator Holmberg and Senator Heckaman were also present.
HB1443, 1432, 1358

Karlene Fine, Executive Director, State Industrial Commission passed out information packet on bills HB 1358, 1432, 1443 and 1014 - Attachment # 1
Proposed Amendments - Attachment # 1A

1358 - Rather than having dollars from HB 1358, she suggested they be amended into HB 1014.
Another amendment was going to be passed out HB 1432

Senator Heckaman: I have a question on HB 1032. There was a correlation on the green sheets that said there is a request for more funding into the abandoned oil and gas well plugging. What happened to that?

Lynn Helms, Director, Department of Mineral Resources: HB 1032 passed on the senate side that bill increases the cap of that fund to $100M. If we don't hit the trigger before 12/31/15, it also increases the flow into the fund from $5M a year to $7.5M. If we do hit the big trigger, the annual inflow will remain capped at $5M but the overall fund cap will still go up to $100M.

Amendment proposed to HB 1358 (see attachment # 2). This amendment addresses the concern I raised this morning in committee that the operator of a salt water pipeline could just put the thing into service and file with the commission a number of items 60 days after

the pipeline had already been up and running and there was no approval by the commission of any of those items. This amendment says the director of the oil and gas division has thirty days after the receipt of those items which are the design drawing and the pressure test and the monitoring plan to review those and then approve them or notify the operator that we are going to require an increased monitoring plan. If there's some deficiency in one of those pipelines, we would require a significant increase in monitoring.

Senator Heckaman Do you have any concern on the language on line five where it says within 60 days of the pipeline being placed into service? Is that part ok with you?

Lynn Helms: We think that's reasonable, I was not apart of the discussions on how the 60 days was arrived at although I know in some other very complex operations like hydraulic fracturing it takes that long to get all the data together and file it with the commission. I'm comfortable with that if we have the language approving that if we have this language in here approving those items and the authority to require increased monitoring if there is a deficiency.

Senator Heckaman: My only question was I visited with one of the committee members who heard this policy bill and they said they thought there was confusion by the person who introduced the amendment on what the real meaning was and how it got written up. So if you're comfortable with this, that's fine with me.

Lynn Helms: We are comfortable with it if we can get this language amended into the bill.

HB 1432

Chairman Carlisle: We are looking at this money and we want to move $2.5M into this budget for your litigation fund, is that my understanding of how that's going to work?

Lynn Helms: Yes, the amendments to HB 1432 are disassembling the $4M fund so they are going to leave $1.5M with that council but at the request of the Attorney General, they wanted to move $2.5M back under the control of the Industrial commission for the purposes that the original $3M was put in there under the governor's recommendation. If there needed to be litigation based on flaring, hydraulic fracking, or on oil conditioning or jurisdictional issue with the federal government or the tribes, that funding would be under the control of the Industrial Commission who could direct the Attorney General to take up those issues. The $3M was originally in the Industrial Commission budget. The House took it out and put it into the HB 1432 pool. On the Senate side, HB 1432 is being unwound and $2.5M is coming back.

Senator Heckaman: I'm looking at Senator Wanzek's hog house amendment 15.0961-04008 (see Attachment # 3)

Senator Holmberg: The money won't appear in this bill. We're not appropriating it.

Senator Heckaman: On 2nd page - section 2, how would this pertain to oil sector and oil production and agriculture at the same time? This money is going into the Agriculture Commissioner's budget, correct?

Lynn Helms: They could parse it out and it will be in an OMB pool.

Senator Heckaman: This different than what you would use your money for litigation work? Or could it be similar?

Lynn Helms: This would be there could be overlap.

HB 1443 - amendment 15.0867.02003 (see Attachment # 4)

Eric Hardmeyer: Our proposal is that we would take the critical access piece of this out of HB 1443 so we would carve out of existing biennium plus $10M out of the next biennium, enough money to do what is needed in critical access hospital and it relieves HB 1443 of critical access.

Bonnie Storbakken, ND Commissioner of Labor: The only change on HB 1358 is the one that Lynne Helms introduced today. That was the only change that I'm aware of.

Chairman Carlisle: give me quick shot of square feet.

Eric Hardmeyer, President, Bank of North Dakota: $17M from our assets on the property. Around 45,000 square feet and house 3 agencies: DFI, Commerce, and HFI. This is $269/sq.ft and we are paying for it out of assets. We will earn a rate of return similar to bond. This is payment in lieu of taxes.

Senator Heckaman: If finance tax credits come to you, can you actually take a fee out of there?

Jolene Kline, Housing Finance Agency: We have two options under the current century code: we can either pull the fee out of the fund itself or we can charge and assess it to the applicant. In the first program with the $15M, we pulled it out of the fund which meant we put 95% of that fund out in the street. When we went through the public hearing's process, we were proposing to pull it from the applicants so we could put the full $35.4M. So if a developer pays a $100,000 origination fee on a $5M project that becomes a $5.1M project and they receive 30% of it from the fund. The fund is helping to capitalize, we don't do both. Now we are going through another public hearing's process, the public hearing is scheduled for April 13 and it will be up for discussion during that public hearing whether the audience wants it to be continued to be paid by the applicant or whether they want it pulled from the fund. It's the same for the entire biennium program.

Chairman Carlisle: We're at $30M in credits?

Jolene Kline: We're at $30M in this bill, the Senate passed out $50M in SB 2257. The House amended it down to $30M in credits.

Chairman Carlisle: So there is $30M in credits floating around?

Senator Holmberg: We've had numbers of discussions on this issue. At the appropriate time, I'm going to make motion to add another $10M in cash for preparation for conference committee because the House doesn't seem to want any cash at this stage.

Jolene Kline: It's not the fifty that we wanted, but forty is better than thirty.

Chairman Carlisle: On the Mill, 3 years ago we settled on the 75% and we want to go back to 50%.

Senator Heckaman: Is the maximum amount in current law?

Karlene Fine, Executive Director, State Industrial Commission: It is currently $6.3M.

Adam Mathiak, Legislative Council: Statute provides 50% and so session law I 2013 put a cap on the 50%. So if this section was removed, it would go back to 50% without a cap. The House removed the limitation and changed it to 50%.

Senator Heckaman: Where does the $8M come from?

Senator Holmberg: That is what the mill proposed for language.

Chairman Carlisle: The Core Library - we have a lot of support.

Senator Holmberg: I would suggest we consider fully funding the library, but instead of giving UND $100M to sit in bank until they get their proposals together that we authorize them to come for a deficiency appropriation next session and therefore we have saved $1.8M that goes off the books but gives them the authority to come and ask. We still have to approve it.

Chairman Carlisle: 195 to 200 rigs, we are reorganizing some rigs correct?

Lynn Helms: The remainder of the $1M in the current biennium litigation fund be carried over and we want to make that we don't miss that. We were given $1M this biennium and we're already spending it and we want to carry it over.
Handed out 2015-2017 Staffing Model Field Inspector Increases (see attachment # 5).
He explained the FTE assignments.

Chairman Carlisle: We've done this before.

Senator Holmberg: This past session we utilized a notification OMB.

Lynn Helms: Previous to that, we had to hit the average and go to the emergency commission and that went through the budget section and we got the position approved. The last biennium we had to hit the average and then go to the emergency commission and that went to the budget section and we got the position approved. This last biennium, we shortened that to just a notification to OMB and that has worked much better for us to get the hiring process started so we would prefer that.

Senator Holmberg: Did we ever turn down any requests?

Lynn Helms: Never. The only thing that ever happened was sometimes we adjusted the dollars associated with the position because it came later in the biennium and there were unused funds there. Some of them came very late in the biennium we cut the amount for that position in half. We looked at possible triggers on oil prices and well counts but the only thing really predictable is that counts. Rig count will go back up, but we don't know how fast or how soon.

Karlene Fine: In addition to the new language for the general fund transfers, he also asked that we look at the retention of recruiting $410,000 as a result the executive budget. It was up to you whether you put that back in.

Chairman Carlisle suggested to put it in for negotiations in the conference committee.

Senator Heckaman: if it's not general fund, I'm fine with it.

Karlene Fine went over the last section of the bill.
1) Core Library
2) Additional FTE
3) Transfer to HIF
4) Grants to the Lignite Research Council. They had requested $10M, $5M is in the bill right now.

Chairman Carlisle: We will meet on 1358, 1432, 1443 but as I understand it, we have the appropriate parts out of those bills into HB 1014.

Alexis Baxley, ND Petroleum Council: Right now we'd be in oppositions to the amendments Lynn proposed (HB 1358). The discussions that we had in the policy committee, those original 60 days were put in so the company would have to do their pneumatic testing and then only have to submit that paperwork once. That 60 days would provide the buffer time zone to make adjustments. It was also an understanding our understanding that those initial certificates were not meant to be a permitting process or be approved that those rules would come from the industrial commission following that study but this was a way to guarantee that those things were being looked at and done until we could get rules based on that study in place.

Chairman Carlisle asked if Alexis and Lynn could work together to figure out if there is a doable compromise.

Senator Heckaman: When I visited with the members of the committee, Senator Laffen's name came up as a sponsor of the amendment.

Alexis Baxley: The sponsor of the bill brought the amendments in but Senator Laffen helped provide the language on the construction drawings.

Senator Holmberg: I thought what we were doing is we wanted to make sure Adam Mathiak had the package on HB 1014 but then we would come back to these other three ancillary bills next week.

Chairman Carlisle adjourned the subcommittee.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014

4/7/2015
Job # 25884

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

This is a sub-committee hearing on the budget of the State Industrial Commission.

Minutes: Attachment 1 - 2.

Legislative Council - Adam Mathiak
OMB - Becky Keller

Senator Carlisle called the sub-committee to order on HB 1014. **Senator Holmberg** and **Senator Heckaman** were also present. He also informed the committee that amendments for HB 1358 were being drafted and will be discussed tomorrow morning.

Senator Carlisle handed out amendment 15.8122.02004 - Attachment 1 and also First Engrossment of Engrossed House Bill No. 1014 - Attachment 2.

Adam Mathiak, Legislative Council: (speaking from attachment 2) Some of the changes will be difficult to see, especially in Section one where we're just changing dollar amounts.

Subdivision one:
The Industrial Commission -

- Changes would be the standard health insurance change.
- Added 2 FTE positions; one was pipeline regulatory supervisor position and one was an associated admin position. Those were for the implementation of the pipeline regulatory program.
- Ten contingent FTE positions added. There is language later on in the bill that identifies the criteria for when the contingencies are met, but the funding for those positions is included here in section one. It can only be spent and the positions can only be added if the contingencies are met.
- There was $20,500 added in the operating expenses for ongoing expenses of the core library associated with its expansion.
- $2.5M one-time funding was added for the litigation costs related to hydraulic fracturing.
- $13.6M for the core library expansion.

Bank of North Dakota -

- Health insurance changes
- $17M of one-time funding for their finance center.

Mill & Elevator -

- In subsection three, the only change was the health insurance changes.

Housing Finance Agency -

- Only change was health insurance as well.

Adam Mathiak: You can see the one-time funding items that were added and adjusted. The $2.5M for litigation costs, the financial center at $17M and the core library at $13.6M. So the $13.6M for the core library would exclude any funding for parking. There was some discussion about the proposed amount which was around $16M and that included almost $2M for parking spaces, so this 13 is excluding that funding for parking spaces.

(5:45) **Senator Holmberg**: We want to make sure the minutes reflect that it is our intention that when the University of North Dakota has their parking plan put together, that they approach the OMB and the legislature with a deficiency appropriation for the amount that was in this bill originally and that was $1.8M. That doesn't promise, but it does give them the opportunity to put their plan together and what they're going to do and then come to us and make their case in 2017.

Adam Mathiak: At the top of page 6, that's the appropriation that was added. It's a transfer of $10M from the general fund to the Housing Incentive Fund for the grant funding and that is also given an emergency clause in the last section.

Section 12 on page 7 was amended to reflect the mill and elevator profits so 50% limited to $8M.
Section 13 was added in explaining the MED PACE program. That section also has an emergency clause associated with it.
Page 8 -9 talks about the criteria for the contingent appropriation related to those 10 FTEs and their related funding. This is just the various thresholds - basically going down the list every 10 drilling rigs allows for an additional FTE position.

Senator Carlisle: The emergency clause on the financial center, that's so if it all happens, the sooner they can get, it might be a good time to bid too. They might do pretty well on their bids, that's the plan on that?

Adam Mathiak: The financial center didn't have an emergency..... the MED PACE program, the Housing Incentive Fund transfer and then the core library. Those three items had emergency clauses associated with them.
The bottom of page 9 - there is some language identifying the in lieu of payment taxes for the financial center. There is also a sentence in there that talks about market rate lease prices.

Senator Carlisle: And we did that because he has a union contract. Is that how the market equity is working - because it's not targeted? How are we addressing that?

Adam Mathiak: I was going thru the marked up version - section 16 of the bill.
Section 17 has language added about the origination fee. The origination fee on the HIF award is limited to 5%.
The last two pages of the marked up copy of the bill - we took out the section that dealt with the legislative intent for a priority funding list.
Section 22 and 23 provide exemptions to 2013-15 money. The first one is for the Housing Finance Agency for flood impacted housing assistance. That was the $1.5M from the State Disaster Fund that they're allowed to carry over into the 2015-17 biennium.
Section 23 - possible federal agency litigation. There was a million dollars in the 13-15 biennium and this would allow the Industrial Commission to carry that over to use for additional possible litigation costs in the 15-17 biennium.

The back page of the bill of the marked up copy would have explanations of the two projects talked about earlier - the core library project and the financial center. The provisions of those sections are just identifying the funding that's included in section 1. It asks for a report to the Legislative Management and then to the appropriations committees of the status of those projects and how much has been spent to date.
The bottom section is the emergency clause.

Senator Holmberg: With the core library and assuming this passes and is signed, the plan is that they would immediately begin preparations for tearing down the offices right away so they could work over the summer?

Adam Mathiak: The emergency clause with the core library has some demolition that needs to be done along with site prep and getting the big equipment into there. When the students aren't in session, it makes it a little bit easier and you're not fighting over the parking spaces and traffic.

Senator Heckaman: Where's money for MedPACE at?

Adam Mathiak: The MedPACE program, like the other PACE programs comes from Bank of North Dakota profits. There is not new money being provided for that. I think the Bank anticipates some money available in the current transfers from their profits to the PACE programs that they could utilize. There's not a specific dollar amount associated with it.

Senator Carlisle: Lynn, you're comfortable with the trigger for those employees?

Lynn Helms: If you look at section 15, that implements what we described in the graph of reassigning petroleum engineers to well and facility inspections right now and then assigning them back as the rig count exceeds those markers. It's a one month exceed, so it has to average for the month. We have re-assigned petroleum engineers in all three districts.

Senator Carlisle: We've done a trigger before on the rigs. If it does a month and 10 rigs, hopefully you'll be able to hire some people.

Senator Carlisle asked if there was anything relevant on HB 1358. It's a policy bill and we think we can straighten it out with that amendment.

Senator Holmberg: They would have the right to say, "No, you changed it so much that you can carry it." It will be carried, trust us.

Lynn Helms: If you look at amendments, at the bottom of page 6, you can see the explanation for the 8 FTEs and what is required for that. Many are already coming in through HB 1014 or through the contingencies. Only two need to be added.

Senator Carlisle: We added in $30M credits in the Housing Incentive Fund and $10M in cash.

Karlene Fine: The Emergency clause for HIF, we would like to have that emergency clause, not only for the $10M transfer but also for section 20 of the bill that authorizes the $30M

Senator Holmberg: Wasn't there a continued dialogue as to whether or not the necessity of the emergency clause is needed. I've heard from some that it's needed and I've heard from others that it isn't. What is the position of the Legislative Council?

Adam Mathiak: The Legislative Council wouldn't have a position on it, but I can point out the facts. As it was initially introduced and the program was laid out, I believe this would mirror what was in the original executive budget that the credits were the delayed implementation with the effective date of the act. The appropriation was given an emergency clause that was originally in SB 2126 which was the Governor's Jumpstart bill. I don't believe the credits originally had an emergency clause as things were introduced. If you want, we can add that to our conference committee.

Senator Carlisle: These amendments and the engrossed bill will go to the full committee and we'll explain them.

Senator Heckaman moved amendment 15.8122.02004.
Senator Holmberg seconded.

Senator Holmberg - yes
Senator Carlisle - yes
Senator Heckaman -yes

The amendment will be presented to the full committee.

Senator Carlisle closed the sub-committee hearing on HB 1014.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1014
4/8/2015
Job # 25931

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Alice Delzer

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission.

Minutes:

Engrossed House Bill 15.8122.02004.
Amendment # 15.8122.02004

Chairman Holmberg called the committee to order on Wednesday, April 08, 2015 at 4:00 pm. All committee members were present except V.Chairman Bowman and Senator Wanzek. Alex Cronquist, Legislative Council and Tammy Dolan, OMB, were also present.

Senator Carlisle you are going to have Attachment # 1 - Engrossed bill and attachment # 2 Amendment 15.8122.02004. I move that amendment**. 2nd by Senator Heckaman.**

Chairman Holmberg you received a copy of that plus the Christmas tree copy of that bill.

Senator Carlisle: You know the budget has 4 parts: the Mineral Resources, Mill and Elevator, Housing Incentive Fund and the bank. First we have all the amendments on the health care. He explained the amendment concerning Mineral Resources. There is two additional positions for the duties they've been directed to do. There's a pipeline regulation bill we're going to deal with tomorrow morning called HB 1358. And the employees that are in this bill, we need that other bill and that will go back to policy, so we'll want to watch that bill.
There is a total of 8 FTES with 1358. The House put the funding in for the additional positions, they are going to use some of these positions in light of the rig count for some of the responsibilities. Then there is going to be an additional contingency 10 FTE's, if the rig count exceeds 110 rigs. And what happens if the rig count goes up 10 rigs and sustains for one month, the mineral resources folks pick up a FTE. This is the mineral resources call. We talked to the oil people and they think that's a fair observation. (3.48)

Senator Mathern: Are you adding 10 contingency or one?

Senator Carlisle: There'll be up to 10, depending on the rig count. The rig count has to keep going up. A new FTE per additional 10 rigs. That is on your amendment on page 3.

Senator O'Connell: On a month that probably isn't a good month to use too much because it takes 26 to 27 days to drill a well.

Senator Carlisle: We worked that figure out with Mr. Helms. We've done it before several years ago and it seemed to work. That is where it is at, it's all contingent, they've got to have the rigs to get the people. Between the House amendments and the proposed in these minutes there is a total potential 27 FTE's. There's one of the positions is in the Industrial Commission Administrative Office. Then there is funding for the Core Library up at Grand Forks. As you know, it's an ongoing process. I think Chairman Holmberg can speak to it. The place is full and they need 5 inches of concrete when they do an additional expansion so you can't use other buildings because it's basically too heavy. So the Core Library, a total of $13.6M. Can you explain that parking? (6.15)

Chairman Holmberg: when the Mineral Resources was working with the University about the situation they removed in this configuration about 55 parking places, which are pretty prime parking places. The University had asked and, in the original executive budget there was $ 1.8M for parking replacement. We recommended taking it out because they wanted the money to put in the bank because they don't have a plan yet as to what they're going to do. We made sure the record reflects that next session, if they do have a plan that they've come together on they have the authority to go to OMB and ask for a deficiency appropriation to pay for that. I had visited with Alice Brekke at UND because they don't have a plan yet. They might be looking at a parking ramp, which is extremely expensive and they have one now that they can't hardly cash flow so we thought wait until they actually have a plan. (7.43)

Senator O'Connell: I was concerned about the month, it takes 26 to 27days to drill, so maybe it should be two months before we add the people.

Lynn Helms, Director of Department of Mineral Resources, Industrial Commission: The fact that it takes about 27 days is how we arrived at the month. We were considering the fact that 90% of the drilling is now multiple well pads, and so the individual spud to TD time on an individual well is not nearly as significant as when they bring a rig on, they drill 4 to 6 wells. I am not sure how to exactly respond to the question except that in our mind exceeding that target for a month tells us that the rig activity is such that we need to add a petroleum engineer back to that position. Once it is up and running it will stay there for 4 to 6 months drilling. (9.33)

Senator Carlisle: We had $2.5M litigation on the fracking. That went from HB 1432 that we passed this morning. It had $4M, we took $2.5M out it is going into this budget for potential litigation. Also in section 23 of the bill they can carry those litigation funds over if the dollars haven't been used prior to June 30, 2015. Now here is one that going to generate a lot of interest, the BND, they are looking at $17M on-sight, roughly a $50,000 3 story building. They're going to use the bank as $7B entity right now with a cap rate of about 5% so they are very solvent. It's a business decision on their part. If they build this building, the rent has to be market rates and it has to have payment lieu of taxes. The potential people are Dept of Commerce, Housing Finance and banking financial institutions. We put that in the bill. It is not general funds. It will be in conference. (11.21) The next section 13 - MEDPACE. (Medical partnership in assisting community expansion program).

If you remember 1443 had a critical access component. Then Housing Finance, there's $30M in credits in this bill now we added $10M general fund. Obviously several of us think that general fund could go higher but we're trying to get something saleable to work out between the House and Senate. Section 17.

Senator Heckaman: This just puts a cap on the fees that House and Finance can charge out of the grants that they are working with, and it's up to 5%.

Senator Carlisle: Section 22, for up in V. Chairman Krebsbach's area, we are allowing them to carry over some flood impacted housing assistance money from the prior session because they still have flooded homes.

V. Chairman Krebsbach: The fact is that many of these houses are being torn down or moved at this time. They were waiting for people to come back and respond or for the final flood plain project to be evaluated and approved, so that should be completed but we need the carry over to get it accomplished.

Senator Carlisle: The State Mill and Elevator, the House had changed the transfers from the state mill. We had an agreement, if you remember last time, roughly 50%, they want to kick it up to 75%. We want to go back to the 50% because as you know Mr. Taylor runs a really good shop. If we cut him back too much on these profits then he may have to borrow money and it doesn't make good business that he can expand. Because of customer demand they're adding a milling capacity. It's a 30% increase in milling capacity. The Mill and Elevator is a Union Shop, they give overtime and his equity, they're in agreement. We added the emergency clause on the Core Library. The Core Library and MEDPACE has the emergency funding. That's basically the amendments. Do we want to bring up the emergency clause on the Housing incentive? (16.17)

Chairman Holmberg: The emergency clause can be handled in the conference committee.

Senator Mathern: One of the things I don't like about these amendments is that whole legal fund, so how much total legal funds do we have suing the federal government with these amendments?

Ms. Fine: In the area of litigation when the governor submitted his executive budget he had $3M in the budget for the Department of Mineral Resources for litigation. That was an increase from the $1M that we currently have. Then the other bill 1432 was created, that was the money removed from there and put over into 1432, and now it has come back as a $2.5M level. So there is $1.5M in 1432, and then in this bill there would be $2.5M that we feel we need to have for litigation and just isn't suing the federal agencies. One of the entities we may need to sue, and then there is carryover of any money that may remain in the current biennium for the $1M. I think we are in the area of a little bit over $4M that's available for litigation that we may need with federal government, with other entities that we may need as we do regulation of oil and gas. That is between the two bills.

Senator Mathern: How much is focused just to litigation against the federal government or its agencies. Is there any limitation?

Ms. Fine: We can use it all for that or a portion of it so as needed.

Chairman Holmberg: Didn't we used to have a railroad lawsuit fund? Do we still have that? That's in PSC budget.

Alex Cronquist, Legislative Council: It's been changed to just litigation funding line item.

Chairman Holmberg: All in favor of the amendments say aye. It carried. Can I have a motion on the bill?

Senator Carlisle moved a do Pass as amended on 1014. 2nd by Senator Heckaman.

Chairman Holmberg: Call the roll on Do Pass as Amended on 1014.

A Roll Call vote was taken. Yea: 13; Nay: 0; Absent: 0.

Chairman Holmberg: Both Senator Wanzek and V.Chairman Bowman will vote on this. (They voted after the hearing, therefore, their vote is not recorded.)

Senator Carlisle will carry the bill. The hearing was closed on HB 1014.

15.8122.02004
Title.03000
Fiscal No. 2

Prepared by the Legislative Council staff for
Senator Carlisle
April 7, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 3, after the first semicolon insert "to provide a contingent appropriation;"

Page 1, line 3, replace "to provide legislative intent;" with "to create and enact a new section to chapter 6-09;"

Page 1, line 6, replace the second "and" with "to provide exemptions; to provide legislative intent; to provide for reports to legislative management;"

Page 1, line 7, after "date" insert "; and to declare an emergency"

Page 1, remove lines 19 through 24

Page 2, replace lines 1 through 3 with:

"Salaries and wages	$17,873,876	$6,302,505	$24,176,381
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	4,595,154	9,370,730
Capital assets	0	13,666,822	13,666,822
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	$4,947,645	$67,254,762
Less estimated income	40,973,792	(23,979,345)	16,994,447
Total general fund	$21,333,325	$28,926,990	$50,260,315
Full-time equivalent positions	98.75	28.00	126.75"

Page 2, replace lines 8 through 11 with:

"Bank of North Dakota operations	$51,523,916	$7,018,385	$58,542,301
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	17,000,000	17,745,000
Total special funds	$53,150,147	$23,137,154	$76,287,301"

Page 2, replace line 17 with:

"Salaries and wages	$29,141,750	$7,137,148	$36,278,898"

Page 2, replace line 22 with:

"Total from mill and elevator fund	$52,123,557	$12,192,341	$64,315,898"

Page 2, replace line 28 with:

"Salaries and wages	$7,434,877	$310,157	$7,745,034"

Page 3, replace line 2 with:

"Total special funds	$41,007,491	($3,487,402)	$37,520,089"

Page 3, replace lines 8 through 10 with:

"Grand total general fund	$21,333,325	$38,926,990	$60,260,315
Grand total special funds	187,254,987	7,862,748	195,117,735
Grand total all funds	$208,588,312	$46,789,738	$255,378,050"

Page 3, replace line 17 with:

"Possible litigation		1,000,000	2,500,000"

Page 3, after line 26, insert:

"Financial center project		0	17,000,000
Core library expansion project		0	13,625,322"

Page 3, remove line 30

Page 4, replace lines 1 and 2 with:

"Total all funds		$68,060,800	$38,745,965
Total special fund		51,500,000	17,000,000
Total general fund		$16,560,800	$21,745,965"

Page 5, after line 2, insert:

"**SECTION 6. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $10,000,000, which the office of management and budget shall transfer to the housing incentive fund for the period beginning with the effective date of this Act and ending June 30, 2017. The funding provided in this section is considered a one-time funding item."

Page 6, line 1, replace "seventy-five" with "fifty"

Page 6, line 3, after "programs" insert "or the sum of $8,000,000, whichever is less,"

Page 6, after line 5, insert:

"**SECTION 13. BANK OF NORTH DAKOTA - MEDICAL PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION PROGRAM.** The Bank of North Dakota shall develop a medical partnership in assisting community expansion program to assist in the financing of critical access hospital medical infrastructure projects, for the period beginning with the effective date of this Act and ending June 30, 2017. The Bank shall adopt policies and procedures to implement this program. Notwithstanding section 6-09.14-03, the Bank may originate loans under this program or participate with a lead financial institution. Eligible projects that receive funding for an interest rate buydown under this program are not subject to the community commitment requirement in section 6-09.14-03, the maximum interest rate buydown limitation in subsection 4 of section 6-09.14-04, or the state grantor recipient reporting requirement in section 54-60.1-05."

Page 6, after line 21, insert:

"**SECTION 15. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING.** The amount of $2,225,080 from the general fund and 10 full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only if the monthly average drilling rig count exceeds 110 drilling rigs. The industrial commission shall notify the office of management and budget and the legislative council each time one or more full-time equivalent positions are authorized

to be hired. For purposes of this section, the "monthly average drilling rig count" means the amount, rounded to the nearest whole drilling rig, calculated by dividing the sum of the daily drilling rig counts for a calendar month by the number of days in the month. Of the $2,225,080 and the 10 full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 110 drilling rigs.

2. In addition to the funding and full-time equivalent positions authorized in subsection 1, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 120 drilling rigs.

3. In addition to the funding and full-time equivalent positions authorized in subsections 1 and 2, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 130 drilling rigs.

4. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 3, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 140 drilling rigs.

5. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 4, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 150 drilling rigs.

6. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 5, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 160 drilling rigs.

7. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 6, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 170 drilling rigs.

8. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 7, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 180 drilling rigs.

9. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 8, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 190 drilling rigs.

10. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 9, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 200 drilling rigs.

SECTION 16. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

North Dakota financial center - Lease rates - Payments in lieu of taxes.

The North Dakota financial center is a building that is owned by the Bank of North Dakota and is adjacent to the building in which the Bank of North Dakota is housed. The Bank of North Dakota shall lease the space in the North Dakota financial center to other state agencies based on market rate lease prices. The Bank of North Dakota shall make payments in lieu of property taxes in the manner and according to the conditions and procedures that would apply if the building were privately owned."

Page 7, line 2, after the period insert "The origination fee assessed to grant recipients may not exceed five percent of the project award."

Page 10, replace lines 8 through 13 with:

"**SECTION 22. HOUSING FINANCE AGENCY - FLOOD-IMPACTED HOUSING ASSISTANCE - EXEMPTION.** The amount appropriated for flood-impacted housing assistance in section 4 of chapter 16 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 23. INDUSTRIAL COMMISSION - POSSIBLE FEDERAL AGENCY LITIGATION - EXEMPTION. The amount appropriated for possible federal agency litigation in subdivision 1 of section 1 of chapter 45 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 24. INDUSTRIAL COMMISSION - CORE LIBRARY EXPANSION PROJECT - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 1 of section 1 of this Act includes $13,625,322 from the general fund for the purpose of expanding the core library. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The industrial commission shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the core library project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 25. BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital

assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 26. EMERGENCY. The amount of $13,625,322 from the general fund in the capital assets line item in subdivision 1 of section 1 of this Act for the core library expansion project and sections 6 and 13 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Industrial Commission				
Total all funds	$62,307,117	$48,588,205	$18,666,557	$67,254,762
Less estimated income	40,973,792	16,999,407	(4,960)	16,994,447
General fund	$21,333,325	$31,588,798	$18,671,517	$50,260,315
Bank of North Dakota				
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301
General fund	$0	$0	$0	$0
Housing Finance Agency				
Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089
Less estimated income	41,007,491	37,553,592	(33,503)	37,520,089
General fund	$0	$0	$10,000,000	$10,000,000
Mill and Elevator				
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898
Less estimated income	52,123,557	64,016,571	299,327	64,315,898
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$208,588,312	$209,584,199	$45,793,851	$255,378,050
Less estimated income	187,254,987	177,995,401	17,122,334	195,117,735
General fund	$21,333,325	$31,588,798	$28,671,517	$60,260,315

House Bill No. 1014 - Industrial Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$17,873,876	$22,218,954	$1,957,427	$24,176,381
Operating expenses	4,775,576	6,328,422	3,042,308	9,370,730
Capital assets			13,666,822	13,666,822
Grants	19,500,000	5,000,000		5,000,000
Grants - bond payments	19,809,969	15,040,829		15,040,829
Accrued leave payments	347,696			
Total all funds	$62,307,117	$48,588,205	$18,666,557	$67,254,762
Less estimated income	40,973,792	16,999,407	(4,960)	16,994,447
General fund	$21,333,325	$31,588,798	$18,671,517	$50,260,315
FTE	98.75	114.75	12.00	126.75

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for FTE Positions[2]	Adds Funding for Contingent FTE Positions[3]	Adds Funding for Increased Core Library Operating Expenses[4]	Adds One-Time Funding for Possible Litigation[5]	Adds One-Time Funding for Core Library Expansion Project[6]
Salaries and wages	($84,323)	$360,700	$1,681,050			
Operating expenses		19,278	544,030	20,500	2,500,000	
Capital assets						13,625,322
Grants						
Grants - bond payments						
Accrued leave payments						
Total all funds	($84,323)	$379,978	$2,225,080	$20,500	$2,500,000	$13,625,322
Less estimated income	(4,960)	0	0	0	0	0
General fund	($79,363)	$379,978	$2,225,080	$20,500	$2,500,000	$13,625,322
FTE	0.00	2.00	10.00	0.00	0.00	0.00

	Corrects Funding for ATV's and Trailers[7]	Total Senate Changes
Salaries and wages		$1,957,427
Operating expenses	(41,500)	3,042,308
Capital assets	41,500	13,666,822
Grants		
Grants - bond payments		
Accrued leave payments		
Total all funds	$0	$18,666,557
Less estimated income	0	(4,960)
General fund	$0	$18,671,517
FTE	0.00	12.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] The following funding from the general fund and FTE positions are added:

	FTE Positions	Salaries and Wages	Operating Expenses	Total General Fund
Pipeline regulatory supervisor position	1.00	$230,700	$9,639	$240,339
Administrative assistant position	1.00	130,000	9,639	139,639
Total	2.00	$360,700	$19,278	$379,978

Reengrossed House Bill No. 1358 provides for a pipeline regulatory program. Of the funding from the general fund and the FTE positions included in this amendment, the Industrial Commission anticipates using the following for the implementation of a pipeline regulatory program:

	FTE Positions	Total General Fund
Engineering technician position (Included in House version)	4.00	$864,683
Reclamation specialist position (Included in House version)	1.00	230,911
Pipeline engineering technician position (Included in House version)	1.00	162,018
Pipeline regulatory supervisor position (Added by Senate above)	1.00	240,339
Administrative assistant (Added by Senate above)	1.00	139,639
Total	8.00	$1,637,590

[3] Funding is added for 10 petroleum engineering contingency FTE positions. One position is added for every 10 drilling rigs when the monthly average drilling rig count exceeds 110 drilling rigs as identified in Section 14 of the bill. Each position includes $168,105 for salaries and wages and $54,403 for operating expenses for total funding of $222,508.

[4] This amendment adds funding for increased operating expenses related to the core library expansion project.

[5] One-time funding is added for possible litigation costs related to hydraulic fracturing and other regulatory disputes.

[6] One-time funding is added for a core library expansion project.

[7] This amendment changes the funding for ATV's and trailers from the operating expenses line item to the capital assets line item.

This amendment also:

- Adds a section to identify the criteria for the 10 petroleum engineering contingency FTE positions;
- Provides an exemption for 2013-15 biennium litigation funding from the general fund; and
- Provides an emergency clause for the core library expansion project funding, requires the Industrial Commission to report to the Legislative Management on the progress of the project, and provides carryover authority for the funding into the 2017-19 biennium.

House Bill No. 1014 - Bank of North Dakota - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Capital assets	$745,000	$745,000	$17,000,000	$17,745,000
Bank of North Dakota operations	51,523,916	58,680,831	(138,530)	58,542,301
Accrued leave payments	881,231			
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301
General fund	$0	$0	$0	$0
FTE	179.50	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds One-Time Funding For Financial Center Project[2]	Total Senate Changes
Capital assets		$17,000,000	$17,000,000
Bank of North Dakota operations	(138,530)		(138,530)
Accrued leave payments			
Total all funds	($138,530)	$17,000,000	$16,861,470
Less estimated income	(138,530)	17,000,000	16,861,470
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

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[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] One-time funding from the Bank of North Dakota's assets is added for a financial center construction project.

This amendment also:

- Provides for a medical partnership in assisting community expansion program to provide interest rate buydowns for medical infrastructure loans for the 2015-17 biennium and provides an emergency clause for the program.
- Requires the Bank of North Dakota to make payments in lieu of property taxes on a financial center building constructed on the Bank's property.
- Provides an exemption for funding for the construction of a financial center and requires the Industrial Commission to report to the Legislative Management on the progress of the project.

House Bill No. 1014 - Housing Finance Agency - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$7,434,877	$7,778,537	($33,503)	$7,745,034
Operating expenses	3,791,758	3,744,275		3,744,275
Grants	29,533,050	25,930,780		25,930,780
HFA contingencies	100,000	100,000		100,000
Accrued leave payments	147,806			
Housing incentive fund			10,000,000	10,000,000
Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089
Less estimated income	41,007,491	37,553,592	(33,503)	37,520,089
General fund	$0	$0	$10,000,000	$10,000,000
FTE	46.00	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	General Fund Transfer to Housing Incentive Fund[2]	Total Senate Changes
Salaries and wages	($33,503)		($33,503)
Operating expenses			
Grants			
HFA contingencies			
Accrued leave payments			
Housing incentive fund		10,000,000	10,000,000
Total all funds	($33,503)	$10,000,000	$9,966,497
Less estimated income	(33,503)	0	(33,503)
General fund	$0	$10,000,000	$10,000,000
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] This amendment adds a section to provide for a transfer of $10 million from the general fund to the housing incentive fund and provides an emergency clause for the transfer.

This amendment provides an exemption for 2013-15 biennium flood-impacted housing assistance funding from the state disaster relief fund.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$29,141,750	$35,979,571	$299,327	$36,278,898
Operating expenses	21,796,000	27,327,000		27,327,000
Contingencies	400,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Accrued leave payments	575,807			
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898
Less estimated income	52,123,557	64,016,571	299,327	64,315,898
General fund	$0	$0	$0	$0
FTE	135.00	147.00	0.00	147.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for Market Equity[2]	Total Senate Changes
Salaries and wages	($110,673)	$410,000	$299,327
Operating expenses			
Contingencies			
Agriculture promotion			
Accrued leave payments			
Total all funds	($110,673)	$410,000	$299,327
Less estimated income	(110,673)	410,000	299,327
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] Funding is added for market equity adjustments.

This amendment also provides for a transfer of 50 percent of Mill and Elevator profits to the general fund up to $8 million for the 2015-17 biennium. The House version provided for a transfer of 75 percent of the Mill's profits without any limitation for the 2015-17 biennium.

Date: 4-8-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: 15.8122.02004

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 Carlisle Seconded By Heckaman

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) _____ No _____

Absent _____

Floor Assignment _____

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

voice vote carried

Date: 4-8-15
Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

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 Carlisle Seconded By Heckaman

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) 13 No 0

Absent 0

Floor Assignment Carlisle

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

REPORT OF STANDING COMMITTEE

HB 1014, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1014 was placed on the Sixth order on the calendar.

Page 1, line 3, after the first semicolon insert "to provide a contingent appropriation;"

Page 1, line 3, replace "to provide legislative intent;" with "to create and enact a new section to chapter 6-09;"

Page 1, line 6, replace the second "and" with "to provide exemptions; to provide legislative intent; to provide for reports to legislative management;"

Page 1, line 7, after "date" insert "; and to declare an emergency"

Page 1, remove lines 19 through 24

Page 2, replace lines 1 through 3 with:

"Salaries and wages	$17,873,876	$6,302,505	$24,176,381
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	4,595,154	9,370,730
Capital assets	0	13,666,822	13,666,822
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	$4,947,645	$67,254,762
Less estimated income	40,973,792	(23,979,345)	16,994,447
Total general fund	$21,333,325	$28,926,990	$50,260,315
Full-time equivalent positions	98.75	28.00	126.75"

Page 2, replace lines 8 through 11 with:

"Bank of North Dakota operations	$51,523,916	$7,018,385	$58,542,301
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	17,000,000	17,745,000
Total special funds	$53,150,147	$23,137,154	$76,287,301"

Page 2, replace line 17 with:

"Salaries and wages	$29,141,750	$7,137,148	$36,278,898"

Page 2, replace line 22 with:

"Total from mill and elevator fund	$52,123,557	$12,192,341	$64,315,898"

Page 2, replace line 28 with:

"Salaries and wages	$7,434,877	$310,157	$7,745,034"

Page 3, replace line 2 with:

"Total special funds	$41,007,491	($3,487,402)	$37,520,089"

Page 3, replace lines 8 through 10 with:

"Grand total general fund	$21,333,325	$38,926,990	$60,260,315
Grand total special funds	187,254,987	7,862,748	195,117,735
Grand total all funds	$208,588,312	$46,789,738	$255,378,050"

Page 3, replace line 17 with:

"Possible litigation	1,000,000	2,500,000"

Page 3, after line 26, insert:

"Financial center project	0	17,000,000
Core library expansion project	0	13,625,322"

Page 3, remove line 30

Page 4, replace lines 1 and 2 with:

"Total all funds	$68,060,800	$38,745,965
Total special fund	51,500,000	17,000,000
Total general fund	$16,560,800	$21,745,965"

Page 5, after line 2, insert:

"**SECTION 6. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $10,000,000, which the office of management and budget shall transfer to the housing incentive fund for the period beginning with the effective date of this Act and ending June 30, 2017. The funding provided in this section is considered a one-time funding item."

Page 6, line 1, replace "seventy-five" with "fifty"

Page 6, line 3, after "programs" insert "or the sum of $8,000,000, whichever is less,"

Page 6, after line 5, insert:

"**SECTION 13. BANK OF NORTH DAKOTA - MEDICAL PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION PROGRAM.** The Bank of North Dakota shall develop a medical partnership in assisting community expansion program to assist in the financing of critical access hospital medical infrastructure projects, for the period beginning with the effective date of this Act and ending June 30, 2017. The Bank shall adopt policies and procedures to implement this program. Notwithstanding section 6-09.14-03, the Bank may originate loans under this program or participate with a lead financial institution. Eligible projects that receive funding for an interest rate buydown under this program are not subject to the community commitment requirement in section 6-09.14-03, the maximum interest rate buydown limitation in subsection 4 of section 6-09.14-04, or the state grantor recipient reporting requirement in section 54-60.1-05."

Page 6, after line 21, insert:

"**SECTION 15. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING.** The amount of $2,225,080 from the general fund and 10 full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only if the monthly average drilling rig count exceeds 110 drilling rigs. The industrial commission shall notify the office of management and budget and the legislative council each time one or more full-time equivalent positions are authorized to be hired. For purposes of this section, the "monthly average drilling rig count" means the amount, rounded to the nearest whole drilling rig, calculated by dividing the sum of the daily drilling rig counts for a calendar month by the number of days in the month. Of the $2,225,080 and the 10 full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time

equivalent position if the monthly average drilling rig count exceeds 110 drilling rigs.

2. In addition to the funding and full-time equivalent positions authorized in subsection 1, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 120 drilling rigs.

3. In addition to the funding and full-time equivalent positions authorized in subsections 1 and 2, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 130 drilling rigs.

4. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 3, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 140 drilling rigs.

5. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 4, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 150 drilling rigs.

6. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 5, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 160 drilling rigs.

7. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 6, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 170 drilling rigs.

8. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 7, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 180 drilling rigs.

9. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 8, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 190 drilling rigs.

10. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 9, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 200 drilling rigs.

SECTION 16. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

North Dakota financial center - Lease rates - Payments in lieu of taxes.

The North Dakota financial center is a building that is owned by the Bank of North Dakota and is adjacent to the building in which the Bank of North Dakota is housed. The Bank of North Dakota shall lease the space in the North Dakota financial center to other state agencies based on market rate lease prices. The Bank of North Dakota shall make payments in lieu of property taxes in the manner and according to the conditions and procedures that would apply if the building were privately owned."

Page 7, line 2, after the period insert "The origination fee assessed to grant recipients may not exceed five percent of the project award."

Page 10, replace lines 8 through 13 with:

"**SECTION 22. HOUSING FINANCE AGENCY - FLOOD-IMPACTED HOUSING ASSISTANCE - EXEMPTION.** The amount appropriated for flood-impacted housing assistance in section 4 of chapter 16 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 23. INDUSTRIAL COMMISSION - POSSIBLE FEDERAL AGENCY LITIGATION - EXEMPTION. The amount appropriated for possible federal agency litigation in subdivision 1 of section 1 of chapter 45 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 24. INDUSTRIAL COMMISSION - CORE LIBRARY EXPANSION PROJECT - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 1 of section 1 of this Act includes $13,625,322 from the general fund for the purpose of expanding the core library. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The industrial commission shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the core library project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 25. BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 26. EMERGENCY. The amount of $13,625,322 from the general fund in the capital assets line item in subdivision 1 of section 1 of this Act for the core library expansion project and sections 6 and 13 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Industrial Commission				
Total all funds	$62,307,117	$48,588,205	$18,666,557	$67,254,762
Less estimated income	40,973,792	16,999,407	(4,960)	16,994,447
General fund	$21,333,325	$31,588,798	$18,671,517	$50,260,315
Bank of North Dakota				
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301
General fund	$0	$0	$0	$0
Housing Finance Agency				
Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089
Less estimated income	41,007,491	37,553,592	(33,503)	37,520,089
General fund	$0	$0	$10,000,000	$10,000,000
Mill and Elevator				
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898
Less estimated income	52,123,557	64,016,571	299,327	64,315,898
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$208,588,312	$209,584,199	$45,793,851	$255,378,050
Less estimated income	187,254,987	177,995,401	17,122,334	195,117,735
General fund	$21,333,325	$31,588,798	$28,671,517	$60,260,315

House Bill No. 1014 - Industrial Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$17,873,876	$22,218,954	$1,957,427	$24,176,381
Operating expenses	4,775,576	6,328,422	3,042,308	9,370,730
Capital assets			13,666,822	13,666,822
Grants	19,500,000	5,000,000		5,000,000
Grants - bond payments	19,809,969	15,040,829		15,040,829
Accrued leave payments	347,696			
Total all funds	$62,307,117	$48,588,205	$18,666,557	$67,254,762
Less estimated income	40,973,792	16,999,407	(4,960)	16,994,447
General fund	$21,333,325	$31,588,798	$18,671,517	$50,260,315
FTE	98.75	114.75	12.00	126.75

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for FTE Positions[2]	Adds Funding for Contingent FTE Positions[3]	Adds Funding for Increased Core Library Operating Expenses[4]	Adds One-Time Funding for Possible Litigation[5]	Adds One-Time Funding for Core Library Expansion Project[6]
Salaries and wages	($84,323)	$360,700	$1,681,050			
Operating expenses		19,278	544,030	20,500	2,500,000	
Capital assets						13,625,322
Grants						
Grants - bond payments						
Accrued leave payments						
Total all funds	($84,323)	$379,978	$2,225,080	$20,500	$2,500,000	$13,625,322
Less estimated income	(4,960)	0	0	0	0	0
General fund	($79,363)	$379,978	$2,225,080	$20,500	$2,500,000	$13,625,322
FTE	0.00	2.00	10.00	0.00	0.00	0.00

	Corrects Funding for ATV's and Trailers[7]	Total Senate Changes
Salaries and wages		$1,957,427
Operating expenses	(41,500)	3,042,308
Capital assets	41,500	13,666,822
Grants		
Grants - bond payments		
Accrued leave payments		
Total all funds	$0	$18,666,557

Less estimated income	0	(4,960)
General fund	$0	$18,671,517
FTE	0.00	12.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] The following funding from the general fund and FTE positions are added:

	FTE Positions	Salaries and Wages	Operating Expenses	Total General Fund
Pipeline regulatory supervisor position	1.00	$230,700	$9,639	$240,339
Administrative assistant position	1.00	130,000	9,639	139,639
Total	2.00	$360,700	$19,278	$379,978

Reengrossed House Bill No. 1358 provides for a pipeline regulatory program. Of the funding from the general fund and the FTE positions included in this amendment, the Industrial Commission anticipates using the following for the implementation of a pipeline regulatory program:

	FTE Positions	Total General Fund
Engineering technician position (Included in House version)	4.00	$864,683
Reclamation specialist position (Included in House version)	1.00	230,911
Pipeline engineering technician position (Included in House version)	1.00	162,018
Pipeline regulatory supervisor position (Added by Senate above)	1.00	240,339
Administrative assistant (Added by Senate above)	1.00	139,639
Total	8.00	$1,637,590

[3] Funding is added for 10 petroleum engineering contingency FTE positions. One position is added for every 10 drilling rigs when the monthly average drilling rig count exceeds 110 drilling rigs as identified in Section 14 of the bill. Each position includes $168,105 for salaries and wages and $54,403 for operating expenses for total funding of $222,508.

[4] This amendment adds funding for increased operating expenses related to the core library expansion project.

[5] One-time funding is added for possible litigation costs related to hydraulic fracturing and other regulatory disputes.

[6] One-time funding is added for a core library expansion project.

[7] This amendment changes the funding for ATV's and trailers from the operating expenses line item to the capital assets line item.

This amendment also:

- Adds a section to identify the criteria for the 10 petroleum engineering contingency FTE positions;
- Provides an exemption for 2013-15 biennium litigation funding from the general fund; and
- Provides an emergency clause for the core library expansion project funding, requires the Industrial Commission to report to the Legislative Management on the progress of the project, and provides carryover authority for the funding into the

2017-19 biennium.

House Bill No. 1014 - Bank of North Dakota - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Capital assets	$745,000	$745,000	$17,000,000	$17,745,000
Bank of North Dakota operations	51,523,916	58,680,831	(138,530)	58,542,301
Accrued leave payments	881,231			
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301
General fund	$0	$0	$0	$0
FTE	179.50	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds One-Time Funding For Financial Center Project[2]	Total Senate Changes
Capital assets		$17,000,000	$17,000,000
Bank of North Dakota operations	(138,530)		(138,530)
Accrued leave payments			
Total all funds	($138,530)	$17,000,000	$16,861,470
Less estimated income	(138,530)	17,000,000	16,861,470
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] One-time funding from the Bank of North Dakota's assets is added for a financial center construction project.

This amendment also:

- Provides for a medical partnership in assisting community expansion program to provide interest rate buydowns for medical infrastructure loans for the 2015-17 biennium and provides an emergency clause for the program.
- Requires the Bank of North Dakota to make payments in lieu of property taxes on a financial center building constructed on the Bank's property.
- Provides an exemption for funding for the construction of a financial center and requires the Industrial Commission to report to the Legislative Management on the progress of the project.

House Bill No. 1014 - Housing Finance Agency - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$7,434,877	$7,778,537	($33,503)	$7,745,034
Operating expenses	3,791,758	3,744,275		3,744,275
Grants	29,533,050	25,930,780		25,930,780
HFA contingencies	100,000	100,000		100,000
Accrued leave payments	147,806			
Housing incentive fund			10,000,000	10,000,000
	$41,007,491	$37,553,592	$9,966,497	$47,520,089

Total all funds				
Less estimated income	41,007,491	37,553,592	(33,503)	37,520,089
General fund	$0	$0	$10,000,000	$10,000,000
FTE	46.00	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	General Fund Transfer to Housing Incentive Fund[2]	Total Senate Changes
Salaries and wages	($33,503)		($33,503)
Operating expenses			
Grants			
HFA contingencies			
Accrued leave payments			
Housing incentive fund		10,000,000	10,000,000
Total all funds	($33,503)	$10,000,000	$9,966,497
Less estimated income	(33,503)	0	(33,503)
General fund	$0	$10,000,000	$10,000,000
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] This amendment adds a section to provide for a transfer of $10 million from the general fund to the housing incentive fund and provides an emergency clause for the transfer.

This amendment provides an exemption for 2013-15 biennium flood-impacted housing assistance funding from the state disaster relief fund.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$29,141,750	$35,979,571	$299,327	$36,278,898
Operating expenses	21,796,000	27,327,000		27,327,000
Contingencies	400,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Accrued leave payments	575,807			
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898
Less estimated income	52,123,557	64,016,571	299,327	64,315,898
General fund	$0	$0	$0	$0
FTE	135.00	147.00	0.00	147.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for Market Equity[2]	Total Senate Changes
Salaries and wages	($110,673)	$410,000	$299,327
Operating expenses			
Contingencies			
Agriculture promotion			
Accrued leave payments			
	($110,673)	$410,000	$299,327

Total all funds Less estimated income	(110,673)	410,000	299,327
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] Funding is added for market equity adjustments.

This amendment also provides for a transfer of 50 percent of Mill and Elevator profits to the general fund up to $8 million for the 2015-17 biennium. The House version provided for a transfer of 75 percent of the Mill's profits without any limitation for the 2015-17 biennium.

2015 CONFERENCE COMMITTEE

HB 1014

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
4/16/2015
Recording Job #26193

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: Attachment: #A.

Chairman Brandenburg: Opened the conference committee on HB1014.

Senator Carlisle: Explained the changes to HB1014.

Chairman Brandenburg: What the Senate did then, was they added the $17million in for the financial center project, and also just the health insurance premium. Did you make any other changes to the Bank of North Dakota or is that it?

Senator Carlisle: We had another bill HB1443. A couple of entities had kind of tagged onto that bill, and one was critical access. So Mr. Hardmeyer set up a fund; it's called a MEDPACE Fund, and we took that out of HB1443, and basically put a MEDPACE fund mechanism in with the Bank. So the critical access folks have an avenue to go to, and that's where that component came from.

Chairman Brandenburg: So it's like AGPACE?

Senator Carlisle: It's buying the interest rate down.

Chairman Brandenburg: How much did you put into it?

Eric Hardmeyer, President and CEO, Bank of North Dakota: The intent is to use existing buy down dollars that are left over from this current biennium, which we anticipate to be $7 million to $8 million left over out of the $38 million that was appropriated from our earnings this biennium; coupled with $5 million to $6 million out of next biennium's $40 million appropriation. We're not asking for any new dollars to fund this. We're just going to carve it out of the existing PACE dollars that came from this biennium's appropriation and next bienniuim's appropriation.

Chairman Brandenburg: So it's no new dollars; just some carryover dollars and probably carryover dollars.

Eric Hardmeyer: Yes,

Senator Carlisle: That's where the $15 million came from?

Eric Hardmeyer: Yes. It's going to take care of all the critical access hospitals that were in HB1443, is the idea. So we pulled that out and funded it this way.

Chairman Brandenburg: So what you're saying is that there is $7 million to $8 milliion roughly, and will probably be the same next year if you have the same usage. So that's where you're getting the $15 million.

Eric Hardmeyer: Yes.

Senator Holmberg: Do we typically as a legislature pass on approving investments that you as a bank make? If you make an investment, do we pass on that? Do we say yes or no? What I'm getting at, is the building an investment? And because it's being built on state property, that's why you have to come to us?

Eric Hardmeyer: No, you don't typically approve our investments because we have $3billion plus of investments in our portfolio; nor any loans or any other activity. The idea was that when we built the building, this is a capitol outlay that we felt it was prudent to get legislative authorization to do that.

Senator Holmberg: If we turned it down, you won't go behind our backs?

Eric Hardmeyer: No.

Representative Kempenich: It says, provides an exemption for funding for construction. Did we have that in on the first go-around? Or where did that come from?

Adam Mathiak, Fiscal Analyst, ND Legislative Council: When the Senate included the money for the bank to construct the building, it seemed to make sense that the project could extend beyond just the initial biennium. They haven't really done any design work or anything like that. So, since the project would probably carry over for multiple bienniums, it seemed to be prudent to include the exemption initially here so that they wouldn't have to come back next session and ask for an exemption at that time. It probably makes it a little bit easier for budgeting and keeping track. Along with that, there was the reporting

requirement that they should report on the status of the project, as well as how much they anticipate would be carried over.

Representative Kempenich: That's if it runs into multiple bienniums?

Adam Mathiak: Yes.

Senator Holmberg continued with the changes to the bill.

Chairman Brandenburg: If there is one building that needs to get built, it is the core library. I've actually been there and seen the rocks and seen the display and how full they are.

Senator Carlisle continued with his explanation.

Representative Kempenich: (See attachment A.)

Senator Carlisle: How do you like the proposed trigger FTE at this point?

Representative Kempenich: We triggered these in 2007. The issue that we're going to have is we've laddered up from basically 40 or 50 and adding 30, and that's one of the things. It is something that isn't happening today.

Senator Carlisle: The trigger on the oil rigs will be another issue?

Representative Kempenich: Yes.

Senator Carlisle continued with his explanation.

Chairman Brandenburg: I think we put the $30 million tax credits in there and you guys added the $10 million in general fund.

Senator Carlisle: Yes.

Senator Carlisle continued with his explanation.

Chairman Brandenburg: I think we were at 7 or 8 for a while, and then we lowered it to 5 when we left. We can talk about it.

Senator Carlisle: The Mineral Resources is fairly complicated because of the other pipeline bill, that HB1358, and some employees; that was a pipeline issue?

Lynn Helms, Director, ND Mineral Resources: That's correct. There was one FTE, engineering technician, as a pipeline inspector included in the 7 FTE's that the House sent over. When we looked at the requirements of implementing HB1358, which has passed both bodies of the legislature now, it was a total number of 8 FTE's required to implement that progam.

Chairman Brandenburg: Are you requesting two FTE's or more?

Lynn Helms: The request as it comes from the Senate is two additional FTE's to what the House sent over, and then the contingencies.

Representative Kempenich: We'd be looking at 18 FTE's above the line and 10 below. When this was proposed on the House side, they originally had contingency employees listed and we were above the water and below the water. We took all but two of the above the water ones, and went with 16.

Lynn Helms: When you passed the 16, 15 were for DMR and one was for the water system.

Senator Carlisle: Continued with his explanation of the changes.

Chairman Brandenburg: We very much agree with that.

Senator Carlisle: There is so much to sort through. We have the mill yet to talk about.

Chairman Brandenburg: This is a big budget. I know we're going to have more meetings on this. Then we'll deal with housing and with the Mill.

Chairman Brandenburg: Closed the conference committee.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
4/17/2015
Recording Job# 26237

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachment A.

Chairman Brandenburg: Opened the conference committee on HB1014.

Representative Vigesaa: Filled in for Representative Kempenich.

Senator Carlisle: Continued with his explanation of changes to HB1014.

Chairman Brandenburg: What the House sent over was the $10 million but we had the tax credits in there. Correct?

Senator Carlisle: Right.

Senator Carlisle continued with his explanation.

Senator Heckaman: They've been at 5% on the origination fees and putting a cap on it we were reassured that they would stay under that.

Senator Carlisle continued with his explanation of changes.

Chairman Brandenburg: There's a market equity for the mill and elevator of $410,000.00.

Senator Carlisle: It's for retention and recruitment of employees. They have several employees that are going to reach the rule of 85.

Chairman Brandenburg: We're going to have to talk about that and with the profits we're thinking of going back 50/50.

Senator Holmberg: We should consider going back to just current law. I believe that would gain the general fund of $13 million.

Senator Carlisle: If I understand, we'll go back to current law and remove the cap?

Chairman Brandenburg: Yes.

Senator Carlisle continued with his explanation of changes.

Representative Vigesaa: On the core library, what number were we using?

Senator Carlisle: $13 million.

Chairman Brandenburg: We agree that that building needs to be done.

Senator Carlisle: If we made a concession on the mill; are you looking at any more money on the ALUM cycle?

Chairman Brandenburg: I haven't had a deep conversation with everyone. I think we need to discuss the ALUM cycle.

Senator Carlisle continued with his explanation.

Senator Carlisle: If the rig count goes up by 10 rigs for a month, he gets another employee. Is there a semi-proposal on the rig?

Lynn Helms, Director, ND Department of Mineral Resources: The way it's written now on the Senate side it would be one additional FTE for each increase in the rig count of 10. The rig count would have to stay above that number for one full month. It would have to exceed 110 rigs for a full month and then we would be authorized to add an FTE; beginning at 110 and running up to 200.

Chairman Brandenburg: I visited with Representative Kempenich and I think he was thinking a little higher rig count to start this out. We don't have to decide today. Our thoughts in the House that we do need to do this but maybe not at 110.

Lynn Helms: I had some discussions with folks about this today. If we have to do with less, we could stretch that to 15. If we stretch it to 15 we could maybe postpone that first contingency FTE to 140 or 150 rigs and then bring them on every 10 rigs after that. I wouldn't want to go beyond 150 for bringing that first contingency FTE back in.

Chairman Brandenburg: We're searching for the right number.

Senator Carlisle: Lynn could work with Adam and get some ideas. There would be a fiscal savings.

Lynn Helms: If we push it above 150 we would be in a position that we would have to come in front of the emergency commission in a desperate situation.

Senator Carlisle: Should we take a shot at 140?

Chairman Brandenburg: Representative Kempenich had this all planned in his mind.

Senator Heckaman: When we talked before you said 110 up to 200. Is 200 still ok as a top number for you?

Lynn Helms: We'd be very surprised under the current efficiencies to see more than 200 rigs.

Representative Vigesaa: Forecasting forward, when would 200 be hit based on your projections?

Lynn Helms: We don't expect to get to 200 this biennium. Our expectation would be to get to 170 to 180 by the end of the biennium. Once oil price hits that $65.00 number, they're going to be anxious to get back to drilling.

Representative Hogan: During your hearing we had a lot of talk about recruitment and retention of employees as being a major problem. Has that changed in the last two months?

Lynn Helms: It has significantly. With the downturn in industry there has been a lot more talent available. Recruitment has become significantly easier; retention is still an issue for us.

Representative Hogan: If you have positions and are unable to fill them, they're kind of pointless. You think you'll be able to fill the ones you have available now?

Lynn Helms: We can. If we get past the 150 I'd be really uncomfortable; because by then the industry demand is back.

Senator Carlisle recapped the changes for the Bank of North Dakota.

Chairman Brandenburg: We're going to have to talk more about the $17 million project.

Senator Carlisle: We feel very strongly about the $10 million in housing. We're not in support of the amendment Representative Kempenich handed out last night.

Lynn Helms: Explained attachment A.

Senator Carlisle: Where's the petroleum council on this?

Lynn Helms: Absolutely.

Senator Carlisle: This came out of the energy committee; that's why we have this?

Lynn Helms: This came out of House energy and natural resources because the bill was hitting snags and needed to get moved. The House concurred and Representative Porter said we could take care of this with an amendment to the industrial commission budget bill. I't s a technical correction as to where the monies will be appropriated. The petroleum council is onboard with it.

Chairman Brandenburg: The way it is now the money goes directly to the industrial commission. With this amendment it goes to oil and gas division; but the industrial commission still authorizes approval of the project. Is that what it does?

Lynn Helms: It will actually go to the oil and gas research fund; which is that continuing appropriation and the industrial commission administers that fund.

Representative Vigesaa: With the ALUM cycle fund, we reduced it on the House side from $10 million to $5 million. There are some other line items in there; there are research and project funding that they said they could use some of those funds because those are other projects that aren't being completed or they're waiting for other things to happen before they can use those funds. They can possibly use some of those line items to help with the ALUM cycle funding for the time being.

Senator Carlisle: This would be a match.

Chairman Brandenburg: Closed the conference committee.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
4/18/2015
Recording Job# 26242

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachment A

Chairman Brandenburg: Opened the conference committee on HB1014.

Representative Vigesaa: Substituted for Representative Kempenich.

Lynn Helms, Director, ND Department of Mineral Resources: See attachment A.

Chairman Brandenburg: When you get over 140 rigs, you're looking for one person and $111,000.00.

Lynn Helms: When we go up to 150 we add the second one; every ten rigs after 140 we would add a position and the salary dollars would layer in.

Chairman Brandenburg: You're jumping 15.

Lynn Helms: Yes. I added the position in at 150.

Senator Carlisle: We would be fairly comfortable with 140. If we save $1.4 million it's a positive thing.

Representative Vigesaa: I think we could agree with that on the 140.

Chairman Brandenburg: I think that's a good setup.

Senator Carlisle: The Senate feels very strongly about the $10 million general fund. We want to hold the $10 million.

Eric Hardmeyer, President, Bank of North Dakota: I don't know if you've been tracking SB2178; that is a bill that provides for school construction of $250 million. There is a buy down associated with that; where the Bank of North Dakota will provide $250 million in financing along with the $10.5 million buy down to reduce the rate from 5% down to 1%. In talking with Senator Schaible, it is their intent to change the rate from 1% to 2%. That means that the buy down we were going to provide at the request of majority leaders Carlson and Schaible will be reduced from $10.5 million to $7 million. I talked to Senator Carlisle and we would be willing to throw that $3 million back into the housing incentive fund and couple that with another $2 million to provide $5 million of the $10 million that you were looking for.

Chairman Brandenburg: You're going to free up $3 million with SB2178; going to 2% and then throw another $2 million out of the bank to get it to $5 million; so you're just looking at $5 million general fund.

Senator Carlisle: As long as Jolene gets her $10 million. If the bank president is comfortable with the $3 million; we understand that and $2 million out of the bank profits.

Senator Holmberg: The $10 million that the Senate put in the bill for housing finance would remain $10 million; but $5 million would be from the general fund and $5 million from here, and we would turn back $5 million.

Chairman Brandenburg: That's the way I'm understanding it also.

Senator Carlisle: The House would be amenable to holding the $10 million under this new scenario?

Chairman Brandenburg: We're going to have to talk more about it. We're open to all opportunities. There's an amendment that Representative Porter had dealing with the money going into the industrial commission and going to oil and gas research. We're getting that corrected?

Senator Carlisle: That's a technical amendment.

Chairman Brandenburg: We're in agreement with the language tied to HB1358. We're in agreement with the origination fees of 5%. We're in agreement with the core library, the litigation fund, the original language with the mill and elevator. We have to talk about the $410,000.00.

Senator Carlisle: It's in the operating line.

Karlene Fine, Executive Director, ND Industrial Commission: It's retention recruitment; some of the same issues you've seen in other agencies. This would be coming from the mill's operating monies; but it shows up in the bill as part of the salary line item.

Chairman Brandenburg: What exactly is it?

Karlene Fine: It's the $410,000.00 that Mr. Taylor is requesting in his budget for retention and recruitment. They're facing the issue of a number of their employees at the rule of 85; they're key employees, so we were hoping to have some funding available to work with retaining them or recruit.

Chairman Brandenburg: I understand what you're saying; but, it shows up as equity.

Senator Holmberg: Is there not a parallel here between this money and money that is going out or has been discussed going out in agency budgets on the targeted equity? The difference there is now it appears we're going to a pool for all agencies that were listed in OMB's list with the exception of DOCR which is going to have a line for targeted equity. The way this agency is constructed is different than the others so they would never have been in there under targeted.

Senator Carlisle: Are you ok with the emergency clauses? Is the committee with MEDPACE?

Chairman Brandenburg: I don't have a problem with the emergency clause.

Senator Holmberg: If we were to do the three items we talked about that impacted the bottom line in this particular budget. The rig count would reduce general fund by $1.4 million over the Senate version. On the housing incentive fund; if we went with the discussion points regarding $5 million from the bank, that would save a certain amount and going back to 50% on the mill and elevator and removing the $13 million. Adam, could you tell us where we're at?

Adam Mathiak, Fiscal Analyst, ND Legislative Council: I would have to double check on the exact amounts; but it would be an increase to the general fund. It would reduce the appropriation in these cases so there would be less of a deficit being reflected in budget status. The mill profits would result in an revenue increase and the other two items discussed would be a reduction in appropriations; because right now the Senate version of the bill is being reflected in budget status. By reducing those two appropriations and increasing the transfer there would be a gain. I don't know if the mill profits would result in a $13 million increase. When it came over from the House it was at 75%; that results in $20 million total of profits being added to the general fund; this would be less than that. Right now in budget status it would be $8 million; so somewhere between the $8 million and the $20 million, maybe around $14 million total.

Senator Holmberg: What I have is the addition of $6.4 million to the general fund and there's going to be some additional revenue to the state by this other change.

Karlene Fine: The estimate for the mill for profits for the next biennium is $29 million; so half of that if $14.5 million.

Senator Holmberg: Eight million dollars is already reflected.

Karlene Fine: So $6.5 million and then you would have the $5 million that the bank is offering and then you would have approximately $1.2 million.

Chairman Brandenburg: You have $5 million for housing, $6 million from the mill and $1.4 million in wage reduction from the rig count from the Senate version. So we're looking at about $12.5 million.

Representative Vigesaa: The House was at $5 million for the ALUM cycle; is that where the Senate was also? There had been some thought about trying to increase that.

Senator Carlisle: We're at the $5 million but we're going to meet again.

Chairman Brandenburg: One other amendment that was submitted was Representative Skarphol's; I don't think we're in favor of it.

Representative Hogan: I strongly support the ALUM cycle, but I think our housing needs are much greater. I have asked for an amendment to look at possibly triggering additional housing grants connected to the rig count if we have more money.

Senator Carlisle: What's your ballpark rig count for a trigger?

Representative Hogan: I originally thought about 175; but I'm still open to any suggestions on that. From the housing issues we heard the need for $100 million; it's a crisis and the earlier we can start housing, the better off we all are.

Chairman Brandenburg: Closed the conference committee.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
4/20/2015
Recording Job# 26256

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: "Click to enter attachment information."

Chairman Brandenburg: Opened the conference committee on HB1014.

Representative Kempenich: Did you agree with the $410,000.00 market equity?

Chairman Brandenburg: We have to pull that out of there.

Senator Carlisle: It's called retention and recruitment; it technically isn't market equity.

Chairman Brandenburg: The mill and elevator went back to the old language; 50/50. We're still talking about that $410,000.00; that's still up in the air.

Senator Carlisle: We gave up $1.4 million for the rig count. We gave up $6.5 with the mill. We gave up $5 million on the housing incentive fund; so that's $12.4 million. You haven't given up anything. We feel very strongly about the $10 million for the housing incentive and the bank building and the recruitment and retention.

Chairman Brandenburg: I hear what you're saying and that's something that leadership is talking about. Buildings are an issue this session and that's something the House is still talking about.

Representative Kempenich: You settled the profit end so let's talk some more about the market equity. On our side I didn't hear a lot about the equity of it; we heard more about the building part. We heard about hiring 12 more employees. I thought that was a union shop for the most part. Why do we have any say in the equity side of it; because isn't it a contract?

Senator Holmberg: It's not equity. It's retention and recruitment. They have employees that are approaching the rule of 85. They have a serious problem of recruitment and retention of those people. It's not classified as market equity and it is not general fund money. You're right it is a union shop but as I understood this money is more for the other folks; not the ones who are already on a union contract.

Representative Kempenich: Is that a bigger conversation?

Chairman Brandenburg: He was gone this weekend. We pulled the equity out of everything.

Representative Kempenich: Why don't we go half on it then? I think there's a profit sharing program in the mill that affects everyone up and down the line at the mill.

Senator Holmberg: What you're suggesting is that from the House's position is that you're willing to give up $200,000.00 and we've already given up $12 million on the Senate side.

Senator Carlisle: Why don't take the bill with $12.4 million that you took out of it and take it to the House side; that leaves the bank in and $10 million between the 5% and 5% for the housing incentive and see what happens?

Representative Kempenich: I was told this morning that the building is not on the table.

Senator Carlisle: There's not a lot of reason to keep going today.

Chairman Brandenburg: Closed the conference committee.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
4/23/2015
Recording Job# 26391

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: See attachment A

Chairman Brandenburg: Opened the conference committee on HB1014.

Adam Mathiak, Fiscal Analyst, ND Legislative Council: Went through the changes to HB1014 in the conference committee.

Chairman Brandenburg: That's correct. What's that amount?

Representative Kempenich: It's $13,625,322.00.

Adam Mathiak continued explaining the changes.

Senator Carlisle: Is that Representative Porter's bill?

Adam Mathiak: Yes. It was more of a technical correction related to how the funding would be transferred from the abandoned well fund.

Adam Mathiak continued explaining the changes.

Senator Carlisle: If that benchmark is reached, then the financial center is agreed to.

Adam Mathiak continued explaining his changes.

Senator Carlisle: That makes sense if it flies and the two things go in relative to the financial center; that's the intent of things.

Adam Mathiak continued explaining the changes.

Chairman Brandenburg: That's the first $5 million.

Senator Carlisle: That's working with the bank.

Adam Mathiak continued explaining the changes.

Senator Carlisle: I thought that's the one with the 12,500 population?

Representative Kempenich: The conversation this morning was that this HIF money started out aimed at rural areas. We're going to cap off the second $5 million at a population of 12,500. The $30 million would be open to any entity in the state.

Senator Carlisle: My understanding is that the new money, the $5 million, there would be a 12,500 population cap on it.

Representative Hogan: That's very concerning to me because as we heard from the housing people in Jamestown and Valley City, we have a desperate shortage in Fargo and in the west. This is going to have a significant impact and I'm concerned about the limitation on the first $5 million.

Chairman Brandenburg: The $30 million in tax credits can go where ever they want. The other money was discussed about having some sort of a cap so it isn't gone in the first money or two.

Representative Hogan: I can understand wanting a distribution plan but to total exclude any community over 12,000 from the direct grants side; often times it's a mix and they need some hard amount of dollars. I think you're excluding a large number of communities with significant housing problems.

Senator Carlisle: That would be on the first $5 million is at 12,500. What about on the second?

Representative Kempenich: We're at zero on this and the conversation turned into if we want to do this at all.

Representative Hogan: The housing is very different today than it was four years ago and even two years ago.

Senator Holmberg: My impression was that the first $5 million that is there right now, it would be available to everyone; and the second $5 million would be targeted towards the 12,500 which would allow cities who were left behind to have some funds.

Adam Mathiak continued explaining the changes.

Representative Hogan: See attachment A.

Senator Holmberg: I like the idea; but I have been in many meetings where this budget was more contentious then the water commission. My fear is that it's a house of cards that's built and if we add even one more card to it I think it might be crumple.

Chairman Brandenburg: We're happy and this might make it unhappy.

Representative Hogan: I wanted it on the record because I strongly believed that this is a major challenge in the state of North Dakota.

Senator Heckaman: I like this amendment but I understand also where we would go if we put this on. If she would move it, I would second it if she would want a vote.

Representative Hogan: I have a sense of the committee and I won't move it.

Chairman Brandenburg: Closed the conference committee.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1014
4/24/2015
Recording Job# 26406

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature Sheryl Lewis

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

Minutes: "Click to enter attachment information."

Chairman Brandenburg: Opened the conference committee on HB1014.

Senator Bowman: Substituted for Senator Holmberg.

Senator Carlisle: Made a motion to move amendment 15.8122.02007.

Senator Bowman: Seconded the motion.

Senator Carlisle: Everyone has looked it over and we're satisfied.

Roll Call Vote: 6 Yeas 0 Nays 0 Absent

Chairman Brandenburg: Closed the conference meeting.

1 of 10
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4/28/15

15.8122.02009
Title.04000
Fiscal No. 1

Prepared by the Legislative Council staff for
Conference Committee
April 24, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

That the Senate recede from its amendments as printed on pages 1507-1514 of the House Journal and pages 1294-1302 of the Senate Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, line 3, after the first semicolon insert "to provide a contingent appropriation;"

Page 1, line 3, replace "to provide legislative intent;" with "to create and enact a new section to chapter 6-09, of the North Dakota Century Code, relating to a North Dakota financial center;"

Page 1, line 5, replace "and" with a comma

Page 1, line 5, after "Laws" insert ", and section 9 of House Bill No. 1358, as approved by the sixty-fourth legislative assembly"

Page 1, line 6, remove the first "and"

Page 1, line 6, after "program" insert ", and a transfer from the abandoned oil and gas well plugging and site reclamation fund"

Page 1, line 6, replace the second "and" with "to provide exemptions; to provide legislative intent; to provide for transfers; to provide for contingent transfers; to provide for a report to the legislative council; to provide for reports to legislative management and appropriations committees; to provide a contingent effective date;"

Page 1, line 7, after "date" insert "; and to declare an emergency"

Page 1, remove lines 19 through 24

Page 2, replace lines 1 through 3 with:

"Salaries and wages	$17,873,876	$5,041,695	$22,915,571
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	4,187,144	8,962,720
Capital assets	0	13,666,822	13,666,822
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	$3,278,825	$65,585,942
Less estimated income	40,973,792	(10,354,023)	30,619,769
Total general fund	$21,333,325	$13,632,848	$34,966,173
Full-time equivalent positions	98.75	23.00	121.75"

Page 2, replace lines 8 through 11 with:

"Bank of North Dakota operations	$51,523,916	$7,018,385	$58,542,301
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	17,000,000	17,745,000
Total special funds	$53,150,147	$23,137,154	$76,287,301"

Page 2, replace line 17 with:

"Salaries and wages	$29,141,750	$7,137,148	$36,278,898"

Page 2, replace line 22 with:

"Total from mill and elevator fund	$52,123,557	$12,192,341	$64,315,898"

Page 2, replace line 28 with:

"Salaries and wages	$7,434,877	$310,157	$7,745,034"

Page 3, replace line 2 with:

"Total special funds	$41,007,491	($3,487,402)	$37,520,089"

Page 3, replace lines 8 through 10 with:

"Grand total general fund	$21,333,325	$13,632,848	$34,966,173
Grand total special funds	187,254,987	31,488,070	218,743,057
Grand total all funds	$208,588,312	$45,120,918	$253,709,230"

Page 3, replace line 17 with:

"Possible litigation		1,000,000	2,500,000"

Page 3, after line 26, insert:

"Financial center project		0	17,000,000
Core library expansion project		0	13,625,322"

Page 3, remove line 30

Page 4, replace lines 1 and 2 with:

"Total all funds		$68,060,800	$38,745,965
Total special fund		51,500,000	30,625,322
Total general fund		$16,560,800	$8,120,643"

Page 5, after line 9, insert:

"SECTION 7. TRANSFER - BANK OF NORTH DAKOTA - HOUSING INCENTIVE FUND. The Bank of North Dakota shall transfer the sum of $5,000,000 from the Bank's current earnings and undivided profits to the housing incentive fund for the period beginning with the effective date of this Act, and ending June 30, 2017.

SECTION 8. CONTINGENT TRANSFER - BANK OF NORTH DAKOTA - HOUSING INCENTIVE FUND. The Bank of North Dakota shall transfer the sum of $5,000,000 from the Bank's current earnings and undivided profits to the housing incentive fund for the period beginning July 1, 2015, and ending June 30, 2017, if the Bank's net income, reported in accordance with financial accounting standards board accounting standards, for the calendar year 2015 exceeds $130,000,000. The funding provided in this section may be used only for housing incentive fund awards in cities with a population of fewer than 12,500 according to the last official decennial federal census."

Page 5, remove lines 30 and 31

Page 6, replace lines 1 through 5 with:

"SECTION 13. BANK OF NORTH DAKOTA - MEDICAL PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION PROGRAM. The Bank of North Dakota shall

develop a medical partnership in assisting community expansion program to assist in the financing of critical access hospital medical infrastructure projects, for the period beginning with the effective date of this Act, and ending June 30, 2017. The Bank shall adopt policies and procedures to implement this program. Notwithstanding section 6-09.14-03, the Bank may originate loans under this program or participate with a lead financial institution. Eligible projects that receive funding for an interest rate buydown under this program are not subject to the community commitment requirement in section 6-09.14-03, the maximum interest rate buydown limitation in subsection 4 of section 6-09.14-04, or the state grantor recipient reporting requirement in section 54-60.1-05."

Page 6, after line 21, insert:

"**SECTION 15. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING.** The amount of $556,260 from the general fund and five full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with provisions of this section if the monthly average drilling rig count exceeds one hundred forty drilling rigs. The industrial commission shall notify the office of management and budget and the legislative council each time one or more full-time equivalent positions is authorized to be hired. For purposes of this section, the "monthly average drilling rig count" means the number, rounded to the nearest whole number, calculated by dividing the sum of the daily drilling rig counts for a calendar month by the number of days in the month. Of the $556,260 and the five full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. $166,878, of which $126,072 is from the salaries and wages line item and $40,806 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds one hundred forty drilling rigs.

2. In addition to the funding and full-time equivalent positions authorized in subsection 1, $139,065, of which $105,060 is from the salaries and wages line item and $34,005 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds one hundred fifty-five drilling rigs.

3. In addition to the funding and full-time equivalent positions authorized in subsections 1 and 2, $111,252, of which $84,048 is from the salaries and wages line item and $27,204 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds one hundred seventy drilling rigs.

4. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 3, $83,439, of which $63,036 is from the salaries and wages line item and $20,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds one hundred eighty-five drilling rigs.

5. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 4, $55,626, of which $42,024 is from the salaries and wages line item and $13,602 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds two hundred drilling rigs.

SECTION 16. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

North Dakota financial center - Lease rates - Payments in lieu of taxes.

The North Dakota financial center is a building that is owned by the Bank of North Dakota and is adjacent to the building in which the Bank of North Dakota is housed. The Bank of North Dakota shall lease the space in the North Dakota financial center to other state agencies based on market rate lease prices. The Bank of North Dakota shall make payments in lieu of property taxes in the manner and according to the conditions and procedures that would apply if the building were privately owned."

Page 7, line 2, after the period insert "The origination fee assessed to grant recipients may not exceed five percent of the project award."

Page 10, replace lines 8 through 13 with:

"**SECTION 22. AMENDMENT.** Section 9 of House Bill No. 1358, as approved by the sixty-fourth legislative assembly, is amended and reenacted as follows:

SECTION 9. ~~APPROPRIATION~~TRANSFER - ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND TO THE OIL AND GAS RESEARCH FUND - INDUSTRIAL COMMISSION. ~~Notwithstanding section 38-08-04.5, there is appropriated out of any moneys in the abandoned oil and gas well plugging site and reclamation fund in the state treasury, not otherwise appropriated,~~The office of management and budget shall transfer the sum of $500,000, or so much of the sum as may be necessary, ~~to the industrial commission~~from the abandoned oil and gas well plugging and site reclamation fund to the oil and gas research fund, for the biennium beginning July 1, 2015, and ending June 30, 2017. The office of management and budget shall transfer the funds provided under this section at the request of the industrial commission. The industrial commission shall use the funding provided under this section for the purpose of conducting a pilot program ~~involving the oil and gas research council~~ in conjunction with research facilities in this state to determine the best techniques for remediating salt and any other contamination from the soil surrounding waste pits reclaimed by trenching between 1951 and 1984 in the north central portion of this state~~, for the biennium beginning July 1, 2015, and ending June 30, 2017~~. The industrial commission may not require a research facility to provide matching funds to participate in the program authorized under this section.

SECTION 23. HOUSING FINANCE AGENCY - FLOOD-IMPACTED HOUSING ASSISTANCE - EXEMPTION. The amount appropriated for flood-impacted housing assistance in section 4 of chapter 16 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 24. INDUSTRIAL COMMISSION - POSSIBLE FEDERAL AGENCY LITIGATION - EXEMPTION. The amount appropriated for possible federal agency litigation in subdivision 1 of section 1 of chapter 45 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 25. INDUSTRIAL COMMISSION - CORE LIBRARY EXPANSION PROJECT - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The capital assets line item in subdivision 1 of section 1 of this Act includes $13,625,322 from the strategic investment and improvements fund for the purpose of expanding the core library. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The industrial commission shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the core library project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 26. CONTINGENT FUNDING - BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The Bank may spend the funding only if the Bank's net income, reported in accordance with financial accounting standards board accounting standards, for calendar year 2015 exceeds $125,000,000. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 27. CONTINGENT EFFECTIVE DATE. Section 16 of this Act is effective only if the Bank of North Dakota's net income, reported in accordance with financial accounting standards board accounting standards, for calendar year 2015 exceeds $125,000,000.

SECTION 28. EMERGENCY. The amount of $13,625,322 from the strategic investment and improvements fund in the capital assets line item in subdivision 1 of section 1 of this Act for the core library expansion project and sections 7 and 13 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Industrial Commission						
Total all funds	$62,307,117	$48,588,205	$16,997,737	$65,585,942	$67,254,762	($1,668,820)
Less estimated income	40,973,792	16,999,407	13,620,362	30,619,769	16,994,447	13,625,322
General fund	$21,333,325	$31,588,798	$3,377,375	$34,966,173	$50,260,315	($15,294,142)
Bank of North Dakota						
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301	$76,287,301	$0
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301	76,287,301	0
General fund	$0	$0	$0	$0	$0	$0
Housing Finance Agency						

Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089	$47,520,089	$0
Less estimated income	41,007,491	37,553,592	9,966,497	47,520,089	37,520,089	10,000,000
General fund	$0	$0	$0	$0	$10,000,000	($10,000,000)
Mill and Elevator						
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898	$64,315,898	$0
Less estimated income	52,123,557	64,016,571	299,327	64,315,898	64,315,898	0
General fund	$0	$0	$0	$0	$0	$0
Bill total						
Total all funds	$208,588,312	$209,584,199	$44,125,031	$253,709,230	$255,378,050	($1,668,820)
Less estimated income	187,254,987	177,995,401	40,747,656	218,743,057	195,117,735	23,625,322
General fund	$21,333,325	$31,588,798	$3,377,375	$34,966,173	$60,260,315	($25,294,142)

House Bill No. 1014 - Industrial Commission - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$17,873,876	$22,218,954	$696,617	$22,915,571	$24,176,381	($1,260,810)
Operating expenses	4,775,576	6,328,422	2,634,298	8,962,720	9,370,730	(408,010)
Capital assets			13,666,822	13,666,822	13,666,822	
Grants	19,500,000	5,000,000		5,000,000	5,000,000	
Grants - bond payments	19,809,969	15,040,829		15,040,829	15,040,829	
Accrued leave payments	347,696					
Total all funds	$62,307,117	$48,588,205	$16,997,737	$65,585,942	$67,254,762	($1,668,820)
Less estimated income	40,973,792	16,999,407	13,620,362	30,619,769	16,994,447	13,625,322
General fund	$21,333,325	$31,588,798	$3,377,375	$34,966,173	$50,260,315	($15,294,142)
FTE	98.75	114.75	7.00	121.75	126.75	(5.00)

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for FTE Positions[2]	Adds Funding for Contingent FTE Positions[3]	Adds Funding for Increased Core Library Operating Expenses[4]	Adds One-Time Funding for Possible Litigation[5]	Adds One-Time Funding for Core Library Expansion Project[6]
Salaries and wages	($84,323)	$360,700	$420,240			
Operating expenses		19,278	136,020	20,500	2,500,000	
Capital assets						13,625,322
Grants						
Grants - bond payments						
Accrued leave payments						
Total all funds	($84,323)	$379,978	$556,260	$20,500	$2,500,000	$13,625,322
Less estimated income	(4,960)	0	0	0	0	13,625,322
General fund	($79,363)	$379,978	$556,260	$20,500	$2,500,000	$0
FTE	0.00	2.00	5.00	0.00	0.00	0.00

	Corrects Funding for ATV's and Trailers[7]	Total Conference Committee Changes
Salaries and wages		$696,617
Operating expenses	(41,500)	2,634,298
Capital assets	41,500	13,666,822
Grants		
Grants - bond payments		
Accrued leave payments		
Total all funds	$0	$16,997,737
Less estimated income	0	13,620,362
General fund	$0	$3,377,375

FTE	0.00	7.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] The following funding from the general fund and FTE positions are added:

	FTE Positions	Salaries and Wages	Operating Expenses	Total General Fund
Pipeline regulatory supervisor position	1.00	$230,700	$9,639	$240,339
Administrative assistant position	1.00	130,000	9,639	139,639
Total	2.00	$360,700	$19,278	$379,978

Reengrossed House Bill No. 1358 provides for a pipeline regulatory program. Of the funding from the general fund and the FTE positions included in this amendment, the Industrial Commission anticipates using the following for the implementation of a pipeline regulatory program:

	FTE Positions	Total General Fund
Engineering technician position (Included in House version)	4.00	$864,683
Reclamation specialist position (Included in House version)	1.00	230,911
Pipeline engineering technician position (Included in House version)	1.00	162,018
Pipeline regulatory supervisor position (added by Senate and shown above)	1.00	240,339
Administrative assistant (added by Senate and shown above)	1.00	139,639
Total	8.00	$1,637,590

The conference committee version reflects the same changes included in the Senate version. The House version did not include funding for the pipeline regulatory supervisor position and administrative assistant position.

[3] Funding is added for 5 petroleum engineering contingency FTE positions. One position is added for every 15 drilling rigs when the monthly average drilling rig count exceeds 140 drilling rigs as identified in Section 15 of the bill. Each additional position includes a decreasing amount of funding for salaries and operating expenses since subsequent positions are anticipated to be added later in the biennium than the previous position. The Senate version included 10 contingency FTE positions and $2,225,080 of funding from the general fund. The House version did not include any contingency FTE positions.

[4] This amendment adds funding for increased operating expenses related to the core library expansion project, which is the same as the Senate version. The House version did not include this funding.

[5] One-time funding is added for possible litigation costs related to hydraulic fracturing and other regulatory disputes, which is the same as the Senate version. The House version removed funding for possible litigation costs.

[6] One-time funding from the strategic investment and improvements fund is added for a core library expansion project. The Senate version included funding from the general fund, the House version did not include funding.

[7] This amendment changes the funding for ATV's and trailers from the operating expenses line item to the capital assets line item. Both the House and the Senate versions included funding for ATV's and trailers.

This amendment also:

- Adds a section to identify the criteria for the 5 petroleum engineering contingency FTE positions. The Senate version also included criteria for contingency FTE positions, but the House version

did not include any contingency FTE positions.

- Adds a section to provide technical corrections to Engrossed House Bill No. 1358 related to a transfer from the abandoned oil and gas well plugging and site reclamation fund. The House and Senate versions did not include this section.
- Provides an exemption for 2013-15 biennium litigation funding from the general fund, which is the same as the Senate version. The House version did not provide an exemption.
- Provides an emergency clause for the core library expansion project funding, requires the Industrial Commission to report to the Legislative Management on the progress of the project, and provides carryover authority for the funding into the 2017-19 biennium. The Senate version included these changes, but the House version did not.

House Bill No. 1014 - Bank of North Dakota - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Capital assets	$745,000	$745,000	$17,000,000	$17,745,000	$17,745,000	
Bank of North Dakota operations	51,523,916	58,680,831	(138,530)	58,542,301	58,542,301	
Accrued leave payments	881,231					
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301	$76,287,301	$0
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301	76,287,301	0
General fund	$0	$0	$0	$0	$0	$0
FTE	179.50	181.50	0.00	181.50	181.50	0.00

Department No. 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Contingent Funding For Financial Center Project[2]	Total Conference Committee Changes
Capital assets		$17,000,000	$17,000,000
Bank of North Dakota operations	(138,530)		(138,530)
Accrued leave payments			
Total all funds	($138,530)	$17,000,000	$16,861,470
Less estimated income	(138,530)	17,000,000	16,861,470
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] One-time funding from the Bank of North Dakota's assets is added for a financial center construction project contingent upon the Bank's profits exceeding $125 million in calendar year 2015. The Senate version included $17 million for the project without a contingency. The House version did not include funding for a financial center construction project.

This amendment also:

- Provides for a medical partnership in assisting community expansion program to provide interest rate buydowns for medical infrastructure loans for the 2015-17 biennium and provides an

emergency clause for the program, which is the same as the Senate version. The House version did not include a medical partnership in assisting community expansion program.

- Requires the Bank of North Dakota to make payments in lieu of property taxes on a financial center building constructed on the Bank's property. The Senate version included this requirement, the House version did not include a financial center building project.
- Provides an exemption for funding for the construction of a financial center and requires the Industrial Commission to report to the Legislative Management on the progress of the project, which is the same as the Senate version. The House version did not include an exemption or report.

House Bill No. 1014 - Housing Finance Agency - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$7,434,877	$7,778,537	($33,503)	$7,745,034	$7,745,034	
Operating expenses	3,791,758	3,744,275		3,744,275	3,744,275	
Grants	29,533,050	25,930,780		25,930,780	25,930,780	
HFA contingencies	100,000	100,000		100,000	100,000	
Accrued leave payments	147,806					
Housing incentive fund			10,000,000	10,000,000	10,000,000	
Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089	$47,520,089	$0
Less estimated income	41,007,491	37,553,592	9,966,497	47,520,089	37,520,089	10,000,000
General fund	$0	$0	$0	$0	$10,000,000	($10,000,000)
FTE	46.00	46.00	0.00	46.00	46.00	0.00

Department No. 473 - Housing Finance Agency - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Transfers to Housing Incentive Fund[2]	Total Conference Committee Changes
Salaries and wages	($33,503)		($33,503)
Operating expenses			
Grants			
HFA contingencies			
Accrued leave payments			
Housing incentive fund		10,000,000	10,000,000
Total all funds	($33,503)	$10,000,000	$9,966,497
Less estimated income	(33,503)	10,000,000	9,966,497
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] Adds a section to provide for a transfer of $5 million from Bank of North Dakota profits to the housing incentive fund and provides an emergency clause for the transfer. In addition, adds a contingent transfer of $5 million from Bank profits to the housing incentive fund if the the Bank's profits for calender year 2015 exceed $130 million. The Senate version included a transfer of $10 million from the general fund, but the House version did not include a transfer to the housing incentive fund.

This amendment provides an exemption for 2013-15 biennium flood-impacted housing assistance funding from the state disaster relief fund. The Senate version also included this exemption, but the

House version did not provide an exemption.

House Bill No. 1014 - Mill and Elevator - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$29,141,750	$35,979,571	$299,327	$36,278,898	$36,278,898	
Operating expenses	21,796,000	27,327,000		27,327,000	27,327,000	
Contingencies	400,000	500,000		500,000	500,000	
Agriculture promotion	210,000	210,000		210,000	210,000	
Accrued leave payments	575,807					
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898	$64,315,898	$0
Less estimated income	52,123,557	64,016,571	299,327	64,315,898	64,315,898	0
General fund	$0	$0	$0	$0	$0	$0
FTE	135.00	147.00	0.00	147.00	147.00	0.00

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for Recruitment and Retention Bonuses[2]	Total Conference Committee Changes
Salaries and wages	($110,673)	$410,000	$299,327
Operating expenses			
Contingencies			
Agriculture promotion			
Accrued leave payments			
Total all funds	($110,673)	$410,000	$299,327
Less estimated income	(110,673)	410,000	299,327
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] Funding is added for recruitment and retention bonuses, which is the same as the Senate version. The House version did not include recruitment and retention bonuses.

This amendment also provides for a transfer of 50 percent of Mill and Elevator profits to the general fund for the 2015-17 biennium ($13,775,000), which is the same as current law. The House version provided for a transfer of 75 percent of the Mill and Elevator's profits without any limitation for the 2015-17 biennium ($20,662,500). The Senate version provided for a transfer of 50 percent of the Mill and Elevator's profits limited to a certain amount ($8,000,000).

Date: 4/16/2015
Roll Call Vote #:

2015 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. HB1014 as (re) engrossed

House Government Operations Committee

Action Taken

☐ **HOUSE accede to Senate Amendments**
☐ **HOUSE accede to Senate Amendments and further amend**
☐ **SENATE recede from Senate amendments**
☐ **SENATE recede from Senate amendments and amend as follows**

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: _____ Seconded by: _____

Representatives	4-16	4-17	4-18	Yes	No		Senators	4-16	4-17	4-18	Yes	No
Mike Brandenburg	x	x	x				Ron Carlisle	x	x	x		
Keith Kempenich	x						Ray Holmberg	x	x	x		
Kathy Hogan	x	x	x				Joan Heckaman	x	x	x		
Don Vigesaa		x	x									
Total Rep. Vote							Total Senate Vote					

Vote Count Yes: _____ No: _____ Absent: _____

House Carrier _____ Senate Carrier _____

LC Number _____ . _____ of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: 4/24/2015
Roll Call Vote #:

2015 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. HB1014 as (re) engrossed

House Government Operations Committee

Action Taken
- ☐ **HOUSE accede to Senate Amendments**
- ☐ **HOUSE accede to Senate Amendments and further amend**
- ☐ **SENATE recede from Senate amendments**
- ☒ **SENATE recede from Senate amendments and amend as follows**

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Carlisle Seconded by: Senator Bowman

Representatives	4-20	4-23	4-24	Yes	No		Senators	4-20	4-23	4-24	Yes	No
Mike Brandenburg	x	X	X	X			Ron Carlisle	x	X	X	X	
Keith Kempenich	x	X	X	X			Ray Holmberg		X			
Kathy Hogan	x	X	x	X			Joan Heckaman	x	x	X	X	
							Bill Bowman	x		X	X	
Total Rep. Vote				3			Total Senate Vote				3	

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier _____ Senate Carrier _____

LC Number 15.8122 . 02009 of amendment

LC Number 4000 . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

REPORT OF CONFERENCE COMMITTEE

HB 1014, as engrossed: Your conference committee (Sens. Carlisle, Heckaman, Bowman and Reps. Brandenburg, Kempenich, Hogan) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1507-1514, adopt amendments as follows, and place HB 1014 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1507-1514 of the House Journal and pages 1294-1302 of the Senate Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, line 3, after the first semicolon insert "to provide a contingent appropriation;"

Page 1, line 3, replace "to provide legislative intent;" with "to create and enact a new section to chapter 6-09, of the North Dakota Century Code, relating to a North Dakota financial center;"

Page 1, line 5, replace "and" with a comma

Page 1, line 5, after "Laws" insert ", and section 9 of House Bill No. 1358, as approved by the sixty-fourth legislative assembly"

Page 1, line 6, remove the first "and"

Page 1, line 6, after "program" insert ", and a transfer from the abandoned oil and gas well plugging and site reclamation fund"

Page 1, line 6, replace the second "and" with "to provide exemptions; to provide legislative intent; to provide for transfers; to provide for contingent transfers; to provide for a report to the legislative council; to provide for reports to legislative management and appropriations committees; to provide a contingent effective date;"

Page 1, line 7, after "date" insert "; and to declare an emergency"

Page 1, remove lines 19 through 24

Page 2, replace lines 1 through 3 with:

"Salaries and wages	$17,873,876	$5,041,695	$22,915,571
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	4,187,144	8,962,720
Capital assets	0	13,666,822	13,666,822
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	$3,278,825	$65,585,942
Less estimated income	40,973,792	(10,354,023)	30,619,769
Total general fund	$21,333,325	$13,632,848	$34,966,173
Full-time equivalent positions	98.75	23.00	121.75"

Page 2, replace lines 8 through 11 with:

"Bank of North Dakota operations	$51,523,916	$7,018,385	$58,542,301
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	17,000,000	17,745,000
Total special funds	$53,150,147	$23,137,154	$76,287,301"

Page 2, replace line 17 with:

"Salaries and wages	$29,141,750	$7,137,148	$36,278,898"

Page 2, replace line 22 with:

"Total from mill and elevator fund	$52,123,557	$12,192,341	$64,315,898"

Page 2, replace line 28 with:

"Salaries and wages	$7,434,877	$310,157	$7,745,034"

Page 3, replace line 2 with:

"Total special funds	$41,007,491	($3,487,402)	$37,520,089"

Page 3, replace lines 8 through 10 with:

"Grand total general fund	$21,333,325	$13,632,848	$34,966,173
Grand total special funds	187,254,987	31,488,070	218,743,057
Grand total all funds	$208,588,312	$45,120,918	$253,709,230"

Page 3, replace line 17 with:

"Possible litigation		1,000,000	2,500,000"

Page 3, after line 26, insert:

"Financial center project		0	17,000,000
Core library expansion project		0	13,625,322"

Page 3, remove line 30

Page 4, replace lines 1 and 2 with:

"Total all funds		$68,060,800	$38,745,965
Total special fund		51,500,000	30,625,322
Total general fund		$16,560,800	$8,120,643"

Page 5, after line 9, insert:

"**SECTION 7. TRANSFER - BANK OF NORTH DAKOTA - HOUSING INCENTIVE FUND.** The Bank of North Dakota shall transfer the sum of $5,000,000 from the Bank's current earnings and undivided profits to the housing incentive fund for the period beginning with the effective date of this Act, and ending June 30, 2017.

SECTION 8. CONTINGENT TRANSFER - BANK OF NORTH DAKOTA - HOUSING INCENTIVE FUND. The Bank of North Dakota shall transfer the sum of $5,000,000 from the Bank's current earnings and undivided profits to the housing incentive fund for the period beginning July 1, 2015, and ending June 30, 2017, if the Bank's net income, reported in accordance with financial accounting standards board accounting standards, for the calendar year 2015 exceeds $130,000,000. The funding provided in this section may be used only for housing incentive fund awards in cities with a population of fewer than 12,500 according to the last official decennial federal census."

Page 5, remove lines 30 and 31

Page 6, replace lines 1 through 5 with:

"**SECTION 13. BANK OF NORTH DAKOTA - MEDICAL PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION PROGRAM.** The Bank of North Dakota shall develop a medical partnership in assisting community expansion program to assist in the financing of critical access hospital medical infrastructure projects, for the period beginning with the effective date of this Act, and ending June 30, 2017. The Bank shall adopt policies and procedures to implement this program. Notwithstanding section 6-09.14-03, the Bank may originate loans under this

program or participate with a lead financial institution. Eligible projects that receive funding for an interest rate buydown under this program are not subject to the community commitment requirement in section 6-09.14-03, the maximum interest rate buydown limitation in subsection 4 of section 6-09.14-04, or the state grantor recipient reporting requirement in section 54-60.1-05."

Page 6, after line 21, insert:

"**SECTION 15. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING.** The amount of $556,260 from the general fund and five full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only in accordance with provisions of this section if the monthly average drilling rig count exceeds one hundred forty drilling rigs. The industrial commission shall notify the office of management and budget and the legislative council each time one or more full-time equivalent positions is authorized to be hired. For purposes of this section, the "monthly average drilling rig count" means the number, rounded to the nearest whole number, calculated by dividing the sum of the daily drilling rig counts for a calendar month by the number of days in the month. Of the $556,260 and the five full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. $166,878, of which $126,072 is from the salaries and wages line item and $40,806 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds one hundred forty drilling rigs.

2. In addition to the funding and full-time equivalent positions authorized in subsection 1, $139,065, of which $105,060 is from the salaries and wages line item and $34,005 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds one hundred fifty-five drilling rigs.

3. In addition to the funding and full-time equivalent positions authorized in subsections 1 and 2, $111,252, of which $84,048 is from the salaries and wages line item and $27,204 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds one hundred seventy drilling rigs.

4. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 3, $83,439, of which $63,036 is from the salaries and wages line item and $20,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds one hundred eighty-five drilling rigs.

5. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 4, $55,626, of which $42,024 is from the salaries and wages line item and $13,602 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds two hundred drilling rigs.

SECTION 16. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

North Dakota financial center - Lease rates - Payments in lieu of taxes.

The North Dakota financial center is a building that is owned by the Bank of North Dakota and is adjacent to the building in which the Bank of North Dakota is housed. The Bank of North Dakota shall lease the space in the North Dakota financial center to other state agencies based on market rate lease prices. The Bank of North Dakota shall make payments in lieu of property taxes in the manner and

according to the conditions and procedures that would apply if the building were privately owned."

Page 7, line 2, after the period insert "The origination fee assessed to grant recipients may not exceed five percent of the project award."

Page 10, replace lines 8 through 13 with:

"**SECTION 22. AMENDMENT.** Section 9 of House Bill No. 1358, as approved by the sixty-fourth legislative assembly, is amended and reenacted as follows:

SECTION 9. ~~APPROPRIATION~~TRANSFER - ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND TO THE OIL AND GAS RESEARCH FUND - INDUSTRIAL COMMISSION. ~~Notwithstanding section 38-08-04.5, there is appropriated out of any moneys in the abandoned oil and gas well plugging site and reclamation fund in the state treasury, not otherwise appropriated,~~The office of management and budget shall transfer the sum of $500,000, or so much of the sum as may be necessary, ~~to the industrial commission~~from the abandoned oil and gas well plugging and site reclamation fund to the oil and gas research fund, for the biennium beginning July 1, 2015, and ending June 30, 2017. The office of management and budget shall transfer the funds provided under this section at the request of the industrial commission. The industrial commission shall use the funding provided under this section for the purpose of conducting a pilot program ~~involving the oil and gas research council~~ in conjunction with research facilities in this state to determine the best techniques for remediating salt and any other contamination from the soil surrounding waste pits reclaimed by trenching between 1951 and 1984 in the north central portion of this state~~, for the biennium beginning July 1, 2015, and ending June 30, 2017~~. The industrial commission may not require a research facility to provide matching funds to participate in the program authorized under this section.

SECTION 23. HOUSING FINANCE AGENCY - FLOOD-IMPACTED HOUSING ASSISTANCE - EXEMPTION. The amount appropriated for flood-impacted housing assistance in section 4 of chapter 16 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 24. INDUSTRIAL COMMISSION - POSSIBLE FEDERAL AGENCY LITIGATION - EXEMPTION. The amount appropriated for possible federal agency litigation in subdivision 1 of section 1 of chapter 45 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 25. INDUSTRIAL COMMISSION - CORE LIBRARY EXPANSION PROJECT - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The capital assets line item in subdivision 1 of section 1 of this Act includes $13,625,322 from the strategic investment and improvements fund for the purpose of expanding the core library. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The industrial commission shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the core library project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 26. CONTINGENT FUNDING - BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The Bank may spend the funding only if the Bank's net income, reported in accordance with financial accounting standards board accounting standards, for calendar year 2015 exceeds $125,000,000. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 27. CONTINGENT EFFECTIVE DATE. Section 16 of this Act is effective only if the Bank of North Dakota's net income, reported in accordance with financial accounting standards board accounting standards, for calendar year 2015 exceeds $125,000,000.

SECTION 28. EMERGENCY. The amount of $13,625,322 from the strategic investment and improvements fund in the capital assets line item in subdivision 1 of section 1 of this Act for the core library expansion project and sections 7 and 13 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Industrial Commission						
Total all funds	$62,307,117	$48,588,205	$16,997,737	$65,585,942	$67,254,762	($1,668,820)
Less estimated income	40,973,792	16,999,407	13,620,362	30,619,769	16,994,447	13,625,322
General fund	$21,333,325	$31,588,798	$3,377,375	$34,966,173	$50,260,315	($15,294,142)
Bank of North Dakota						
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301	$76,287,301	$0
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301	76,287,301	0
General fund	$0	$0	$0	$0	$0	$0
Housing Finance Agency						
Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089	$47,520,089	$0
Less estimated income	41,007,491	37,553,592	9,966,497	47,520,089	37,520,089	10,000,000
General fund	$0	$0	$0	$0	$10,000,000	($10,000,000)
Mill and Elevator						
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898	$64,315,898	$0
Less estimated income	52,123,557	64,016,571	299,327	64,315,898	64,315,898	0
General fund	$0	$0	$0	$0	$0	$0
Bill total						
Total all funds	$208,588,312	$209,584,199	$44,125,031	$253,709,230	$255,378,050	($1,668,820)
Less estimated income	187,254,987	177,995,401	40,747,656	218,743,057	195,117,735	23,625,322
General fund	$21,333,325	$31,588,798	$3,377,375	$34,966,173	$60,260,315	($25,294,142)

House Bill No. 1014 - Industrial Commission - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$17,873,876	$22,218,954	$696,617	$22,915,571	$24,176,381	($1,260,810)
Operating expenses	4,775,576	6,328,422	2,634,298	8,962,720	9,370,730	(408,010)

Capital assets			13,666,822	13,666,822	13,666,822	
Grants	19,500,000	5,000,000		5,000,000	5,000,000	
Grants - bond payments	19,809,969	15,040,829		15,040,829	15,040,829	
Accrued leave payments	347,696					
Total all funds	$62,307,117	$48,588,205	$16,997,737	$65,585,942	$67,254,762	($1,668,820)
Less estimated income	40,973,792	16,999,407	13,620,362	30,619,769	16,994,447	13,625,322
General fund	$21,333,325	$31,588,798	$3,377,375	$34,966,173	$50,260,315	($15,294,142)
FTE	98.75	114.75	7.00	121.75	126.75	(5.00)

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for FTE Positions[2]	Adds Funding for Contingent FTE Positions[3]	Adds Funding for Increased Core Library Operating Expenses[4]	Adds One-Time Funding for Possible Litigation[5]	Adds One-Time Funding for Core Library Expansion Project[6]
Salaries and wages	($84,323)	$360,700	$420,240			
Operating expenses		19,278	136,020	20,500	2,500,000	
Capital assets						13,625,322
Grants						
Grants - bond payments						
Accrued leave payments						
Total all funds	($84,323)	$379,978	$556,260	$20,500	$2,500,000	$13,625,322
Less estimated income	(4,960)	0	0	0	0	13,625,322
General fund	($79,363)	$379,978	$556,260	$20,500	$2,500,000	$0
FTE	0.00	2.00	5.00	0.00	0.00	0.00

	Corrects Funding for ATV's and Trailers[7]	Total Conference Committee Changes
Salaries and wages		$696,617
Operating expenses	(41,500)	2,634,298
Capital assets	41,500	13,666,822
Grants		
Grants - bond payments		
Accrued leave payments		
Total all funds	$0	$16,997,737
Less estimated income	0	13,620,362
General fund	$0	$3,377,375
FTE	0.00	7.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] The following funding from the general fund and FTE positions are added:

	FTE Positions	Salaries and Wages	Operating Expenses	Total General Fund
Pipeline regulatory supervisor position	1.00	$230,700	$9,639	$240,339
Administrative assistant position	1.00	130,000	9,639	139,639
Total	2.00	$360,700	$19,278	$379,978

Reengrossed House Bill No. 1358 provides for a pipeline regulatory program. Of the funding from the general fund and the FTE positions included in this amendment, the Industrial Commission anticipates using the following for the implementation of a pipeline regulatory program:

	FTE Positions	Total General Fund
Engineering technician position (Included in House version)	4.00	$864,683
Reclamation specialist position (Included in House version)	1.00	230,911
Pipeline engineering technician position (Included in House version)	1.00	162,018
Pipeline regulatory supervisor position (added by Senate and shown above)	1.00	240,339
Administrative assistant (added by Senate and shown above)	1.00	139,639
Total	8.00	$1,637,590

The conference committee version reflects the same changes included in the Senate version. The House version did not include funding for the pipeline regulatory supervisor position and administrative assistant position.

[3] Funding is added for 5 petroleum engineering contingency FTE positions. One position is added for every 15 drilling rigs when the monthly average drilling rig count exceeds 140 drilling rigs as identified in Section 15 of the bill. Each additional position includes a decreasing amount of funding for salaries and operating expenses since subsequent positions are anticipated to be added later in the biennium than the previous position. The Senate version included 10 contingency FTE positions and $2,225,080 of funding from the general fund. The House version did not include any contingency FTE positions.

[4] This amendment adds funding for increased operating expenses related to the core library expansion project, which is the same as the Senate version. The House version did not include this funding.

[5] One-time funding is added for possible litigation costs related to hydraulic fracturing and other regulatory disputes, which is the same as the Senate version. The House version removed funding for possible litigation costs.

[6] One-time funding from the strategic investment and improvements fund is added for a core library expansion project. The Senate version included funding from the general fund, the House version did not include funding.

[7] This amendment changes the funding for ATV's and trailers from the operating expenses line item to the capital assets line item. Both the House and the Senate versions included funding for ATV's and trailers.

This amendment also:

- Adds a section to identify the criteria for the 5 petroleum engineering contingency FTE positions. The Senate version also included criteria for contingency FTE positions, but the House version did not include any contingency FTE positions.
- Adds a section to provide technical corrections to Engrossed House Bill No. 1358 related to a transfer from the abandoned oil and gas well plugging and site reclamation fund. The House and Senate versions did not include this section.
- Provides an exemption for 2013-15 biennium litigation funding from the general fund, which is the same as the Senate version. The House version did not provide an exemption.
- Provides an emergency clause for the core library expansion project funding, requires the Industrial Commission to report to the Legislative Management on the progress of the project, and provides carryover authority for the funding into the 2017-19 biennium. The Senate version included these changes, but the House version did not.

House Bill No. 1014 - Bank of North Dakota - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Capital assets	$745,000	$745,000	$17,000,000	$17,745,000	$17,745,000	
Bank of North Dakota operations	51,523,916	58,680,831	(138,530)	58,542,301	58,542,301	
Accrued leave payments	881,231					
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301	$76,287,301	$0
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301	76,287,301	0
General fund	$0	$0	$0	$0	$0	$0
FTE	179.50	181.50	0.00	181.50	181.50	0.00

Department No. 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Contingent Funding For Financial Center Project[2]	Total Conference Committee Changes
Capital assets		$17,000,000	$17,000,000
Bank of North Dakota operations	(138,530)		(138,530)
Accrued leave payments			
Total all funds	($138,530)	$17,000,000	$16,861,470
Less estimated income	(138,530)	17,000,000	16,861,470
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] One-time funding from the Bank of North Dakota's assets is added for a financial center construction project contingent upon the Bank's profits exceeding $125 million in calendar year 2015. The Senate version included $17 million for the project without a contingency. The House version did not include funding for a financial center construction project.

This amendment also:

- Provides for a medical partnership in assisting community expansion program to provide interest rate buydowns for medical infrastructure loans for the 2015-17 biennium and provides an emergency clause for the program, which is the same as the Senate version. The House version did not include a medical partnership in assisting community expansion program.
- Requires the Bank of North Dakota to make payments in lieu of property taxes on a financial center building constructed on the Bank's property. The Senate version included this requirement, the House version did not include a financial center building project.
- Provides an exemption for funding for the construction of a financial center and requires the Industrial Commission to report to the Legislative Management on the progress of the project, which is the same as the Senate version. The House version did not include an exemption or report.

House Bill No. 1014 - Housing Finance Agency - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$7,434,877	$7,778,537	($33,503)	$7,745,034	$7,745,034	
Operating expenses	3,791,758	3,744,275		3,744,275	3,744,275	
Grants	29,533,050	25,930,780		25,930,780	25,930,780	
HFA contingencies	100,000	100,000		100,000	100,000	
Accrued leave payments	147,806					
Housing incentive fund			10,000,000	10,000,000	10,000,000	
Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089	$47,520,089	$0
Less estimated income	41,007,491	37,553,592	9,966,497	47,520,089	37,520,089	10,000,000
General fund	$0	$0	$0	$0	$10,000,000	($10,000,000)
FTE	46.00	46.00	0.00	46.00	46.00	0.00

Department No. 473 - Housing Finance Agency - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Transfers to Housing Incentive Fund[2]	Total Conference Committee Changes
Salaries and wages	($33,503)		($33,503)
Operating expenses			
Grants			
HFA contingencies			
Accrued leave payments			
Housing incentive fund		10,000,000	10,000,000
Total all funds	($33,503)	$10,000,000	$9,966,497
Less estimated income	(33,503)	10,000,000	9,966,497
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] Adds a section to provide for a transfer of $5 million from Bank of North Dakota profits to the housing incentive fund and provides an emergency clause for the transfer. In addition, adds a contingent transfer of $5 million from Bank profits to the housing incentive fund if the the Bank's profits for calender year 2015 exceed $130 million. The Senate version included a transfer of $10 million from the general fund, but the House version did not include a transfer to the housing incentive fund.

This amendment provides an exemption for 2013-15 biennium flood-impacted housing assistance funding from the state disaster relief fund. The Senate version also included this exemption, but the House version did not provide an exemption.

House Bill No. 1014 - Mill and Elevator - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$29,141,750	$35,979,571	$299,327	$36,278,898	$36,278,898	
Operating expenses	21,796,000	27,327,000		27,327,000	27,327,000	
Contingencies	400,000	500,000		500,000	500,000	
Agriculture promotion	210,000	210,000		210,000	210,000	

Accrued leave payments	575,807					
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898	$64,315,898	$0
Less estimated income	52,123,557	64,016,571	299,327	64,315,898	64,315,898	0
General fund	$0	$0	$0	$0	$0	$0
FTE	135.00	147.00	0.00	147.00	147.00	0.00

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for Recruitment and Retention Bonuses[2]	Total Conference Committee Changes
Salaries and wages	($110,673)	$410,000	$299,327
Operating expenses			
Contingencies			
Agriculture promotion			
Accrued leave payments			
Total all funds	($110,673)	$410,000	$299,327
Less estimated income	(110,673)	410,000	299,327
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] Funding is added for recruitment and retention bonuses, which is the same as the Senate version. The House version did not include recruitment and retention bonuses.

This amendment also provides for a transfer of 50 percent of Mill and Elevator profits to the general fund for the 2015-17 biennium ($13,775,000), which is the same as current law. The House version provided for a transfer of 75 percent of the Mill and Elevator's profits without any limitation for the 2015-17 biennium ($20,662,500). The Senate version provided for a transfer of 50 percent of the Mill and Elevator's profits limited to a certain amount ($8,000,000).

Engrossed HB 1014 was placed on the Seventh order of business on the calendar.

2015 TESTIMONY

HB 1014

Prepared by the North Dakota Legislative Council staff for House Appropriations
January 14, 2015

Department 473 - Housing Finance Agency
House Bill No. 1014

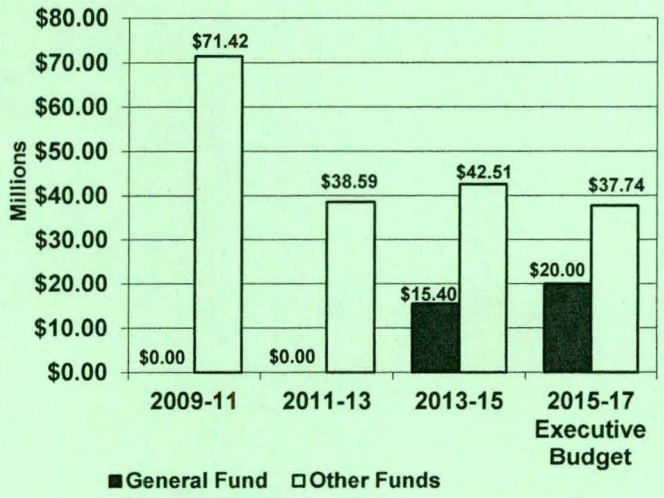
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget				
Senate Bill No. 2126		$20,000,000	$0	$20,000,000
House Bill No. 1014	46.00	0	37,742,527	37,742,527
Total 2015-17 Executive Budget	46.00	$20,000,000	$37,742,527	$57,742,527
2013-15 Legislative Appropriations	46.00	15,400,000	42,507,491	57,907,491
Increase (Decrease)	0.00	$4,600,000	($4,764,964)	($164,964)

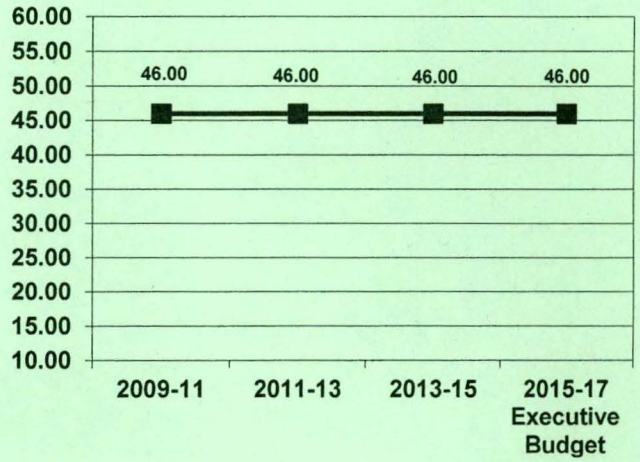
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 Executive Budget			
Senate Bill No. 2126	$0	$20,000,000	$20,000,000
House Bill No. 1014	0	0	0
Total 2015-17 Executive Budget	$0	$20,000,000	$20,000,000
2013-15 Legislative Appropriations	0	15,400,000	15,400,000
Increase (Decrease)	$0	$4,600,000	$4,600,000

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget			
Senate Bill No. 2126	$20,000,000	$0	$20,000,000
House Bill No. 1014	0	37,742,527	37,742,527
Total 2015-17 Executive Budget	$20,000,000	$37,742,527	$57,742,527
2015-17 Base Level	0	41,007,491	41,007,491
Increase (Decrease)	$20,000,000	($3,264,964)	$16,735,036

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which $370,808 relates to performance increases, $56,560 is for market equity adjustments, $192,144 is for health insurance increases, and $38,779 is for retirement contribution increases	$0	$658,291	$658,291

2. Decreases funding for housing and urban development grants	$0	($2,214,445)	($2,214,445)
3. Decreases funding for housing development programs	$0	($1,287,825)	($1,287,825)
4. Decreases funding for operations	$0	($147,483)	($147,483)
5. Adds **one-time funding** for the housing incentive fund in Senate Bill No. 2126	$20,000,000	$0	$20,000,000

Other Sections in Bill

Housing incentive fund - Sections 16, 17, and 19 continue the housing incentive fund into the 2015-17 biennium. Section 19 increases the funding available to the housing incentive fund from income tax credits from $20 million to $30 million.

Continuing Appropriations

Housing incentive fund - North Dakota Century Code Section 54-17-40 - Provides grants for housing projects

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

Senate Bill No. 2126 - Provides a transfer of $20 million from the general fund to the housing incentive fund (reflected above).

Housing Finance Agency - Budget No. 473
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	46.00	$0	$41,007,491	$41,007,491
2015-17 Ongoing Funding Changes				
Base payroll changes			($273,502)	($273,502)
Salary increase - Performance			370,808	370,808
Salary increase - Market equity			56,560	56,560
Retirement contribution increase			38,779	38,779
Health insurance increase			192,144	192,144
Funding for housing and urban development grants			(2,214,445)	(2,214,445)
Funding for housing development programs			(1,287,825)	(1,287,825)
Funding for operations			(147,483)	(147,483)
Total ongoing funding changes	0.00	$0	($3,264,964)	($3,264,964)
One-time funding items				
No executive budget one-time funding items				$0
Total one-time funding changes	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	($3,264,964)	($3,264,964)
2015-17 Total Funding	46.00	$0	$37,742,527	$37,742,527

Other Sections in House Bill No. 1014

	Executive Budget Recommendation
Housing incentive fund	Sections 16, 17, and 19 continue the housing incentive fund into the 2015-17 biennium. Section 19 increases the funding available to the housing incentive fund from income tax credits from $20 million to $30 million.

Prepared by the North Dakota Legislative Council staff for House Appropriations
January 14, 2015

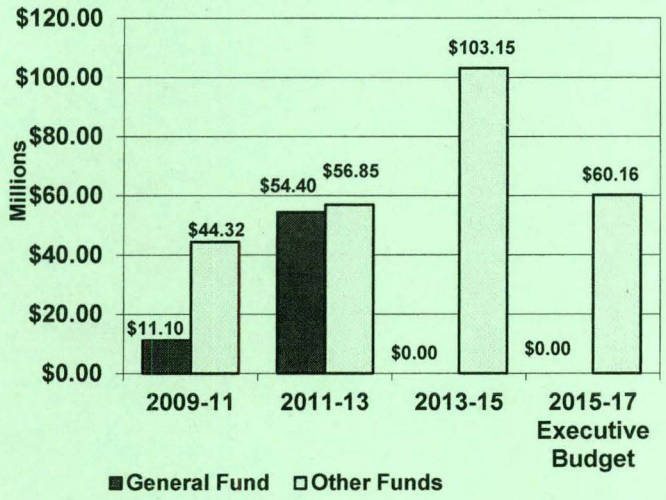
Department 471 - Bank of North Dakota
House Bill No. 1014

Executive Budget Comparison to Prior Biennium Appropriations

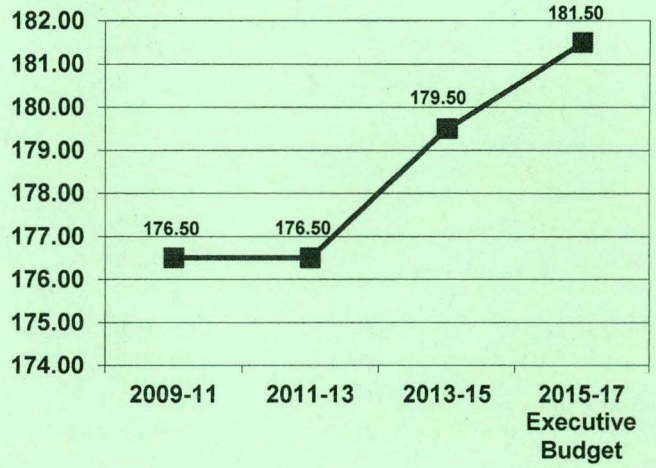
	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	181.50	$0	$60,163,693	$60,163,693
2013-15 Legislative Appropriations[1]	179.50	0	103,150,147	103,150,147
Increase (Decrease)	2.00	$0	($42,986,454)	($42,986,454)

[1]The 2013-15 appropriation amounts include $50 million of one-time funding from the strategic investment and improvements fund for the medical facility infrastructure loan program.

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	$0	$60,163,693	$60,163,693
2015-17 Base Level	0	53,150,147	53,150,147
Increase (Decrease)	$0	$7,013,546	$7,013,546

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which $1,536,370 relates to performance increases, $191,239 is for market equity adjustments, $794,479 is for health insurance increases, and $158,886 is for retirement contribution increases	$0	$2,680,974	$2,680,974
2. Adds funding for 1 FTE credit analyst position	$0	$177,836	$177,836
3. Adds funding for 1 FTE information security position	$0	$209,809	$209,809
4. Increase funding for operating expenses, including $2.5 million for information technology costs and $800,000 for audit fees	$0	$3,968,123	$3,968,123

Other Sections in Bill

Transfer to partnership in assisting community expansion (PACE) fund - Section 7 provides for a transfer of $28 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2015-17 biennium.

Transfer to Ag PACE fund - Section 8 provides for a transfer of $3 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2015-17 biennium.

Transfer to biofuels PACE fund - Section 9 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2015-17 biennium.

Transfer to beginning farmer revolving loan fund - Section 10 provides for a transfer of $7 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2015-17 biennium.

Short line railroad revolving loan fund - Section 14 provides a transfer of $10 million from the strategic investment and improvements fund to the short line railroad fund for the 2015-17 biennium. Section 15 creates a new section to North Dakota Century Code Chapter 6-09 to establish a short line railroad revolving loan fund administered by the Bank of North Dakota and to provide a continuing appropriation.

Flex PACE program - Section 20 amends Section 22 of Chapter 579 of the 2011 Session Laws to expand the Flex PACE program from areas impacted by oil and gas development to the entire state and to extend the program until the end of the 2017-19 biennium.

Continuing Appropriations

PACE - Section 6-09.14-02 - Buydown interest rates on loans for new or expanding businesses.

Ag PACE - Section 6-09.13-04 - Buydown interest rates on agriculture-related loans.

Beginning farmer revolving loan fund - Section 6-09-15.5 - Direct loans or to buydown interest rates on loans to beginning farmers for the first purchase of farm real estate or chattels.

College SAVE - Section 6-09-38 - Higher education savings plan.

Medical facility infrastructure loan fund - Section 6-09-47 - Loans for medical facility construction.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1049 - Creates an addiction counseling internship revolving loan program administered by the Bank of North Dakota and provides for a transfer of $1 million from the general fund to a revolving loan fund.

House Bill No. 1137 - Creates a capital infrastructure revolving loan program administered by the Public Finance Agency and transfers $100 million of Bank of North Dakota profits to a capital infrastructure revolving loan fund.

Senate Bill No. 2165 - Provides an allocation of $5,000 to each eligible individual, which is managed by the Bank of North Dakota, until the time when the individual may use the funds for higher education expenses, loan repayments, or nursing home costs.

Senate Bill No. 2178 - Creates a school construction loan program administered by the Bank of North Dakota and provides a transfer of $125 million for the strategic investment and improvements fund.

Bank of North Dakota - Budget No. 471
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	179.50	$0	$53,150,147	$53,150,147
2015-17 Ongoing Funding Changes				
Base payroll changes			($23,196)	($23,196)
Salary increase - Performance			1,536,370	1,536,370
Salary increase - Market equity			191,239	191,239
Retirement contribution increase			158,886	158,886
Health insurance increase			794,479	794,479
FTE credit analyst position	1.00		177,836	177,836
FTE information security position	1.00		209,809	209,809
Changes to operating expenses			3,968,123	3,968,123
Total ongoing funding changes	2.00	$0	$7,013,546	$7,013,546
One-time funding items				
No executive budget one-time funding items				$0
Total one-time funding changes	0.00	$0	$0	$0
Total Changes to Base Level Funding	2.00	$0	$7,013,546	$7,013,546
2015-17 Total Funding	181.50	$0	$60,163,693	$60,163,693

Other Sections in House Bill No. 1014

	Executive Budget Recommendation
Transfer to PACE	Section 7 provides for a transfer of $28 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2015-17 biennium.
Transfer to Ag PACE	Section 8 provides for a transfer of $3 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2015-17 biennium.
Transfer to biofuels PACE	Section 9 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2015-17 biennium.
Transfer to beginning farmer revolving loan fund	Section 10 provides for a transfer of $7 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2015-17 biennium.
Short line railroad revolving loan fund	Section 14 provides a transfer of $10 million from the strategic investment and improvements fund to the short line railroad fund for the 2015-17 biennium. Section 15 creates a new section to Chapter 6-09 to establish a short line railroad revolving loan fund administered by the Bank of North Dakota and to provide a continuing appropriation.
Flex PACE program	Section 20 amends Section 22 of Chapter 579 of the 2011 Session Laws to expand the Flex PACE program from areas impacted by oil and gas development to the entire state and to extend the program until the end of the 2017-19 biennium.

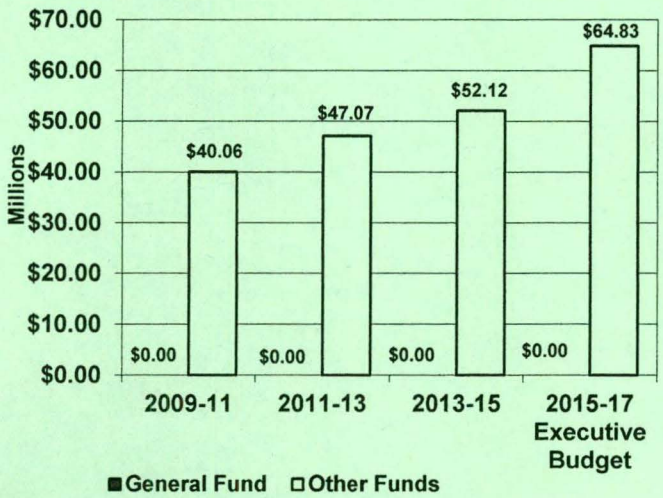
Prepared by the North Dakota Legislative Council staff for House Appropriations
January 14, 2015

Department 475 - Mill and Elevator Association
House Bill No. 1014

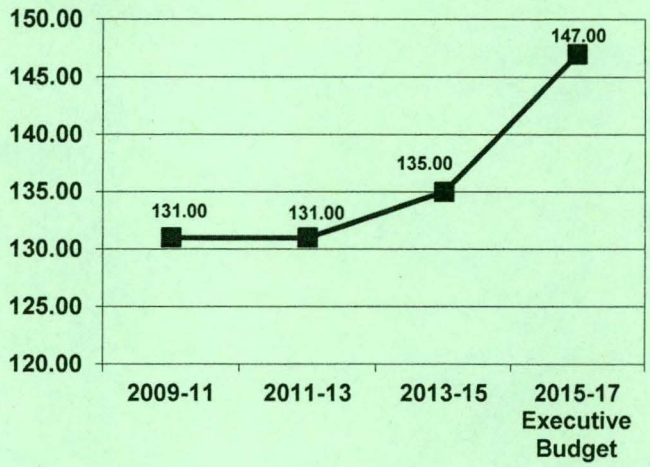
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	147.00	$0	$64,825,750	$64,825,750
2013-15 Legislative Appropriations	135.00	0	52,123,557	52,123,557
Increase (Decrease)	12.00	$0	$12,702,193	$12,702,193

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	$0	$64,825,750	$64,825,750
2015-17 Base Level	0	52,123,557	52,123,557
Increase (Decrease)	$0	$12,702,193	$12,702,193

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee benefit increases, of which $634,719 is for health insurance increases and $164,421 is for retirement contribution increases	$0	$799,140	$799,140
2. Adds funding for 3 FTE mill operator positions	$0	$426,278	$426,278
3. Adds funding for 3 FTE rail car loader positions	$0	$390,138	$390,138
4. Adds funding for 2 FTE flour packer positions	$0	$251,313	$251,313
5. Adds funding for 2 FTE utility worker positions	$0	$249,916	$249,916
6. Adds funding for 1 FTE electrician position	$0	$176,636	$176,636
7. Adds funding for 1 FTE maintenance worker position	$0	$149,625	$149,625
8. Increases funding for operating expenses	$0	$5,531,000	$5,531,000
9. Increases funding for contingencies	$0	$100,000	$100,000

Other Sections in Bill

Transfer to general fund - Section 11 provides for a transfer of 50 percent of the Mill and Elevator's annual profits up to $6,817,200 per biennium to the general fund.

Continuing Appropriations

There are no continuing appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

At this time, no major legislation has been introduced affecting this agency.

Mill and Elevator Association - Budget No. 475
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	135.00	$0	$52,123,557	$52,123,557
2015-17 Ongoing Funding Changes				
Base payroll changes			$4,628,147	$4,628,147
Salary increase - Performance				0
Salary increase - Market equity				0
Retirement contribution increase			164,421	164,421
Health insurance increase			634,719	634,719
Mill operator positions	3.00		426,278	426,278
Rail car loader positions	3.00		390,138	390,138
Flour packer positions	2.00		251,313	251,313
Utility worker positions	2.00		249,916	249,916
Electrician position	1.00		176,636	176,636
Maintenance worker position	1.00		149,625	149,625
Funding for operating expenses			5,531,000	5,531,000
Funding for contingencies			100,000	100,000
Total ongoing funding changes	12.00	$0	$12,702,193	$12,702,193
One-time funding items				
No executive budget one-time funding items				$0
Total one-time funding changes	0.00	$0	$0	$0
Total Changes to Base Level Funding	12.00	$0	$12,702,193	$12,702,193
2015-17 Total Funding	147.00	$0	$64,825,750	$64,825,750

Other Sections in House Bill No. 1014

	Executive Budget Recommendation
Transfer to general fund	Section 11 provides for a transfer of 50 percent of the Mill and Elevator's annual profits up to $6,817,200 per biennium to the general fund.

Prepared by the North Dakota Legislative Council staff for House Appropriations
January 14, 2015

Department 405 - Industrial Commission
House Bill No. 1014

Executive Budget Comparison to Prior Biennium Appropriations

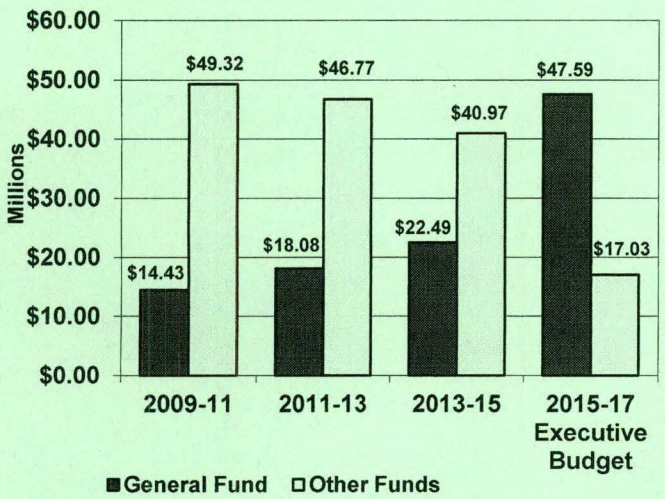
	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	121.75	$47,590,537	$17,027,322	$64,617,859
2013-15 Legislative Appropriations[1]	98.75	22,494,125	40,973,792	63,467,917
Increase (Decrease)	23.00	$25,096,412	($23,946,470)	$1,149,942

[1]The 2013-15 appropriation amounts do not include general fund allocations of $400,000 to the agency from the state agency energy impact funding pool for temporary salary adjustments ($90,966) and rental assistance payments ($309,034) for agency employees located in areas of the state affected by energy development.

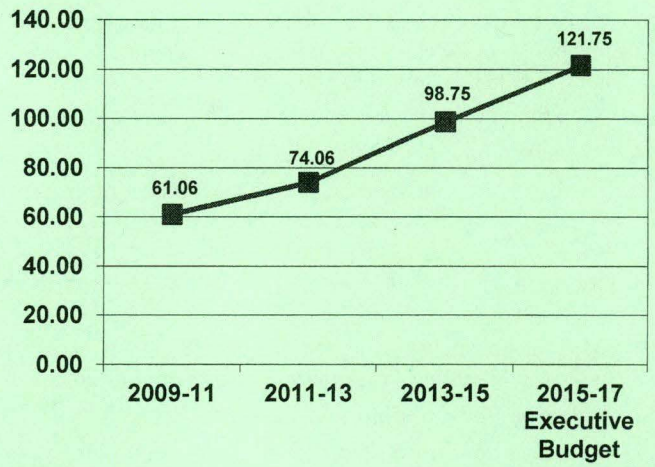
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 Executive Budget	$27,977,452	$19,613,085	$47,590,537
2013-15 Legislative Appropriations	21,333,325	1,160,800	22,494,125
Increase (Decrease)	$6,644,127	$18,452,285	$25,096,412

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	$47,590,537	$17,027,322	$64,617,859
2015-17 Base Level	21,333,325	40,973,792	62,307,117
Increase (Decrease)	$26,257,212	($23,946,470)	$2,310,742

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which $1,137,357 relates to performance increases, $22,019 is for market equity adjustments, $513,818 is for health insurance increases, and $117,592 is for retirement contribution increases	$1,686,615	$104,171	$1,790,786
2. Other 2013-15 salary adjustments	$157,056	($150,000)	$7,056
3. Adds funding for 9 FTE engineering technician positions, of which $1,376,449 is for salaries and wages and $569,088 is for operating expenses	$1,945,537	$0	$1,945,537

4. Adds funding for 1 FTE pipeline engineering technician position, of which $152,379 is for salaries and wages and $9,639 is for operating expenses	$162,018	$0	$162,018
5. Adds funding for 1 FTE petroleum engineer position, of which $168,105 is for salaries and wages and $54,403 is for operating expenses	$222,508	$0	$222,508
6. Adds funding for 1 FTE safety officer position, of which $178,078 is for salaries and wages and $9,639 is for operating expenses	$187,717	$0	$187,717
7. Adds funding for 1 FTE human resources specialist position, of which $129,741 is for salaries and wages and $9,639 is for operating expenses	$139,380	$0	$139,380
8. Adds funding for 1 FTE budget specialist position, of which $164,879 is for salaries and wages and $9,640 is for operating expenses	$174,518	$0	$174,518
9. Adds funding for 1 FTE reclamation specialist position, of which $167,679 is for salaries and wages and $63,232 is for operating expenses	$230,911	$0	$230,911
10. Adds funding for 2 FTE surface geologist positions, of which $360,902 is for salaries and wages and $127,482 is for operating expenses	$488,384	$0	$488,384
11. Adds funding for 2 FTE survey engineering technician positions, of which $304,491 is for salaries and wages and $19,278 is for operating expenses	$323,769	$0	$323,769
12. Adds funding for 3 FTE engineering technician contingency positions, of which $458,816 is for salaries and wages and $189,696 is for operating expenses	$648,512	$0	$648,512
13. Adds funding for 1 FTE industrial water sales position	$0	$150,000	$150,000
14. Decreases funding for bond payments	($24,646)	($4,744,494)	($4,769,140)
15. Removes appropriation authority for lignite grants. The grants will be distributed pursuant to a continuing appropriation authorized for the lignite research fund.	$0	($19,500,000)	($19,500,000)
16. Changes to operating expenses primarily related to increased travel costs	$257,771	$52,000	$309,771
17. Adds **one-time funding** for possible litigation costs related to hydraulic fracturing, gas capture, and flaring reduction	$3,000,000	$0	$3,000,000
18. Adds **one-time funding** to expand the core library	$16,033,942	$0	$16,033,942
19. Adds **one-time funding** for an aerial photography project	$104,143	$0	$104,143
20. Adds **one-time funding** for contract costs related to core analyses	$125,000	$0	$125,000
21. Adds **one-time funding** for a seismic profile digital conversion project	$100,000	$0	$100,000
22. Adds **one-time funding** for information technology costs related to programing changes for a risk based management system	$250,000	$0	$250,000

Other Sections in Bill

Bond payments - Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to emergency commission approval, for bond issuances during the 2015-17 biennium.

Transfer - Section 6 allows the Industrial Commission to transfer up to $930,000 from special funds from the entities under the control of the Industrial Commission for administrative services.

Lignite research - Section 12 designates $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation.

Contingency funding - Department of Mineral Resources - Section 13 provides that $458,816 included in the salaries and wages line item and $189,696 in the operating line item in Section 1 of the bill may be used by the oil and gas division to hire 3 FTE positions upon certification to the Office of Management and Budget that the total number of wells in the state capable of production or injection exceeds 20,000.

North Dakota outdoor heritage fund - Section 18 allows the Office of Management and Budget to increase the appropriation authority of state agencies that receive grant awards from the North Dakota outdoor heritage fund.

Continuing Appropriations

Abandoned oil and gas reclamation fund - North Dakota Century Code Section 38-08-04.5 - Abandoned oil and gas reclamation.

Carbon dioxide storage facility administration fund - Section 38-22-14 - For defraying costs of processing applications for regulating carbon dioxide storage facilities.

Carbon dioxide storage facility trust fund - Section 38-22-15 - For costs associated with long-term monitoring and management of a closed carbon dioxide storage facility.

Cartographic products fund - Section 54-17.4-10 - Topographic map sales and purchases.

Cash bond fund - Section 38-08-04.11 - For defraying costs incurred in plugging and reclamation of abandoned oil and gas wells and related activities.

Fossil excavation and restoration fund - Section 54-17.4-09.1 - Excavation and restoration of fossils.

Geological data preservation fund - Section 54-17.4-13 - Data preservation.

Geophysical, geothermal, subsurface minerals, and coal exploration fund - Section 38-21-03 - Reclamation of orphaned facilities and exploration holes.

Global positioning system community base station - Section 54-17.4-12 - For maintenance of base station.

Lignite research fund - Section 57-61-01.5 - Research, development, and marketing for lignite industry.

North Dakota outdoor heritage fund - Section 54-17.8-02 - For grants to conserve natural areas, restore wildlife and fish habitats, and provide access to sportsmen.

North Dakota Pipeline Authority administrative fund - Section 54-17.7-11 - For operations of the Pipeline Authority.

Oil and gas research fund - Section 57-51.1-07.3 - Oil and gas research and education.

Oil and gas reservoir data fund - Section 38-08-04.6 - Oil and gas reservoir data.

Renewable energy development fund - Section 54-63-04 - Renewable energy research, development, and education.

Significant Audit Findings

The operational audit for the Industrial Commission conducted by the State Auditor's office during the 2013-14 interim identified no significant audit findings.

Major Related Legislation

House Bill No. 1032 - Changes the allocation of oil and gas gross production tax collections to the abandoned oil and gas well plugging and site reclamation fund from $5 million per fiscal year to $10 million per fiscal year.

House Bill No. 1179 - Adds the Tax Commissioner and the chairman of the Public Service Commission as members of the Industrial Commission.

House Bill No. 1187 - Provides that certain rules issued by the Industrial Commission are void beginning January 1, 2016.

Senate Bill No. 2032 - Creates an oil and gas development strategic planning authority to identify infrastructure needs in areas impacted by oil and gas development and provides a continuing appropriation.

Senate Bill No. 2034 - Provides a sales and use tax exemption for materials used in the transmission of oil through a gathering pipeline.

Senate Bill No. 2190 - Allows funding from the abandoned oil and gas well plugging and site reclamation fund to be used to address environmental emergencies.

Industrial Comission - Budget No. 405
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	98.75	$21,333,325	$40,973,792	$62,307,117
2015-17 Ongoing Funding Changes				
Base payroll changes		$44,076	$141,853	$185,929
Salary increase - Performance		1,073,112	64,245	1,137,357
Salary increase - Market equity		17,758	4,261	22,019
Retirement contribution increase		110,950	6,642	117,592
Health insurance increase		484,795	29,023	513,818
Other 2013-15 salary adjustments		157,056	(150,000)	7,056
FTE engineering technician positions	9.00	1,945,537		1,945,537
FTE pipeline engineering technician position	1.00	162,018		162,018
FTE petroleum engineer position	1.00	222,508		222,508
FTE safety officer position	1.00	187,717		187,717
FTE human resources specialist position	1.00	139,380		139,380
FTE budget specialist position	1.00	174,519		174,519
FTE reclamation specialist position	1.00	230,911		230,911
FTE surface geologist positions	2.00	488,384		488,384
FTE survey engineering technician positions	2.00	323,769		323,769
FTE engineering technician contingency positions	3.00	648,512		648,512
FTE industrial water sales position	1.00		150,000	150,000
Decreases funding for bond payments		(24,646)	(4,744,494)	(4,769,140)
Removes funding for lignite grants			(19,500,000)	(19,500,000)
Changes to operating expenses		257,771	52,000	309,771
Total ongoing funding changes	23.00	$6,644,127	($23,946,470)	($17,302,343)
One-time funding items				
Possible litigation		$3,000,000		$3,000,000
Core library		16,033,942		16,033,942
Aerial photography		104,143		104,143
Core analyses		125,000		125,000
Seismic profile digital conversion		100,000		100,000
Information technology costs		250,000		250,000
Total one-time funding changes	0.00	$19,613,085	$0	$19,613,085
Total Changes to Base Level Funding	23.00	$26,257,212	($23,946,470)	$2,310,742
2015-17 Total Funding	121.75	$47,590,537	$17,027,322	$64,617,859

Other Sections in House Bill No. 1014

	Executive Budget Recommendation
Bond payments	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to emergency commission approval, for bond issuances during the 2015-17 biennium.
Transfer	Section 6 allows the Industrial Commission to transfer up to $930,000 from special funds from the entities under the control of the Industrial Commission for administrative services.

	Executive Budget Recommendation
Lignite research	Section 12 designates $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation.
Contingency funding - Department of Mineral Resources	Section 13 provides that $458,816 included in the salaries and wages line item and $189,696 in the operating line item in Section 1 of the bill may be used by the oil and gas division to hire three full-time equivalent positions upon certification to the Office of Management and Budget that the total number of wells in the state capable of production or injection exceeds 20,000.
North Dakota outdoor heritage fund	Section 18 allows the Office of Management and Budget to increase the appropriation authority of state agencies that receive grant awards from the North Dakota outdoor heritage fund.

Attachment A. HB 1014
Jan 15, 2015

15.8122.01000

Sixty-fourth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1014

Introduced by

Appropriations Committee

(At the request of the Governor)

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; to provide legislative intent; to create and enact a new section to chapter 6-09 and a new section to chapter 54-17.8 of the North Dakota Century Code, relating to a new short line railroad loan program and the North Dakota outdoor heritage fund; to amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits and the use of the flex PACE program; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the state industrial commission and agencies under its control for the purpose of defraying the expenses of the state industrial commission and agencies under its control, for the biennium beginning July 1, 2015, and ending June 30, 2017, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	$17,873,876	$5,947,986	$23,821,862
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	4,966,150	9,741,726
Capital assets	0	16,013,442	16,013,442

Grants	19,500,000	(19,500,000)	0
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	$2,310,742	$64,617,859
Less estimated income	40,973,792	(23,946,470)	17,027,322
Total general fund	$21,333,325	$26,257,212	$47,590,537
Full-time equivalent positions	99.75	22.00	121.75

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

	Base Level	Adjustments or Enhancements	Appropriation
Bank of North Dakota operations	$51,523,916	$7,894,777	$59,418,693
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	0	745,000
Total special funds	$53,150,147	$7,013,546	$60,163,693
Full-time equivalent positions	179.50	2.00	181.50

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	$29,141,750	$7,647,000	$36,788,750
Accrued leave payments	575,807	(575,807)	0
Operating expenses	21,796,000	5,531,000	27,327,000
Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$52,123,557	$12,702,193	$64,825,750
Full-time equivalent positions	135.00	12.00	147.00

Subdivision 4.

HOUSING FINANCE AGENCY

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	$7,434,877	$532,595	$7,967,472

Accrued leave payments	147,806	(147,806)	0
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$41,007,491	($3,264,964)	$37,742,527
Full-time equivalent positions	46.00	0.00	46.00

Subdivision 5.

	BILL TOTAL		
		Adjustments or	
	Base Level	Enhancements	Appropriation
Grand total general fund	$21,333,325	$26,257,212	$47,590,537
Grand total special funds	187,254,987	(7,495,695)	179,759,292
Grand total all funds	$208,588,312	$18,761,517	$227,349,829

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-FIFTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-third legislative assembly for the 2013-15 biennium and the 2015-17 one-time funding items included in the grand total appropriation in section 1 of this Act:

One-Time Funding Description	2013-15	2015-17
Oil-bearing rock study	$80,000	$0
Possible litigation	1,000,000	3,000,000
Core library - architect services	25,000	0
Temperature profiles study	50,000	0
Wide-bed plotter	5,800	0
Core library - expansion	0	16,033,942
Aerial photography	0	104,143
Contract analysis	0	125,000
Digital conversion	0	100,000
Migration to RBDMS.net	0	250,000
Medical loan program	50,000,000	0
Housing incentive fund	15,400,000	0
Flood housing grants	1,500,000	0

Total all funds	$68,060,800	$19,613,085
Total special fund	51,500,000	0
Total general fund	$16,560,800	$19,613,085

The 2015-17 one-time funding amounts are not a part of the entity's base budget for the 2017-19 biennium. The industrial commission shall report to the appropriations committees of the sixty-fifth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of $15,040,829 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be paid from the following funding sources during the biennium beginning July 1, 2015, and ending June 30, 2017:

North Dakota university system	$8,368,836
North Dakota university system - energy conservation projects	491,161
Department of corrections and rehabilitation	1,279,524
Department of corrections and rehabilitation - energy conservation projects	16,206
State department of health	637,940
Job service North Dakota	427,131
Office of management and budget	664,952
Office of attorney general	765,483
State historical society	1,391,668
Parks and recreation department	73,592
Research and extension service	571,126
Veterans' home	353,210
Total	$15,040,829

SECTION 4. APPROPRIATION. In addition to the amount appropriated to the housing finance agency in subdivision 4 of section 1 of this Act, there is appropriated any additional income or unanticipated income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 5. APPROPRIATION - EMERGENCY COMMISSION APPROVAL. In addition to the amount appropriated to the state industrial commission in subdivision 1 of section 1 of this Act, there is appropriated, with the approval of the emergency commission, funds that may

become available to the commission from bonds authorized by law to be issued by the state industrial commission for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 6. TRANSFER. The sum of $930,000, or so much of the sum as may be necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of this Act, may be transferred from the entities within the control of the state industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers shall be made during the biennium beginning July 1, 2015, and ending June 30, 2017, upon order of the commission. Transfers from the student loan trust must be made to the extent permitted by sections 54-17-24 and 54-17-25.

SECTION 7. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $28,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 8. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $3,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of $7,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 11. MILL AND ELEVATOR PROFITS - TRANSFER TO THE GENERAL FUND. Notwithstanding any other provision of law, the industrial commission shall transfer to the state

general fund 50 percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs or the sum of $6,817,200, whichever is less, during the biennium beginning July 1, 2015, and ending June 30, 2017. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

SECTION 12. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM - LIGNITE MARKETING FEASIBILITY STUDY. The amount of $4,500,000 from the lignite research fund, or so much of the amount as may be necessary, may be used for the purpose of contracting for an independent, nonmatching lignite marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or processes will generate matching private industry investment and have the most potential of preserving existing lignite production and industry jobs or that will lead to increased development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. Moneys appropriated under this section also may be used for the purpose of contracting for nonmatching studies and activities in support of the lignite vision 21 program; for litigation that may be necessary to protect and promote the continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for the purposes stated in this section are available to the commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

SECTION 13. CONTINGENT APPROPRIATION - DEPARTMENT OF MINERAL RESOURCES FUNDING. Of the funds appropriated in subdivision 1 of section 1 of this Act, $458,816 in the salaries and wages line item and $189,696 in the operating line item is from the general fund. If funds are required due to the total number of wells capable of production or injection in the state exceeding 20,000, the oil and gas division may spend up to $648,512 and hire three full-time equivalent positions, upon notification to the office of management and budget.

SECTION 14. APPROPRIATION - TRANSFER. There is appropriated out of any moneys in the strategic investment and improvements fund in the state treasury, not otherwise appropriated, the sum of $10,000,000, or so much of the sum as may be necessary, to the short

line railroad revolving loan fund for use by the Bank of North Dakota to provide short line railroad loans under section 15 of the Act.

SECTION 15. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Short line railroad revolving loan fund - Continuing appropriation - Requirements.

1. The fund must be maintained by the Bank of North Dakota for the purpose of making loans to short line rail companies or North Dakota agricultural product shippers to cover the costs associated with expansions, spurs, switches, or other infrastructure enhancements to rail lines in this state. The short line railroad revolving loan fund is a special fund in the state treasury. All moneys in the fund, including interest upon moneys in the fund and payments of principal and interest on loans from the fund, are appropriated to the Bank on a continuing basis for the purpose of providing loans under this section.
2. The Bank of North Dakota shall administer and supervise the revolving loan fund and loans made from the fund. The Bank may deduct from interest payments received on loans a service fee for administering the fund. An application for a loan from the fund must be made to the Bank and, upon approval, a loan must be made from the fund in accordance with this section.
3. A loan from the fund must have the interest rate fixed at one percent per year for twenty-five years.
4. The fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund.
5. The Bank shall adopt policies to implement this section.

SECTION 16. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. (Effective through June 30, ~~2015~~2017) Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.

2. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients.

The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:

a. New construction, rehabilitation, or acquisition of a multifamily housing project;

b. Gap assistance, matching funds, and accessibility improvements;

c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and

d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.

5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

SECTION 17. AMENDMENT. Section 54-17-41 of the North Dakota Century Code is amended and reenacted as follows:

54-17-41. (Effective through June 30, ~~2015~~2017) Report.

Upon request, the housing finance agency shall report to the industrial commission on the activities of the housing incentive fund.

SECTION 18. A new section to chapter 54-17.8 of the North Dakota Century Code is created and enacted as follows:

North Dakota outdoor heritage fund disbursement.

The industrial commission shall notify the office of management and budget when moneys are disbursed to a state agency from the North Dakota outdoor heritage fund. The director of the office of management and budget may adjust the appropriation of a state agency in an amount equal to that of the disbursement.

SECTION 19. AMENDMENT. Section 57-38-01.32 of the North Dakota Century Code is amended and reenacted as follows:

57-38-01.32. (Effective for the first two taxable years beginning after December 31, ~~2012~~2014) Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing

incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.

3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.

5. The aggregate amount of tax credits allowed to all eligible contributors is limited to ~~twenty~~thirty million dollars.

6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.

   b. The dollar amount paid for the contribution by the taxpayer.

   c. The date the payment was received by the fund.

7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the

partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 20. AMENDMENT. Section 22 of chapter 579 of the 2011 Session Laws is amended and reenacted as follows:

SECTION 22. FLEX PACE PROGRAM USE. The Bank of North Dakota shall utilize the flex partnership in assisting community expansion program to assist in financing of affordable multifamily housing units for individuals in ~~areas of~~ North Dakota ~~affected by oil and gas development,~~ for the period beginning with the effective date of this Act and ending June 30, ~~2013~~2019.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Testimony for House Bill No. 1014
House Appropriations Committee - Government Operations Division
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
January 15, 2015

Mr. Chairman and members of the House Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. House Bill 1014 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Agriculture Commissioner. The Industrial Commission is responsible for overseeing the State's industries—the Bank of North Dakota and State Mill. In the area of finance the Commission also oversees the Public Finance Authority, the Student Loan Trust, the North Dakota Building Authority and the Housing Finance Agency. In the area of natural resources and regulation the Commission oversees the Department of Mineral Resources which includes the oil and gas, geophysical exploration, subsurface mineral regulation and CO_2 Geological Storage in addition to other programs through its Oil and Gas Division and the Geological Survey. The Commission is also involved in research through the Lignite Research, Development and Marketing Program (Lignite Research Program), the Oil and Gas Research Program and the Renewable Energy Program. In addition the Industrial Commission is the North Dakota Transmission Authority and the North Dakota Pipeline Authority. Last legislative session the Industrial Commission was given two new responsibilities -- oversight of the Outdoor Heritage Fund and Western Area Water Supply Authority industrial sales.

Subdivision 1 of **Section 1**, includes the appropriations for the administrative office of the Industrial Commission as well as the Department of Mineral Resources (Oil and Gas Division and Geological Survey), Public Finance Authority, and the lease (bond) payments for projects financed by the Building Authority. In previous sessions we had included a line item for the Lignite Research Program. Because that Program is funded through a continuing appropriation we removed that line item and we will be providing information on the Lignite Research Program this afternoon.

Administration. The Administration budget is part of Subdivision 1 of Section 1 and is also referenced in Sections 3, 5, and 6 of House Bill 1014 or Budget No. 405. **Subdivision 1**

The proposed funding for the administrative office of the Industrial Commission provides for 4 full-time employees. Two positions are currently vacant--one position is vacant because the Western Area Water Supply Authority funding was not appropriated last session. The other position was held vacant until the most recent election and I anticipate filling that position in the next few months. The

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administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission. This Commission is a multi-state organization which speaks on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry. The dues for this organization went up by nearly $40,000 in the proposed budget as dues are based on the level of oil production in each member's state.

The administrative office budget does not include any General Fund dollars. The administrative office budget request is $949,135 for the office and then a total of $15,989,964 when you include the lease (bond) payments. With full funding for the staff, the administrative office request reflects an increase of $295,806 from the prior biennium. The administrative budget is funded by the agencies that report to the Industrial Commission and the funding directed by the Legislature to be paid by the Western Area Water Supply Authority (WASWS) industrial sales. You will see this funding source noted in **Section 6** where authority is granted for these agencies and WAWS to transfer funds to the Industrial Commission.

Section 5 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 of Section 1 includes the lease payments (bond payments) for the North Dakota Building Authority in the amount of $15,040,829 – see line 2 on page 2. This is a decrease from the prior biennium of $4,769,140. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located across the state.

Attached for your information is the Debt Service Schedules for all the outstanding bond issues. The proposed Executive Budget does not include any bonding by the North Dakota Building Authority. If there was bonding proposed this attachment shows that there is available debt service under the 10% of 1¢ statutory limitation in the amount of $76.5 million.

Section 3 provides the breakdown on the source of funding for the $15+ million of lease (bond) payments for the upcoming biennium. The following non-General Fund sources or energy conservation savings* will be utilized to pay a portion of these payments:

*University System – UND (05A)	$ 491,161
*Missouri River Correctional Center (03B)	$ 16,206
Job Service North Dakota (02A/10B)	$ 427,131
Historical Society (05A)	$ 33,333
Veterans Home (10A/B)	$ 353,210
Dept. of Health (02A) (federal funds)	$ 181,605
	$1,502,646

This afternoon we will be going over in more detail the following programs overseen by the Industrial Commission and the programs that have continuing appropriations. They are:

Lignite Research Program. As I noted earlier in prior sessions we had a line item for the Lignite Research Program. Because this Program has a continuing appropriation we did not include that line item this session. There is one provision in House Bill 1014 regarding the Lignite Research Program which deals with funds being made available under the Lignite Research Program on a non-matching basis. The majority of the funds under the Lignite Research Program must have match funding. For many years there has been a certain portion of their funding that has not required a match. Section 12 continues that authority for a non-matching component of the Lignite Research Program funding. Information about the Lignite Research Program is behind the tab LRP.

Transmission Authority. In 2005 the Legislature established the North Dakota Transmission Authority. Andrea Stomberg currently serves as the Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund. More information about the Transmission Authority is available under the tab titled Transmission Authority.

Oil and Gas Research Program. Within this bill there is no appropriation for the Oil and Gas Research Program. This Program is funded from oil and gas gross production and oil extraction tax revenues up to $10 million a biennium. Additional information about the Oil and Gas Research Fund/Program is behind the tab titled OGRP.

Pipeline Authority. A portion of the Oil and Gas Research Fund is utilized to fund the North Dakota Pipeline Authority. Justin Kringstad, a consultant, is the Director of the Pipeline Authority. The Commission transferred $200,400 from the Oil and Gas Research Fund for the Pipeline Authority during the 2013-2015 biennium. These funds are utilized to compensate the Director of the Pipeline Authority and for studies conducted by the Pipeline Authority. More information about the Pipeline Authority is available under the tab titled Pipeline Authority.

Renewable Energy Program. Last session the Legislature authorized a continuing appropriation from the Resources Trust Fund for the Renewable Energy Program at the level of $3 million per biennium. Additional information about the Renewable Energy Program is behind the tab titled Renewable Energy Program.

Outdoor Heritage Fund. In 2013 the Outdoor Heritage Fund was established as a continuing appropriation at the level of $30 million per biennium. The Executive Budget proposes that the funding level be increased to $50 million per biennium. The authorization for that increase can be found in House Bill 1013. In House Bill 1014 in Section 18 you will find language that authorizes the Office of Management and Budget to adjust the appropriation of any state agency that may receive a funding award from the Outdoor Heritage Fund.

Thank you for the opportunity to present testimony on the Industrial Commission Administrative Office budget.

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

Biennium	2006B 2001A	2010B 2002A	2005A	2006A 1998A 2000A	2010A/B	2012A	Totals	Other Source	Energy Conser.	Total Gen. Fund	10% of $.01 Sales Tax*	Available Debt Ser
2015-17	2,110,340	917,956	6,570,669	2,004,003	460,544	3,084,650	15,148,162	1,102,614	507,367	13,538,181	73,565,700	60,027,519
2017-19	2,126,363	917,144	6,575,206	1,377,800	504,531	1,809,463	13,310,507	1,146,911	507,785	11,655,811	76,508,328	64,852,517
2019-21	1,865,172	928,088	6,574,469	0	490,888	1,797,750	11,656,367	1,140,293	507,625	10,008,449	79,568,661	69,560,212
2021-23	812,924	492,700	6,573,256	0	481,056	909,000	9,268,936	840,392	499,535	7,929,009	82,751,408	74,822,399
2023-25	0	0	3,285,650	0	465,981	0	3,751,631	499,317	245,604	3,006,710	86,061,464	83,054,754
2025-27	0	0	0	0	448,181	0	448,181	448,182	0	0	89,503,922	89,503,922
2027-29	0	0	0	0	425,469	0	425,469	425,468	0	0	93,084,079	93,084,079
2029-31	0	0	0	0	174,031	0	174,031	174,031	0	0	96,807,442	96,807,442
Totals	6,914,799	3,255,888	29,579,250	3,381,803	3,450,681	7,600,863	54,183,284	5,777,208	2,267,916	46,138,160		
	4.15%	3.24%	4.23%	4.13%	3.33%	1.41%						

Rev 12/14

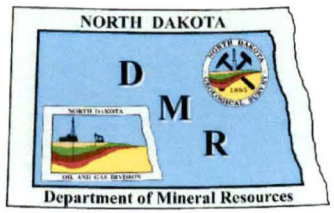
*The December 2014 forecast is used with a 4% increase each subsequent biennium.

House Appropriations Committee

HB-1014

January 15, 2015

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission



EXPLANATION OF PROGRAM COSTS

The DMR budget is 99% general funds and <1% federal funds. Budget costs are primarily salary and benefits (69%). The federal funds are expected to decrease slightly over the current biennium.

The operating budget consists primarily of Lease/Rent/Facilities costs (13-14%) for the Bismarck office, warehouse, and three field offices. Other items of significant costs include travel (32%), primarily for fieldwork, and IT costs (8%) including Data Processing, Telephone, and Contractual Services.

SALARIES AND BENEFITS

During the 2013-2015 biennium we experienced a significant increase in workload due to a record setting rig count and oil production. This increased workload resulted in a drilling permit back log of approximately 650 permits and an order back log of approximately 1000 administrative orders. Current staffing levels are adequate to keep up with about 17,000 wells. We anticipate exceeding the well number by the end of the current biennium. Even with the additional staffing being requested in this budget, some seasonal temporary staffing will be crucial to meeting our mission both in the field and in the central office and flexibility is needed so that the personnel can be assigned to meet the most critical need. Increased interest in surface geology as it relates to infrastructure needs and geologic hazard potential impacts on infrastructure and other minerals found in North Dakota is also resulting in an increased workload with the Geological Survey staff. The Department also continues to face difficulties in hiring experienced oil and gas and geological staff, therefore housing allowances and market salaries may be needed to find qualified personnel.

The executive budget recommendation funds 100% of the requested increase.

OPERATING

Travel

DOT motor pool rates have decreased from the 2013-2015 biennium although total mileage driven has significantly risen, resulting in an increase in travel expenses of $120,449 for the Oil and Gas Division. Additional inflationary increases are hitting In-State Lodging. To offset the necessary reductions, the number of field inspections will have to be reduced at a time when industry has a large number of inexperienced personnel who need guidance and supervision. This may result in inadequate protection of potable waters and correlative rights.

Lease/Rent Bldg/Land

Geological Survey rent is increasing $11,400 in our Bismarck office building, and Oil and Gas Division rent is increasing $396,277 in our Bismarck ($25,027 DMR E. + $190,776 DMR W. = $215,803), Dickinson ($59,920), Minot ($19,018), and Williston ($100,976) office buildings. The field offices currently provide a location for efficient synchronization of inspector data to our main database, contact between the general public and local Oil and Gas Division employees, and for inspectors to complete written correspondence.

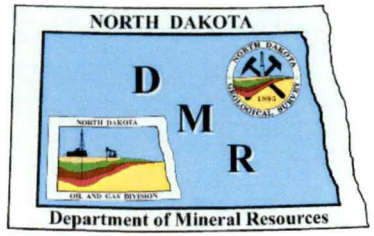
The executive budget recommendation funds 100% of the requested increase.

2011 – 2013 Financial Audit Findings

Recommendation: We recommend the Industrial Commission perform an annual physical inventory of fixed assets in accordance with NDCC section 44-04-07.

Industrial Commission Response:

The Industrial Commission agrees with the finding and recommendation. At the time, the Industrial Commission did not have enough personnel assigned to the physical inventory to complete the inventory according to State requirements. The inventory process was initiated, but our ability to affect a timely inventory process was hindered by personnel turnover coupled with the growth of the Department and the rapidly expanding oil and gas industry in the state. For example, during this time period, we relocated our Dickinson District field office and also expanded the DMR Bismarck offices. With these required office expansions and personnel resource turnover, the inventory took longer than normal to complete. The 2013 inventory was completed, although well after the deadline for completion. A full reconciliation of fixed assets was achieved once the inventory was completed. In order to meet this requirement in the future the Industrial Commission will be requesting an Accounting /Budget Specialist (25% time allocation) to assist with the physical inventory and reconciliation process.

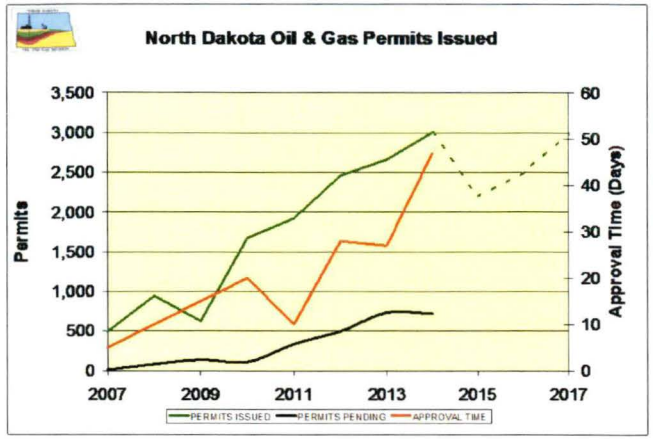


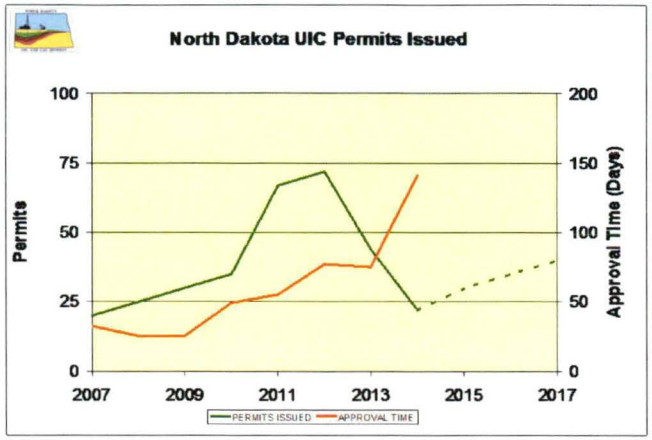
Oil and Gas Exploration and Production (NDCC 38-08-01)
It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

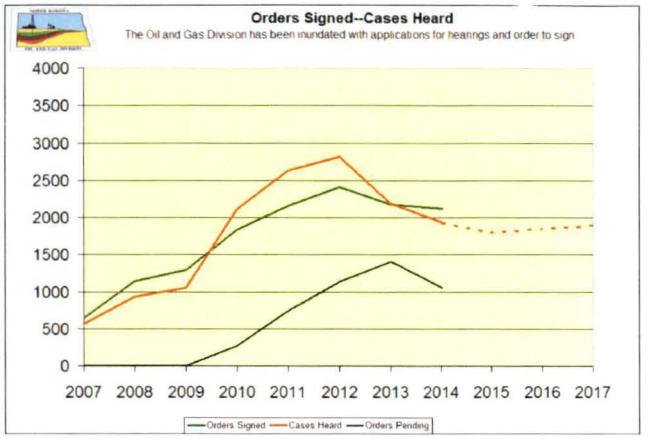
Geophysical Exploration (NDCC 38-08.1-02)
Notwithstanding any other provision of this chapter, the commission is the primary enforcement agency governing geophysical exploration in this state. Any person in this state engaged in geophysical exploration or engaged as a subcontractor of a person engaged in geophysical exploration shall comply with this chapter; provided, however, that compliance with this chapter by a crew or its employer constitutes compliance herewith by that person who has engaged the service of the crew, or its employer, as an independent contractor.

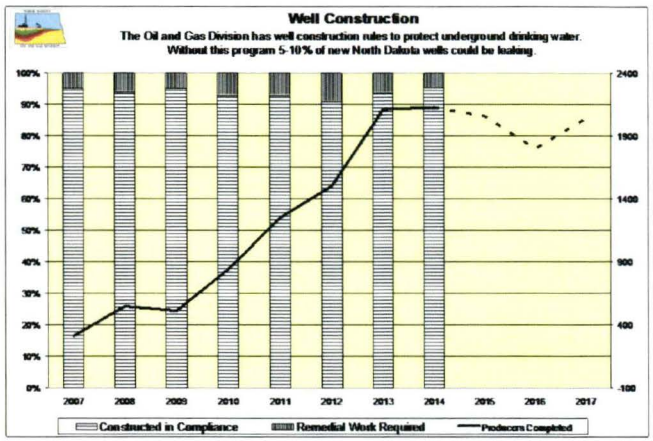
Carbon Dioxide Geological Storage (NDCC 38-22-01)
It is in the public interest to promote the geologic storage of carbon dioxide. Doing so will benefit the state and the global environment by reducing greenhouse gas emissions. Doing so will help ensure the viability of the state's coal and power industries, to the economic benefit of North Dakota and its citizens. Further, geologic storage of carbon dioxide, a potentially valuable commodity, may allow for its ready availability if needed for commercial, industrial, or other uses, including enhanced recovery of oil, gas, and other minerals. Geologic storage, however, to be practical and effective requires cooperative use of surface and subsurface property interests and the collaboration of property owners. Obtaining consent from all owners may not be feasible, requiring procedures that promote, in a manner fair to all interests, cooperative management, thereby ensuring the maximum use of natural resources.

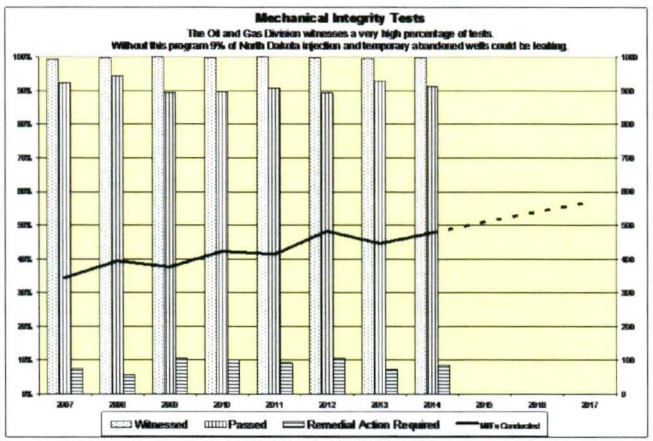
1/15/2015

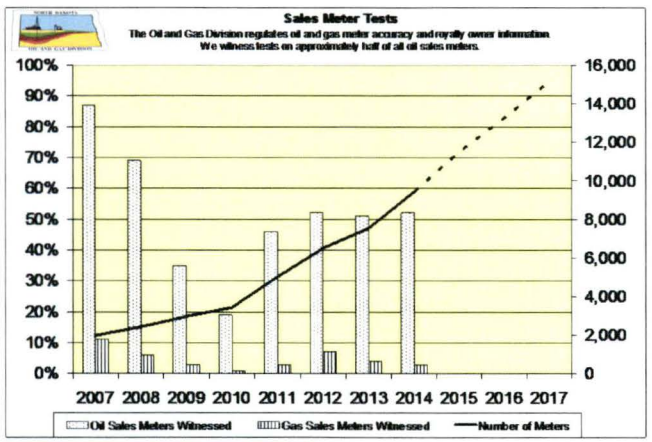

North Dakota Oil & Gas Permits Issued
Permits
Approval Time (Days)
3,500
3,000
2,500
2,000
1,500
1,000
500
0
60
50
40
30
20
10
0
2007
2009
2011
2013
2015
2017
PERMITS ISSUED
PERMITS PENDING
APPROVAL TIME


North Dakota UIC Permits Issued
Permits
Approval Time (Days)
100
75
50
25
0
200
150
100
50
0
2007
2009
2011
2013
2015
2017
PERMITS ISSUED
APPROVAL TIME


Orders Signed--Cases Heard
The Oil and Gas Division has been inundated with applications for hearings and order to sign
4000
3500
3000
2500
2000
1500
1000
500
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Orders Signed
Cases Heard
Orders Pending


Well Construction
The Oil and Gas Division has well construction rules to protect underground drinking water.
Without this program 5-10% of new North Dakota wells could be leaking.
Constructed in Compliance
Remedial Work Required
Producers Completed


Mechanical Integrity Tests
The Oil and Gas Division witnesses a very high percentage of tests.
Without this program 9% of North Dakota injection and temporary abandoned wells could be leaking.
Witnessed
Passed
Remedial Action Required


Sales Meter Tests
The Oil and Gas Division regulates oil and gas meter accuracy and royalty owner information.
We witness tests on approximately half of all oil sales meters.
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Oil Sales Meters Witnessed
Gas Sales Meters Witnessed
Number of Meters

Vern Whitten Photography

Vern Whitten Photography

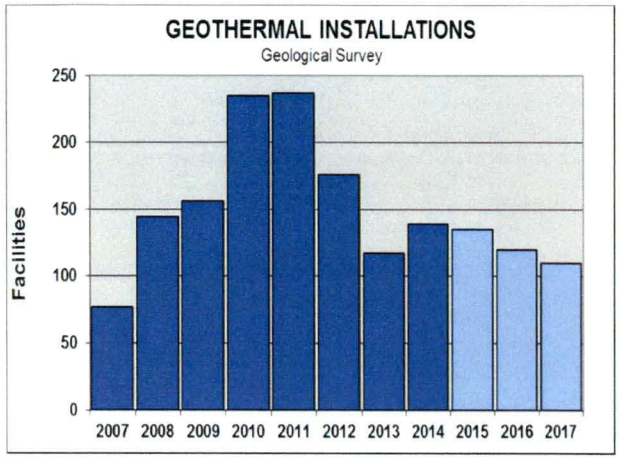
1/15/2015

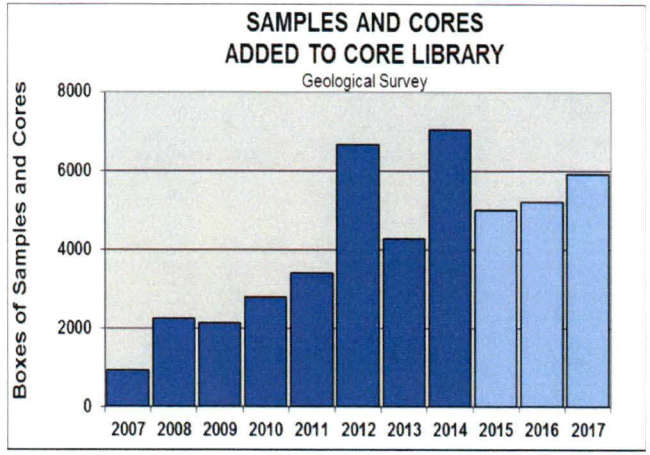
The North Dakota Geological Survey was created by an act of the North Dakota Legislature in 1895. After more than 115 years, the Survey still serves as the primary source of geological information in the state. Its mission over the years has grown and is now three-fold: to investigate the geology of North Dakota; to administer regulatory programs and act in an advisory capacity to other state agencies; and to provide public service to the people of North Dakota.

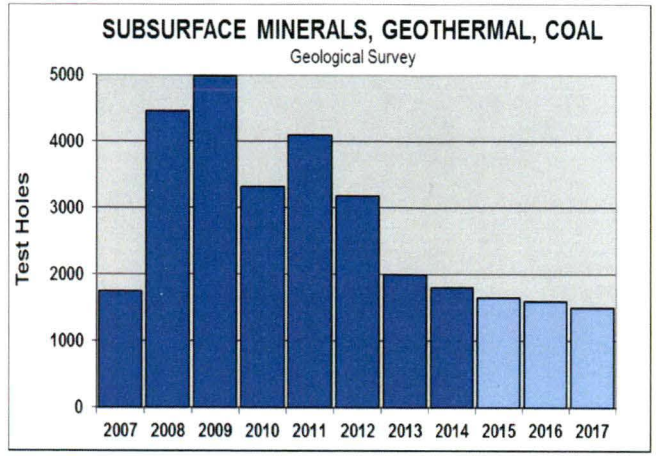
The Geological Survey publishes maps and reports on the mineralogical, paleontological, and geochemical resources of North Dakota, including oil and gas, coal, uranium, clay, sand and gravel, volcanic ash, potash and other salts, etc. In addition to the mapping of subsurface resources, the Survey is actively mapping the surface geology throughout the state with an emphasis on urban areas and the identification of geohazards such as landslides. Survey publications support the regulatory programs of the Industrial Commission, as well as other state and federal agencies, and assist mineral companies, geotechnical consulting firms, city and county governments, landowners, and citizens of the state. The North Dakota Geological Survey regulates coal exploration, subsurface mineral exploration and development (this includes all elements, minerals, and compounds other than oil and gas, sand and gravel, and coal), geothermal facilities (both commercial and residential), the Class III Underground Injection Control Program, and paleontological resources on state-owned lands.

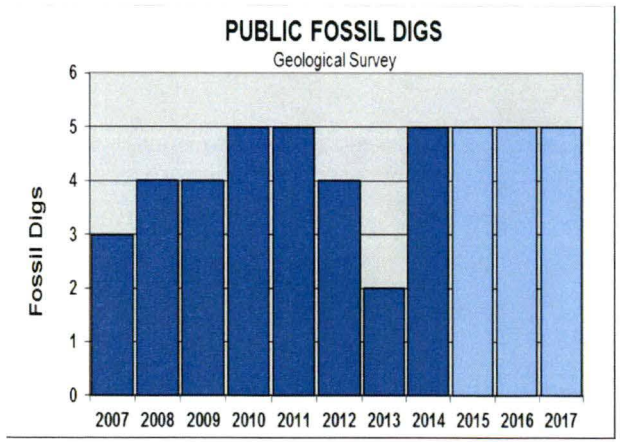
The Geological Survey and the Oil and Gas Division are in the Department of Mineral Resources and under the North Dakota Industrial Commission. The main office of the Department of Mineral Resources is located at 1016 East Calgary Avenue in Bismarck. The paleontology program of the Geological Survey is housed in the Clarence Johnsrud Paleontology Laboratory in the North Dakota Heritage Center (state museum) on the State Capitol grounds in Bismarck. The North Dakota State Fossil Collection, as well as the State Rock and Mineral Collection, are also housed in the Heritage Center. The North Dakota Geological Survey's Wilson M. Laird Core and Sample Library is located on the University of North Dakota campus in Grand Forks. The facility currently houses 400,000 feet of core and 35,000 boxes of drill cuttings obtained from oil and gas wells.

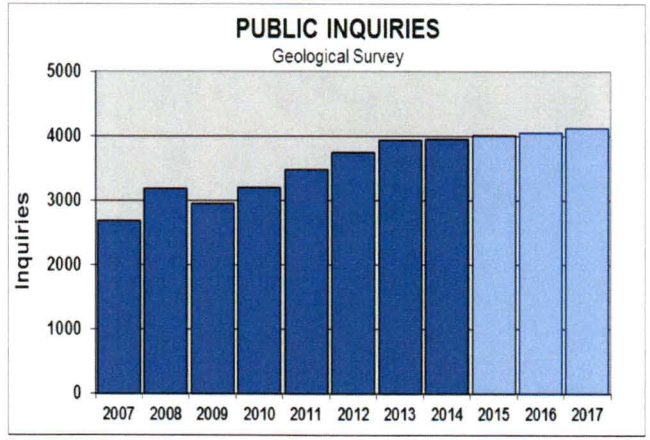
1/15/2015

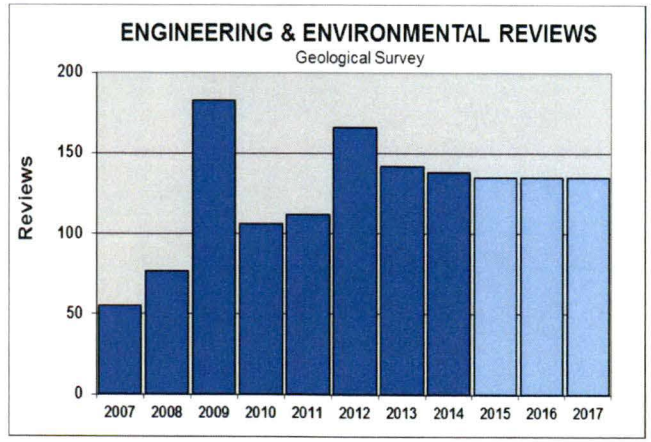

GEOTHERMAL INSTALLATIONS
Geological Survey
Facilities
250
200
150
100
50
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017


SAMPLES AND CORES
ADDED TO CORE LIBRARY
Geological Survey
Boxes of Samples and Cores
8000
6000
4000
2000
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

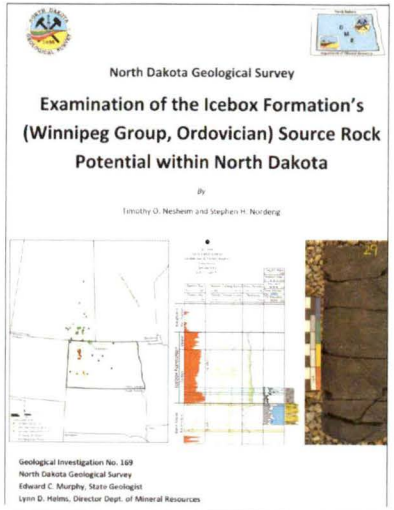

SUBSURFACE MINERALS, GEOTHERMAL, COAL
Geological Survey
Test Holes
5000
4000
3000
2000
1000
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

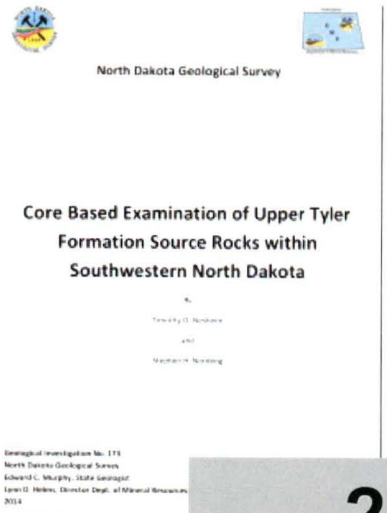

PUBLIC FOSSIL DIGS
Geological Survey
Fossil Digs
6
5
4
3
2
1
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

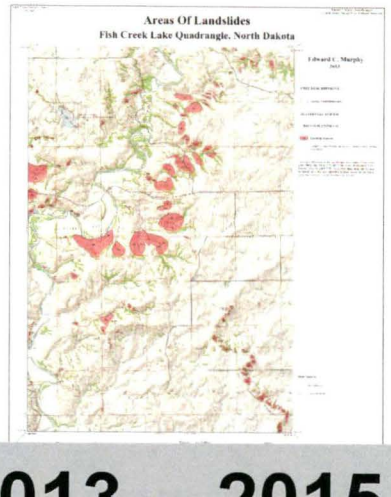

PUBLIC INQUIRIES
Geological Survey
Inquiries
5000
4000
3000
2000
1000
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

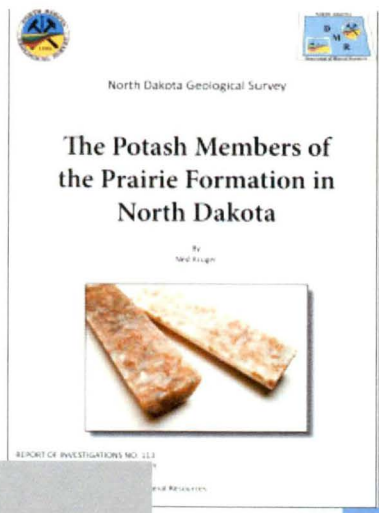

ENGINEERING & ENVIRONMENTAL REVIEWS
Geological Survey
Reviews
200
150
100
50
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

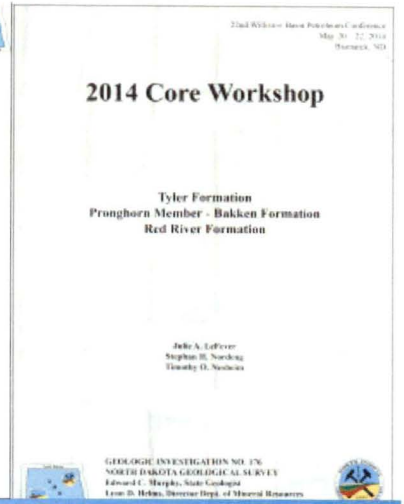
1/15/2015

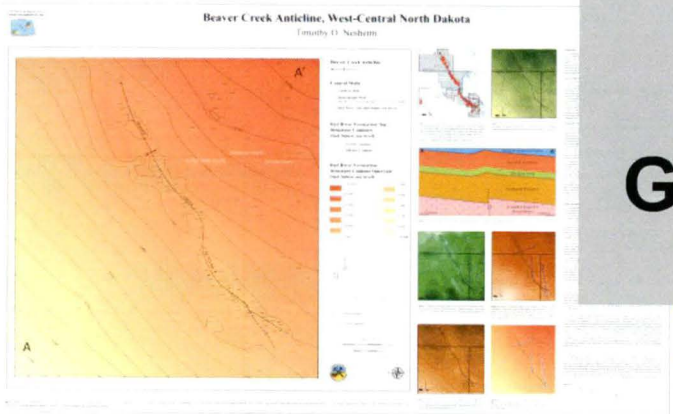








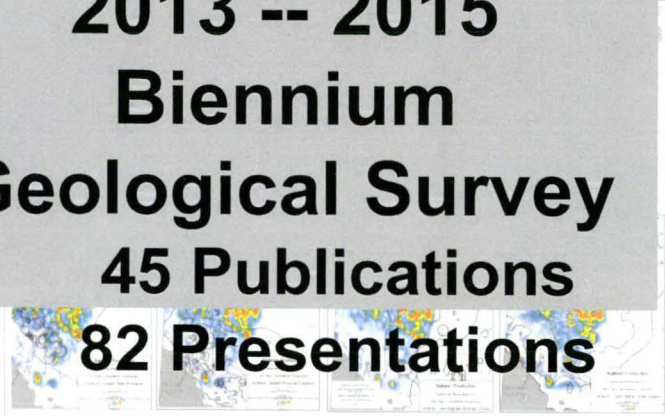


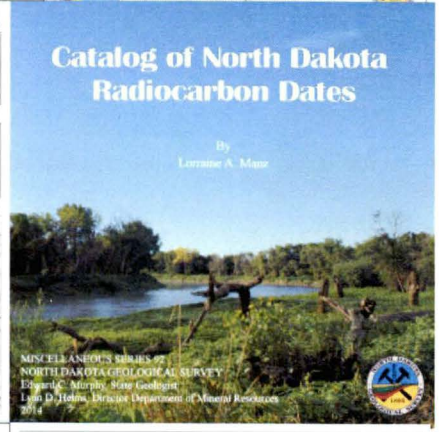


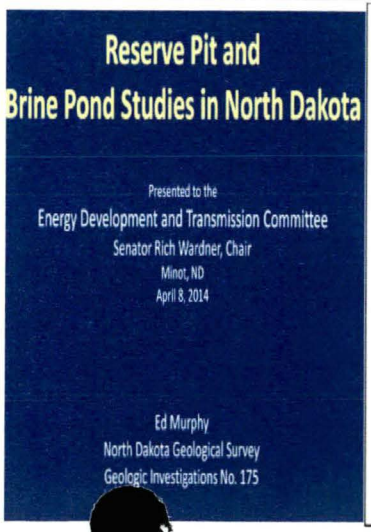
2013 -- 2015 Biennium Geological Survey

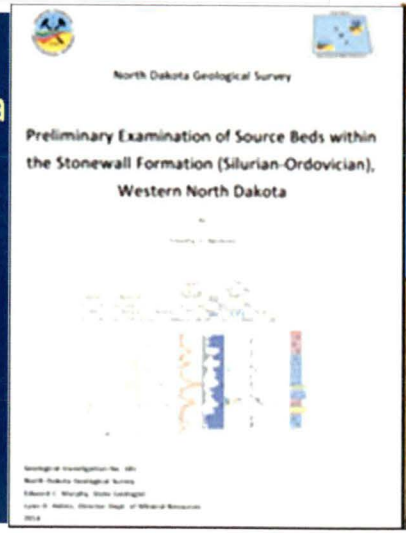
45 Publications

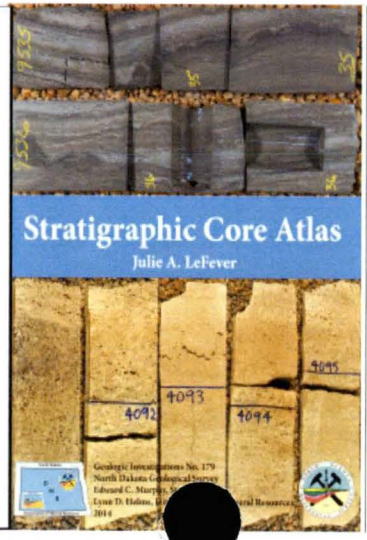
82 Presentations

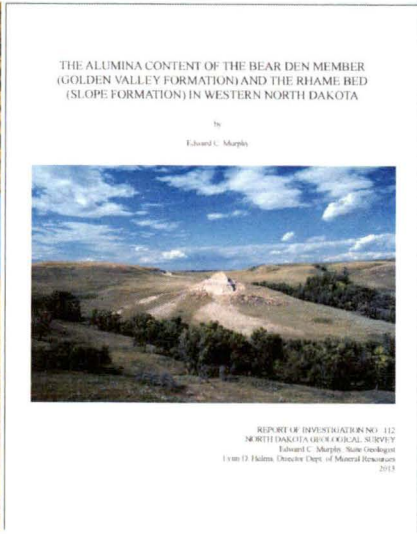


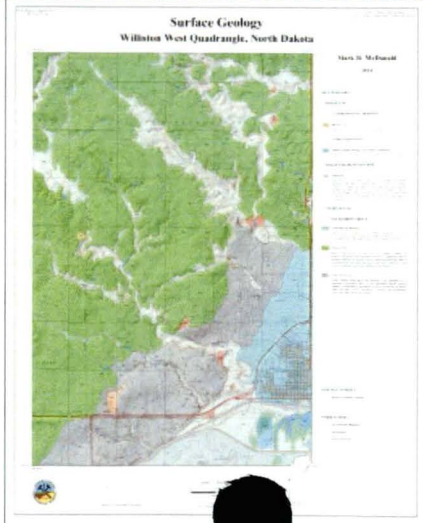






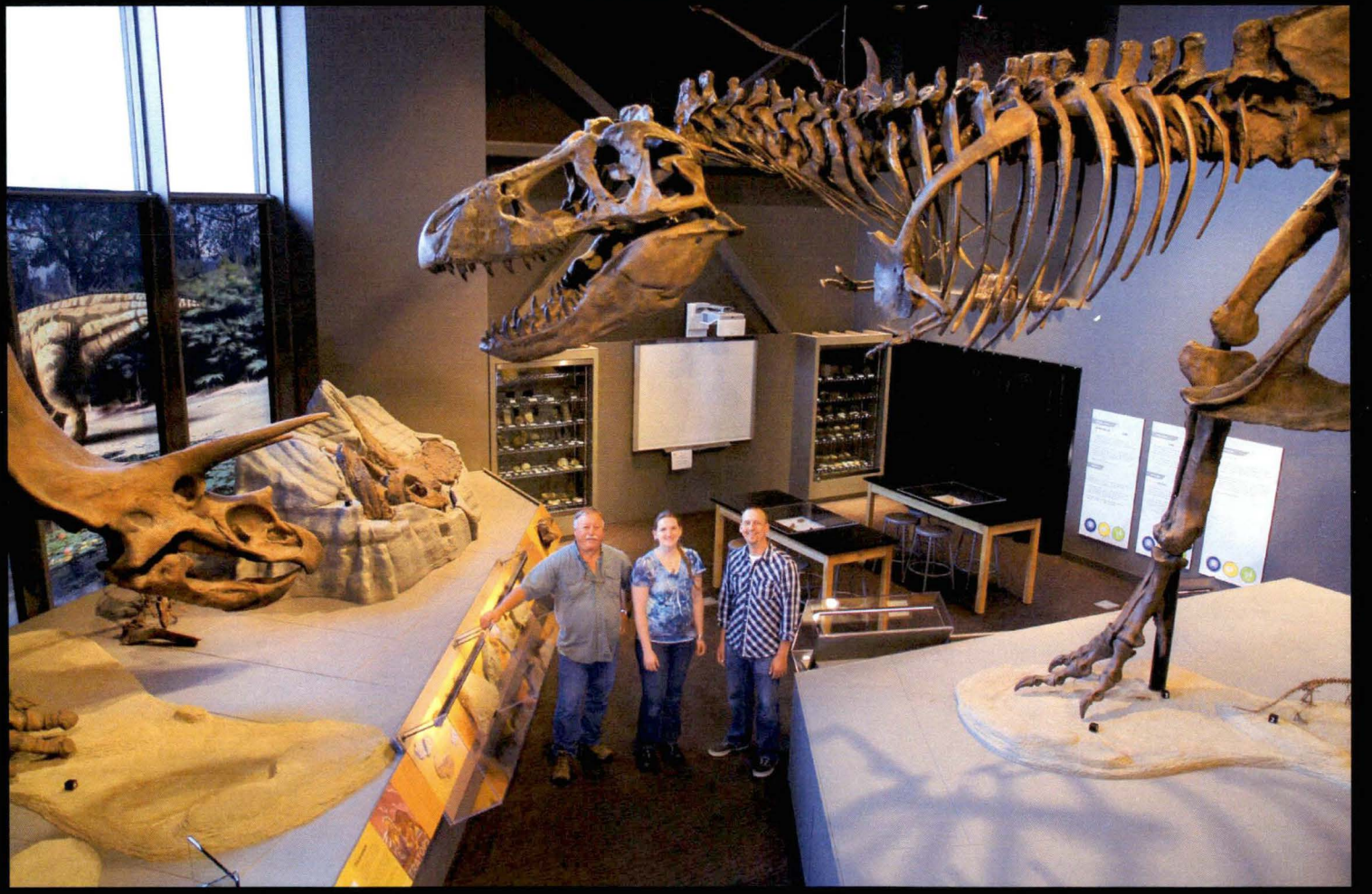




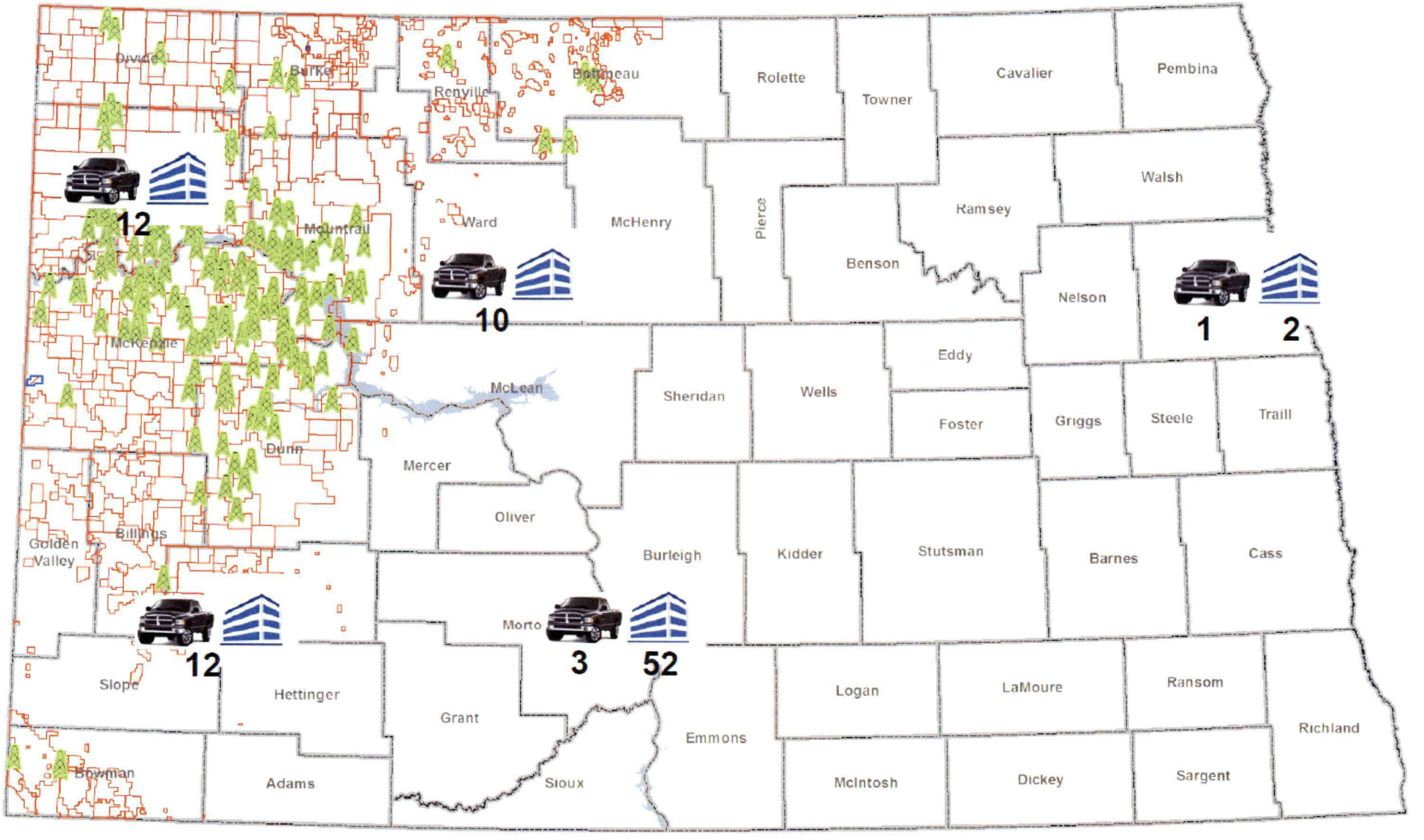


GEOLOGIC TIME GALLERY

April 28, 2014 Public Opening

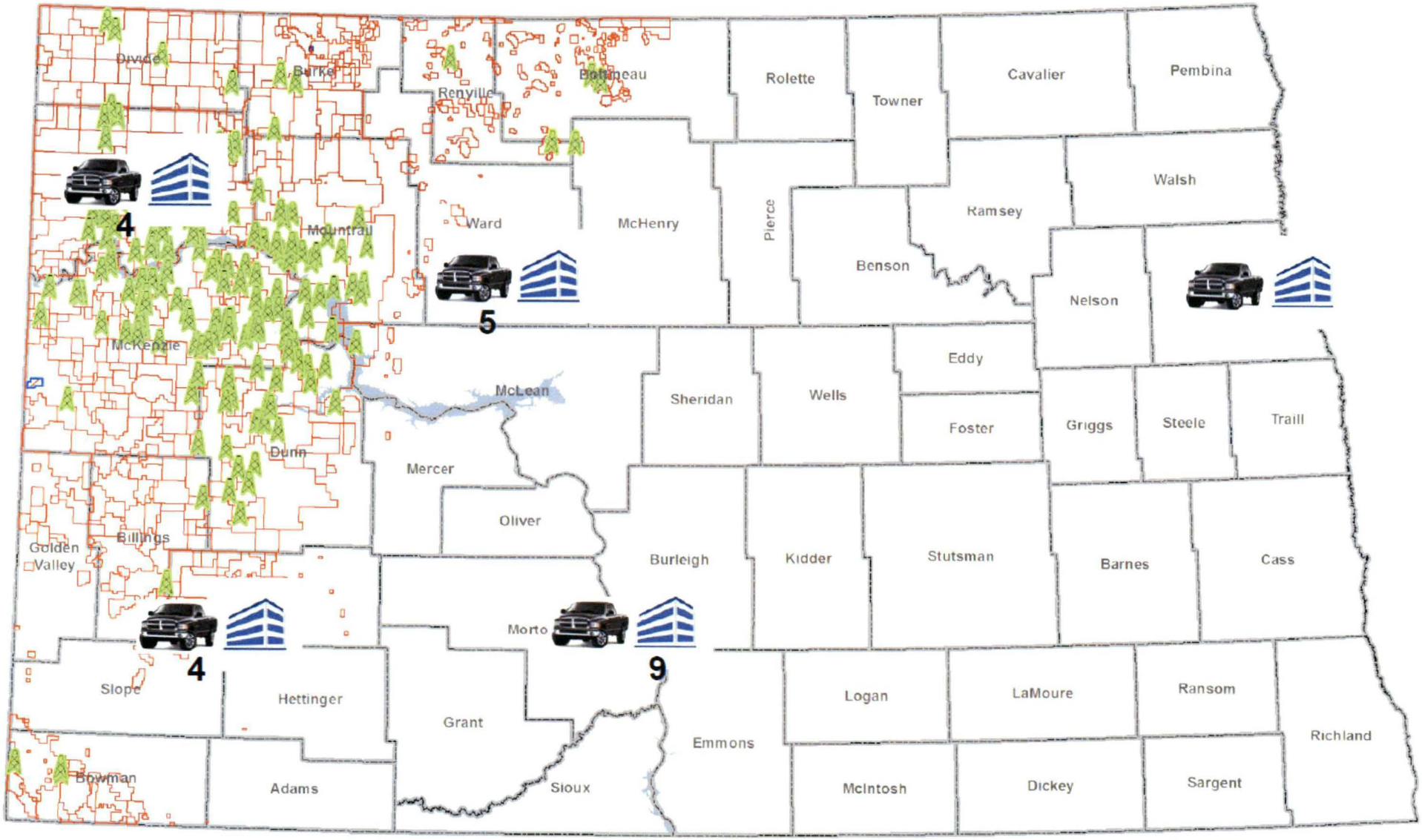


2013 - 2015



1/15/2015

2015 – 2017 FTE Request



1/15/2015

NORTH DAKOTA

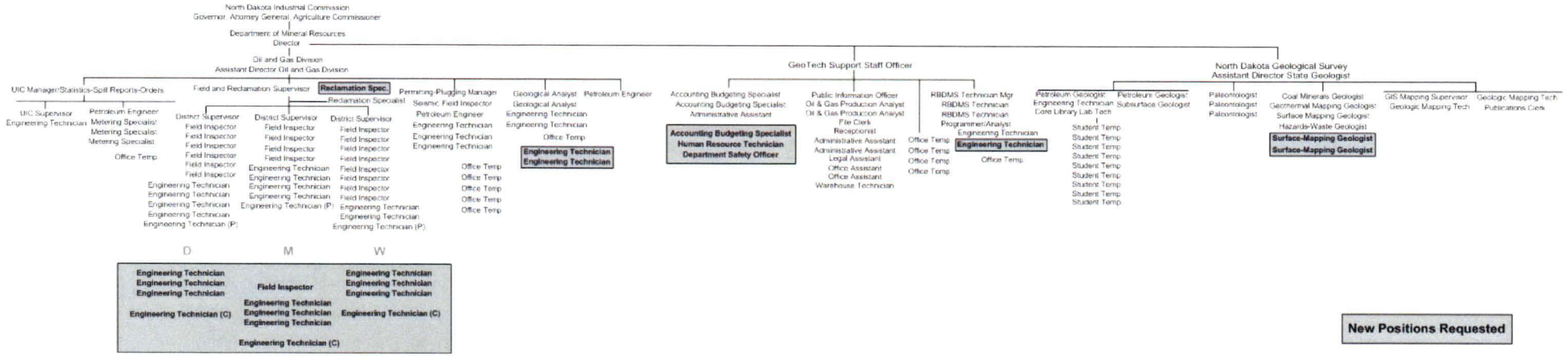
D M R

Department of Mineral Resources

2013 - 2015

1/15/2015

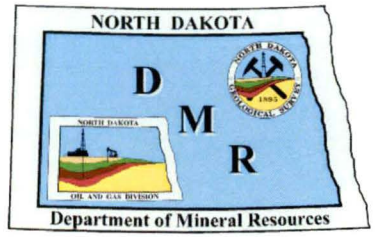
2015 - 2017



New Positions Requested

1/15/2015

2013-2015 Appropriations Update



New 1-FTE engineering technician for OGD Bismarck office – for well log and directional survey inventory - **Implemented**
New 1-FTE engineering technician for OGD Bismarck office – for prepping O&G permits **- Implemented**
New 1-FTE engineering technician for OGD Bismarck office – for prepping UIC permits **- Implemented**
New 1-FTE engineering technician for OGD Bismarck office – for GIS/Database/IT **- Implemented**
New 3-FTE petroleum engineers for OGD field inspection-focusing on drilling rigs **- Implemented**
New 3-FTE engineering technicians OGD field inspection-in Dickinson, Minot, and Williston – **Implemented**
New 1-FTE petroleum engineer for OGD Bismarck office-supervise oil and gas production audit and measurement department **- Implemented**
New 1-FTE engineering technician for OGD Bismarck office-for oil and gas measurement – **Implemented**
New 1-FTE petroleum geology analyst for OGD Bismarck office-regulation of top of cement review plus core and sample submission **- Implemented**
New 1-FTE administrative assistant DMR-assist Accounting Budget Specialist with payroll **- Implemented**
New 1-Office assistant for OGD Bismarck-Production auditing and legal **- Implemented**
New 1-Office assistant for OGD Bismarck-general office filing and reception **- Implemented**
New 1-FTE surface geologist for Geological Survey Division Bismarck office **- Implemented**
New 1-FTE core library technician and geothermal facility inspector-GSD Grand Forks – **Implemented**

New 3-FTE engineering technicians contingency triggered when well count exceeded 15,000-OGD field inspection **– Interviewing**

1/15/2015

2013-2015 Appropriations Update

Inflationary Increases **- Implemented**

Additional leased space for additional staff **– Implemented**

ONE TIME

Litigation (State vs. Federal Agencies) - $1,000,000

Market salary funds (included in agency salaries and benefits) - $450,000 **- Implemented**

Housing Allowance - $400,000 **- Implemented via four 6-mo. OMB funding pool requests**

Architectural - $25,000 **– Implemented** (Page 15)

Analysis of oil bearing rocks - $80,000 **– Implemented** (Page 16)

Geothermal Temperature Profiles – $50,000 **– Implemented** (Page 17)

Wide Bed Plotter - $5,800 – **In Progress**

1/15/2015

EXPANSION PLANS FOR THE WILSON M. LAIRD CORE AND SAMPLE LIBRARY (2013 – 2015)

Oil companies are required by law to archive cores and samples (small pieces of rock ground up by the drill bit) in the Wilson M. Laird Core and Sample Library located on the University of North Dakota Campus in Grand Forks. The core library was constructed in 1980 and is quickly filling to capacity due to record-setting drilling activity in North Dakota. Current estimates are that the core library will be completely filled in 2017. The core library warehouse (13,200 square feet) will need to be tripled in size in order to accommodate future cores and samples.

EAPC was chosen as the architectural firm to draw plans and estimate costs for a core library expansion. The expansion costs were included in the Governor's Executive Budget for the 2015-2017 biennium.

The Wilson M. Laird Core and Sample Library on the campus of the University of North Dakota. The core library houses over 75 miles of core (132,000 boxes of core) and 30,000 boxes of samples.

One of eight aisles in the Wilson M. Laird Core and Sample Library. Roughly 90% of the core in the core library have been reboxed in recent years resulting in a 30% space savings.

1/15/2015

DEPARTMENT OF MINERAL RESOURCES – GEOLOGICAL SURVEY
OIL-BEARING ROCK ANALYSIS PROJECT (2013-2015)

In the 2013-2015 biennium, the Geological Survey shifted emphasis from rocks above the Bakken to rocks below the Bakken and Three Forks Formations. This biennium, the Geological Survey has obtained 1,088 rock samples from core in the Icebox, Red River, Stonewall, Winnipegosis, Duperow, Birdbear, and Madison Formations for total organic carbon and RockEval analysis. So far, the results indicate several more potential source beds within these rocks than previously known. In some of these formations the oil-generating potential of the source beds is very localized and in other formations they appear to have consistent oil-generating potential over larger areas. We are continuing to sample these rocks to enable us to identify regional patterns.

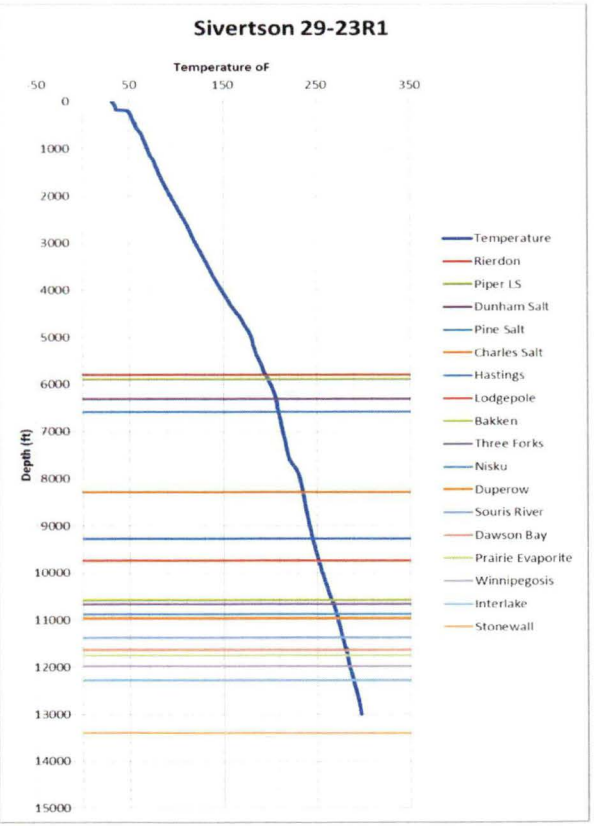
Thirty-six feet of Red River core (10,149 – 10,187 feet) from the Urlacher State Unit #1 in Hettinger County. The base of the Red River "C" is much more organic rich than the underlying limestone.

1/15/2015

DEPARTMENT OF MINERAL RESOURCES – GEOLOGICAL SURVEY
WILLISTON BASIN TEMPERATURE PROFILE PROJECT (2013-2015)

The burial history and temperature profile of the Williston Basin are important components when calculating areas within the basin where rocks are hot enough or were hot enough at one time in geologic history to generate oil. Temperature profiles can be obtained by temperature logging oil wells that have sat idle for several months thus allowing the fluid in the well to come to the same temperature as the surrounding rock.

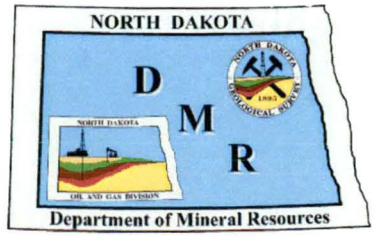
This biennium we purchased a temperature probe and contracted with a wireline company to run the probe in 11 temporarily abandoned oil wells in western North Dakota. So far, we have logged eight of those wells. We plan on purchasing a wire line unit so that we can log a hundred or so wells in the next several years. These temperature profiles, scattered across the basin, will enable more accurate estimates of where rocks in the Williston Basin were hot enough to generate oil (mature areas).



Photograph above: Temperature logging a 10,000 foot well in Mountrail County.
Graph on the right: Temperature profile of the Sivertson 29-23R1 in McKenzie County.

1/15/2015

2015-2017 Budget Requests



9 FTE Engineering Techs Field Inspection - focusing on wells and facilities.
1 FTE Engineering Tech GIS Pipelines – Increased gas capture GIS requirements.
1 FTE Petroleum Engineer Field Inspector – Increasing field activity in the Spearfish play in Bottineau Co.
3 FTE Safety Officer, Acct\Budget Specialist, Human Resources Tech. – Increased Department office support functions (safety, fiscal fraud risk assessment, recruiting and retention increases).
1 FTE Petroleum Engineer Reclamation Specialist – Increased spill response and reclamation requirements.
2 FTE Surface Geologists – Increased mapping needs in northwestern and eastern North Dakota.
2 FTE Engineering Technicians – well log and directional survey compliance and QC.
3 FTE Engineering Technicians if well count exceeds 20,000 OGD field inspection-focusing on wells and facilities.

2015-2017 Budget Requests

Inflationary Increases

ONE TIME

Potential Litigation EPA\BLM\TAT HF - $3,000,000

W.M.L. Core & Sample Library Expansion - $16,033,492 (Page 20)

Federal Funding Reduction Contingency - $30,000

Historical Aerial Photography - $104,143 (Page 21)

Contract Drilling and Coring - $125,000 (Page 22)

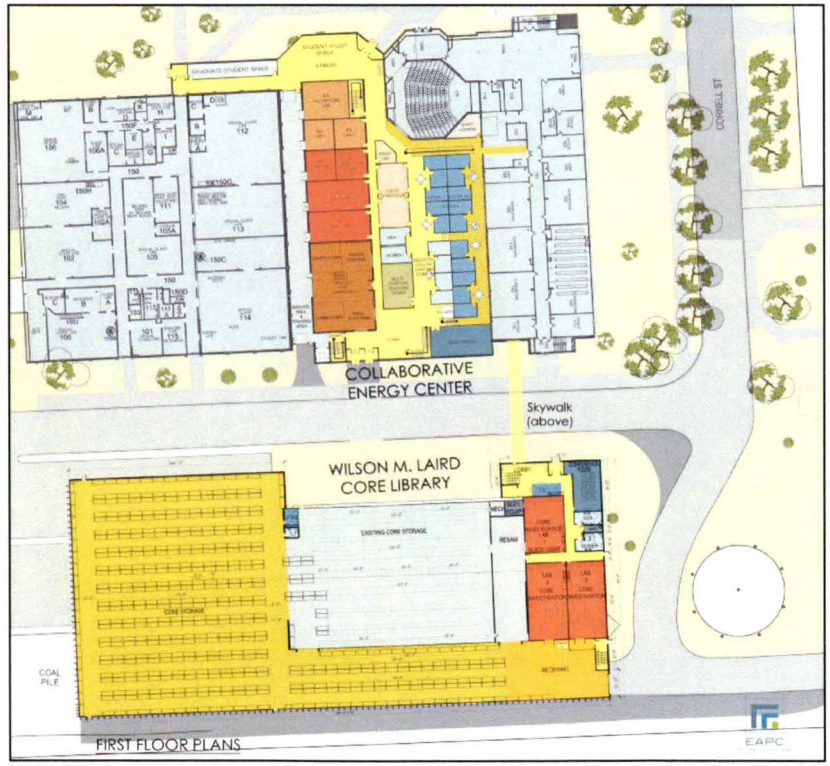
2D Seismic Profiles Digital Conversion - $100,000 (Page 23)

EXPANSION OF THE
WILSON M. LAIRD CORE AND SAMPLE LIBRARY (2015-2017)

EAPC determined it would cost $16,013, 441.96 to triple the size of the existing core library warehouse, increase from one laboratory to five (the original core library had two labs, but one had to be used for office space), increase office space, and add a conference room. We believe that will give us 50 years of storage space and provide much needed research space. University of North Dakota personnel were shown these plans as they developed and were asked for input. In addition, the Department of Mineral Resources and the University of North Dakota signed an MOA in 2014 regarding expansion of the core library on the UND campus and acknowledging the mutual benefit of locating it on the campus. The core library is located across the street from Leonard Hall (dept. of geology and geological engineering), Upson Hall (School of Engineering and Mines), and the proposed Collaborative Energy Center (CEC).

In order for construction to begin this summer, an emergency clause will need to be attached to this portion of the HB1014. Doing so, will enable demolition to be completed before classes begin for the fall semester.

EAPC's drawing of the proposed expansion of the Wilson M. Laird Core and Sample Library. The skywalk leads from the core library to Leonard Hall.

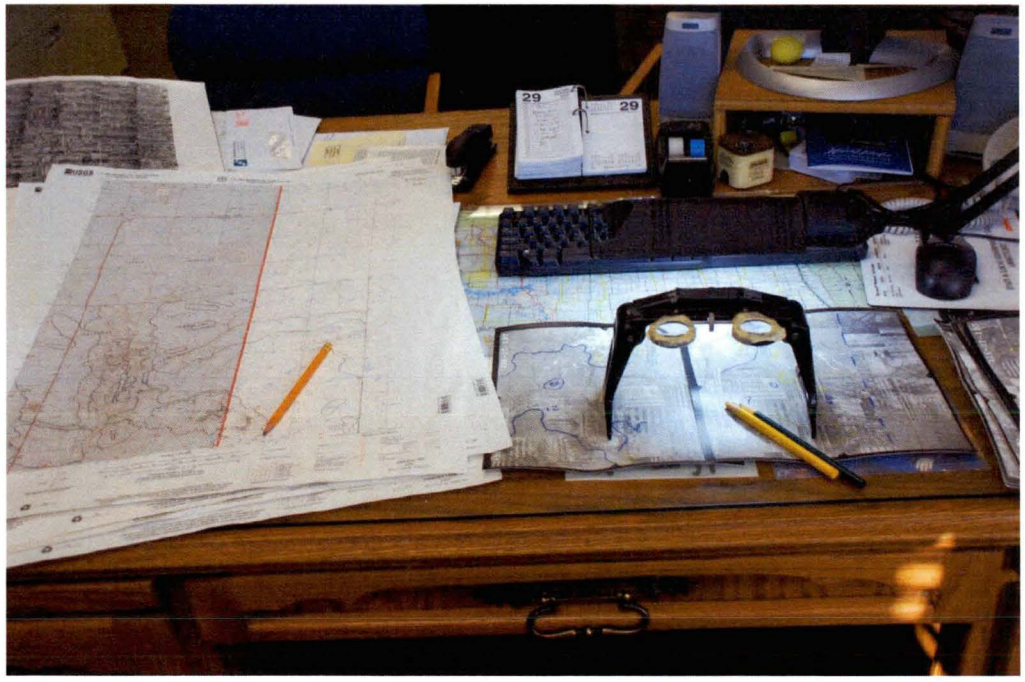


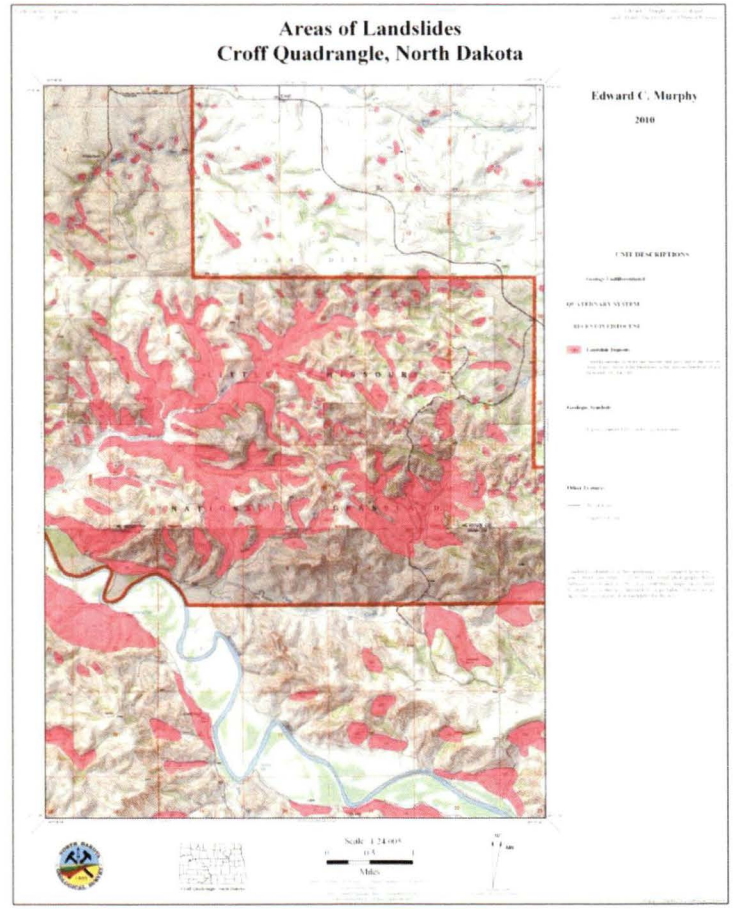
EAPC's core library expansion plans. Existing buildings (the core library, Leonard Hall, and Upson Hall) are shown in gray. Areas and rooms within the expanded core library and the CEC are shown in a variety of colors.

1/15/2015

AERIAL PHOTOGRAPHY
GEOLOGICAL SURVEY (2015-2017)

Aerial photographs are an important source of geologic information, the patterns observable in photographs often provide insight into the sediments or rocks that can be found at or near the surface. The Geological Survey has 50,000 aerial photographs flown between 1957 and 1962. This includes flight lines for all but two counties. In addition, almost every set in the remaining counties are missing photos. If we can purchase the 8,000 missing photographs, we will have a complete set of older photos to work from. We prefer older photographs because there are fewer buildings and infrastructure to obscure the surface geology. All of our aerial photographs are in stereo pairs which enable us to look at them through stereoscopes and see things in three dimensions.



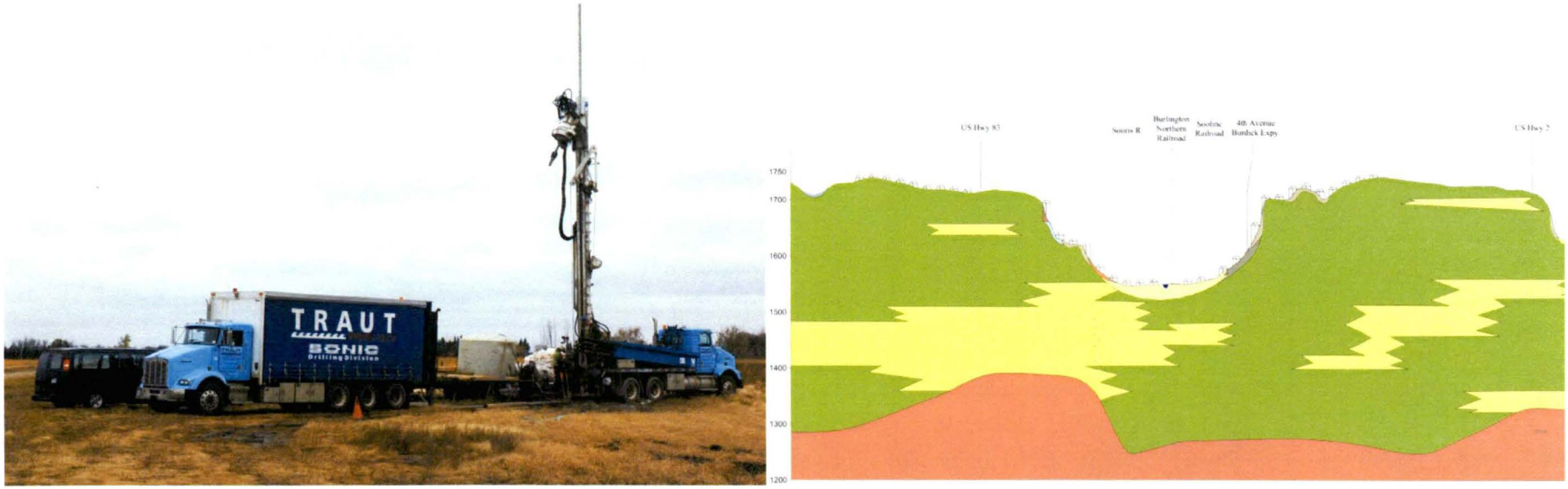


Photograph above: Geologic contacts are identified through the stereoscopes, traced on the photos with grease pencil, the lines are transferred to the quadrangles, and the contacts are checked for accuracy in the field. On the right: Landslide map of the Croff Quadrangle. The landslides are mapped in pink.

1/15/2015

SHALLOW DRILLING AND SAMPLING PROGRAM
GEOLOGICAL SURVEY (2015-2017)

Shallow drilling is an important tool when surface mapping. It provides insight into the elevation of contacts and the changing lithologies in the top 50 or 100 feet of sediment and rock beneath the surface. Drilling enables a three-dimensional assessment of the resources (such as sand and gravel) or the potential hazards (such as swelling clays) beneath an area. Shallow coring costs are variable and can range from $15.00 to $75.00 per foot. We anticipate coring 1,500 or more feet and analyzing 500 sediment samples in the Red River Valley and eastern North Dakota. In addition to characterizing the lithology of the rocks and sediments, we are also going to determine the rare earth content of approximately 50 lignite samples from western North Dakota.

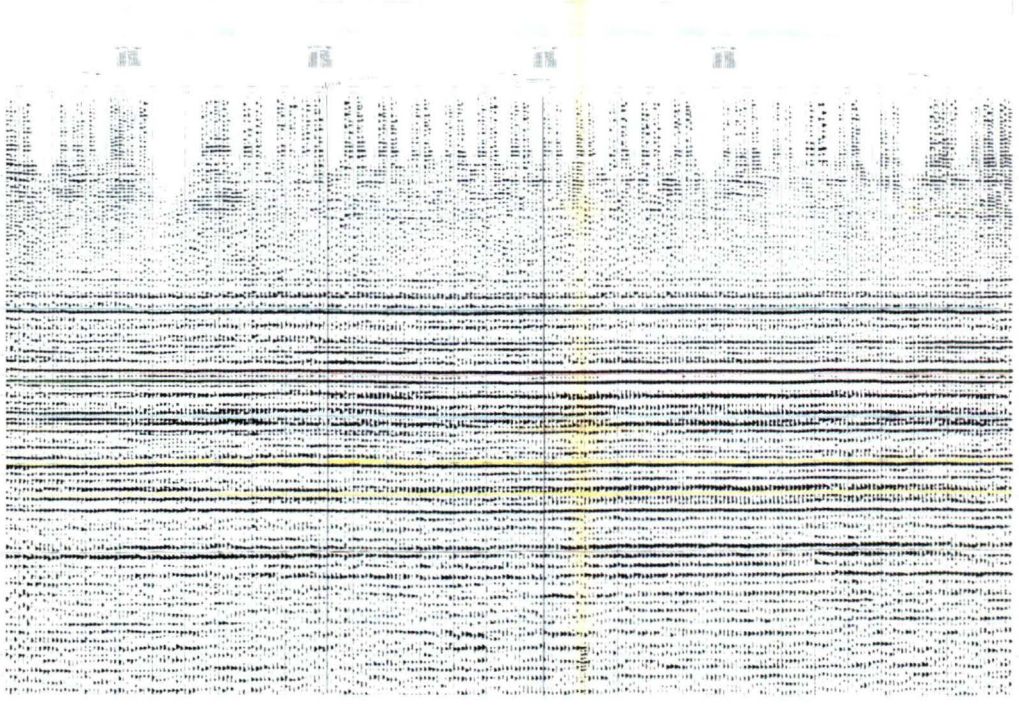


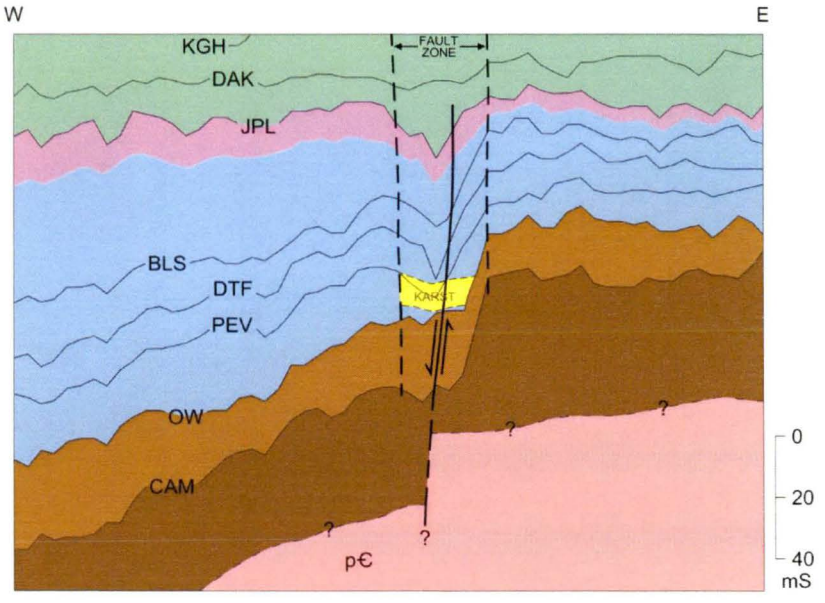
Left: This rotosonic truck-mounted rig is capable of coring depths in excess of 500 feet. *Right:* A shallow geologic cross section beneath Minot. Green is till, yellow bodies are sand, and pink is the Fort Union Group (alternating beds of mudstone, claystone, siltstone, sandstone, and lignite).

1/15/2015

DIGITAL CONVERSION OF 2D SEISMIC LINE GEOLOGICAL SURVEY (2015-2017)

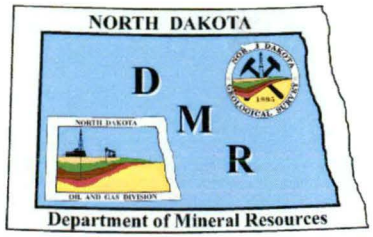
Seismic profiles provide important insight into the rocks in the Williston Basin. Companies are not required to provide copies of seismic lines to the State of North Dakota. As a result, we seldom see seismic information. However, a number of years ago Chevron Oil donated fifty seismic lines that had been run in western and northwestern North Dakota. We digitally converted the data and hired a geophysicist to interpret the data. The remaining lines are to be converted to a digital format and interpreted by an independent contractor (geophysicist). This data will provide valuable insight into the character of the rock in these areas.





Left: One of the 2D seismic lines donated to the Geologic Survey. *Right:* A geophysicist's interpretation of one of the gifted seismic lines (KGH – Greenhorn Formation, DAK – Dakota Group, JPL – Piper Formation, BLS – Base of last salt, DTF – Three Forks Formation, PEV – Prairie Formation, OW – Winnipeg Group, CAM – Deadwood Formation, PC – Precambrian.

1/15/2015



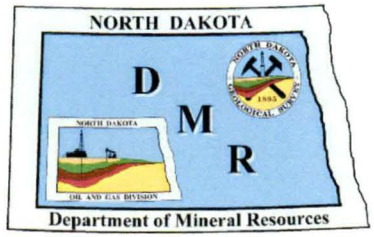
2015-2017 Possible Changes in Federal Funding

Federal Funding Program	Anticipated Award	Anticipated Change
UIC Oil & Gas (EPA)	$210,000	$0
PSC Coal (OSM-DOI)	$18,000	$4,000
NCRDS-Coal (USGS-DOI)	$10,000	-$20,000
Other Sources (USGS-DOI)	$0	-$14,000

Anticipated Reductions 2015-2017 = -$30,000

Plan to Address Changes: Geological Survey requests a federal line item decrease from $58,000 to $28,000.

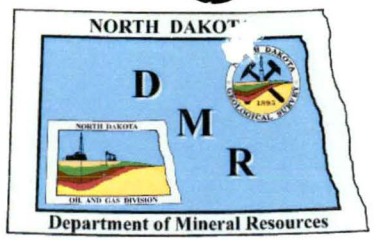
1/15/2015



Prioritized Listing of Requests not included in the Executive Budget

1. DMR Market Equity Compensation – $800,000
2. Energy Impact Funding – ONE TIME $1,187,903 SB 2015
3. 1 FTE Engineering Technician Treating Plant Inspection - $215,611
4. 1 FTE Petroleum Engineer Geology Analyst - $211,920
5. Two ATVs & Trailers for Pipeline Inspection – ONE TIME $41,500

6. 2 FTE Engineering Technicians APDs - $323,769
7. 4 down to 2 FTE Engineering Technicians (Logs, Surveys,) - $323,769



Estimated 2013 – 2015 Spending compared to 2013 – 2015 Appropriation

DEPT. OF MINERAL RESOURCES

	DMR 2013-15 Approp	2013-15 Actual Spent as of 12/31/14	2013-15 Estimated Spending Jan 1st-Jun 30th	Major Variances
40510 Salaries & Wages	$17,177,006.00	$11,653,327.47	$5,523,678.53	$0.00
40512 Accrued Leave Pmts	$329,963.00	$23,687.90	$306,275.10	$0.00
40530 Operating Exp.	$5,675,532.00	$3,130,239.98	$1,545,292.02	$1,000,000.00 *
40550 Capital Assets	$5,800.00	$0.00	$5,800.00	$0.00
Total Expenditures	$23,188,301.00	$14,807,255.35	$7,381,045.65	$1,000,000.00

* SB 2014 allowed one-time funding for possible environmental protection agency litigation. Legal proceedings could occur at any time, but currently no legal disputes are anticipated.

1/15/2015

Permanent Staff Model

21	Petroleum Engineer - Field Inspectors Current		13	Engineering Technician - Field Inspectors Current	
22	Petroleum Engineer - Field Inspectors Needed		**22**	Engineering Technician - Field Inspectors Needed	
45	hours per week		45	hours per week	
5	hours office time		5	hours office time	
15	hours Spills, Pluggings, other Engineering		10	hours Spills and Pipelines	
18,247	producing wells	0 visits per year	18,247	producing wells	4 visits per year
1,408	injection wells	0 visits per year	1,408	injection wells	12 visits per year
0	hours for well inspections		29	hours for well inspections	
25	hours for rig inspection		0	hours for rig inspection	

544 hours per week for rig inspection

3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)

	Rigs	Petroleum Engineer - Field Inspectors	6/30/2017 Wells	Engineering Technician - Field Inspectors
	120	15	18,567	20
Q4 2015	130	17	18,784	21
	140	18	19,002	21
Q2 2015	150	19	19,220	21
	160	20	19,437	21
Q2 2017	170	22	19,655	22
	180	23	19,872	22
Max 2015-17	190	24	20,089	22
	200	26	20,307	22
	210	27	20,525	22

1/15/2015

TESTIMONY TO THE HOUSE APPROPRIATIONS GOVERNMENT OPERATIONS DIVISION COMMITTEE

JANUARY 15, 2015

HOUSE BILL 1014

ERIC HARDMEYER – PRESIDENT & CEO
BANK OF NORTH DAKOTA

The Bank of North Dakota (BND) is the only state-owned bank in the nation. Its mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota. In this role, BND acts as a funding resource in partnership with other financial institutions, economic development groups, state, and guaranty agencies. BND originates student loans through the Dakota Education Alternative Loan Program (DEAL). It also originates residential mortgages in areas where those services are not readily available. BND acts as a secondary market for residential loans for ND banks that choose to sell their residential loans. BND provides cash management services to other state agencies and North Dakota financial institutions. We provide check clearing services and liquidity programs for over 100 ND financial institutions.

12-31 Year-End BND Financial Highlights (millions)

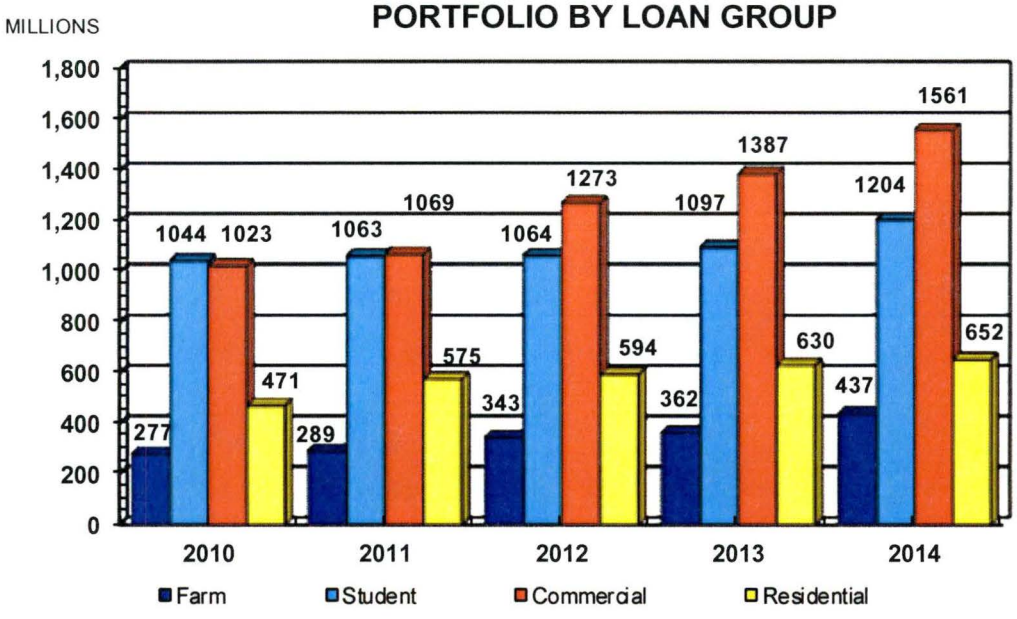
	2011	2012	2013	Unaudited 2014	Projected 2015
Assets	$5,375	$6,155	$6,873	$7,216	$7,506
Loans	$2,995	$3,280	$3,477	$3,794	$4,027
Deposits	$4,179	$5,004	$5,601	$5,731	$6,001
Capital	$ 400	$ 464	$ 552	$ 645	$ 690
C/A Ratio	7.70%	7.59%	8.42%	8.76%	9.20%
Income	$70.3	$81.6	$94.2	$111.2	$115.2
Transfer	$ 2.8	$29.0	$19.4	$17.3	$70.0*
% transfer	4.0%	35.5%	20.6%	15.6%	60.7%
ROE	19.3%	19.2%	18.4%	18.3%	17.3%

Assets have grown 34% since year-end 2011. This growth generally can be attributed to the overall strength of North Dakota's economy. As tax and fee incomes grow, they are deposited at BND. Those deposits are then deployed into various asset types: loans, investments, or short term securities.

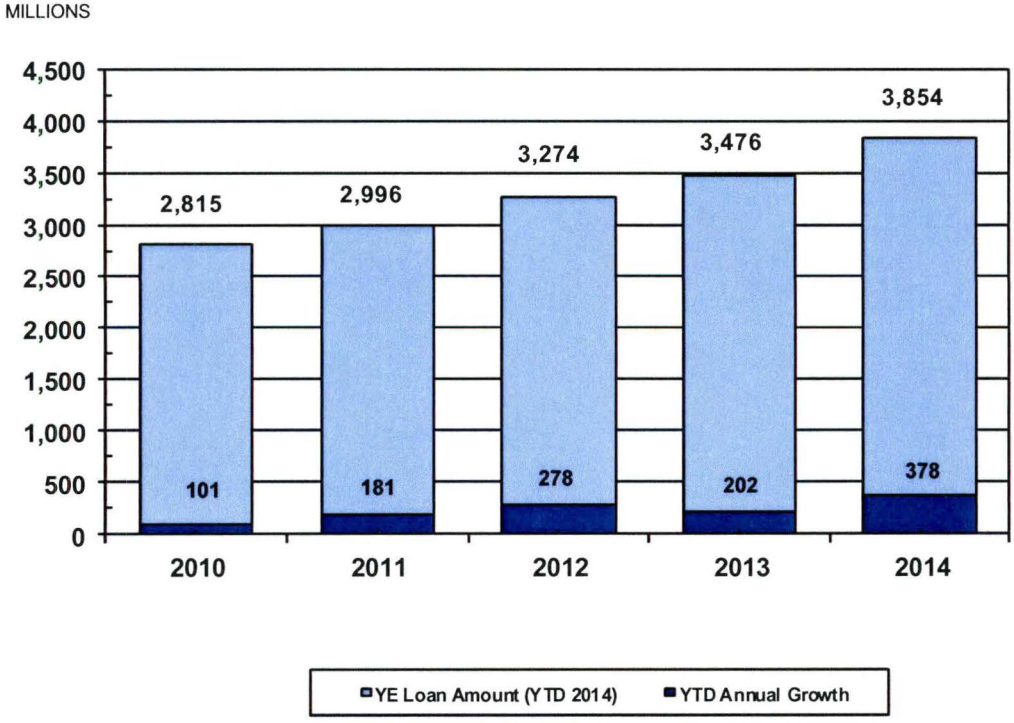
Total loan volume has increased each year with over a 27% increase in net loans since 2011. The $3.8 billion loan portfolio is diversified and breaks into four main categories as shown below.

*Includes projected portion of buy-down transferred to programs and HB 1137

PORTFOLIO BY LOAN GROUP



TOTAL PORTFOLIO



The Bank of North Dakota is adequately capitalized with equity of $645 million or 8.76% of average assets. According to Federal Reserve regulations, to qualify as "Well-capitalized", a financial institution must have at least 5% capital. A nationwide average for banks of similar size is 10.47%, while the North Dakota average for all banks is 9.36%. Our internal goal has been to have equity of 8.50%.

While BND is not federally regulated, we are, however, examined by state regulators and hold an independent rating from Standards & Poor's of AA-.

Earnings have been strong with BND achieving record profits the last eleven years. For 2014, we had budgeted earnings to be $99.5 million; however, as a result of a growing deposit base and stable loan demand, earnings were approximately $111 million. For the 2015-17 biennium, we project earnings to be approximately $233 million.

The return on equity ratio, which averages 18.8% for the last four years, represents the state's return on its investment in the Bank.

Student Loans

As many of you know, effective July 1, 2010 the Federal Family Education Loan (FFEL) program was eliminated and now is delivered by the US Department of Education through the Direct Loan program. The FFEL program had been the hallmark of the Bank of North Dakota's student loan program for over 40 years.

Additionally, we continue to provide the Dakota Education Alternative Loan (DEAL) Program. This is a Bank of North Dakota program that is designed to fill in gaps around the federal student loan program. As detailed in the graphs provided, this program has experienced significant growth for BND and we believe that trend will continue. In fact in 2013, DEAL loans exceeded the federal guaranteed loans.

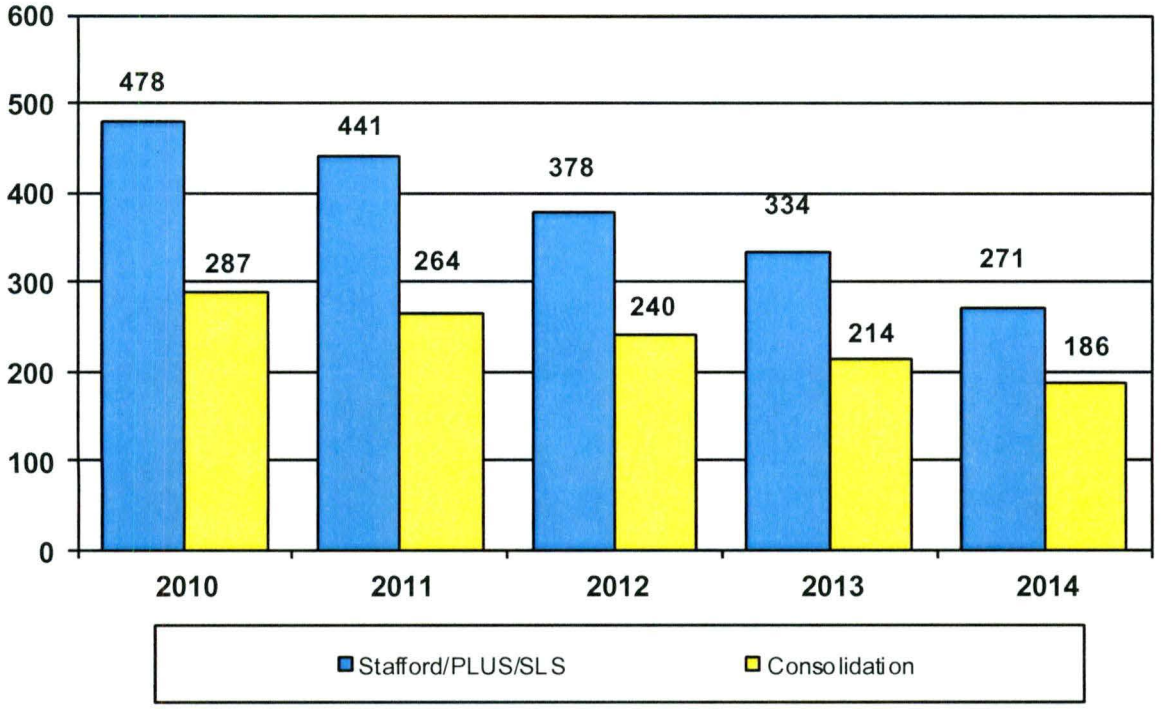
In 2014, BND launched a new student loan program called DEAL One. This program is a result of legislation passed in the 2013-15 session. Deal One is the first student loan program in the nation which allows an individual to consolidate all of their student loans into a single loan. The program was officially opened for all state residents in April. Through the end of 2014 BND originated over 3,000 Deal One loans totaling approximately $143 million. The outstanding balance as of December 31, 2014 was approximately $137 million.

Housed within BND is the College Planning Center. Activities include the coordination of the College Access Challenge Grant, administration of the College Save Program (529 Plan), and acts as the state coordinator for the Dollars for Scholars program. We also do extensive work with educational and financial outreach to all areas of the state.

We will continue to seek new ways to engage the College Planning Center to further our educational mission.

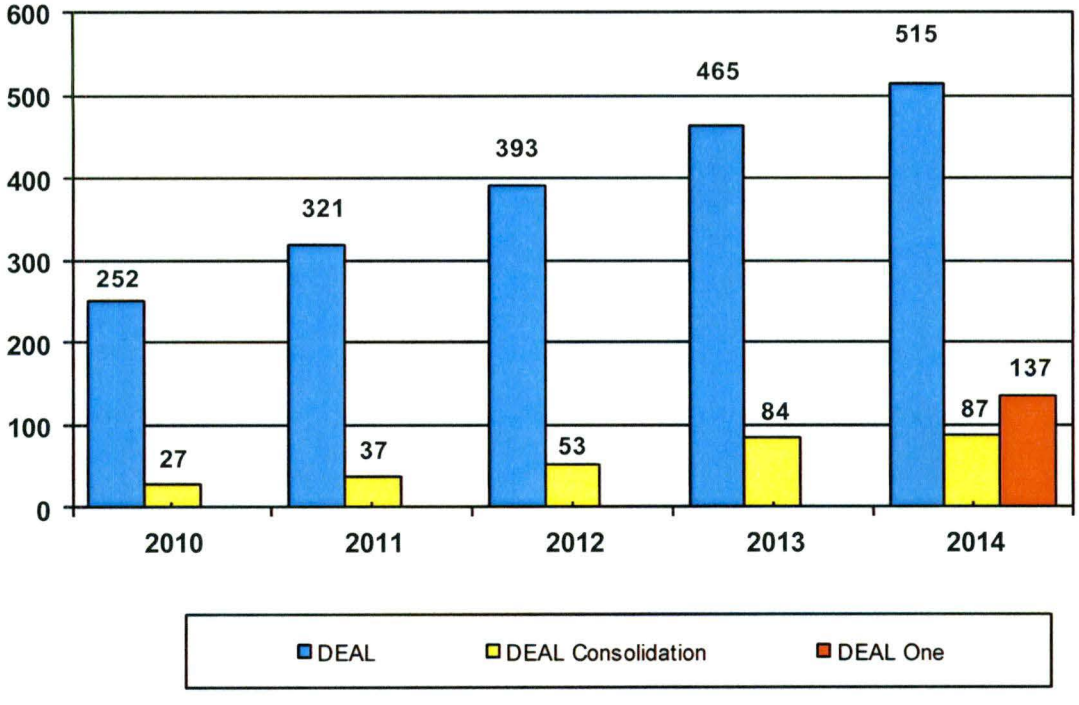
FFELP LOAN PORTFOLIO TOTALS

MILIIONS



DEAL LOAN PORTFOLIO TOTALS

MILLIONS



BANK OF NORTH DAKOTA
HOUSE BILL 1014, SECTION 1
OPERATIONS

As you know, BND is a special fund agency, consequently; **all appropriated expenses are funded by revenues generated through operations.** Profits are available to increase capital or make transfers to the General Fund or other state programs.

The Bank of North Dakota's 2015-17 proposed operations budget is comprised of two major line items: operations and capital assets. Included in the operations line item are salaries & benefits, operating expense, and contingency.

MAJOR LINE ITEM EXPENSE CATEGORIES:

OPERATIONS

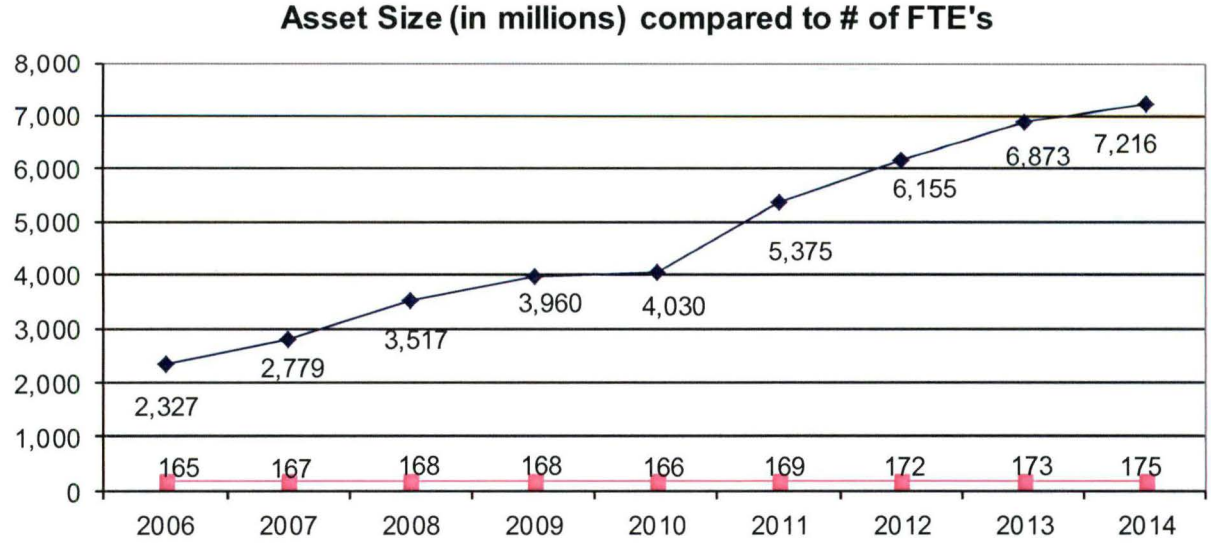
Budget 2015-2017	$59,418,693	Appropriation
Budget 2013-2015	$51,523,916	Base level
	$ 7,894,777	Enhancement

SALARIES AND BENEFITS

Budget 2015-2017	$33,648,813	Appropriation
Budget 2013-2015	$29,722,160	Base level
	$ 3,926,653	Enhancement

The salaries and wages line item increase represents the salary increases as proposed in the Governor's budget. This also reflects the increase in medical insurance and other benefits as proposed in the Governor's executive budget.

Bank of North Dakota's total assets have grown from just over $2.3 billion in 2006 to over $7.2 billion for 2014, more than tripling our asset size over the past 10 years. This growth has been managed with essentially the same number of employees in 2014 as in 2004 as represented in the graph below:



Our efficient use of staff resources has enabled us to grow the Bank substantially while maintaining the number of employees, and our business practice includes a diligent requisition process to evaluate every vacancy that occurs. We have gained efficiencies in some areas of the Bank by the implementation of computer processes or streamlining efforts, and have been able to deploy affected employees to other areas of need. This practice has served us well and has allowed us to become an efficient business partner. We have a proven track record of efficiently and effectively managing our staffing level and our request for 2 additional FTE's is included in the Governor's budget proposal so that we are able to continue to do so.

BND currently holds 4 vacant FTE's with plans to fill them in the following capacities:

- Loan officer – Lending
- Calling officer – Business Development
- Industrial loan specialist – Lending
- Accelerated development program (ADP) – Service area placement to be determined

The 2 additional FTE's that were included in the Governor's budget are being requested to meet the goals identified in our 2015-2017 strategic plan. Our plan to fill them is noted below:

- Lending (+1 FTE) – In order to meet our initiative to expand our correspondent services through the addition of a loan officer and calling officer, support staff will be a necessity. This will be critical so that we can continue to provide great customer service to our financial institutions and state agencies.
- Business and Technology (+1 FTE) – The risk of cyber security threats continues to rise creating additional resource needs to ensure the safety and security of the Bank's assets.

All of these areas point to our need for flexibility in managing staffing levels and we appreciate the Governor's recognition of BND's efforts.

OPERATING EXPENSES

Budget 2015-2017	$25,769,880	Appropriation
Budget 2013-2015	$21,801,756	Base level
	$ 3,968,124	Enhancement

Operating expenses include items like data processing, training and development, supplies, postage, etc. The major increase, nearly $2,450,000 pertains to new and ongoing information technology maintenance and enhancements, as well as the authorization to spend funds associated with servicing Federal Student Loans, authorized by N.D.C.C 6-09-48.

A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as percentage of income. Anything below 50% is considered to be excellent. BND is operating with a 16.7% efficiency ratio, which is over three times better than the industry average of 60.8%.

CONTINGENCY

Budget 2015-2017	$ 4,000,000 Appropriation
Budget 2013-2015	$ 3,244,356 Base level
	$ 755,644 Enhancement

Of the funds requested for contingency, approximately $3,300,000 is earmarked to address information security needs and new information technology projects. The financial industry is going through dramatic changes with system application requirements, cybersecurity requirements, compliance and regulatory needs. Since we are dealing with a two year budgetary window, it is important that BND has a significant amount in contingency to deal with unforeseen events.

CAPITAL ASSETS

Budget 2015-2017	$ 745,000 Appropriation
Budget 2013-2015	$ 745,000 Base level
	$ 0 Enhancement

Moneys appropriated for capital assets consist of funds for replacement servers for core banking system, software upgrades, and hardware replacement.

HOUSE BILL 1014, SECTION 2

This section identifies a medical loan program, $50 million was authorized in the 2013-15 legislative session for medical facilities construction. To date the entire $50 million has been committed to facilities in the energy impact areas of North Dakota. Funding for this came from the Strategic Improvement and Investment Fund.

HOUSE BILL 1014, SECTION 6
Transfer to the Industrial Commission

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs.

HOUSE BILL 1014, SECTIONS 7-10
Appropriation Transfer

These sections allow the Bank of North Dakota to transfer from its undivided profits up to or so much of the sum for: $28 million for PACE/Flex PACE, $3 million for Ag PACE, $2 million for Biofuels PACE, and $7 million for Beginning Farmer Revolving Loan Funds, totaling $40 million a $2 million increase from the 2013-15 biennium.

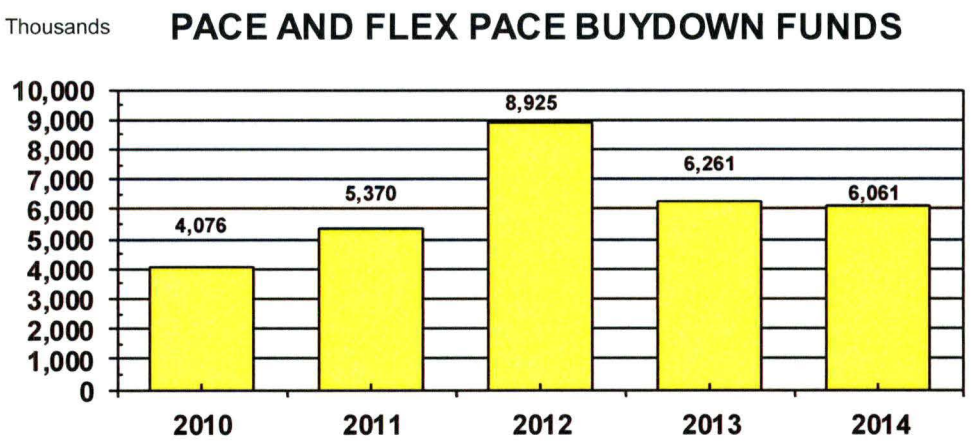
BANK OF NORTH DAKOTA
HOUSE BILL 1014, SECTION 7

PACE FUND

The PACE Fund was established to buy-down the interest rate on loans to assist North Dakota communities in expanding their economic base by providing local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries. In 2005, the PACE program was expanded to include a special limited provision called Flex PACE. This special program allows local communities to set their own standards for use of the program including business retention or essential services.

The PACE Fund began in 1991. Money provided to the PACE Fund by biennium is as follows and include funds for PACE, Flex PACE and Affordable Housing Flex PACE:

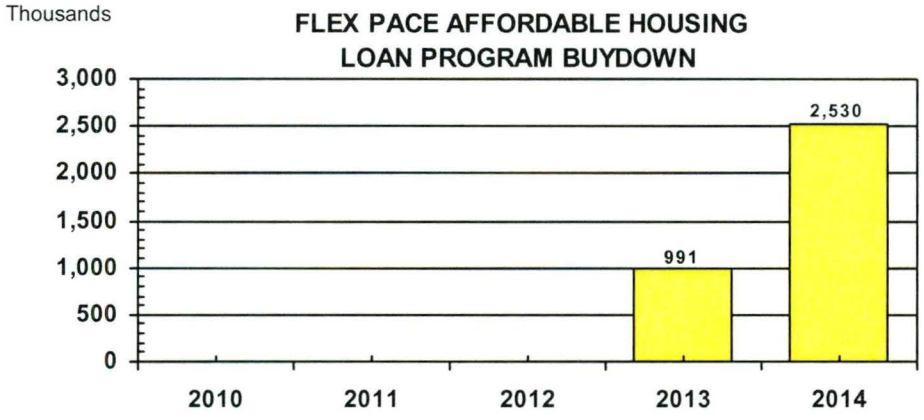
1991-1993	$5,700,000	General Fund
1993-1995	4,700,000	
1995-1997	4,500,000	
1997-1999	4,600,000	
1999-2001	6,000,000	
2001-2003	6,000,000	
2003-2005	5,700,000	
2005-2007	5,700,000	
2007-2009	8,000,000	
2009-2011	8,000,000	
2011-2013	6,000,000	
2013-2015	28,000,000	BND Capital
2015-2017	28,000,000	BND Capital proposed
Total	$120,900,000	



A total of 6 PACE loans and 91 Flex PACE loans were funded in 2014 in comparison to 11 and 69 respectively for 2013.

2013-2015 Biennium Buy-down Fund

Total Available Appropriated Funds	$18,189,161
PACE Buy-down Funds - Funded/Committed Loans	$ 2,495,635
Flex PACE Buy-down Funds - Funded/Committed Loans	$ 8,309,757
Remaining Buy-down Funds	$ 7,383,769



There were nine new Affordable Housing PACE loans funded in 2014 which totaled $25.9 million with 264 affordable housing units built. There are a total of 16 loans pending with 365 affordable housing units proposed to be built.

2013-2015 Biennium Flex PACE Affordable Housing Buy-down Fund

Total Available Appropriated Funds	$12,000,000
Flex PACE Buy-down Funds - Funded/Committed Loans	$ 7,115,125
Remaining Buy-down Funds	$ 4,884,875

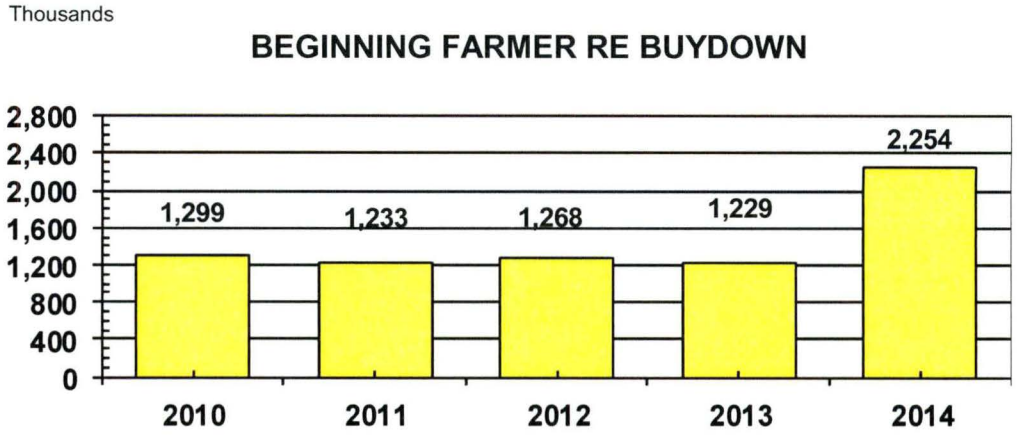
BEGINNING FARMER REVOLVING LOAN FUND

During the 2005-07 biennium, buydown funds for the Beginning Farmer Program were taken directly from the Beginning Farmer Revolving Loan Fund; consequently, no general fund appropriation has been needed or requested.

General Fund/Bank of North Dakota dollars appropriated for buying down the interest rate on these loans by biennium are as follows:

1991-1993	$1,000,000	
1993-1995	1,000,000	
1995-1997	950,000	
1997-1999	921,500	
1999-2001	1,000,000	
2001-2003	1,000,000	
2003-2005	950,000	
2005-2007	0	
2007-2009	0	
2009-2011	0	
2011-2013	1,400,000	
2013-2015	6,000,000	BND Capital
2015-2017	7,000,000	BND Capital Proposed

Total $21,221,500

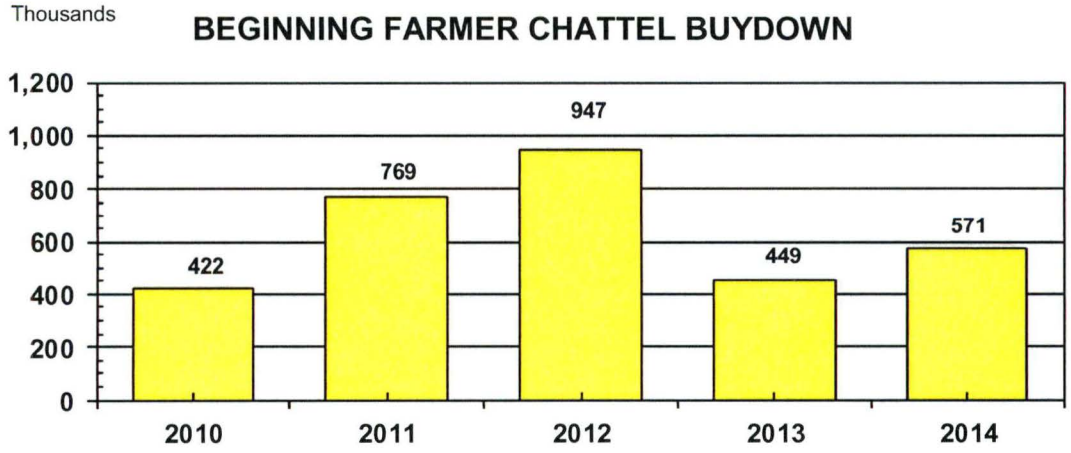


A total of 79 Beginning Farmer Real Estate Loans were funded in 2014 in comparison to 47 in 2013. The large increase in loan amounts in 2014 is a result of the increase in land prices and higher loan limits.

2013-2015 Biennium Beginning Farmer Buy-down Fund

Total Available Appropriated Funds	$6,000,000*
Buy-down - Funded/RE Committed Loans	$ 3,366,129
Buy-down - Funded/Chattel Committed Loans	$ 697,055
	$1,936,816

*In addition, there is $2,639,607.73 remaining in the cash balance in the Beginning Farmer Revolving Loan Fund.



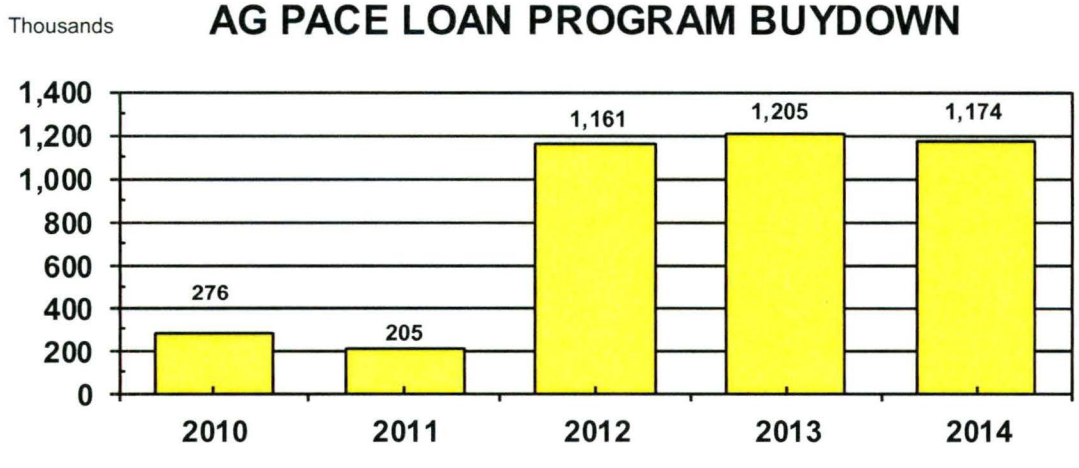
A total of 78 Beginning Farmer Chattel Loans were funded in 2014 compared to 72 in 2013.

AG PACE FUND

The AG PACE Fund was established to buy-down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income.

The AG PACE Fund began in 1991. Money provided to the AG PACE Fund by biennium is as follows:

1991-1993	$ 996,000	
1993-1995	400,000	
1995-1997	380,000	
1997-1999	397,100	
1999-2001	1,500,000	
2001-2003	1,500,000	
2003-2005	1,425,000	
2005-2007	0	
2007-2009	1,400,000	
2009-2011	1,400,000	
2011-2013	1,000,000	
2013-2015	2,000,000	BND Capital
2015-2017	3,000,000	BND Capital Proposed
Total	$15,398,100	



A total of 73 Ag PACE loans were funded in 2014 compared to 72 in 2013. The majority of the loans funded in the last three years were for field tiling projects.

2013-2015 Biennium Buy-down Fund

Total Available Appropriated Funds	$2,281,189
Buy-down Funds - Funded/Committed Loans	$1,994,368
Remaining Buy-down Funds	$ 286,821

BIO-FUELS PACE FUND

This program may be used for livestock operations located in North Dakota that feed, handle, milk, or hold livestock with part of its operation using a byproduct produced at a biodiesel or an ethanol facility.

2005-2007	$1,200,000	
2007-2009	4,200,000	
2009-2011	700,000	
2011-2013	1,000,000	
2013-2015	1,000,000	BND Capital
2015-2017	2,000,000	BND Capital Proposed
Total	$10,100,000	

2013-2015 Biennium Buy-down Fund

Total Available Appropriated Funds	$2,266,180
Buy-down Funds - Funded/Committed Loans	$ 2,070,826
Remaining Buy-down Funds	$ 195,354

There were 10 loans funded during 2014 for the expansion of livestock operations and no loans are currently pending.

HOUSE BILL 1014, SECTION 15

This section creates a new revolving loan fund for short line railroads and agricultural shippers.

HOUSE BILL 1014, SECTION 22

This section extends the utilization of flex pace for affordable housing from June 30, 2015 to June 30, 2019.

FINANCIAL AUDIT FINDINGS

In the 2013 annual audit, the auditor noted a significant finding with respect to core access to the IT System. The specific finding stated that there were 5 employees with an unlimited administrator access to all application in BND's core IT system. Since that time, unlimited administrator access has been removed from Application Support and transitioned to two individuals in IT Security. Additionally, controls were put into place to monitor daily activity within the administrator access designation.

Major Ongoing Funding Increases

BND requested authority to spend a federal grant for the ND College Access Network (NDCAN) beginning in 2011. The total amount of the NDCAN grant is $1.5 million per year. We anticipate that the grant will be removed from the federal budget beginning in 2015. In 2013, BND also requested authority to spend the servicing fees it receives from the Missouri Higher Education Loan Authority (MOHELA). Within the 2013-2015 biennial budget, BND included $2,530,000 of additional expenditures to account for the additional revenue received from MOHELA.

Biennium-to-Date Actual Spending versus Budget

Bank of North Dakota
Biennium Appropriation Report
Eighteen Months Ended December 31, 2014

Line Item	Total Approp.	Biennium-to-Date Expenditures	To-Date Budget	To-Date Variance	To-Date Unexpended
Operating	$51,523,916	$34,410,609	$36,179,625	$(1,769,016)	$17,113,307
Cap. Assets	$ 745,000	$ 439,277	$ 545,130	$ (105,853)	$ 305,723
Total	$52,268,916	$34,849,886	$36,724,755	$(1,874,869)	$17,419,030

2015-2017 Requested Budget Changes from Base Level

The adjustment from BND's base budget to the Governor's recommendation totals $7,013,546. The line item adjustments in priority order are as follows:

1. Salary/Benefit Recommended Increase – $2,680,974
2. Salary/Benefit for 2 additional FTE's - $387,645
3. Adjustment to Contingency – $755,644
4. Adjustment to Operations - $3,189,283

House Appropriations Committee

House Bill No. 1014 Budget No. 475

North Dakota Mill & Elevator Association

January 15, 2015

Mr. Chairman and Representatives:

I am Vance Taylor, President and General Manager of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our Controller and Finance Manager.

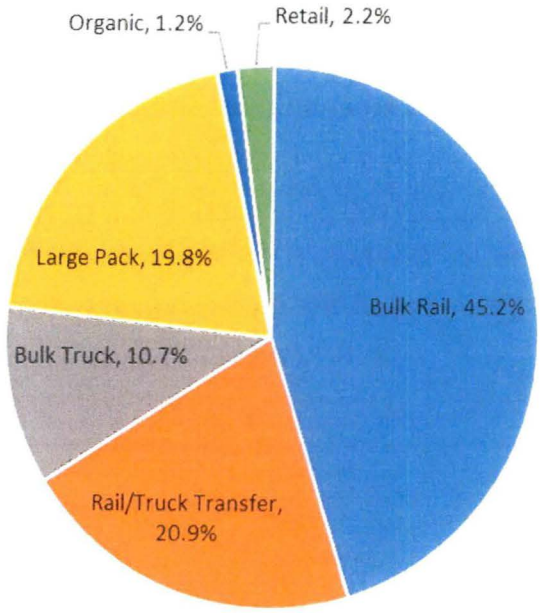
The North Dakota Mill and Elevator Association, located in Grand Forks, is presently the largest single site wheat flour mill and the 9th largest wheat milling company in the United States with sales of over $300 million per year.

Our milling complex includes 7 milling units with the capacity to produce 3,800,000 lbs. of finished product per day, a terminal elevator with total available storage of over 4,000,000 bu. of grain and a packaging center and warehouse capable of producing, storing and shipping large quantities of various sized bags of milled products. We process over 85,000 bu. of top quality North Dakota spring wheat and durum per day, adding value to approximately 26,000,000 bu. per year. All facilities are located in Grand Forks.

The Mill normally operates 24 hours per day, 5 to 7 days per week. Our total current staffing is 135 full time employees.

Our milling units process about 90% spring wheat and 10% durum. Approximately 80% of our products are shipped in bulk trucks or railcars and 20% is shipped in bags or totes. The Mill produces conventional and organic products. At present organic products make up about 1% of our total shipments.

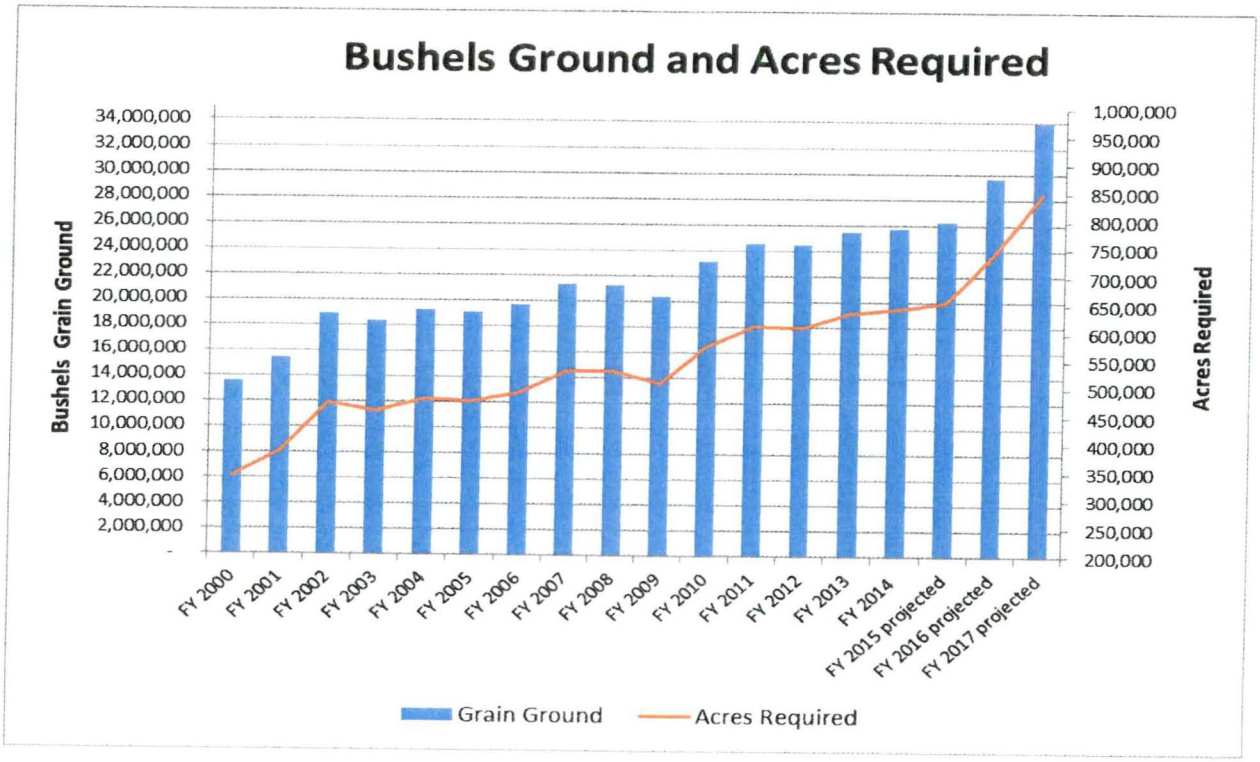
Flour Shipments FY 2014



Business Growth

Our Renovation and Expansion Project was completed during fiscal year 2002, at a cost of $19.5 million. This project provided for various upgrades resulting in a production capacity increase of 4,000 cwts. per day and an increase in average milling yields. In fiscal year 2005 we replaced our whole-wheat mill with a larger, more automated milling unit. During fiscal year 2007 the K Mill was expanded and a new C Mill was completed further increasing spring wheat milling capacity and yields. In fiscal year 2009 our new E Mill was completed adding 1000 cwts. per day of spring wheat capacity and in fiscal year 2010 the D Mill was expanded adding 1000 cwts. per day of durum capacity. In fiscal year 2013 a further expansion of the K Mill increased the daily capacity of the milling complex to 38,000 cwts. of flour a day. Our need to expand has been driven by increasing demand from our current customers and the addition of new customers. The completion of these major projects has been vitally important for the North Dakota Mill to continue to compete effectively and provide a more significant economic impact to the State.

Currently a project is underway to add an 8th milling unit to our manufacturing complex in Grand Forks. This new unit will provide 11,500 cwts. per day which is a 30% increase in milling capacity and is expected to be completed by January 1, 2016. This project will allow us to service additional demand from current and new customers.


Bushels Ground and Acres Required
Bushels Grain Ground
Acres Required
34,000,000
32,000,000
30,000,000
28,000,000
26,000,000
24,000,000
22,000,000
20,000,000
18,000,000
16,000,000
14,000,000
12,000,000
10,000,000
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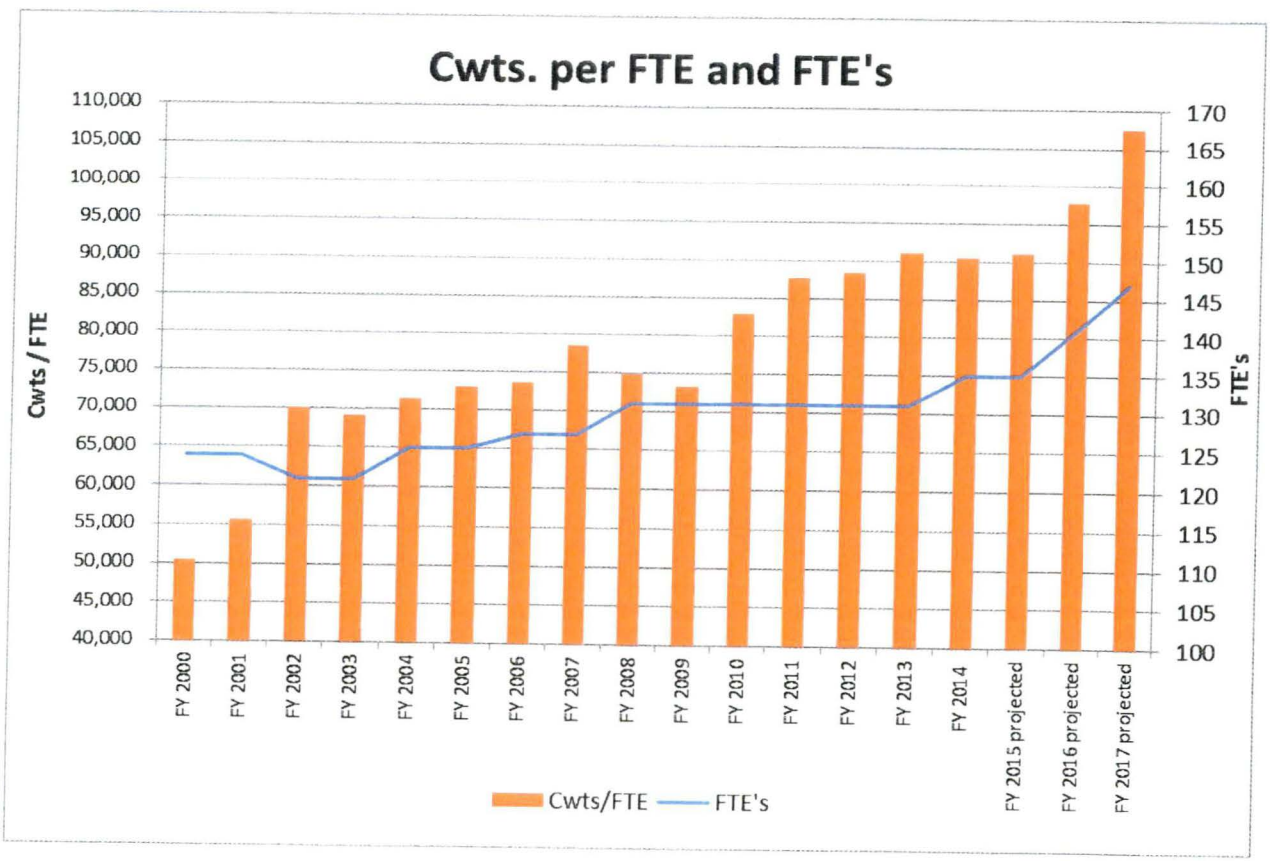
FY 2015 projected
FY 2016 projected
FY 2017 projected
Grain Ground
Acres Required


Cwts. per FTE and FTE's
Cwts / FTE
FTE's
110,000
105,000
100,000
95,000
90,000
85,000
80,000
75,000
70,000
65,000
60,000
55,000
50,000
45,000
40,000
170
165
160
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145
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115
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105
100
FY 2000
FY 2001
FY 2002
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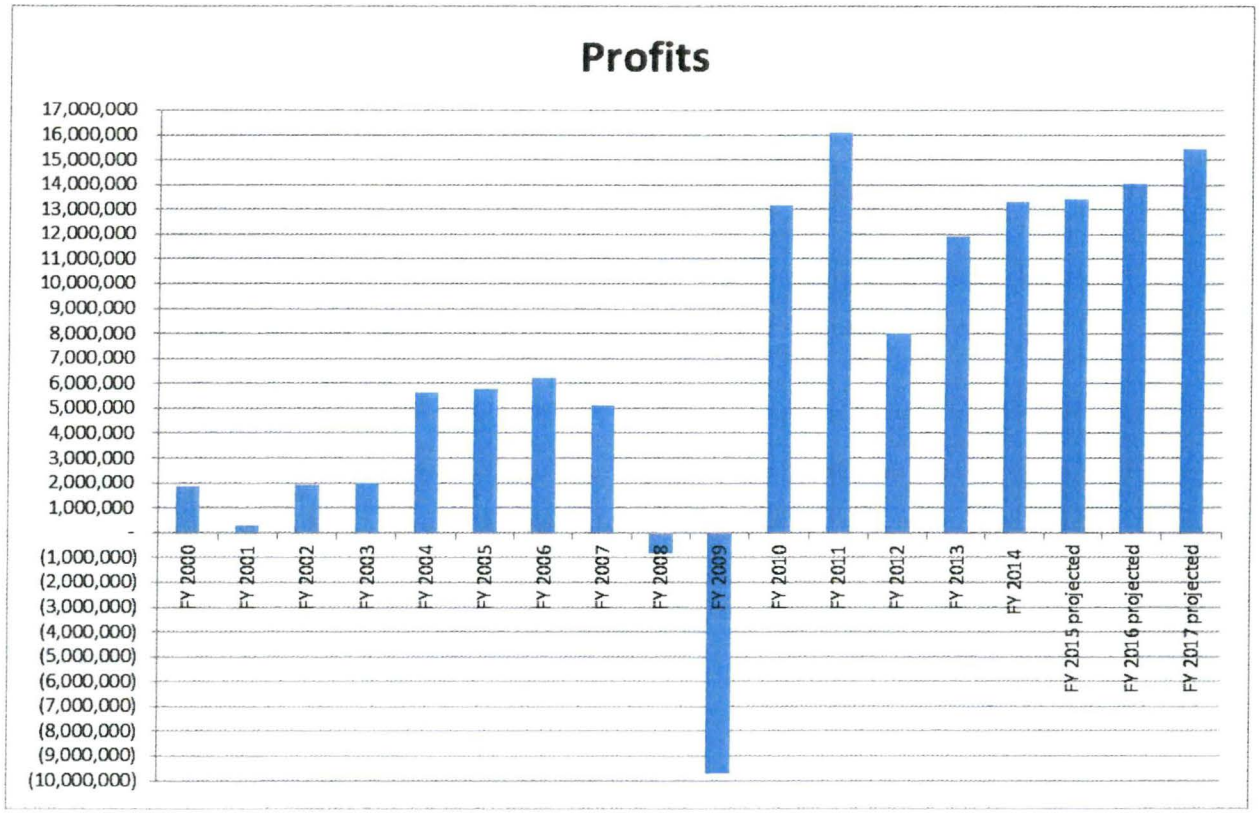
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
FY 2014
FY 2015 projected
FY 2016 projected
FY 2017 projected
Cwts/FTE
FTE's


Profits
17,000,000
16,000,000
15,000,000
14,000,000
13,000,000
12,000,000
11,000,000
10,000,000
9,000,000
8,000,000
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FY 2000
FY 2001
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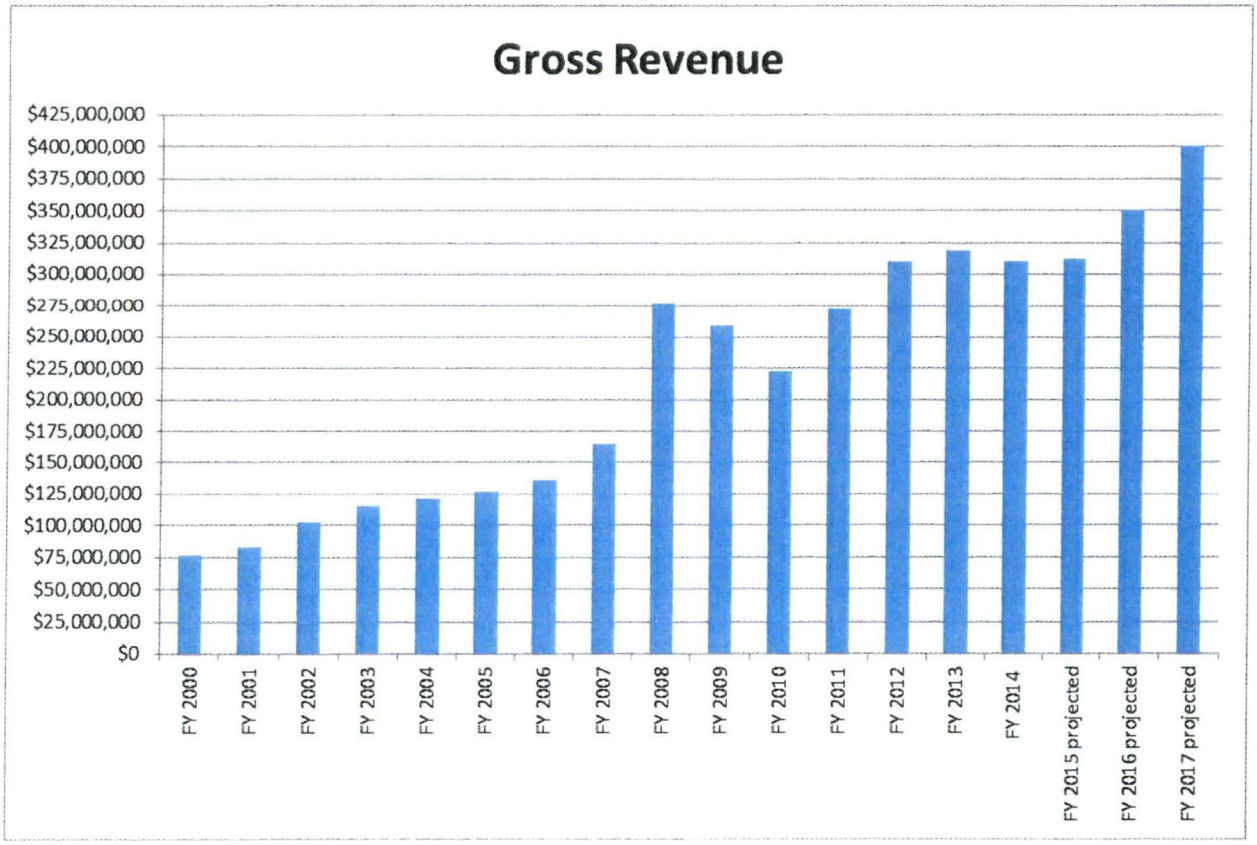
FY 2015 projected
FY 2016 projected
FY 2017 projected


Gross Revenue
$425,000,000
$400,000,000
$375,000,000
$350,000,000
$325,000,000
$300,000,000
$275,000,000
$250,000,000
$225,000,000
$200,000,000
$175,000,000
$150,000,000
$125,000,000
$100,000,000
$75,000,000
$50,000,000
$25,000,000
$0
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
FY 2014
FY 2015 projected
FY 2016 projected
FY 2017 projected

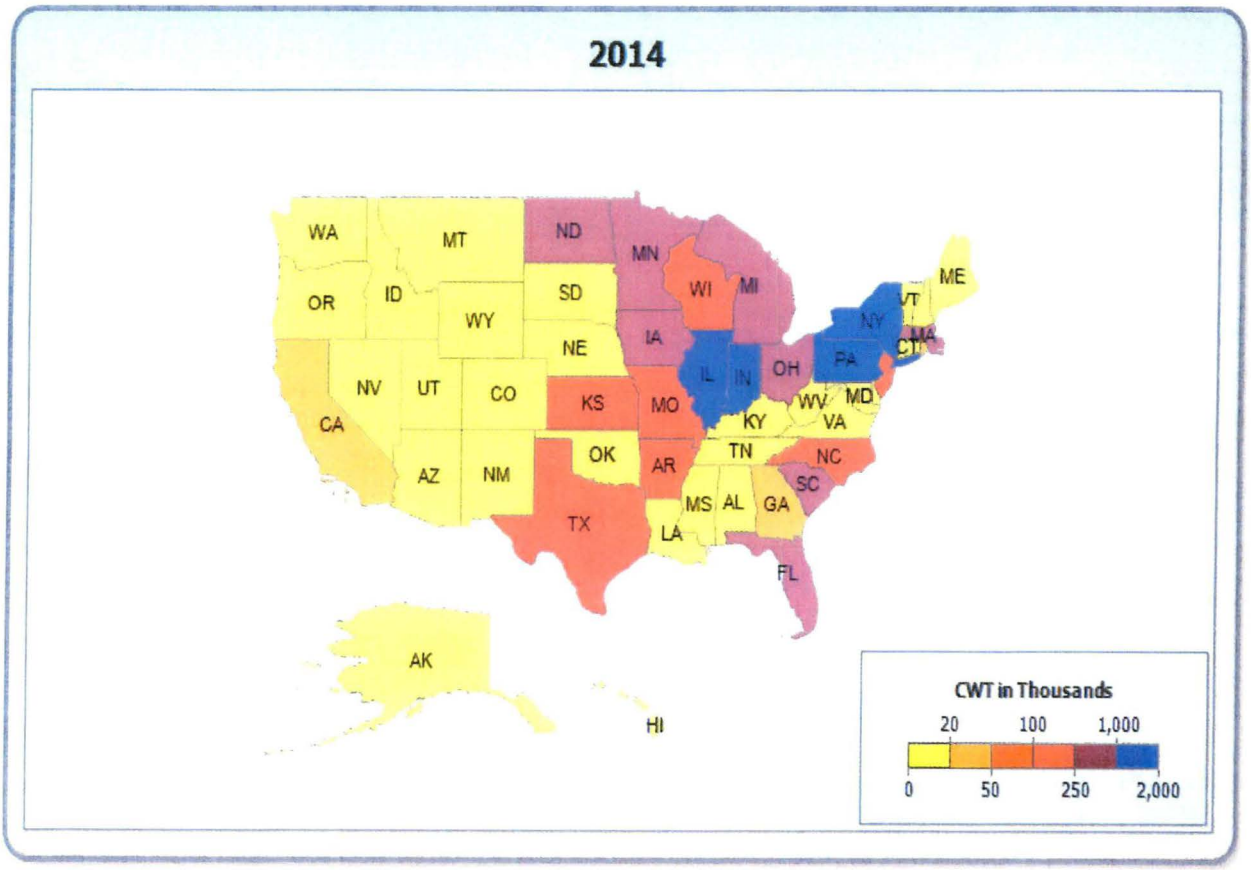
Markets and Competition

Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast. We also export product to the Caribbean Islands, and the Pacific Rim. Our customers include bakery flour distributors, retail distributors, large bakeries and pasta companies. Sales are made by our in-house sales staff and food brokers.

We compete with large milling companies such as Ardent Mills, ADM, Grain Craft, General Mills and others. The outstanding quality of our products is verified by our ISO 22000, ISO/TS 22002-1 & ISO 9000 certifications.

Going forward, we intend to continue to increase production volume with the addition of our new milling unit; increase the percentage of bagged products sold; continue to aggressively market family flour and retail mixes; grow our organic flour business and investigate new markets, new products and extensions of current product lines.

We will continue to leverage our greatest strength – our employees, whose efforts have given us an excellent reputation for product quality and customer service in the market place.



Economic Impact

A North Dakota State University study stated that for every dollar in direct economic activity from wheat processing, another $2.32 was generated in secondary economic activity. During Fiscal Year 2014, the Mill generated $229,420,000 in direct economic activity resulting in an additional $532,254,000 in secondary economic activity. This results in a total economic impact to the region of more than $761,674,000 during the last fiscal year.

Strategic Plan 2015

Working with the UND Office of Work Force Development, the State Mill management team has developed the following strategic objectives for fiscal year 2015:

- Promote and Support ND Agriculture, Commerce and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Increase Profitability
- Grow our Customer Base
- Invest in our Employees

Budget Request

All operating funds are generated internally at the Mill. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The budget request is for $64,825,750. This is an $12,702,193 increase over the last biennium budget. This increase represents increases in both wages and benefits and other operating expenses.

We added twelve (12) positions for the next biennium. The new milling facility will need three additional employees in the milling department and three additional employees to clean, check, and load rail cars. To meet the demand for bag product we need to add two flour packing employees. As we continue to grow and food safety issues grow, we require two additional utility workers. We have also added an additional electrician and maintenance worker to assist in keeping the equipment repaired and running.

The proposed budget includes a wages and benefits increase of $7,647,000 over the current budget. That amount includes the funding of the twelve new FTE positions. In the first year of the current biennium, the Mill spent $12,820,524 on wages and benefits. This leaves a balance of $16,321,226 for the current fiscal year. The mill delayed hiring the additional FTEs authorized until necessary resulting in a savings. In addition, while the mill had a significant amount of overtime, it was less than budgeted and subsequently the gainsharing expense was also less than budgeted. Benefits are also running less than anticipated.

The proposed budget includes an increase in the operating expenses of $5,531,000. Utilities expense increased $3,675,400 over the current budget. In the first year of the current biennium, the Mill spent $3,726,691 on utilities leaving $4,898,309 for the current fiscal year. The largest portion of our utility bill is the electrical expense. The Western Area Power Administration (WAPA) supplies a significant portion of our electrical power. We budgeted part of the electrical expense increase based on the historical increases received from WAPA; however, WAPA did not increase the rates as they had in the past. The remaining portion of our electrical power comes from Nodak Electric. In the 2015-2017 biennium, the mill will have a new milling unit which adds over 30% capacity with all the power coming from Nodak Electric. This will require an increase in the utility costs.

Repairs expense increased $900,000 over the current budget. In the first year of the current biennium, the mill spent $2,513,932 on repairs leaving $3,551,068 for the current fiscal year. As the milling equipment purchased in fiscal year 2001 begins to get older higher maintenance costs will drive this expense higher as well as rail car repairs.

Insurance expense increased by $200,000. In the first year of the current biennium, the mill spent $839,870 on insurance which leaves $1,485,130 for the current fiscal year. The insurance market has been soft and we have been able to obtain better than expected rates. This may not continue into the future and insurance rates are expected to climb. In addition to insurance rates increasing, the high wheat prices have driven up our grain and flour inventory values. In addition, as we have increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values. We will also have additional rail cars and the new mill building to insure for the biennium.

Four items, wages and benefits, utility expense, repair and demurrage expense, and insurance expense reflect the increase of $11,622,860 in our requested appropriations or 92% of the request. A large share of these expenses is driven by the volume of production and sales at the Mill. The Mill set a new record of sales in cwts. of flour sold in fiscal year 2014 reaching 12,217,773 cwts., a 2.3% increase over the previous fiscal year. In the first six months of fiscal year 2015 we have achieved sales of 6,214,541 cwts.

The Mill currently transfers 5% of profits to the Agricultural Fuel Tax Fund and a portion of the remaining profits to the General Fund. In fiscal year 2014, the Mill transferred $667,567 to the Agricultural Fuel Tax Fund and $3,408,000 to the General Fund.

In the 2015-2017 biennium, 5% of estimated Mill profits is budgeted to be transferred to the Agricultural Fuel Tax Fund. In the House Bill No. 1014, Section 11, 50% of estimated remaining Mill profits up to $6,817,200 is budgeted to be transferred to the General Fund for the biennium. Maintaining the transfers to the General Fund at this level will allow for the completion of several capital projects needed to improve Mill infrastructure at a lower cost.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

NORTH DAKOTA housing FINANCE AGENCY

Jolene Kline Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

HB 1014
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0
Testimony of Jolene Kline, Executive Director
House Appropriations Committee

January 15, 2015

Chairman Thoreson and members of the Government Operations Division of the House Appropriations Committee:

My name is Jolene Kline, executive director of the North Dakota Housing Finance Agency.

The Agency's budget is in Section 1, subdivision 4 of HB 1014. The $37,742,527 Executive Recommendation after adjusting for one-time funded items from the current budget represents an approximately 8 percent decrease from the 2013-2015 biennium budget. The majority of this decrease is accounted for with HUD grants decreasing by 12.2 percent and the Agency operating expenses decreasing by 1.3 percent.

The proposed budget is seeking appropriation from Agency special funds including bond trust indentures, federal grant programs, and Agency reserves. There are no one-time spending items in the proposed budget. The Housing Incentive Fund appropriation of $15.4 million was included in this budget last biennium, but a $20 million general fund transfer is instead included in the Governor's "Jump Start" bill, Senate Bill 2126. The $1.5 million in flood housing grants was for additional flood recovery efforts in the Minot area and that funding has been fully committed.

There is no request for additional FTE authority which currently stands at 46.

This budget, as with past budgets, includes a provision which appropriates any additional or unanticipated funds that may become available to the Agency during the biennium (see Section 4). Previously, we have relied on this provision to apply for federal funds for new programs that became available following the Legislative Session. Continuing this provision during the upcoming biennium will provide the Agency with the flexibility to react to new housing challenges and the resources necessary to meet those challenges as both arise.

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www.ndhfa.org
info@ndhfa.org

Next I'll provide a brief update on estimated spending relative to the current biennium budget and Agency programs. The Agency's operating expenses excluding salaries for the current biennium are anticipated at $3.7 million or 1.3% below the $3.8 million budgeted. While there are variances among all line items, the majority of this variance, similar to the proposed budget, is in the Operating Fees and Services line item reflecting fewer loans being purchased than anticipated.

The anticipated grant expenditures of $25.9 million is a decrease from the current biennium. The decrease is attributed to the removal of a one-time $1.5 million flood housing grant, and the decrease of the NSP grant. Of the total $25.9 million, $25.2 million are from federal grants, with the majority of federal funds being comprised of HUD Section 8 rental assistance programs.

The Agency's homeownership programs, including the FirstHome mortgage purchase program and down payment assistance, are primarily funded by issuing revenue bonds and, more recently, the issuance of mortgage backed securities through GNMA (Government National Mortgage Association). The assets, liabilities and revenues resulting from the bond issues are accounted for under the bond indentures and are held in trust by the indenture trustee. The Agency's costs of administering these bond financed programs are accrued on a monthly basis and drawn from the trust indentures as needed. The assets of the bond indentures were $704 million and the liabilities were $569 million as of November 30, 2014. These amounts are unaudited.

The Agency's FirstHome loan program has funded 38,953 loans totaling $2.9 billion history to date. In 2014, purchases were 708 loans totaling $99.9 million or 54% of the ten year annual average for the program. Seventy-six percent of these loans received down payment assistance. Under the ND Roots program, the Agency has purchased 342 loans totaling $48.2 million history to date. In 2014, 39 ND Roots loans were purchased totaling $7.2 million.

The Property Management Division performs the compliance monitoring activities under HUD Section 8 contracts and federal Low Income Housing Tax Credit (LIHTC) projects as they are placed into service. Total biennium grant disbursements under HUD Section 8 for rental assistance are projected at $26,515,800, assisting 3,220 units in 127 projects. LIHTC compliance monitoring is currently being performed on 169 properties containing 5,250 units across the state. There are no ongoing subsidies provided to LIHTC projects.

The Agency's Planning and Housing Development division administers our multifamily (MF) development programs and Agency-funded initiatives targeted to housing rehab and technical assistance for rural communities. The two main MF development programs are the LIHTC and

the Housing Incentive Fund (HIF) programs. These programs provide an incentive for investment in the development of affordable housing for lower-income tenants. I will discuss HIF later in my testimony. The LIHTC program provides equity for the project developer, thus reducing the required debt which results in the need for less rental income to support the project. Through a competitive application process, the Agency allocates the tax credits to project applicants and monitors the construction project through it being placed into service. History to date since 1986, the LIHTC program has supported the new construction or rehabilitation of 220 projects containing 6,545 units and resulting in a total private investment of more than $562 million in affordable rental housing in North Dakota.

I'll finish my comments on the budget by referring to Attachment 2 which consists of a number of charts regarding the Agency's financial statement and loan portfolio performance. The financial information is broken down by bond indenture and Agency totals. You will see that the Agency's assets and mortgage portfolio have continued to decline. This decline has moderated from the previous biennium when higher loan prepayments were coupled with fewer new loans being purchased. While prepayments have slowed, eligible borrowers under program rules have a limited inventory of affordable homes available for sale. They also continue to face stricter lending standards, higher loan costs, and higher costs of ownership.

The last page charts delinquency and foreclosure statistics of the Agency loan portfolio compared to United States, North Central Region, and North Dakota statistics from the MBA National Delinquency quarterly survey.

Sections 16, 17 and 19 of HB 1014 reauthorize the Housing Incentive Fund for the coming biennium and provide for $30 million in income tax credit authority for the HIF program. As I stated previously, the Governor has included an additional general fund transfer of $20 million to HIF in his "Jump Start" bill – SB 2126. The language in this bill regarding HIF is identical to 2013, but with updated dates and dollar figure.

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 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.

HUD Housing Choice Vouchers, administered by the state's public housing authorities, are distributed to qualifying very low-income households (50 percent of Area Median Income) to help assist with rent in housing units of their choice in the community. Households are required to pay 30 percent of their income in rent and the remainder, up to a payment standard based on HUD published Fair Market Rents, is paid for with the voucher. If the actual rent is higher than the payment standard, the household would be responsible for that amount.

However, Housing Choice Vouchers have not been able to keep pace with the changing housing markets in North Dakota, especially in the western part of the state. For example, only 33.3 percent of the voucher authority in Williston was able to be used in 2014; likewise 32.4 percent in Mountrail County, 50.9 percent in Stark County, and 26.5 percent in Dunn County.

These low utilization rates are due to several factors including increased housing costs and a lack of units where vouchers can be used (landlords must agree to participate in the program). Housing costs have had dramatic impacts on utilization. Market rate rents have escalated well beyond payment standards in many communities. Mayor Brent Sanford of Watford City 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 for McKenzie County for a two-bedroom unit, however, is $881. Without rent-restricted units like those being developed under HIF, if a family receives a voucher they would be unable to find a unit they could afford.

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.

As I stated earlier, the language in this bill for this program 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

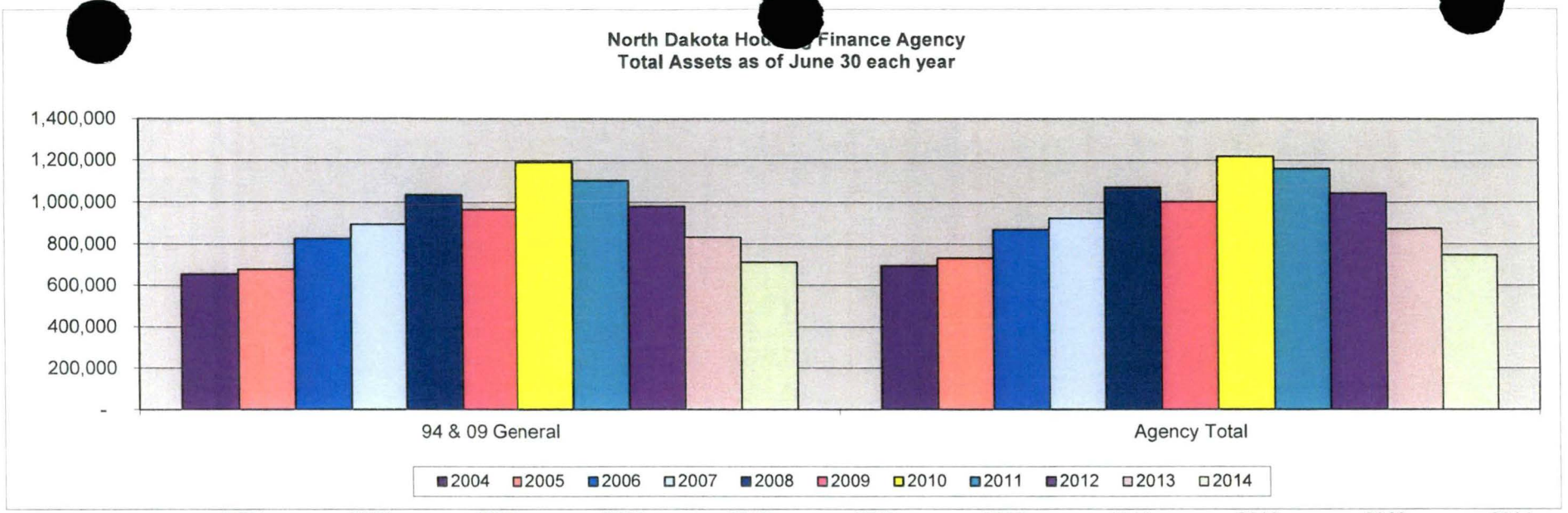
City of Dickinson 65.5 with 26.5 last year, the City of Williston 98 with 18 in the past year and Watford City plans to hire at least 15 new employees this year.

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.

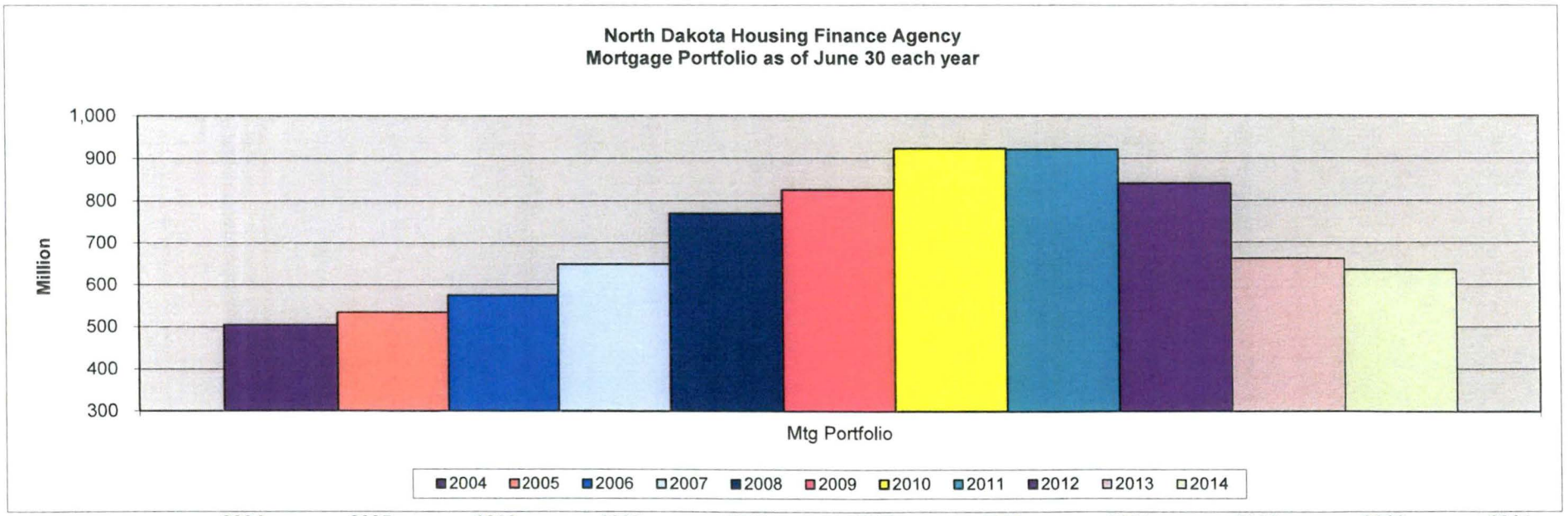
The housing needs identified are substantial and while housing construction is happening at high rates, there were concerns identified by survey respondents about the increased costs of housing for employees. Without adequate supply of affordable housing, recruitment and retention of ESWs will continue 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 $30 million in tax credit authority in Section 19.

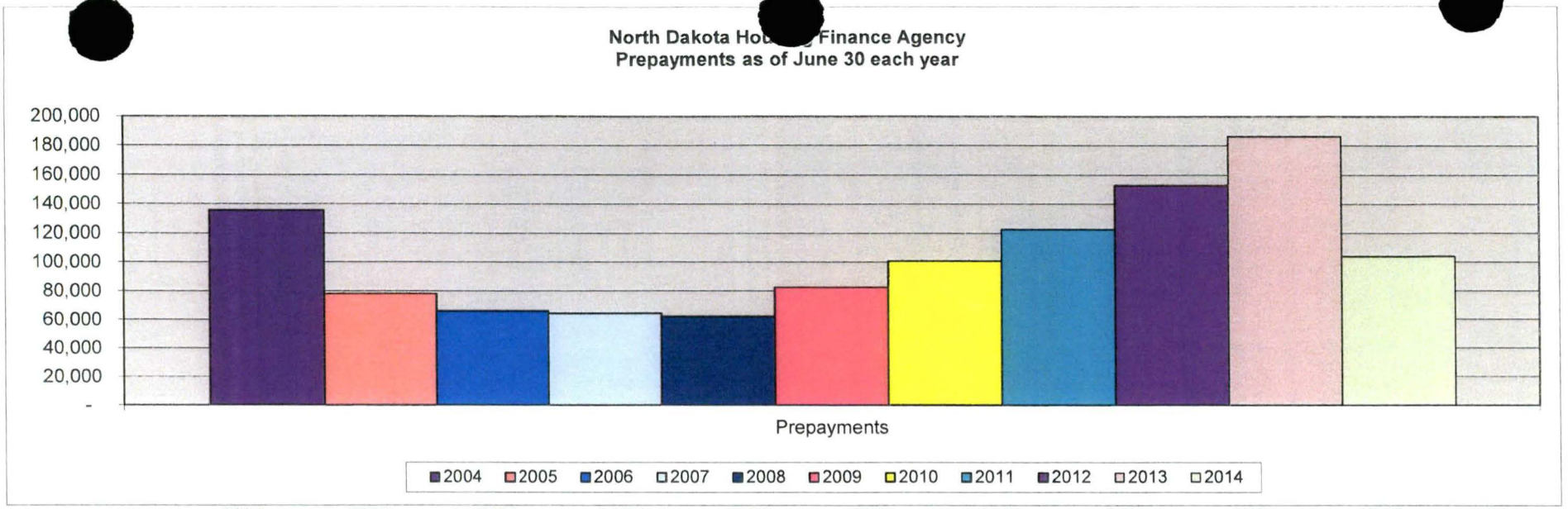
Thank you and I would be glad to answer any questions.



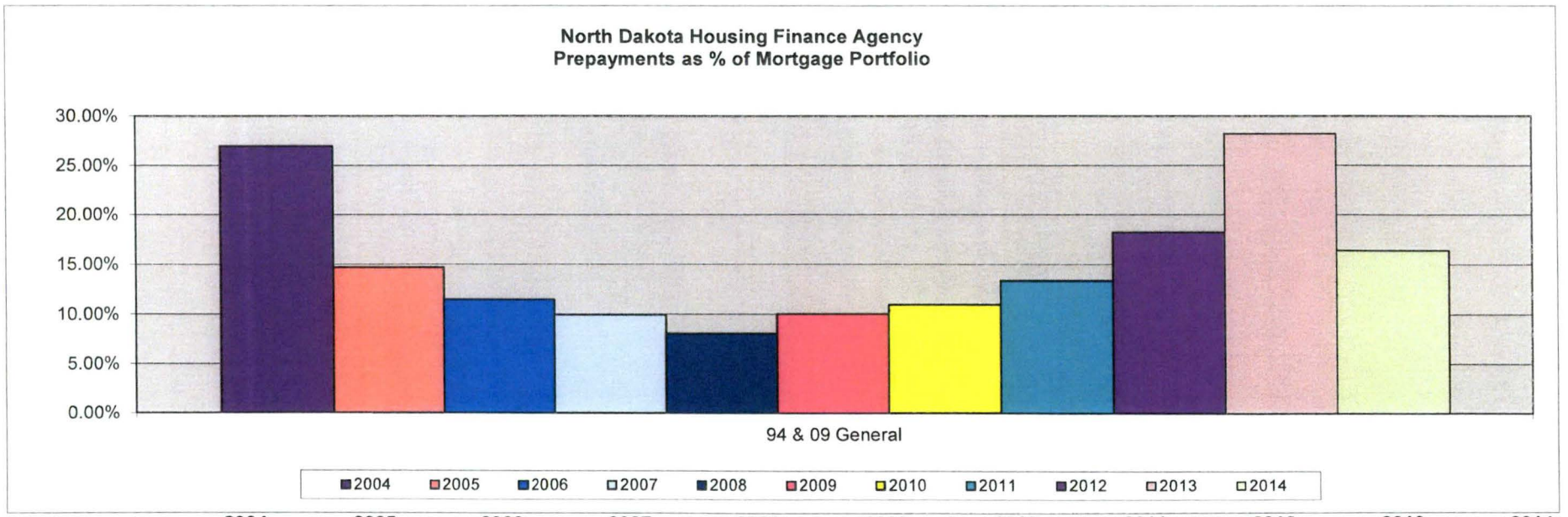
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 & 09 General	654,166	676,271	824,914	893,931	1,035,021	965,149	1,191,886	1,103,671	979,637	831,497	711,880
Agency Total	693,278	729,693	869,126	922,577	1,071,474	1,002,849	1,219,856	1,160,436	1,043,013	872,723	745,581



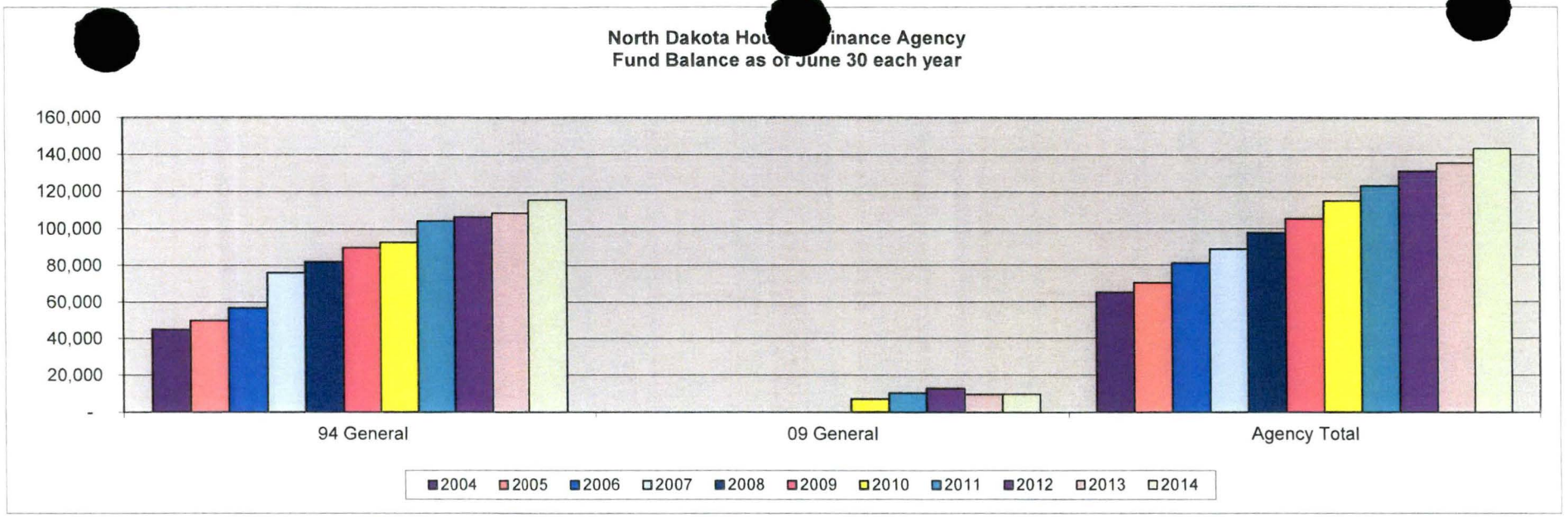
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mtg Portfolio	503	533	574	648	769	824	922	920	840	661	634



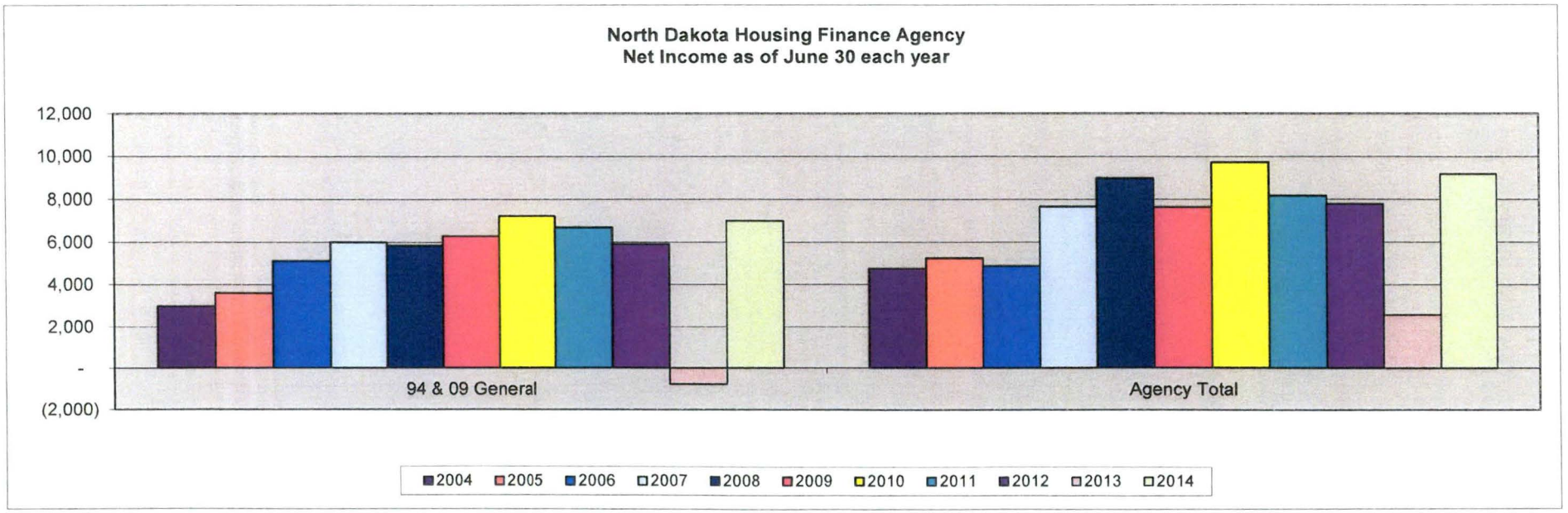
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Prepayments	135,660	78,094	65,795	64,270	62,041	82,434	100,783	122,624	152,897	186,368	103,807



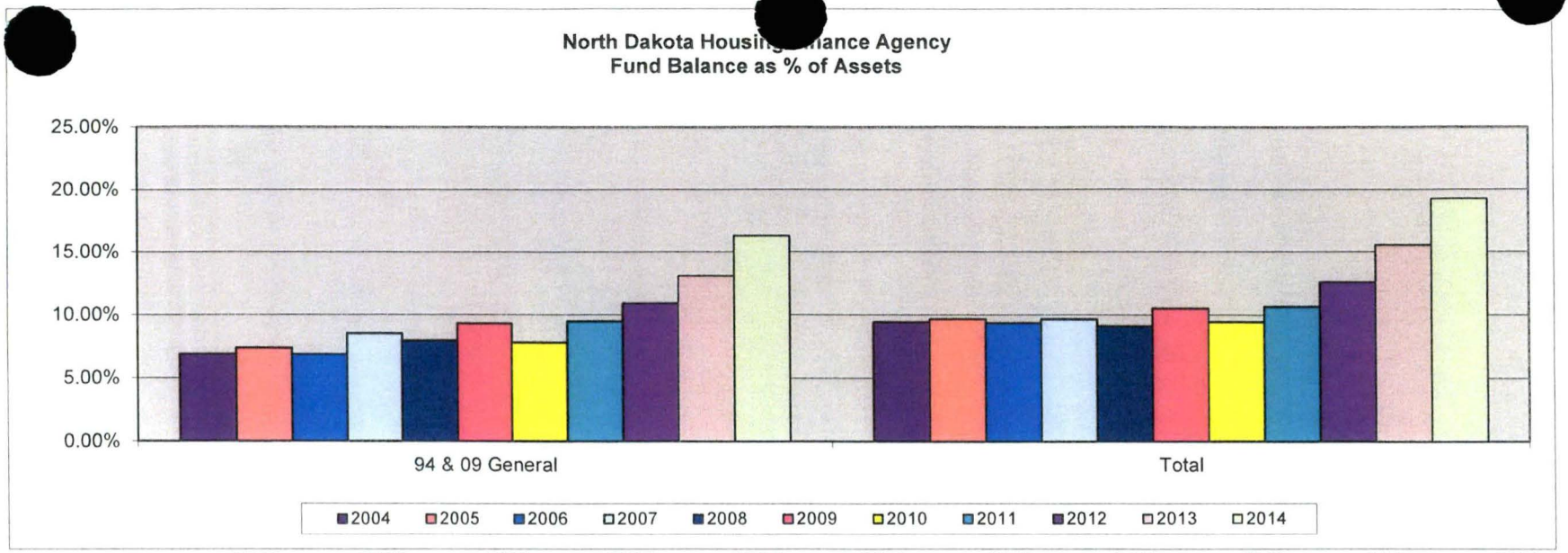
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 & 09 General	26.96%	14.65%	11.47%	9.92%	8.07%	10.00%	10.93%	13.33%	18.21%	28.20%	16.37%



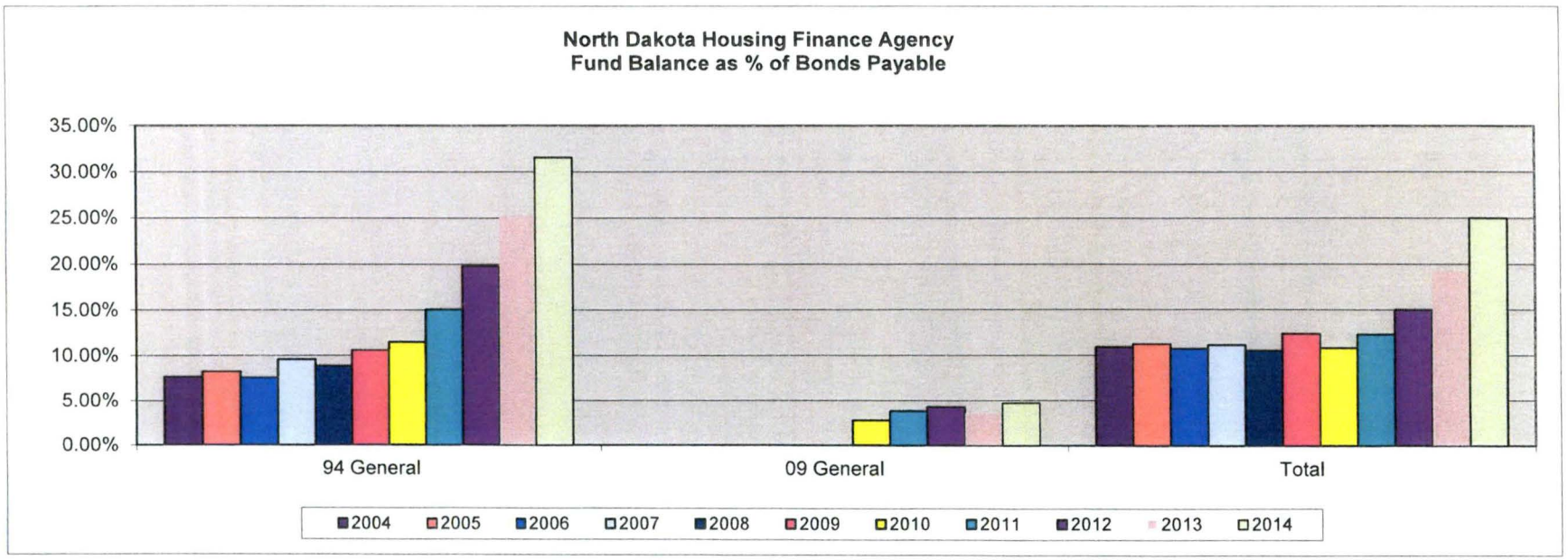
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 General	45,010	49,730	56,636	76,037	82,081	89,748	92,825	104,316	106,436	108,705	115,760
09 General	-	-	-	-	-	-	7,112	10,351	12,784	9,634	9,737
Agency Total	65,136	70,355	81,135	88,789	97,769	105,398	115,131	123,298	131,089	135,590	143,490



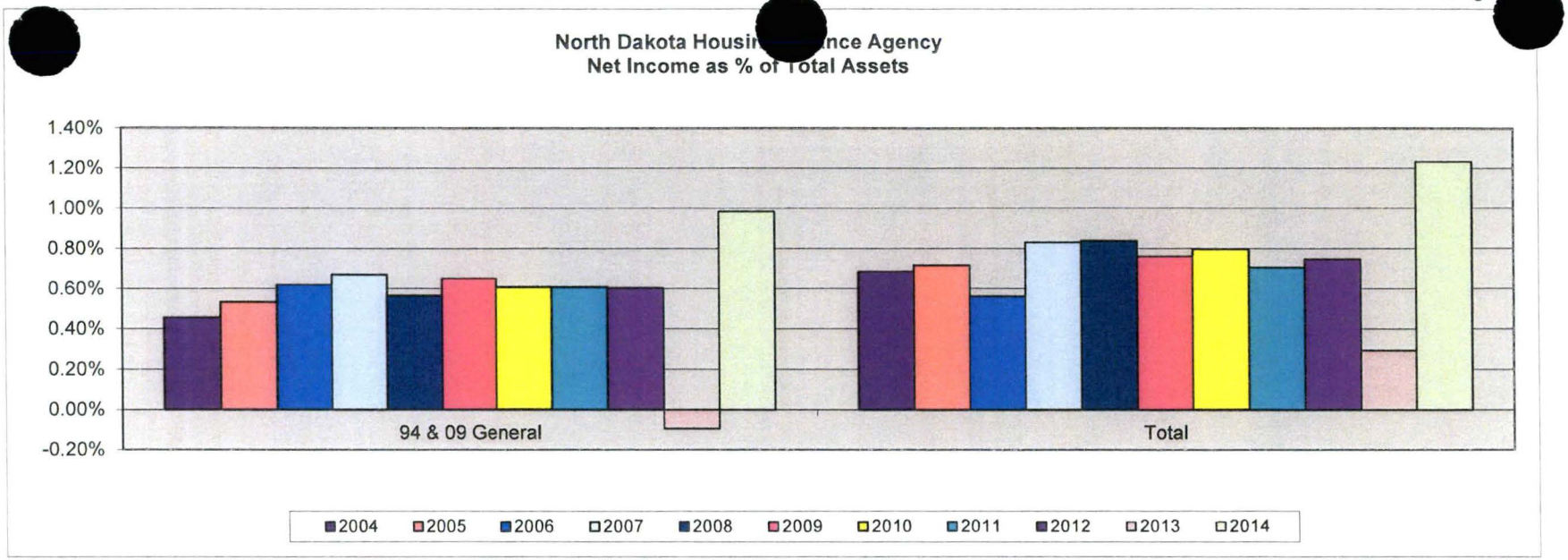
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 & 09 General	2,976	3,592	5,111	5,985	5,836	6,278	7,221	6,681	5,894	(786)	7,000
Agency Total	4,749	5,219	4,870	7,655	8,980	7,630	9,732	8,167	7,791	2,561	9,183



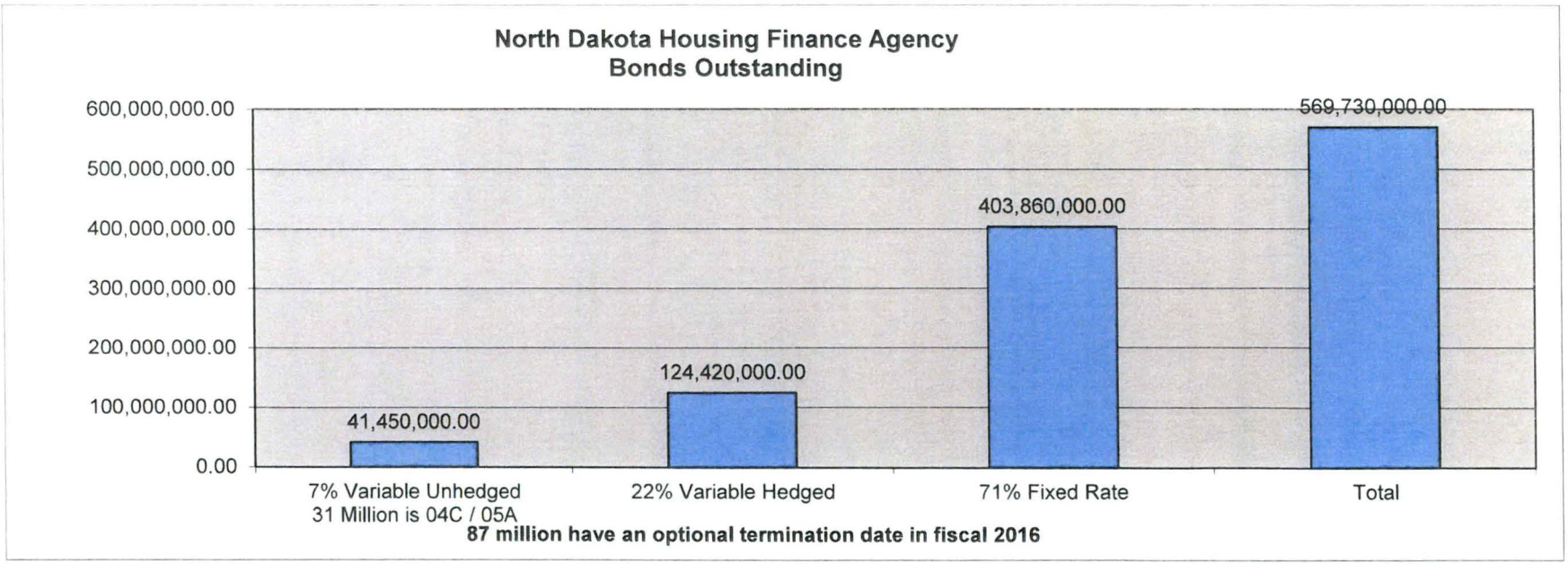
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 & 09 General	6.88%	7.35%	6.87%	8.51%	7.93%	9.30%	7.79%	9.45%	10.86%	13.07%	16.26%
Total	9.40%	9.64%	9.34%	9.62%	9.12%	10.51%	9.44%	10.63%	12.57%	15.54%	19.25%



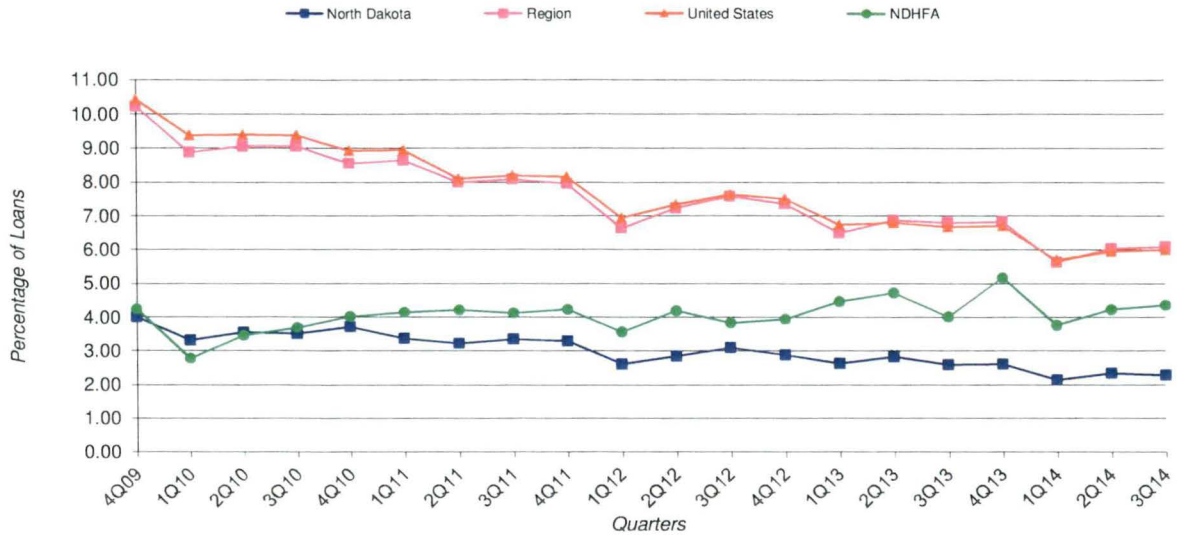
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 General	7.65%	8.22%	7.55%	9.53%	8.85%	10.56%	11.47%	15.03%	19.77%	25.28%	31.53%
09 General							2.75%	3.80%	4.23%	3.62%	4.70%
Total	10.88%	11.22%	10.70%	11.10%	10.50%	12.37%	10.78%	12.30%	14.97%	19.24%	24.98%



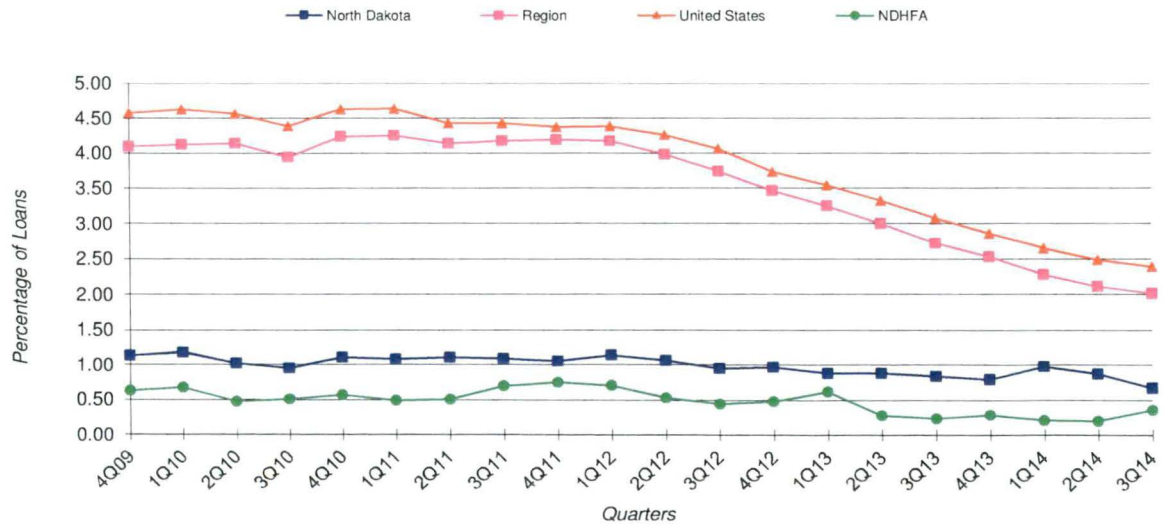
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 & 09 General	0.45%	0.53%	0.62%	0.67%	0.56%	0.65%	0.61%	0.61%	0.60%	-0.09%	0.98%
Total	0.69%	0.72%	0.56%	0.83%	0.84%	0.76%	0.80%	0.70%	0.75%	0.29%	1.23%



Delinquency - All Loans - NDHFA Serviced



Foreclosure - All Loans - NDHFA Serviced



Source: MBA National Delinquency Survey and ND Housing

Industrial Commission
of North Dakota

[redacted] Dalrymple
ERNOR

Wayne Stenehjem
ATTORNEY GENERAL

Doug Goehring
AGRICULTURE COMMISSIONER

North Dakota
Public Finance Authority

House Bill 1014
House Appropriations Government Operations Committee
Testimony of DeAnn Ament
North Dakota Public Finance Authority
January 15, 2015

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority (PFA). I am providing this testimony in support of the Industrial Commission's requested appropriation for the Public Finance Authority for the 2015-2017 biennium in the amount of $817,182. The requested biennial appropriation is $110,252 or 16% more than the current biennial appropriation of $706,930. The 2015-2017 budget includes the recommended salary and benefit adjustments outlined in the Executive Budget. The overall budget increase is due to salary and benefit adjustments.

Expenditures for the first 18 months of the biennium total approximately $377,161 or 53% of the 2013-2015 appropriation. It is anticipated that total 2013-2015 biennium expenditures will be approximately $503,000 or 71% of the appropriation.

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.** In September of 2013, the Executive Director went from .75 full-time state employee (FTE) to full time due to the increased workload. The staff of the Public Finance Authority currently consists of 2 FTE's -- an Executive Director and a Business Manager.

The Public Finance Authority continues to develop programs as needs arise for financing municipal, economic development, agriculture, disaster and energy projects in North Dakota. Pending legislation includes House Bill 1137 which would create a Capital Infrastructure Revolving Fund. At this point, we are uncertain how the development of this and any other programs will affect the Public Finance Authority's staffing needs. The budget for the 2013-2015 biennium includes salaries for 2.75 FTE's. The vacant .75 FTE within the current budget is for a loan officer position that would help analyze the loan applications and financial statements of potential borrowers under all of the Public Finance Authority's programs. Therefore, I ask that you appropriate funding for this vacant position for the 2015-2017 biennium while we assess the demand for our services under existing programs as well as the potential new programs mentioned above.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

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ndpfa@nd.gov – www.nd.gov/pfa

The Public Finance Authority administers the Capital Financing Program, the financial portion of the State Revolving Fund and the Industrial Development Bond Program. Detailed activity of all programs is contained in our annual report which is attached.

This past calendar year has been one of the busiest and largest on record for the State Revolving Fund programs. There were loan approvals of $189,743,931 and funded draws of $71,405,415 for the Clean Water State Revolving Loan Fund; the largest amounts in the history of the program. Clean Water projects financed include $125,600,000 for the Williston wastewater treatment plant, $11,350,000 for Jamestown's sewer improvements, $2,500,000 for Tioga's lagoon renovations and mechanical treatment, $1,720,000 for the sewer main and manhole rehabilitation in Edgeley as well as $42,108,000 for Dickinson's wastewater treatment plant and related sewer projects. The Drinking Water State Revolving Loan Fund had approvals of $27,062,622 and funded loan draws of $14,491,621. Projects financed under the Drinking Water program include $545,000 to Cooperstown for re-locating wells and water plant building improvements and $66,352,000 to Fargo for a membrane water treatment plant.

These State Revolving Fund programs continue to require many changes for documenting, funding and reporting purposes. In June of 2014, Congress passed substantial amendments to the Clean Water State Revolving Loan Fund which has resulted in an increased workload as we work to implement fiscal sustainability plans, new fee guidance, affordability criteria and 30 year loan terms. These new requirements in addition to administering the many other recent changes such as Davis Bacon, additional subsidization (loan forgiveness) and green project reserve have increased the workload and will continue to do so into the foreseeable future.

Under the Capital Financing Program, the City of Fargo has issued a total of $83,887,000 of sales tax revenue bonds in 2013 and 2014 to finance flood mitigation projects. By utilizing the Capital Financing Program, Fargo has been able to save approximately $3,000,000 and increase their sales tax revenue bond debt capacity as required coverage is 120% rather than the approximately 190% coverage which would be required if Fargo sold these sales tax revenue bonds on their own. On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events that spring. In short order, the PFA was able to establish loan parameters, construct a loan application and offer disaster assistance to political subdivisions until federal and state money was available and/or to assist in cash flowing local match requirements. The PFA has assisted 40 political subdivisions with loan approvals totaling $71,531,546. Approximately 30 of the loan applications were processed in a six month time period.

The written testimony below describes the Public Finance Authority and its financing programs. Also, a copy of the 2014 Annual Report for the Public Finance Authority has been included in the binder for your review. This Report describes in more detail the Public Finance Authority's programs and provides a complete history of all the Public Finance Authority's loans and bond issues.

The Public Finance Authority was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Public Finance Authority through the purchase of municipal securities issued by the political subdivisions in accordance with state and federal law. Loans are primarily made with the proceeds of bonds issued by the Public Finance Authority under the programs described below. In certain instances, a direct loan may be made to a political subdivision from the Public Finance Authority's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Public Finance Authority may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation and adoption of its bond resolution and other necessary documents. The Public Finance Authority may purchase municipal securities only if the Attorney General issues an opinion that states the municipal securities are properly eligible for purchase under the North Dakota Century Code (N.D.C.C.) chapter 6-09.4, the Public Finance Authority Act.

Required Debt Service Reserve

Subsection 1 of §6-09.4-10 of the N.D.C.C. requires the Public Finance Authority to establish a debt service reserve in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding calendar year for the payment of the principal of and interest on its outstanding bonds.

Subsection 4 of §6-09.4-10 of the N.D.C.C. of the N.D.C.C. provides as follows:

> "In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the Legislative Assembly and paid to the Public Finance Authority for deposit in the reserve fund, such sum, if any, as shall be certified by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve."

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the Public Finance Authority's bond counsel, there is no applicable provision of state law that would prohibit a future Legislative Assembly from appropriating any sum that is certified by the Industrial Commission as necessary to restore the reserve fund in an amount sufficient to meet the required debt service reserve amount. The legislative obligation imposed by the Legislative Assembly in subsection 4 of §6-09.4-10 is referred to as a moral obligation because the obligation to provide an appropriation for the Public Finance Authority's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Public Finance Authority under any of its programs prior to 2011 are moral obligation bonds unless the Industrial Commission approves a resolution to allow the Public Finance Authority to issue bonds under section 40-57 as a conduit issuer. The State Revolving Fund Program bonds issued in 2011 and 2012 do not contain the moral obligation provision. Under any of the Public Finance Authority programs, there has never been the need to request an appropriation to cover a shortfall in a reserve fund.

Advisory Committee

The Industrial Commission, by policy, has established a Public Finance Authority Advisory Committee. The Committee is made up of three members appointed by the Commission. The Committee reviews each loan application for the purpose of making a recommendation concerning the loan to the Industrial Commission, which must give its approval before a loan may be made under each Program. However, if the loan is for $500,000 or less for the Capital Financing Program and $1,000,000 or less for the State Revolving Fund Program, the Committee may authorize the approval of the loan, and then submit a report describing the loan and the action taken to the Commission at its next meeting.

At the present time, the Public Finance Authority has four loan programs: the Capital Financing Program, the State Revolving Fund Program, the School Construction Financing Loan Program, and the Industrial Development Bond Program.

Capital Financing Program

The Capital Financing Program, established in 1990, makes loans to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements.

Through December 31, 2014, the Public Finance Authority has made $193,243,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is $106,625,000. Recognizing the strength of the State's moral obligation pledge, Standard and Poor's (S&P) has assigned a rating of "AA" to the Capital Financing Program Bonds.

The Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by the weather related events. Under its Capital Financing Disaster Loan Program, the PFA made loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money was available or to assist in cash flowing local match requirements.

During times of crisis, the PFA was able to assist 40 political subdivisions. Loans approved under this program total $71,531,546 and $7,111,418 were outstanding as of December 31, 2014.

State Revolving Fund Program

Under the State Revolving Fund (SRF) Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency (EPA), and are deposited and held under the Program's Master Trust Indenture for the purpose of making below-market interest rate loans to political subdivisions for qualified projects and for other authorized purposes. The projects are subject to the approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act. The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. A portion of the SRF Program bonds issued by the Public Finance Authority provides the 20% state match. The federal capitalization grants must be held by the state in a revolving loan fund and are available only for purposes authorized under the Federal Clean Water Act and the Federal Safe Drinking Water Act.

The SRF Program consists of a Clean Water SRF Program and a Drinking Water SRF Program. Federal capitalization grants for the Clean Water SRF Program were first appropriated to the State in 1989. Since that time, $192,572,688 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2014. Through December 31, 2014, 255 loans totaling $580,709,702 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2015 includes over $482,658,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, $171,083,767 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2014. Through December 31, 2014, 182 loans totaling $431,508,003 have been approved under the Drinking Water

SRF Program. The Health Department's Drinking Water Intended Use Plan for 2015 includes approximately $723,668,000 of potential projects.

A project must be on the appropriate Intended Use Plan to be able to apply for a loan under the SRF Program. The current interest rate for most loans under the SRF Program is 2% with a 0.5% annual administrative fee on the outstanding balance. Bonds issued by the Public Finance Authority under the SRF program are rated "Aaa" by Moody's Investors Service, Inc. (Moody's), which is Moody's highest possible rating.

State School Construction Financing Program

The Public Finance Authority's State School Construction Financing Program provides loans to North Dakota school districts. This program has been assigned an "AA" rating by S&P, which allows the school districts, which generally do not have a credit rating, to borrow at lower interest rates. Bonds issued under this Program will be moral obligation bonds of the State and will also be supported by the state school aid intercept provision adopted by the Legislature in 1999. The state aid intercept provision is found in §6-09.4-23 of the N.D.C.C. A school district will be required to authorize the withholding of state school aid payments which are due and payable to the district under N.D.C.C. chapter 15-40.1 in order to participate in the Program. If a school district defaults on its loans under this Program, the Department of Public Instruction is notified by the Public Finance Authority to withhold aid payments to the defaulting school district until such time that principal and interest have been paid or satisfactory arrangements have been made to make the payment.

Industrial Development Bond Program

The Public Finance Authority's Industrial Development Bond Program provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. This program has been assigned an "AA" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates. Bonds issued under this Program will be moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2005 Legislature passed the legislation allowing the Public Finance Authority to issue industrial revenue bonds. Current Program limits are $2,000,000 per project. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits. The Public Finance Authority has made three loans under this program in the amount of $4,860,000.

Annual Report

The Public Finance Authority submits its Annual Report to the Legislative Council each year. The Annual Report provides a complete list of all loans made and bonds issued by the Public Finance Authority since its inception in 1975.

If you have any questions, feel free to contact me at 701.426.5723 or dament@nd.gov.

North Dakota Public Finance Authority

2014
Annual Report

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Jack Dalrymple
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Robert Frantsvog
Minot

Wade Williams
Jamestown

Keith Lund
Grand Forks

Staff

DeAnn Ament
Executive Director

Kylee Merkel
Business Manager

NORTH DAKOTA
PUBLIC FINANCE AUTHORITY

2014 Annual Report

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY

The North Dakota Public Finance Authority (PFA) was established for the purpose of making loans to political subdivisions of the State through the purchase of municipal securities which, in the opinion of the Attorney General of North Dakota, are properly eligible for purchase by the PFA. Subject to credit and program requirements, a loan can be made by the PFA to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money through the issuance of municipal securities. Certain types of municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may also be purchased by the PFA.

The PFA, which is under the operation, control and management of the Industrial Commission of North Dakota, is a self-supporting state agency. The costs and expenses of operation of the PFA are financed with earnings on program assets and fees paid by participating political subdivisions.

Obligations of the PFA which are issued to provide funds to purchase municipal securities do not constitute a debt or liability of the State or a pledge of the faith or credit of the State. All obligations of the PFA are payable solely from revenues or program assets pledged or available for their payment as authorized by law. The PFA has no authority to incur any indebtedness or liability on behalf of or payable by the State.

The PFA is authorized by statute (N.D.C.C. § 6-09.4-10(1)) to establish and maintain a reserve fund for its bonds. The Legislative Assembly has made a non-binding pledge to the PFA to replenish the reserve fund if it is depleted by the default of a political subdivision. Section 6-09.4-10(4) provides that "there shall be appropriated by the legislative assembly and paid to the PFA for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the fund to an amount equal to the required debt service reserve." Because future Legislative Assemblies are not legally obligated or required to appropriate moneys certified as necessary by the Industrial Commission, this statutory provision is referred to as a "moral obligation." There has never been the need to request an appropriation for the reserve fund.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

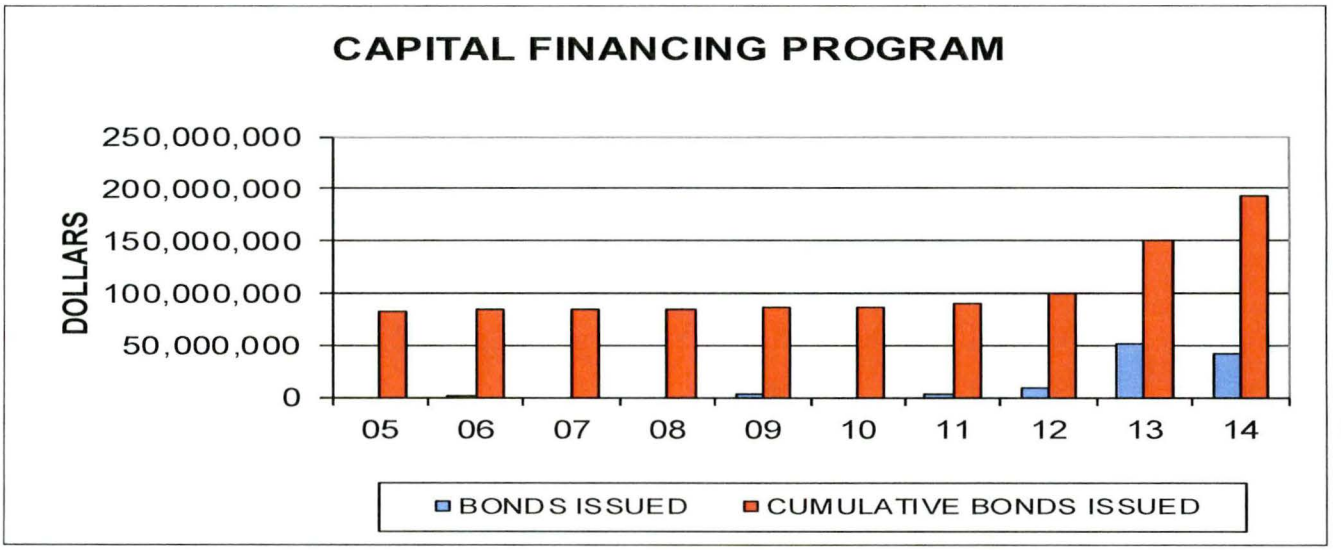
Vision Statement

A municipal bond market that realizes the competitive advantage of utilizing the North Dakota Public Finance Authority's (PFA) superior bond rating to issue municipal securities, resulting in lower interest rates to fund local projects. A PFA that enables customers to utilize on-line services, such as accessing account information or applying for additional financing. A PFA that leads a cooperative effort with other state agencies to combine available resources into programs that finance infrastructure and improvements for political subdivisions and other qualifying organizations. A State that recognizes the PFA as the leader in providing municipal financing for local projects.

CAPITAL FINANCING PROGRAM

Under its Capital Financing Program (CFP), the PFA makes loans for the purpose of financing projects or improvements for which political subdivisions are legally authorized to borrow money through the issuance of municipal securities. Subject to credit requirements and certain program requirements, financing is available in any dollar amount.

The interest rates payable by a political subdivision are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a political subdivision will pay on its municipal securities sold to the PFA.



On December 13, 2013 the Capital Financing Program was upgraded to a rating of "AA" by Standard & Poor's Ratings Group.

The PFA issued $41,840,000 of CFP Bonds in 2014. The proceeds of the 2014 CFP Bonds were used to fund loans to the City of Fargo, the City of Noonan, and Stutsman Rural Water District.

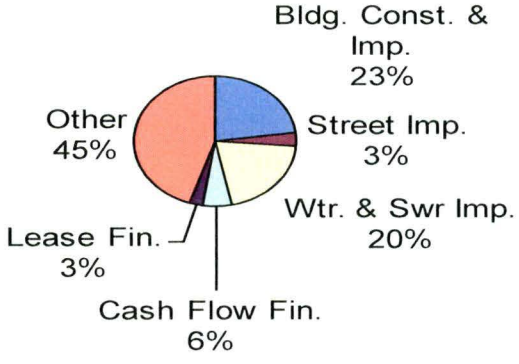
The total outstanding amount of CFP Reserve Fund Letters of Credit at December 31, 2014, was $17,222,173. The CFP Reserve Fund Letters of Credit are issued to meet the requirement of the CFP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month period. The CFP Reserve Fund Letters of Credit are issued by Bank of North Dakota (BND).

As of December 31, 2014, the total cumulative amount of bonds issued under the CFP General Bond Resolution was $192,275,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was $106,625,000.

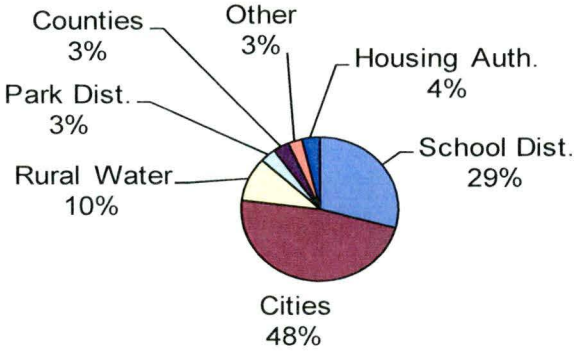
Part E of Attachment 1 beginning on page 1-4 of this Report contains a complete list, as of December 31, 2014, of all loans made by the PFA with proceeds of CFP Bonds issued under the CFP General Bond Resolution, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

Part F of Attachment 2 on page 2-1 of this Report contains a complete list, as of December 31, 2014, of all series of Capital Financing Bonds issued under the CFP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of CFP Bonds.

Capital Financing Program Loans



Capital Financing Program Borrowers



CAPITAL FINANCING DISASTER LOAN PROGRAM

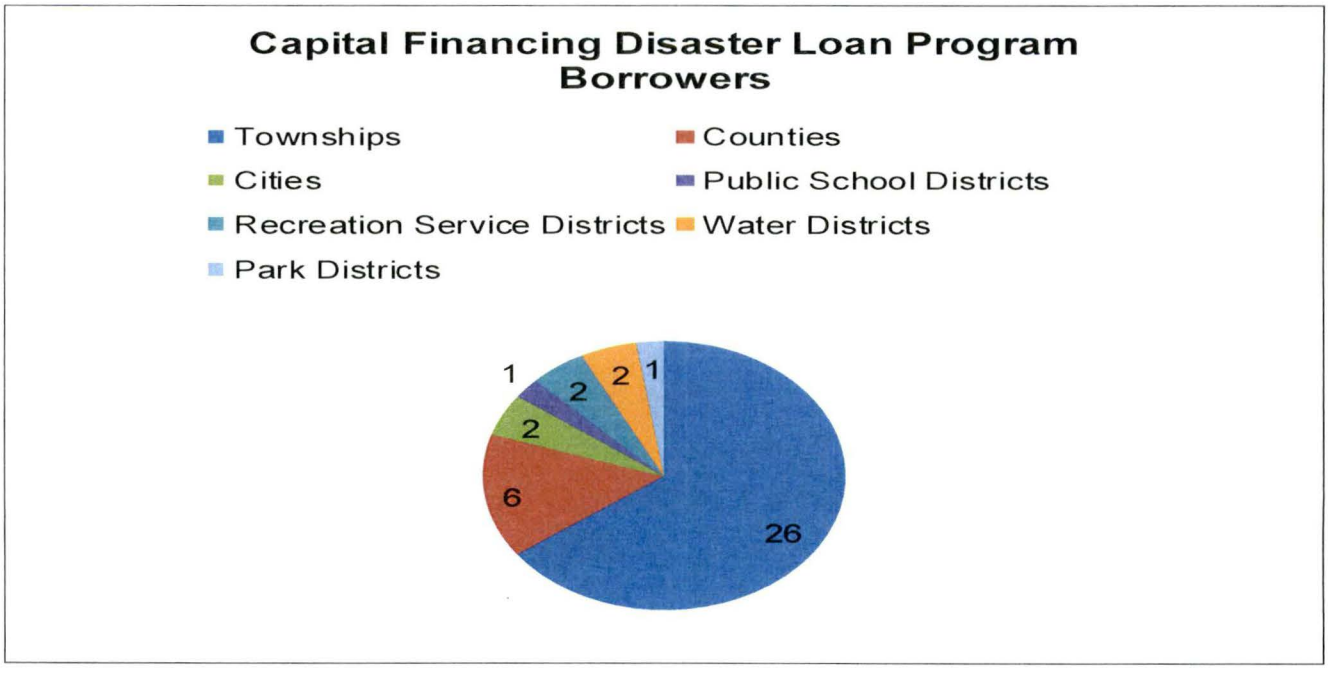
On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events. Under its Capital Financing Disaster Loan Program, the PFA makes loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money is available and/or to assist in cash flowing local match requirements.

Any North Dakota political subdivision that is within a county that has received a Presidential Public Disaster Declaration or a gubernatorial executive order or proclamation of a state disaster or emergency was eligible to apply. The political subdivision must show ability to repay the financing either from Federal or State government disaster payments or from tax receipts. The interest rate payable by a political subdivision is the 3 month LIBOR plus 1.25% adjusted monthly with a floor of 2.25%.

The PFA did not approve any Disaster Financing loans to in 2014. Loans approved under this program total $71,531,546 and $7,111,418 were outstanding as of December 31, 2014. Part F of Attachment 1 beginning on page 1-9 of this Report contains a complete list, as of December 31, 2014, of all loans made by the PFA under the Disaster Loan Program, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

The PFA issued $675,000 of CFP Disaster Bonds to Bank of North Dakota in 2014. The proceeds of the 2014 CFP Disaster Bonds were used to make loans to political subdivisions approved for financing under the Disaster Loan Program. As of December 31, 2014, the total cumulative amount of bonds issued under the Disaster Loan Program was $14,405,612 and the total outstanding amount of bonds under the Disaster Loan Program was $5,020,000.

Part G of Attachment 2 on page 2-3 of this Report contains a complete list, as of December 31, 2014, of all series of Capital Financing Disaster Loan Bonds issued, including the original dollar amount and the outstanding principal amount of each series of Disaster Loan Bonds.



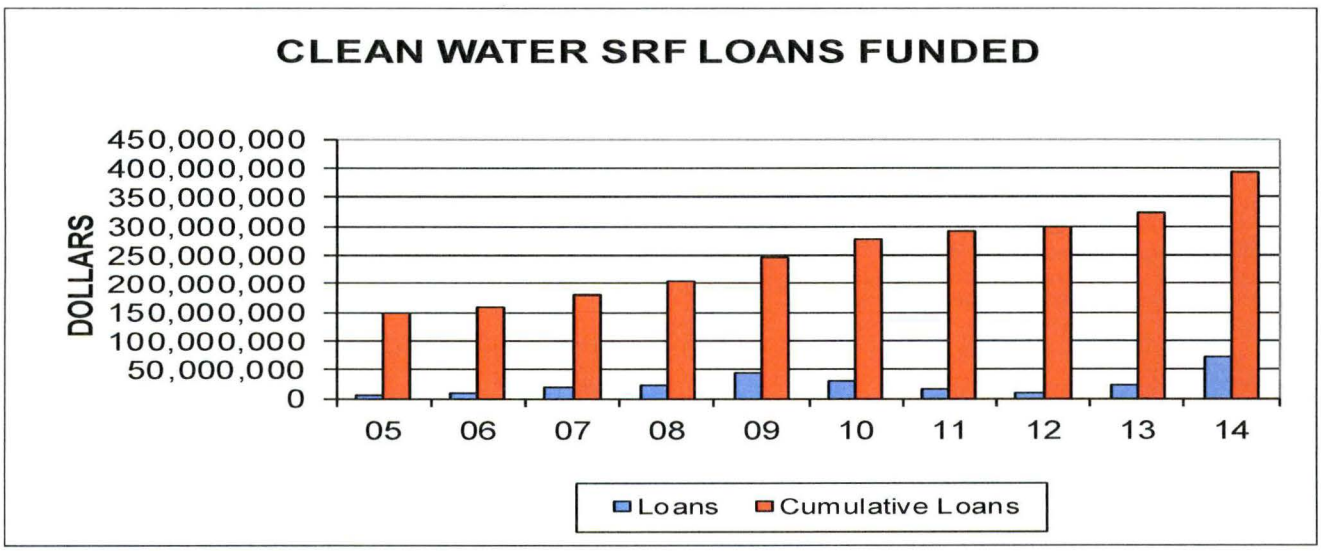
STATE REVOLVING FUND PROGRAM

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects. Authorized projects under the Safe Drinking Water Act include public water systems. The SRF Program is administered jointly by the North Dakota Department of Health and the PFA.

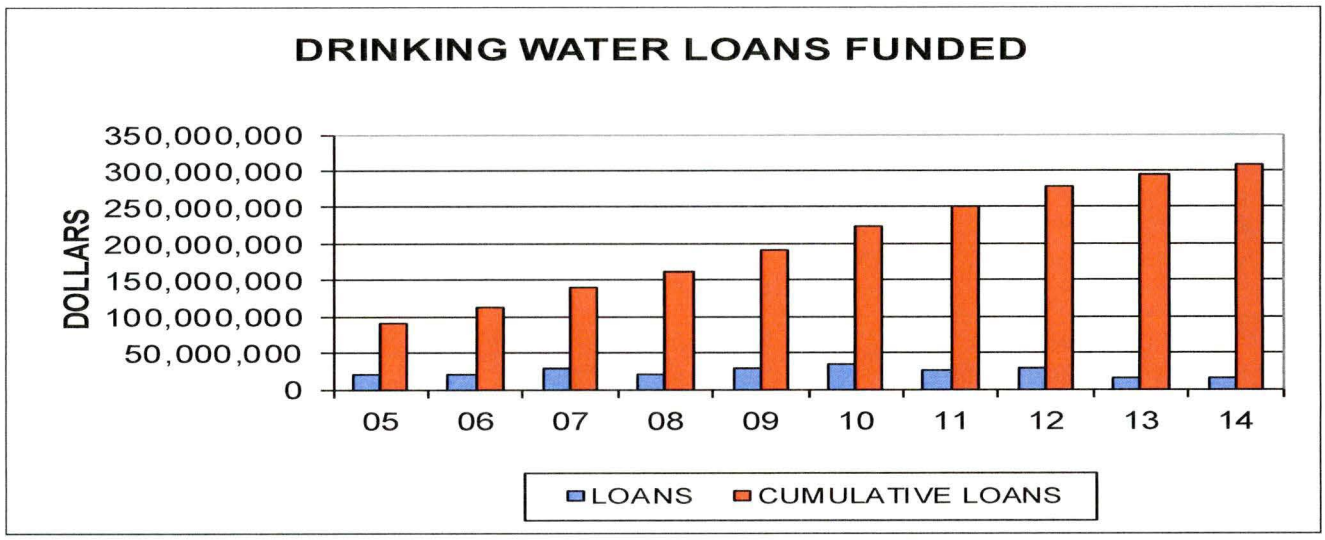
In 2001, Moody's Investors Service, Inc. upgraded the North Dakota SRF Program from "Aa2" to "Aaa", Moody's highest rating,

The interest rates on SRF Program loans are set by the Health Department in consultation with the PFA. The interest rates are fixed for the term of a loan. The interest rate for tax-exempt SRF Program loans is 2.0%. The interest rate for taxable SRF loans is 3.0%. Loans made with American Recovery and Reinvestment Act (ARRA) funds are at .5% and/or have a loan forgiveness component.

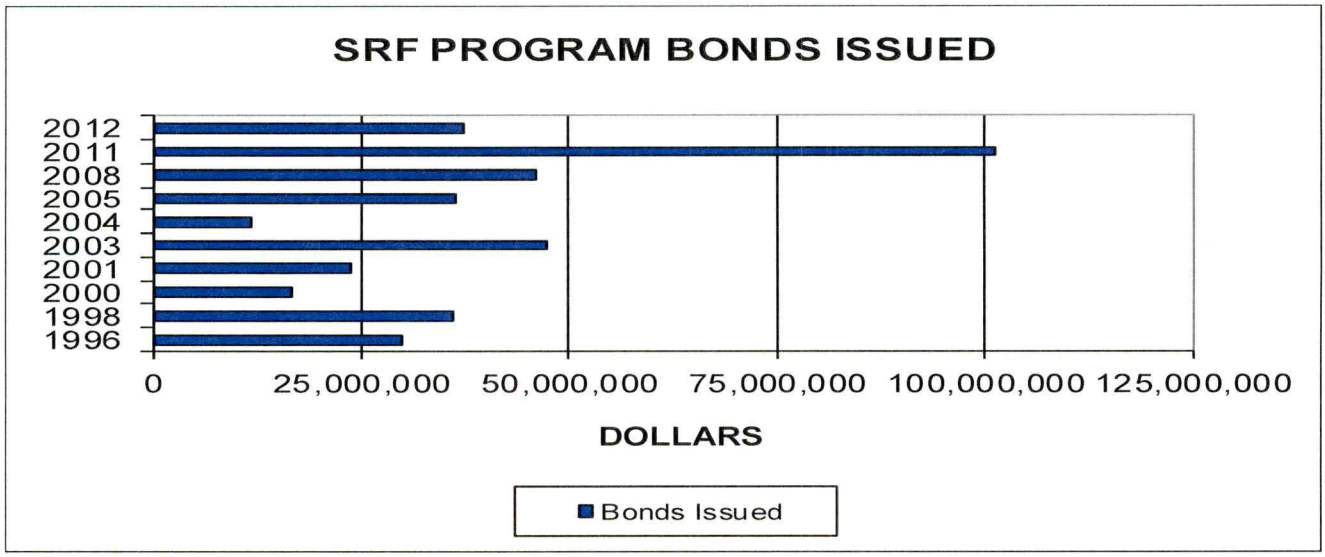
The PFA approved $189,743,931 of Clean Water SRF Program loans to 14 political subdivisions in 2014. Subpart 23 of Part G of Attachment 1 on page 1-18 of this Report contains a list of all approved Clean Water SRF Program loans for 2014, including the approved amount, the funded amount, and the outstanding principal amount of each loan as of December 31, 2014.



The PFA approved $27,062,622 of Drinking Water SRF Program loans to 16 political subdivisions in 2014. Subpart 16 of Part H of Attachment 1 on page 1-24 of this Report contains a list of loans made under the Drinking Water SRF Program during 2014, including the approved amount, the funded amount and the outstanding principal amount of each loan as of December 31, 2014.



The total amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is $419,140,000. This total includes $129,390,000 of the 1990, 1993, 1995, 1996, 1998, 2000, 2001, 2003A, 2003B, 2004 and 2005 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding.



As of December 31, 2014, the total amount of SRF Program Bonds outstanding was $166,390,000, and the total outstanding amount of SRF Program loans was $406,950,902. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2014, was $9,685,450, which represents the Total Reserve Requirement under the Master Trust Indenture.

Part H of attachment 2 on page 2-4 of this Report contains a complete list of the SRF Program Bonds issued by the PFA under the Master Trust Indenture, including the original dollar amount and the outstanding principal amount of each series of SRF Program Bond.

INDUSTRIAL DEVELOPMENT BOND PROGRAM

The Public Finance Authority's Industrial Development Bond Program (IDBP) provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. Bonds issued under this Program are moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. Public Finance Authority limits the program to $2,000,000 per project and $20,000,000 for the entire program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits.

The interest rates payable by a borrower are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a borrower will pay on its bonds sold to the PFA.

On December 13, 2013 the Industrial Development Bond Program was upgraded to a rating of "AA" by Standard & Poor's Ratings Group, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates.

The PFA did not issue IDBP Bonds in 2014.

Part I of Attachment 1 beginning on page 1-25 of this Report contains a complete list, as of December 31, 2014, of all loans made by the PFA with proceeds of IDBP Bonds issued under the IDBP General Bond Resolution, including the name of each borrower and the original amount of each loan.

Part I of Attachment 2 on page 2-4 of this Report contains a complete list, as of December 31, 2014, of all series of Industrial Development Program Bonds issued under the IDBP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of IDBP Bonds.

The outstanding amount of Reserve Fund Letters of Credit at December 31, 2014 was $772,575. The IDBP Reserve Fund Letters of Credit are issued to meet the requirement of the IDBP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month periods. The IDBP Reserve Fund Letters of Credit are issued by BND.

OTHER BONDS

1977 General Bond Resolution. The PFA, pursuant to a 1977 General Bond Resolution, issued $15,000,000 in 1977, $16,590,000 of bonds in 1979, and $11,600,000 of bonds in 1983, for a total principal amount of $43,190,000. The 1977, 1979 and 1983 bonds have been retired.

1985 Local Governmental Assistance Program. In 1985, the PFA issued $35,290,000 of bonds under a Local Governmental Assistance Program. These bonds were retired in 1986.

1990 Government Assistance Program. In 1990, pursuant to its Government Assistance Program, the PFA issued two series of bonds in the total amount of $2,006,704. These bonds were retired in 1991.

1989 Insured Water System Revenue Bonds and 1999 Taxable Insured Water System Refunding Revenue Bonds. Pursuant to a Trust Indenture adopted in 1989, the PFA issued two series of Water System Revenue Bonds. The 1989 Series A Bonds were issued in the amount of $11,650,000, and the 1989 Series B Bonds were issued in the amount of $1,410,000 (the 1989 Series A Bonds and the 1989 Series B Bonds are referred to as the "1989 Bonds"). The Series B Bonds were issued to fund a reserve fund for the Series A Bonds. On December 21, 1995, the PFA entered into a Purchase Contract for the forward refunding of the 1989 Bonds. Under the terms of the Purchase Contract, the PFA issued and delivered $8,875,000 of its Taxable Insured Water System Refunding Revenue Bonds, on April 1, 1999, for the purpose of refunding the 1989 Bonds. These bonds were retired in 2014.

BIENNIAL DEBT SERVICE REQUIREMENTS

The debt service requirement for the outstanding CFP Bonds for the 2015-2017 biennium is $16,533,613, and the debt service requirement for the outstanding SRF Program Bonds for the 2015-2017 biennium is $41,078,891. The outstanding IDBP debt service requirement for 2015-2017 is $753,515.

The aggregate debt service requirement for all outstanding PFA Bonds for the 2015-2017 biennium is $58,366,019.

ATTACHMENT 1

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
LOANS MADE 1977 THROUGH 2014

Part A

Subpart 1 — $15,000,000 1977 Series A Bonds

Borrower

Alexander PSD
Alexander
Almont
Ashley
Barney
Bell PSD
Beulah
Bismarck
Bismarck Park District
Butte PSD
Buxton
Carrington PSD
Cass County
Casselton
Center
Courtenay Special PSD
Drake
Edinburg PSD
Edmore PSD
Elgin
Ellendale PSD
Emerado
Enderlin
Esmond
Esmond PSD
Fingal PSD
Finley
Fordville
Gackle PSD
Galt PSD
Garrison
Glen Ullin PSD
Gwinner
Halliday
Hampden PSD
Hazelton Moffitt PSD
Hazen
Jamestown
Juzeler PSD
Kathryn PSD
Kensal PSD
Kinloss PSD
Kinyon PSD
Kulm
LaMoure PSD
LaMoure
Lawton
Leeds
Lehr
Leonard PSD
Leonard
Lidgerwood
Lignite
Lincoln PSD
Linton
Linton PSD
Maddock
Mandan
Mayville
McVille
Michigan
Minnewauken PSD
Napoleon
Nedrose PSD
Nesson PSD
New Salem
New Leipzig Fire District
New Rockford
New Leipzig PSD
New Leipzig
New Rockford
North Sargent PSD
Park River
Parshall
Pembina
Portland
Reeder PSD
Regent PSD
Reynolds
Robinson PSD
Rock Lake PSD
Rolla
Rutland
Sawyer PSD
Scotia PSD
Scranton
Sharon
Sharon PSD
Sherwood
Sheyenne PSD
Solen PSD
South Heart PSD
South Bend PSD
Southern PSD
Southwest Fargo
Stanley
Stanton
Steele
Streeter PSD
Sutton PSD
Thompson
Tioga PSD
Tolna
Traill County District
Turtle Lake
Valley City
Velva
Verona
Walcott
Walhalla
Washburn
Watford City
Westhope
Wildrose PSD
Wilton
Wishek PSD
Wishek
Woodworth PSD
Yellowstone Irrigation District
Zeeland PSD

Subpart 2 **$16,590,000 1979 Series A Bonds**

Borrower

Anita Fire Protection District
Ashley PSD
Beulah
Beulah PSD
Center PSD
Edgeley
Edinburg
Edmore
Enderlin
Finley
Gackle
Garrison
Glen Ullin
Grand Forks Park District
Halliday
Harwood
Hazelton
Hazen
Hazen PSD
Hebron
Hettinger
Hope
Hunter
Linton
Lisbon
Mandan
Mayville
Medina
Mott
Napoleon
New Rockford
New Rockford Park District
Park River
Portland
Richardson PSD
Rock Lake
Rolla
Scranton
Sherwood Fire Protection District
Stanley
Stanton
Strasburg
Streeter
Thompson
West Fargo PSD
Wilton
Wishek
Zap

Subpart 3 **$11,600,000 1983 Series A Bonds**

Borrower

Anamoose
Antler
Binford
Bismarck Rural Fire District
Bowbells PSD
Carrington
Cass Richland Drainage District
Casselton
Crosby
Dodge
Edgeley PSD
Elgin PSD
Enderlin
Finley
Flasher PSD
Gladstone
Grafton PSD
Gwinner
Hankinson Rural Fire District
Horace
Killdeer
Lakota PSD
Larimore
Leonard
Linton
Mandan
Manning PSD
Mapleton
Medina
Michigan PSD
Milnor
New England
New Leipzig
Osnabrock
Pembina
Pingree PSD
Rhame
Richardton
Rolette
Stanley
Strasburg
Towner
Velva
Westhope
Wildrose
Zap PSD

Part B **Local Government Assistance Program**
$35,290,000 1985 Series A Bonds

Borrower

Barnes County
Bismarck PSD
Border Central PSD
Burleigh County
Cass Valley North PSD
Cass County
Crary PSD
Dakota PSD
Dickey County
Dickinson PSD
Drayton PSD
Edgeley PSD
Epping PSD
Fargo PSD
Fessenden
Fordville
Grace City PSD
Grand Forks County
Grand Forks PSD
Killdeer PSD
LaMoure PSD
Mandan PSD
Mandan
McIntosh County
Michigan PSD
Minot PSD
Morton County
Powers Lake PSD
Ramsey County
Richland County
Solen PSD
Stanton PSD
Stark County
Steele County
Stutsman County
Tolley PSD
Walsh County
West Fargo PSD

Part C **Government Assistance Program**
$765,000 1990 Series A Bonds

Borrower

Cavalier
Edgely PSD
Eight Mile PSD
Marion PSD
Pembina PSD
Sherwood PSD

Part D **Insured Water System Revenue Bonds**
$8,875,000 1999 Series A Bonds
$1,410,000 1999 Series B Bonds

Borrower

All Season Water Users
Cass Rural Water
Dakota Water Users
Lidgerwood
North Valley Water Users Association
Richland Rural Water
Traill County Rural Water Users, Inc.
Tri-County Water Users Association

Capital Financing Program

Part E

Borrower	Original Loan Amount
Subpart 1 1990	
Morton County	$ 400,000
Linton	185,000
Mandan	95,000
Hankinson	155,000
Fargo Park District	680,000
Traill County Water Resource Dist	100,000
Dickinson Recreation Building Auth.	250,000
Rolla	220,000
Morton County Water Resource Brd.	230,000
North Valley Rural Water Assoc.	140,000
Milnor	85,000
Bismarck Parks & Recreation Dist.	770,000
Twin Buttes School District	70,000
Hettinger Park District	35,000
Mandan Parks & Recreation Dist.	335,000
	3,750,000
Subpart 2 1991	
Burleigh County Housing Auth.	225,000
Bismarck Parks & Recreation Dist.	1,300,000
Bismarck Parks & Recreation Dist.	410,000
Mandan Parks & Recreation Dist.	560,000
Richardton	165,000
Kindred	25,000
Montefiore PSD	75,000
Pembina PSD	195,000
Eight Mile PSD	150,000
Lake Agassiz Regional Council	180,000
North Valley Water Association	200,000
Finley	875,000
Wyndmere	65,000
Ward County	85,000
Oakes Municipal Airport Authority	45,000
Devils Lake PSD	1,810,000
Greater Richland Ed. Comm. Cons.	250,000
Cass County	400,000
	7,015,000

Borrower	Original Loan Amount
Subpart 3 1992	
Mandan PSD	$ 2,500,000
New England	75,000
Cavalier	75,000
Lidgerwood	75,000
Kindred PSD	1,545,000
Edinburg	120,000
Milnor	205,000
West Fargo PSD	2,500,000
Lisbon PSD	800,000
Emerado PSD	100,000
Milnor	190,000
Pembina PSD	195,000
Eight Mile PSD	200,000
Briarwood	40,000
Buxton	40,000
Missouri Hills Interactive Cons.	455,000
Grand Forks PSD	2,500,000
Mercer County Housing Auth.	435,000
Nelson County	100,000
	12,150,000
Subpart 4 1994	
Lake Metigoshe RSD	150,000
Glenburn PSD	880,000
Fargo PSD	1,975,000
Fargo PSD	525,000
Thompson PSD	900,000
Souris	40,000
Marion PSD	115,000
Pembina PSD	180,000
Eight Mile PSD	150,000
Sims PSD	60,000
Oakes	120,000
McVille	230,000
Milnor	195,000
Emerado PSD	60,000
Grand Forks PSD	2,000,000
Burleigh County Housing Auth.	325,000
	7,905,000

Borrower	Original Loan Amount
Subpart 5 1994	
Mandan Airport Authority	$ 180,000
Fairmount PSD	305,500
Grafton PSD	2,000,000
Sawyer PSD	450,000
Glenburn PSD	592,500
Lincoln PSD	274,000
Finley-Sharon PSD	499,500
Oakes PSD	1,650,000
North Sargent-Gwinner PSD	538,300
Rolette PSD	461,900
Zap PSD	250,000
Stanley PSD	1,185,000
Clifford-Galesburg PSD	532,669
Rhame PSD	180,000
West Fargo PSD	3,000,000
Manvel PSD	228,000
United-Des Lacs PSD	942,647
Surrey PSD	413,000
Cando PSD	50,000
Surrey PSD	325,000
Sawyer	150,000
Marion PSD	105,000
Pembina PSD	90,000
Eight Mile PSD	200,000
Sims PSD	50,000
	14,653,016
Subpart 6 1995	
Burleigh County Housing Auth.	1,600,000
Traill County WRD	100,000
Mooreton	170,000
Milnor	160,000
Ward County	95,000
Marion PSD	105,000
Eight Mile PSD	200,000
Sims PSD	75.000
	2,505,000
Subpart 7 1996	
Minot	500,000
Rolette County Housing	500,000
Dunseith	100,000
Garrison	120,000
Hazelton	140,000
Walcott-Colfax District	70,000
Burleigh Water Users	1,585,000
Marion PSD	120,000
Garrison PSD	230,000
	3,365,000

Borrower	Original Loan Amount
Subpart 8 1997	
Cavalier	$ 540,000
Burleigh Rural Water Users	3,350,000
New Town PSD	300,000
North Valley Water Association	1,400,000
South Central Water Users Dist.	350,000
Grafton PSD	4,500,000
Richardton	205,000
Aggasiz Water Users	375,000
Sims PSD	50,000
West Fargo PSD	1,000,000
Wahpeton	1,600,000
Garrison	125,000
McVille	1,550,000
	15,345,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 9	**1998**		
Gackle		$ 295,000	$ 0
Lidgerwood		120,000	0
Prairie Rose		175,000	0
Surrey		100,000	0
Hettinger Park District		200,000	0
Maple River Water Resource District		55,000	0
Milnor		400,000	0
Grandin		165,000	45,000
West Fargo PSD		1,000,000	0
Sims PSD		50,000	0
Park River		450,000	160,000
		3,010,000	205,000
Subpart 10	**1999**		
Lidgerwood		1,075,000	0
Drayton		140,000	0
Drayton		70,000	0
Max		50,000	0
Surrey		100,000	0
West Fargo PSD		1,000,000	0
Sims PSD		100,000	0
Tri-County Water District		1,710,000	0
Tri-County Water District		285,000	160,000
		4,530,000	160,000
Subpart 11	**2000**		
Lisbon		765,000	0
Enderlin		195,000	0
Amenia		155,000	0
West Fargo PSD		3,000,000	0
Sims PSD		100,000	0
		4,215,000	0
Subpart 12	**2001**		
Frontier		735,000	0
Subpart 13	**2002**		
McVille		215,000	0
Southeast Water Users District		700,000	0
Bismarck Rural Fire District		185,000	0
Kulm		150,000	0
Fessenden-Bowdon PSD		350,000	0
		1,600,000	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 14	**2003**		
Langdon Rural Water District		$ 1,495,000	$ 0
Subpart 15	**2004**		
Traill Rural Water		300,000	180,000
Surrey		500,000	0
Mercer County Housing		80,000	0
		880,000	180,000
Subpart 16	**2006**		
Rolette County Housing Authority		235,000	195,000
Belcourt Public School District		1,045,000	245,000
Enderlin		105,000	25,000
		1,385,000	465,000
	2009		
West Fargo		530,000	480,000
Tri-County Water District		1,415,000	1,155,000
Emerado		180,000	155,000
		2,125,000	1,790,000
Subpart 18	**2011**		
Drayton		405,000	360,000
Drayton		350,000	312,000
McVille		2,357,000	2,204,000
McVille		618,000	469,000
		3,730,000	3,345,000
Subpart 19	**2012**		
McVille		150,000	135,000
Kulm		85,000	70,000
All Seasons Water Users District		820,000	755,000
Forman Housing Authority		935,000	880,000
Forman		505,000	485,000
Forman		1,090,000	980,000
Hankinson		1,930,000	1,830,000
Mayville		1,430,000	1,330,000
Tri-County Water District		1,405,000	1,345,000
Gackle		1,285,000	1,200,000
		9,635,000	9,010,000
Subpart 20	**2013**		
Fargo		51,375,000	49,630,000

Borrower Subpart 21	2014	Original Loan Amount	Outstanding Loan Amount
Fargo		$ 32,512,000	$ 32,512,000
Noonan		328,000	328,000
Stutsman Rural Water District		9,000,000	9,000,000
		41,840,000	41,840,000
Total Capital Financing Program Loans		$ 193,243,016	$ 106,625,000

Capital Financing Disaster Loan Program

Part F

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 1	**2011**		
Orlien Township, Ward County		$ 400,000	$ 0
Lund Township, Ward County		70,000	0
Ramsey County		2,000,000	0
Anna Township, Ward County		800,000	113,988
Logan County		6,000,000	1,202,200
Dickey County		5,000,000	1,017,875
Rolling Green Township, Ward County		460,742	64,585
Cameron Township, Ward County		495,000	11,084
Otis Township, McLean County		35,000	12,000
Normanna Township, Cass County		40,000	0
Casselton Township, Cass County		83,000	52,000
Ward County		10,000,000	3,478,235
Sargent County		10,000,000	0
Stutsman County		2,739,859	0
Weld Township, Stutsman County		1,321,733	0
Stirton Township, Stutsman County		1,295,017	70,000
Valley Springs Township, Stutsman County		904,483	0
Lowery Township, Stutsman County		600,000	50,000
Wadsworth Township, Stutsman County		26,000	0
St Paul Township, Stutsman County		278,500	107,176
Ashland Township, Stutsman County		5,741	0
Woodbury Township, Stutsman County		150,000	6,200
Sinclair Township, Stutsman County		193,000	0
Meadow Lake Township, Barnes County		101,000	0
Sharlow Township, Stutsman County		50,000	0
Streeter Township, Stutsman County		400,000	0
Griffin Township, Stutsman County		61,832	0
Mandan		8,000,000	0
Rice Lake Recreation Service District		400,000	15,000
North Prairie Rural Water District		700,000	0
North Prairie Rural Water District		450,000	0
Minnewaukan Public School District		2,500,000	0
		55,560,907	6,200,343
Subpart 2	**2012**		
Newman Township, Ward County		$ 40,000	$ 0
Griffin Township, Stutsman County		1,030,530	108,120
Minot Park District		7,000,000	0
Rice Lake Recreation Service District		672,600	466,344
		8,743,130	574,464

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 3	**2013**		
Gray Township, Stutsman County		30,000	0
Minnewaukan		6,637,509	91,523
German Township, Dickey County		360,000	245,088
Chicago Township, Stutsman County		200,000	0
		7,227,509	336,611
Total Capital Financing Disaster Program Loans		$ 71,531,546	$ 7,111,418

Clean Water State Revolving Fund Program

Part G

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1990**			
Enderlin		$ 490,000	$ 490,000	$ 0
Fargo		3,561,559	3,561,559	0
Minot		879,386	879,386	0
		4,930,945	4,930,945	0
Subpart 2	**1993**			
Fargo		7,770,000	7,770,000	0
Jamestown		1,581,406	1,581,406	20,000
Minot		665,000	665,000	0
Northwood		1,150,000	1,150,000	0
Wahpeton		1,062,366	1,062,366	0
West Fargo		175,000	175,000	0
Lake Metigoshe		296,263	296,263	0
New Town		132,050	132,050	0
Jamestown		1,289,702	1,289,702	60,000
Williston		252,835	252,835	0
		14,374,622	14,374,622	80,000
Subpart 3	**1994**			
Minot		443,522	443,522	0
Burlington		165,037	165,037	0
Devils Lake		1,076,423	1,076,423	0
Grafton		410,000	410,000	0
Casselton		112,000	112,000	0
		2,206,982	2,206,982	0
Subpart 4	**1995**			
Fargo		2,850,429	2,850,429	0
Max		74,912	74,912	3,750
Cooperstown		55,000	55,000	0
Northwood		225,837	225,837	0
Colfax		36,297	36,297	0
Edmore		62,256	62,256	3,119
Ellendale		196,826	196,826	0
Minot		400,000	400,000	0
Williston		291,881	291,881	0

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 4 Cont.	**1995**			
Lisbon		$ 100,000	$ 100,000	$ 0
Napoleon		133,851	133,851	0
Park River		498,279	498,279	35,000
Carrington		835,000	835,000	65,000
Mott		211,157	211,157	15,000
Harvey		478,556	478,556	60,000
Beach		226,241	226,241	0
Williston		328,581	328,581	0
Buffalo		38,248	38,248	0
Hettinger		156,001	156,001	20,000
Davenport		176,339	176,339	10,000
Ellendale		220,990	220,990	0
Cando		113,006	113,006	0
Cooperstown		300,000	300,000	0
		8,009,687	8,009,687	211,869
Subpart 5	**1996**			
Jamestown		16,300,000	16,300,000	2,020,000
Cooperstown		1,174,952	1,174,952	145,000
Park River		72,312	72,312	0
Portland		82,368	82,368	8,238
Medina		67,255	67,255	0
Mayville		105,433	105,433	0
Manvel		478,416	478,416	60,000
Oriska		21,531	21,531	0
Bottineau		100,000	100,000	0
Arthur		132,963	132,963	0
Cando		254,052	254,052	30,000
Kindred		124,498	124,498	19,498
Page		47,738	47,738	4,774
Argusville		213,061	213,061	0
Bottineau		104,500	104,500	0
Grand Forks		13,700,000	13,700,000	3,305,000
Bank of North Dakota		1,101,444	1,101,444	0
		34,080,523	34,080,523	5,592,510
Subpart 6	**1997**			
Grand Forks		3,940,000	3,940,000	950,000
Casselton		1,589,652	1,589,652	0
Christine		385,273	385,273	85,000
Mapleton		152,864	152,864	0

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 6 Cont.	**1997**			
Horace		$ 225,330	$ 225,330	$ 45,000
Carrington		805,000	805,000	150,000
Mandan		5,191,929	5,191,929	1,545,000
Berthold		82,875	82,875	13,175
Cooperstown		123,067	123,067	30,000
Jamestown		2,277,487	2,277,487	415,000
Lakota		1,933,969	1,933,969	365,000
Minnewauken		218,000	218,000	2,000
		16,925,446	16,925,446	3,600,175
Subpart 7	**1998**			
Granville		42,000	42,000	0
Enderlin		342,373	342,373	0
Wishek		140,704	140,704	0
Fargo		1,482,337	1,482,337	0
Gwinner		258,711	258,711	75,000
Southeast Cass		214,000	214,000	54,000
Casselton		108,261	108,261	0
Sanborn		76,195	76,195	0
Frontier		98,603	98,603	20,000
Abercrombie		300,875	300,875	75,875
Grandin		97,042	97,042	20,000
Taylor		59,872	59,872	0
Fargo		10,723,277	10,723,277	3,325,000
Grand Forks		2,650,804	2,650,804	580,000
		16,595,054	16,595,054	4,149,875
Subpart 8	**1999**			
Fargo		210,000	210,000	58,000
Gackle		118,020	118,020	0
Hillsboro		360,000	360,000	0
Kindred		1,113,522	1,113,522	335,000
Wimbledon		74,738	74,738	25,000
Jamestown		747,990	747,990	0
Lisbon		87,025	87,025	27,000
Stanley		102,413	102,413	0
Buffalo		213,667	213,667	63,000
Buxton		77,000	77,000	0
Hankinson		88,000	88,000	28,000
Jamestown		454,641	454,641	0
		3,647,016	3,647,016	536,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 9	**2000**			
Abercrombie		$ 20,064	$ 20,064	$ 0
Hankinson		84,999	84,999	30,000
Fargo		1,816,295	1,816,295	640,000
Lidgerwood		89,405	89,405	32,000
Enderlin		1,189,549	1,189,549	415,000
Hunter		158,395	158,395	48,000
Cogswell		81,960	81,960	25,000
Mayville		1,075,000	1,075,000	435,000
Ward County Water Resource District		797,375	797,375	285,000
Emerado		406,207	406,207	90,000
		5,719,249	5,719,249	2,000,000
Subpart 10	**2001**			
Jamestown		370,120	370,120	60,000
Mayville		1,169,393	1,169,393	480,000
Forman		135,172	135,172	50,000
Lisbon		716,436	716,436	255,000
Amenia		141,489	141,489	50,000
Grand Forks		13,781,500	13,781,500	5,615,000
Kulm		678,640	678,640	290,000
Tower City		503,123	503,123	200,000
Lake Metigoshe		485,400	485,400	145,000
Williston		1,124,000	1,124,000	455,000
Rolette		102,000	102,000	41,500
Hebron		122,890	122,890	51,000
Hankinson		1,457,760	1,457,760	590,000
Harvey		69,281	69,281	28,600
Oakes		106,076	106,076	24,000
		20,963,280	20,963,280	8,335,100
Subpart 11	**2002**			
Sanborn		30,694	30,694	13,400
Williston		1,190,559	1,190,559	555,000
Grand Forks		1,580,755	1,580,755	674,000
Grand Forks		2,274,164	2,274,164	880,000
Grand Forks		6,546,560	6,546,560	2,820,000
Linton		95,770	95,770	45,000
Mayville		3,073,811	3,073,811	1,416,000
Morton County Water Resource District		258,000	258,000	119,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
[redacted]				
Subpart 11 Cont.	**2002**			
Wildrose		$ 86,405	$ 86,405	$ 0
Mapleton		80,790	80,790	0
Wahpeton		374,065	374,065	190,000
		15,591,573	15,591,573	6,712,400
Subpart 12	**2003**			
Hunter		41,930	41,930	21,500
Oakes		746,350	746,350	356,000
Harvey		244,615	244,615	127,000
Hankinson		133,790	133,790	68,800
Mantador		50,000	50,000	25,700
Litchville		236,381	236,381	123,000
Courtenay		49,444	49,444	23,700
Jamestown		1,309,568	1,309,568	765,000
		2,812,078	2,812,078	1,510,700
Subpart 13	**2004**			
Oakes		601,500	601,500	330,000
Portland		291,164	291,164	150,000
Lidgerwood		84,416	84,416	46,000
Lincoln		397,944	397,944	0
Hillsboro		186,336	186,336	0
Warwick		32,775	32,775	20,000
West River Water and Sewer		338,007	338,007	187,000
		1,932,142	1,932,142	733,000
Subpart 14	**2005**			
Mapleton		335,000	335,000	194,000
Hazen		276,120	276,120	161,000
Enderlin		184,307	184,307	103,000
Rutland		180,841	180,841	109,000
Grand Forks		4,500,000	4,500,000	2,745,000
		5,476,268	5,476,268	3,312,000
Subpart 15	**2006**			
Jamestown		1,475,346	1,475,346	970,000
Rice Lake Recreation Service District		2,813,537	2,813,537	1,835,000
Fargo		2,631,739	2,631,739	1,610,000
Gackle		77,824	77,824	0
Tower City		121,502	121,502	80,000
BND		2,398,556	1,722,501	552,283
Portland		30,236	30,236	20,500
Wyndmere		188,146	188,146	0
Oakes		950,000	950,000	635,000
		10,686,886	10,010,831	5,702,783

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 16	**2007**			
Bismarck		$ 20,000,000	$ 20,000,000	$ 14,225,000
Southeast Cass Water Resource District		738,299	738,299	443,299
Lakota		414,948	414,948	167,000
Leonard		255,000	255,000	179,000
Argusville		634,606	634,606	455,000
Mayville		345,725	345,725	228,000
McVille		81,677	81,677	56,000
Jamestown		1,467,998	1,467,998	931,000
Hope		757,963	757,963	502,000
Portland		46,937	46,937	33,000
Cass Rural Water District		15,326,652	15,326,652	12,625,652
Willow City		148,174	148,174	104,000
Oakes		258,747	258,747	174,000
Nome		16,011	16,011	0
		40,492,737	40,492,737	30,122,951
Subpart 17	**2008**			
Lisbon		1,174,092	1,174,092	870,000
Harvey		210,952	210,952	111,000
Hunter		138,580	138,580	105,000
Fargo		63,725,000	50,171,565	41,406,565
Flasher		121,414	121,414	71,000
Hankinson		100,000	100,000	76,000
Ellendale		734,842	734,842	554,000
Fargo		1,640,000	1,640,000	1,340,000
Watford City		808,588	808,588	600,000
		68,653,468	55,100,033	45,133,565
Subpart 18	**2009**			
Tappen		179,761	179,761	135,000
Casselton		1,931,688	1,931,688	1,585,000
Mandan		1,679,763	1,679,763	1,270,000
Mandan		1,000,000	1,000,000	755,000
Stutsman Rural Water District		4,603,386	4,603,386	3,395,000
Lisbon		1,247,424	1,247,424	405,000
Cavalier		487,315	487,315	360,000
Lake Metigoshe Recreation Service District		517,400	517,400	210,000
Velva		346,601	346,601	0
Hazen		246,919	246,919	115,000
Enderlin		799,172	799,172	250,000
Glenburn		784,378	784,378	325,000
Davenport		389,832	389,832	130,000
Munich		1,200,120	1,200,120	0
Edgeley		1,644,845	1,644,845	295,000
Valley City		345,241	345,241	245,000
Strasburg		1,404,743	1,404,743	275,000
		18,808,588	18,808,588	9,750,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 19	**2010**			
Hillsboro		$ 127,849	$ 127,849	$ 100,000
Drayton		1,677,066	1,677,066	110,000
Michigan		1,606,506	1,606,506	415,000
Northwood		2,306,303	2,306,303	800,000
Fargo		822,348	822,348	615,000
Wishek		185,547	185,547	148,000
Mapleton		825,800	591,924	452,124
Hankinson		569,833	569,833	465,000
Fargo		4,061,075	4,061,075	3,486,075
Hunter		143,032	143,032	120,000
Dickinson		853,958	569,354	408,354
Langdon		157,454	157,454	133,000
Kulm		54,409	54,409	46,000
		13,391,180	12,872,700	7,298,553
Subpart 20	**2011**			
Jamestown		1,140,023	1,140,023	955,000
Pembina		217,329	215,156	197,156
Wyndmere		1,664,897	1,664,897	1,470,000
Devils Lake		2,500,000	2,500,000	2,190,000
Minto		1,229,000	1,042,093	908,093
Fingal		519,245	519,245	335,000
Southeast Cass WRD		591,777	591,777	375,000
Forman		750,935	750,935	395,000
Hazen		178,494	178,494	157,000
		8,791,700	8,602,620	6,982,249
Subpart 21	**2012**			
Velva		210,408	210,408	180,000
Kathryn		68,006	68,006	62,000
Maddock		1,284,300	1,284,300	400,000
Casselton		765,923	765,923	680,000
Dunn Center		200,000	186,040	170,040
Des Lacs		97,403	97,403	89,000
Clifford		46,228	46,228	42,000
Medina		238,028	238,028	200,000
		2,910,296	2,896,336	1,823,040

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 22	**2013**			
Burleigh County WRD		$ 244,653	$ 244,653	$ 225,000
Rolla		1,809,750	1,667,824	1,572,824
Lisbon		469,752	469,752	448,752
Ray		2,533,536	1,759,920	929,718
Wyndmere		265,000	204,939	154,939
Jamestown		822,306	822,306	790,000
Dickinson		40,500,000	32,550,160	30,925,160
Casselton		3,455,000	1,693,771	1,558,771
Lehr		219,482	219,482	97,000
Mandan		2,230,000	1,272,529	1,187,529
		52,549,479	40,905,336	37,889,693
Subpart 23	**2014**			
Douglas		67,866	67,866	64,000
Jamestown		11,350,000	10,745,196	10,745,196
Berthold		2,471,000	838,421	586,894
Bowbells		692,000	654,791	467,806
Noonan		237,000	136,597	136,597
Enderlin		365,500	347,225	347,225
Page		200,618	65,650	65,650
Beulah		586,800	509,507	509,507
Washburn		3,084,000	1,283,952	1,283,952
Mandan		2,400,000	1,146,487	1,146,487
Dickinson		42,108,000	17,577,024	17,577,024
Grenora		416,147	216,724	216,724
Williston		125,600,000	16,660,615	16,660,615
Ryder		165,000	164,329	164,329
		189,743,931	50,414,384	49,972,006
Total		$ 559,293,130	$ 393,368,430	$ 231,448,469

Drinking Water State Revolving Fund Program

Part H

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1999**			
Wahpeton		$ 345,715	$ 345,715	$ 80,000
Park River		261,000	261,000	0
New Rockford		281,102	281,102	65,000
Sawyer		136,000	136,000	0
Walsh Rural Water District		3,000,000	3,000,000	0
Tioga		44,004	44,004	0
Williston		3,901,331	3,901,331	1,595,000
St. John		399,388	399,388	141,000
		8,368,540	8,368,540	1,881,000
Subpart 2	**2000**			
Grand Forks		11,542,236	11,542,236	4,040,000
Lisbon		912,115	912,115	310,000
Stutsman Rural Water Users		666,168	666,168	235,000
State Water Commission		1,500,000	1,500,000	0
Cooperstown		300,000	300,000	108,000
Harwood		866,514	866,514	355,000
Mayville		1,025,000	1,025,000	410,000
		16,812,033	16,812,033	5,458,000
Subpart 3	**2001**			
Hankinson		405,000	405,000	150,000
Finley		2,479,994	2,479,994	1,004,400
Enderlin		195,000	195,000	60,000
Valley City		1,444,139	1,444,139	590,000
Grand Forks		10,050,000	10,050,000	0
Oxbow		475,657	475,657	190,000
Lisbon		460,381	460,381	190,000
Nome		22,465	22,465	0
Southeast Water Users		60,000	60,000	24,000
		15,592,636	15,592,636	2,208,400

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 4	**2002**			
Lisbon		$ 413,522	$ 413,522	$ 185,000
Harvey		427,076	427,076	200,000
Grafton		285,616	285,616	130,000
Mandan		4,197,565	4,197,565	1,796,000
Ramsey County WRD		3,482,000	3,482,000	1,662,000
Enderlin		87,500	87,500	42,000
Linton		563,063	563,063	260,000
Cleveland		206,406	206,406	86,000
Langdon		522,796	522,796	238,000
Drayton		132,362	132,362	0
Larimore		1,991,805	1,991,805	900,000
Wahpeton		1,890,000	1,890,000	1,031,000
Grafton		1,130,229	1,130,229	602,000
		15,329,940	15,329,940	7,132,000
Subpart 5	**2003**			
Southeast Water District		1,446,906	1,446,906	0
Grand Forks - Traill Water District		3,991,780	3,991,780	1,840,000
North Valley Water District		4,138,000	4,138,000	0
Williston		3,693,344	3,693,344	1,890,000
Barnes Rural Water District		816,000	816,000	420,000
Argusville		360,718	360,718	190,000
Casselton		1,272,000	1,272,000	675,000
Aneta		171,340	171,340	90,800
Stutsman Rural Water District		201,651	201,651	113,000
		16,091,739	16,091,739	5,218,800
Subpart 6	**2004**			
Oakes		147,652	147,652	79,000
Cass Rural Water District		1,890,923	1,890,923	1,105,000
Leeds		179,000	179,000	90,000
Hazen		1,000,000	1,000,000	560,000
Tioga		418,727	418,727	196,000
Lincoln		307,681	307,681	177,000
Lincoln		447,000	447,000	0
Abercrombie		244,002	244,002	138,000
Lisbon		410,000	410,000	232,000
Williston		5,000,000	5,000,000	0
Harvey		676,556	676,556	380,000
Noonan		39,602	39,602	24,000
Williams County Rural Water		1,500,000	1,500,000	890,000
Williston		17,593,143	17,593,143	11,620,000
Jamestown		2,534,604	2,534,604	1,530,000
		32,388,890	32,388,890	17,021,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 7	**2005**			
Argusville		$ 217,304	$ 217,304	$ 126,000
Park River		746,100	746,100	472,000
Mapleton		83,754	83,754	0
Bottineau		750,000	750,000	451,000
Southeast Water Users District		808,411	808,411	500,000
		2,605,569	2,605,569	1,549,000
Subpart 8	**2006**			
Walcott		159,112	159,112	103,000
Stutsman Rural Water District		1,164,020	1,164,020	708,000
Wildrose		52,291	52,291	31,500
Velva		1,616,123	1,616,123	585,000
Cooperstown		309,634	309,634	180,000
Riverdale		762,138	762,138	416,000
Pick City		223,328	223,328	144,000
Braddock		16,610	16,610	0
Center		358,800	358,800	230,000
Page		95,975	95,975	64,000
Harvey		91,581	91,581	59,000
Hillsboro		1,151,563	1,151,563	623,000
Washburn		1,870,633	1,870,633	1,185,000
Southeast Water Users District		4,655,000	4,655,000	3,064,000
Portal		50,000	50,000	0
Park River		517,600	517,600	360,000
Central Plains Water District		1,661,967	1,661,967	1,092,000
Columbus		57,000	57,000	13,000
Southeast Water Users District		186,902	186,902	121,000
		15,000,277	15,000,277	8,978,500
Subpart 9	**2007**			
McLean-Sheridan Rural Water		519,104	519,104	365,000
Walsh Rural Water District		1,796,902	1,796,902	0
North Prairie Water District		5,700,000	5,700,000	4,095,000
Mayville		324,341	324,341	210,000
Southeast Water Users District		5,418,000	5,418,000	2,085,000
South Central Regional Water		8,000,000	8,000,000	5,631,000
Jamestown		2,076,816	2,076,816	1,410,000
Devils Lake		3,800,000	3,800,000	2,685,000
North Valley Water District		2,617,000	2,617,000	0
Christine		219,015	219,015	160,000
Grand Forks Traill Water District		1,200,000	1,200,000	825,000
All Seasons Water Users District		211,950	211,950	148,000
		31,883,128	31,883,128	17,614,000

Borrower	Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 10 2008			
Southeast Water Users District	$ 595,000	$ 595,000	$ 419,000
Hazelton	245,120	245,120	129,000
Lisbon	757,220	757,220	510,000
Mapleton	1,149,088	1,149,088	867,000
Mandan	4,511,900	4,511,900	3,395,000
Fargo	2,500,000	2,500,000	1,835,000
Cass Rural Water District	1,376,605	1,376,605	1,015,000
Fargo	29,240,000	14,110,422	10,180,422
Tri-County Water District	363,289	363,289	275,000
Lakota	199,802	199,802	0
Crosby	2,361,275	551,488	5,000
Hankinson	95,000	95,000	71,000
Hannaford	53,748	53,748	41,000
South Central Regional Water	4,000,000	4,000,000	3,030,000
Ray	1,452,760	1,452,760	415,000
Parshall	2,887,500	2,767,864	2,215,364
Mandan	7,972,283	7,972,283	6,035,000
Leeds	37,076	37,076	28,000
	59,797,666	42,738,665	30,465,786
Subpart 11 2009			
Traill Rural Water District	3,396,880	3,396,880	3,215,000
Carrington	240,117	240,117	181,000
Lisbon	305,787	305,787	230,000
Watford City	347,464	347,464	263,000
Bismarck	16,320,000	15,757,434	12,412,434
Lisbon	1,613,726	1,613,726	1,255,000
Ray	864,000	864,000	0
Southeast Water Users District	1,128,358	1,128,358	910,000
Southeast Water Users District	841,774	841,774	705,000
Barnes Rural Water District	2,050,000	2,050,000	1,545,000
Velva	373,579	373,579	285,000
All Seasons Water Users District	206,675	154,433	110,433
Wimbledon	258,353	258,353	198,000
Hope	175,000	175,000	135,000
Enderlin	2,196,790	2,196,790	1,665,000
Garrison	158,222	158,222	0
Wildrose	1,503,094	1,503,094	0
Karlsruhe	791,415	791,415	113,000
Strasburg	2,060,678	2,060,678	285,000
	34,831,912	34,217,104	23,507,867

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 12	**2010**			
Hillsboro		$ 289,376	$ 289,376	$ 230,000
Washburn		4,023,646	4,023,646	1,520,000
South Central Regional WD		4,600,000	4,600,000	3,870,000
BDW Water Systems		2,309,158	2,309,158	0
State Line Water Coop		147,781	147,781	37,000
Valley City		4,646,000	4,646,000	1,560,000
Hillsboro		1,310,679	1,310,679	865,000
Mandan		6,923,867	6,923,867	5,840,000
Kenmare		403,579	403,579	315,000
Buffalo		98,922	98,922	82,000
Jamestown		5,525,008	5,525,008	4,295,000
Kulm		25,300	25,300	21,000
		30,303,316	30,303,316	18,635,000
Subpart 13	**2011**			
Pembina		1,563,654	1,549,443	1,424,443
Linton		224,800	224,800	198,000
Page		90,597	90,597	80,000
Cooperstown		700,235	700,235	594,235
Sawyer		308,708	308,708	275,000
Bowbells		2,145,000	2,145,000	1,033,100
McKenzie County WRD		8,200,000	7,778,566	5,155,825
Kenmare		1,200,000	727,656	603,656
		14,432,994	13,525,005	9,364,259
Subpart 14	**2012**			
Ray		2,500,000	2,434,306	854,306
Minnewaukan		1,850,000	929,293	0
R & T Water Supply Commerce		10,000,000	9,349,789	7,559,789
Garrison Rural Water District		720,000	720,000	660,000
Southeast Water Users District		1,500,000	807,396	0
Sherwood		82,475	82,475	76,000
Granville		209,990	209,990	185,000
		16,862,465	14,533,249	9,335,095
Subpart 15	**2013**			
Hillsboro		3,000,000	2,609,722	2,364,722
Ross		1,890,000	1,637,628	637,628
Max		292,062	292,062	280,000
Fargo		66,352,000	3,906,341	3,906,341
Cooperstown		314,393	314,393	299,393
		71,848,455	8,760,146	7,488,084

Borrower Subpart 16 2014	Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Westhope	$ 1,002,000	$ 686,524	$ 257,860
Grafton	3,000,000	405,624	405,624
Cooperstown	210,000	152,256	89,256
Stutsman Rural Water District	7,800,000	2,771,186	2,004,752
McLean-Sheridan Rural Water	1,200,000	905,003	905,003
Mandan	1,200,000	180,776	180,776
Fairmount	200,000	103,179	103,179
Noonan	282,130	72,985	72,985
Leeds	410,000	178,928	178,928
Columbus	387,828	41,075	16,430
Washburn	1,439,640	847,684	847,684
Jamestown	3,812,000	2,938,661	2,938,661
Grenora	383,853	189,348	189,348
Carrington	1,460,000	1,076,784	1,076,784
Ray	1,670,000	210,900	84,360
Barnes Rural Water District	2,605,171	294,012	294,012
	27,062,622	11,054,925	9,645,642
Total	$ 409,212,182	$ 309,205,162	$ 175,502,433

Industrial Development Bond Program Loans

Part I

Borrower			Funded Loan Amount
Subpart 1	**2006**		
Prairie Gold Real Estate, LLC		$	1,360,000
Subpart 2	**2008**		
ND Natural Beef, LLC			2,000,000
Subpart 3	**2009**		
Giant Snacks Inc.			1,500,000
ND Natural Beef, LLC			65,269
			1,565,269
Total		$	4,925,269

Direct Loans

Part J

Borrower		Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1992**		
Ft. Clark Irrigation		$ 20,750	$ 0
Subpart 2	**1993**		
Solen		9,000	0
Subpart 3	**1995**		
Plaza PSD		16,000	0
Mooreton		30,000	0
Garrsion PSD		110,000	0
Beulah Airport Authority		35,000	0
		191,000	0
Subpart 4	**1996**		
Christine		27,000	0
McHenry		24,000	0
Sims PSD		17,000	0
		68,000	0
Subpart 5	**1997**		
Ward County		80,000	0
Traill County Rural Water Users		40,000	0
Christine		17,500	3,500
Manvel		28,000	0
		165,500	3,500
Subpart 6	**1998**		
Berthold		45,000	0
Page		60,000	0
Ransom Sargent Water Users Inc.		87,000	0
Upper Souris Water Users Association		75,000	0
Hannaford		20,000	0
		287,000	0
Subpart 7	**1999**		
Forest River		50,000	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 8	**2000**		
New Town PSD		$ 500,000	$ 0
Sanborn		13,500	0
Havana		120,000	0
		633,500	0
Subpart 9	**2001**		
Fort Pembina Airport Authority		117,000	9,000
Sims PSD		100,000	0
		217,000	9,000
Subpart 10	**2002**		
Kulm		21,360	0
Southeast Water Users		640,000	0
Solen PSD		200,000	0
		861,360	0
Subpart 11	**2003**		
Solen PSD		200,000	0
Traill County Rural Water Users		50,000	0
St. John		85,000	0
		335,000	0
Subpart 12	**2004**		
Solen PSD		200,000	0
New Town PSD		60,000	0
		260,000	0
Subpart 13	**2005**		
Enderlin		92,000	0
Columbus		57,000	0
Solen PSD		200,000	0
Gackle		75,000	0
Portal		185,000	0
Surrey Township		42,500	0
		651,500	0
Subpart 14	**2006**		
Solen PSD		200,000	0
Subpart 15	**2007**		
Emerado		186,288	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 16	**2008**		
Sterling PSD		$ 100,000	$ 0
Cass Rural Water District		330,000	0
Watford City		405,000	0
Casselton		685,000	0
		1,520,000	0
Subpart 17	**2009**		
Northood PSD		1,500,000	0
Hazen		215,000	0
Solen PSD		390,000	0
		2,105,000	0
Subpart 18	**2010**		
Drayton		405,000	0
Drayton		278,000	0
		683,000	0
Subpart 19	**2012**		
Fessenden		44,000	0
Rolla		265,000	156,723
Sheldon		63,413	40,000
		372,413	196,723
Subpart 20	**2013**		
Noonan		115,290	0
Noonan		400,000	0
Rolla		190,000	154,000
Benedict		126,500	113,534
McHenry County		1,777,500	0
		2,609,290	267,534
Subpart 21	**2014**		
Traill Rural Water District		200,500	200,500
Berthold		450,000	450,000
Leeds		70,000	47,451
Colfax		40,000	40,000
		760,500	737,951
Total Direct Loans		$ 12,186,101	$ 1,214,708

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
BONDS ISSUED 1977 THROUGH 2014

Part A — 1977 General Bond Resolution

		Initial Bond Amount	Outstanding Bond Amount
1977 Series A		$ 15,000,000	$ 0
1979 Series A		16,590,000	0
1983 Series A		11,680,000	0
	Subtotal	43,270,000	0

Part B — Local Governmental Assistance Program

1985 Series A		35,290,000	0

Part C — Insured Water System Revenue Bonds

1989 Series A		11,650,000	0
1989 Series B		1,410,000	0
	Subtotal	13,060,000	0

Part D — Government Assistance Program

1990 Series A		765,000	0
1990 Series B		1,241,704	0
	Subtotal	2,006,704	0

Part E — Taxable Insured Water System Refunding Bonds

1999 Series A		8,875,000	0
1999 Series B		1,410,000	0
	Subtotal	10,285,000	0

Part F — Capital Financing Program

1990 Series A	400,000	0
1990 Series B	185,000	0
1990 Series C	95,000	0
1990 Series D	155,000	0
1990 Series E	680,000	0
1990 Series F	100,000	0
1990 Series G	250,000	0

Part F Cont.	Initial Bond Amount	Outstanding Bond Amount
1990 Series H	$ 220,000	$ 0
1990 Series I	230,000	0
1990 Series J	140,000	0
1990 Series K	85,000	0
1990 Series L	770,000	0
1990 Series M	70,000	0
1990 Series N	35,000	0
1990 Serues O	335,000	0
1991 Series A	225,000	0
1991 Series B	1,300,000	0
1991 Series C	410,000	0
1991Series D	560,000	0
1991 Series E	265,000	0
1991 Series F	345,000	0
1991 Series G	380,000	0
1991 Series H	280,000	0
1991 Series I	2,460,000	0
1992 Series A	565,000	0
1992 Series B	820,000	0
1992 Series C	2,650,000	0
1992 Series D	115,000	0
1992 Series E	1,870,000	0
1992 Series F	3,260,000	0
1992 Series G	290,000	0
1992 Series H	395,000	0
1992 Series I	535,000	0
1992 Series J	2,500,000	0
1992 Series K	535,000	0
1993 Series A	150,000	0
1993 Series B	880,000	0
1993 Series C	1,975,000	0
1993 Series D	1,465,000	0
1993 Series E	505,000	0
1993 Series F	2,930,000	0
1994 Series A	5,335,000	0
1994 Series B	525,000	0
1994 Series C	445,000	0
1995 Series A	1,700,000	0
1995 Series B	425,000	0
1995 Series C	380,000	0
1996 Series A	500,000	0
1996 Series B	930,000	0
1996 Series C	1,585,000	0
1996 Series D	350,000	0
1997 Series A	540,000	0

		Initial Bond Amount	Outstanding Bond Amount
1997 Series B		$ 3,350,000	$ 0
1997 Series C		300,000	0
1997 Series D		1,750,000	0
1997 Series E		4,705,000	0
1997 Series F		375,000	0
1997 Series G		1,050,000	0
1997 Series H		3,275,000	0
1998 Series A		945,000	0
1998 Series B		6,685,000	0
1998 Series C		565,000	45,000
1998 Series D		1,050,000	0
1998 Series E		450,000	160,000
1999 Series A		1,075,000	0
1999 Series B		260,000	0
1999 Series C		100,000	0
1999 Series D		1,100,000	0
1999 Series E		1,710,000	0
1999 Series F		285,000	160,000
2000 Series A		1,115,000	0
2000 Series B		3,100,000	0
2001 Series A		735,000	0
2002 Series A		1,700,000	0
2003 Series A		1,495,000	0
2004 Series A		880,000	180,000
2006 Series A		1,385,000	465,000
2009 Series A		2,125,000	1,790,000
2011 Series A		3,730,000	3,345,000
2012 Series A		9,635,000	9,010,000
2013 Series A		51,375,000	49,630,000
2014 Series A		32,840,000	32,840,000
2014 Series B		9,000,000	9,000,000
	Subtotal	192,275,000	106,625,000

Part G **Capital Financing Disaster Loan Program**

2011 Series A		9,141,832	4,200,000
2012 Series A		2,892,780	220,000
2013 Series A		1,696,000	0
2014 Series A		675,000	600,000
	Subtotal	14,405,612	5,020,000

			Initial Bond Amount	Outstanding Bond Amount
Part H	**State Revolving Fund Program**			
1990 Series A		[1]	5,520,000	0
1993 Series A		[2, 5]	20,220,000	0
1995 Series A		[3]	6,975,000	0
1996 Series A		[3]	29,845,000	200,000
1998 Series A		[5, 6]	35,965,000	5,425,000
2000 Series A		[4]	16,725,000	0
2001 Series A		[7]	23,725,000	0
2003 Series A		[7, 8]	26,795,000	0
2003 Series B		[9]	20,455,000	0
2004 Series A		[9]	11,790,000	0
2005 Series A		[8]	36,210,000	2,375,000
2008 Series A			46,100,000	34,085,000
2011 Series A			101,210,000	91,035,000
2012 Series A			19,705,000	18,470,000
2012 Series B			17,900,000	14,800,000
	Subtotal		419,140,000	166,390,000

[1] A portion of the proceeds of the 1993 Series A SRF Bonds was used to defease and refund the 1990 Series A SRF Bonds.
[2] A portion of the proceeds of the 2001 Series A SRF Bonds was used to defease and refund the 1993 and 1995 Series A SRF Bonds.
[3] The proceeds of the 2003 Series B SRF Bonds was used to defease and refund the 1996 Series A SRF Bonds.
[4] The proceeds of the 2004 Series A SRF Bonds was used to defease and refund the 2000 Series A SRF Bonds.
[5] A portion of the proceeds of the 2005 Series A SRF Bonds was used to defease and refund the 1993 and 1998 Series A SRF Bonds.
[6] A portion of the proceeds of the 2008 Series A SRF Bonds was used to defease and refund 1998 Series A SRF Bonds.
[7] A portion of the proceeds of the 2011 Series A SRF Bonds was used to defease and refund the 2001Series A and 2003 Series A SRF Bonds.
[8] A portion of the proceeds of the 2012 Series A SRF Bonds was used to defease and refund the 2003Series A and 2005 Series A SRF Bonds.
[9] A portion of the proceeds of the 2012 Series B SRF Bonds was used to defease and refund the 2003 Series B and 2004 Series A SRF Bonds.

Part I	**Industrial Development Bond Program**		
2006 Series A		1,360,000	1,090,000
2008 Series A		2,000,000	1,760,000
2009 Series A		1,500,000	1,325,000
	Subtotal	4,860,000	4,175,000
Total All Bonds		$ 734,592,316	$ 282,210,000

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Jack Dalrymple
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Robert Frantsvog
Minot

Wade Williams
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INDUSTRIAL COMMISSION OF NORTH DAKOTA

LIGNITE RESEARCH, DEVELOPMENT AND MARKETING PROGRAM

Governor,
Jack Dalrymple
Attorney General,
Wayne Stenehjem
Agriculture Commissioner,
Doug Goehring

Lignite R&D Program Funding
Testimony of Mike Jones, Jason Bohrer & Tyler Hamman
Before the
House Appropriations Committee – Government Operations Division
January 15, 2015

I. Overview of the Lignite Research Council

A. Roles of Industrial Commission & Lignite Research Council

Industrial Commission

- Administers research, development, and marketing program
- Approves or disapproves research and development projects and activities
- Accepts and distributes funds and enters into contracts

Lignite Research Council is an advisory group to the Industrial Commission

- Appointed by the Governor
- Provides advice on policy and guidelines
- Provides recommendations on project funding
- Members are representatives from both the private and public sectors

B. What are Funding Sources of R&D Program?

The R&D Program is funded through the ND Coal Severance Tax of 37.5 cents* on every ton of coal mined in the state. Assuming 30 million tons of annual production, the severance tax produces $11.25 million in revenues, split 70/30 between coal counties and the Coal Trust Fund. Of the Coal Trust Fund, 50 percent is dedicated to Lignite R&D and 20 percent is dedicated to Clean Coal Projects.

Summary of Lignite R&D Funding

Summary of Annual Revenue	
Lignite R&D (50% of Coal Trust Fund)	$1,687,500
Clean Coal Projects (20% of Coal Trust Fund)	675,000
2 Cents per ton R&D Tax	600,000*
Coal Conversion Tax	1,250,000**
Total Annual R&D Revenue	$4,212,500
	x2
Total Estimated Biennium Revenue	$8,425,000

Additional revenues are also received from investments made in the Dakota Gasification Plant.

***Note:** In addition to the funding from the Coal Trust Fund, the Lignite R&D Program receives revenue from a two-cents-per-ton R&D tax.

****Note:** The legislature has authorized that a portion of the Coal Conversion Tax be transferred to the Lignite Research Fund through July 31, 2018.

II. Summary of 2013-2015 Activities

A. Research for Existing Plants

The Lignite Research program is designed to work with industry to address a number of the issues facing the North Dakota lignite industry. The activities can be either small research projects or demonstration projects. Small research projects usually are completed in a laboratory setting where demonstration projects are at a larger scale and dollar amount. Both must demonstrate significant cost share, a minimum of 50%, and show value to the state of North Dakota. Topics that have been addressed and may be included in the activities this biennium include; options for control of criteria pollutants, processes that result in value added products from ND lignite, options to capture carbon dioxide from existing lignite facilities, and reuse of coal combustion residuals.

B. Demonstration Projects - Lignite Vision 21 Program (LV21) – Primary purpose is to assist with developing new projects with cost-effective clean coal technologies to meet additional energy demands.

The Lignite Research program is designed to allow for State support of work to develop significant new facilities that make use of North Dakota lignite. Activities in this area can include support of new projects under the Lignite Vision 21 program (LV21), as well as work at a demonstration level on promising "new" options like the Allam Cycle that position North Dakota lignite to successfully compete in today's market with known and proposed regulatory constraints. This benefits the citizens of North Dakota by providing low cost options for current and future energy needs as well as significant new economic activity.

C. Non-matching Activities

The funding for the Lignite Research Program supports a number of activities that require no matching funds. These activities generally are ones that mutually benefit the State of North Dakota and the lignite industry as a whole. This may include legal support to challenge EPA or other state actions that attempt to usurp North Dakota's rights, coordination with state regulatory groups like the State Health Department or Public Service Commission, attempts to develop sound information on public health challenges from energy development, etc.

ANALYSIS OF THE LIGNITE RESEARCH FUND FOR THE 2013-2015 AND 2015-17 BIENNIUMS

	2013-2015 Biennium Estimated		2015-17 Biennium Estimated	
Beginning balance		$15,771,993		$17,630,653
Add estimated revenues				
Separate two-cent coal severance tax	$1,100,000		$1,100,000	
Fifty percent of coal severance taxes deposited in the coal development trust fund (result of passage of Measure No. 3 in June 1990)	3,075,000		3,075,000	
Twenty percent of coal severance taxes deposited in the coal development trust fund (committed to clean coal projects) (result of passage of constitutional amendment passed by voters in June 1994)	1,250,000		1,250,000	
Investment income on Dakota Gasification Company ammonia plant and Red Trail	450,000		500,000	
Five percent of the general fund share of coal conversion tax (2007 HB 1093)	2,000,000		2,000,000	
Revenue bonds/short-term loan	0[1]		0[1]	
Interest income, return of funds and legal cost-share	483,660		325,000	
Total estimated revenues		8,358,660		8,250,000
Total available		$24,130,653		$25,880,653
Less estimated expenditures and transfers[2,3]				
Administration	$750,000		$750,000	
Lignite feasibility studies (nonmatching grants)	1,750,000		3,000,000	
Small research grants	1,225,000		1,500,000	
Lignite marketing	1,200,000		1,200,000	
Lignite litigation	1,500,000[4]		1,500,000[4]	
Demonstration projects	75,000		2,604,000	
Total estimated expenditures and transfers		6,500,000		10,554,000
Estimated ending balance		$17,630,653		$15,326,653

[1]Pursuant to North Dakota Century Code Section 54-17.5-04, the Industrial Commission may issue revenue bonds or borrow short-term funds from the Bank of North Dakota.

[2]The Industrial Commission has a policy stating that 18 percent of lignite research fund income will be used for small research projects, 56 percent for large demonstration research projects, 21 percent for marketing projects, and 5 percent for administration. The commission has further directed that no single large demonstration research project can receive more than 37.5 percent of available funds.

[3]The Industrial Commission has waived the fund allocation policy and has committed $22,000,000 through the 2011-13 biennium, with $1,360,750 spent during the 2003-05 biennium, $2,243,391 during the 2005-07 biennium, $2,200,000 during the 2007-09 biennium, $3,972,090 during the 2009-11 biennium, $678,851 during the 2011-13 biennium, and $11,544,918 to be spent in subsequent bienniums, for the Lignite Vision 21 Project. The objective of the Lignite Vision 21 Project is to construct new lignite-fired power plants in North Dakota. (These amounts are net of funds expended and then subsequently returned when projects did not proceed.)

[4]Lignite litigation - House Bill No. 1093 (2007) provided that $500,000 of the amount allocated to the lignite research fund in Section 1 of the bill was to be used to pay for fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources. Activities associated with the litigation have been initiated with $83,379 spent during the 2007-09 biennium, $153,907 spent during the 2009-11 biennium, $652,519 spent during the 2011-13 biennium, and $1,500,000 anticipated to be spent during the 2013-15 biennium. The original $500,000 was spent by the end of the 2011-13 biennium with additional funding being provided from nonmatching program funds. The state's portion of the litigation costs during the 2013-15 and 2015-2017 biennia will be from the nonmatching program funds. In addition, the lignite industry has agreed to pay for a portion of the litigation costs.

The Industrial Commission has continuing appropriation authority for all money deposited in the lignite research fund pursuant to Section 57-61-01.6.

FUND HISTORY

Section 57-61-01.5(2) and Article X, Section 21, of the Constitution of North Dakota, provide for 70 percent of the taxes collected and deposited in the coal development trust fund to be deposited in the lignite research fund. The remaining 30 percent of the funds deposited in the coal development trust fund are to be held in trust and administered by the Board of University and School Lands, which has the authority to invest the funds, and may, as provided by law, lend money from the fund to political subdivisions.

Background - The Outdoor Heritage Fund (OHF) was created by the legislature in 2013. The fund, capped at $30 million per biennium, is governed by the Industrial Commission consisting of Governor Jack Dalrymple, Chairman, Attorney General Wayne Stenehjem and Agriculture Commissioner Doug Goehring. A 16-member advisory board (12 voting members) reviews applications from eligible organizations: nonprofits, state agencies, political subdivisions, and tribes; and makes grant funding recommendations.

Governor Dalrymple's Executive Budget proposes an increase in the funding level to $50 million per biennium.

Directive A - Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;

Directive B - Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems and to support other practices of stewardship to enhance farming and ranching;

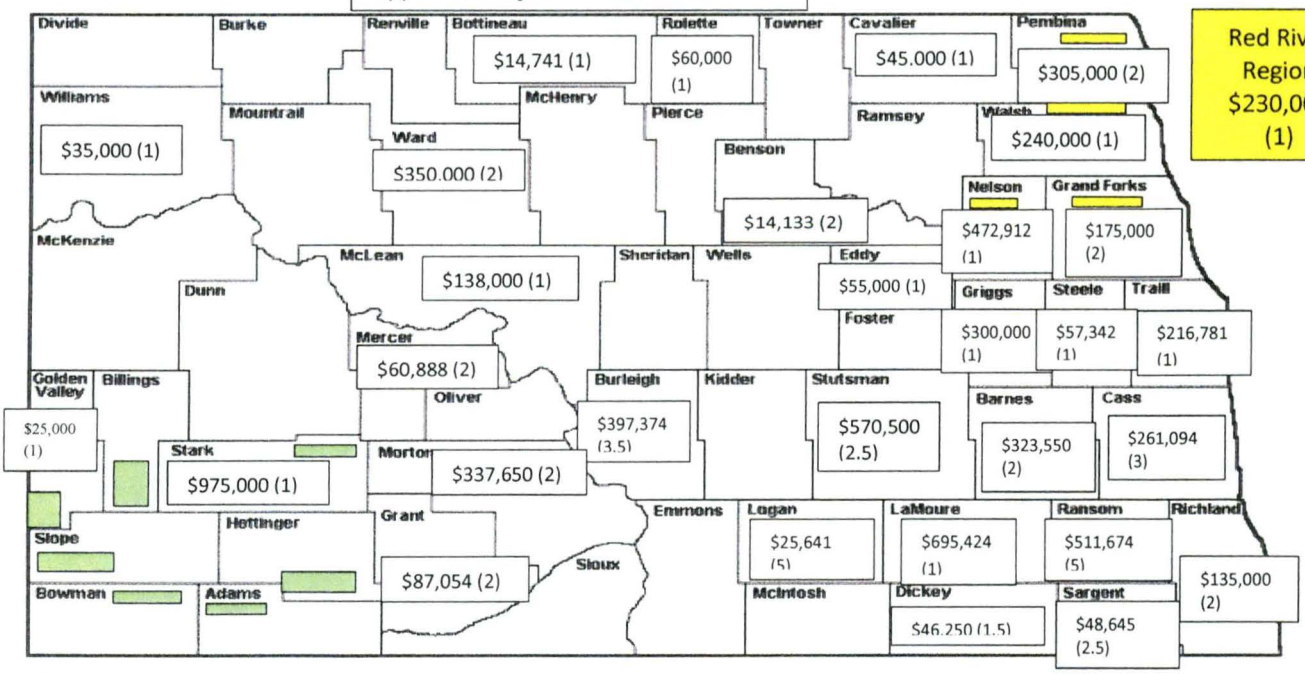
Directive C - Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and

Directive D - Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Funding Guidelines

After the first grant round in January, 2014 and after consultation with legislators, the Industrial Commission based on a recommendation from the OHF Advisory Board stated that except for extenuating circumstances the Commission would not consider funding for projects already completed; projects that are on-going (phased projects would be considered); staffing; feasibility studies; annual maintenance; paving projects for roads and parking lots; swimming pools; non-permanent equipment (such as tractors, snowmobiles); research; and projects where the applicant is not directly involved in the project. A 25% match from the applicant was also strongly encouraged.

Approved Projects Grant Rounds 1 - 4



Red River Region $230,000 (1)

Southwest/Western Region $510,222 (2)

Statewide Projects $11,592,750 (11)

Total Project Funding Grant Rounds 1-4 $19,312,625

Directive	Title	Total Project Cost	IC Approved Funding
A	Blacktail Dam Association	$105,100	$35,000
A	Fingal Wildlife Club Dam Restoration	$52,600	$35,500
A	Fox Island Boat Ramp Bank Stabilization	$299,122	$215,374
A	Handicap Accessible Fishing Pier at Sheep Creek Dam	$28,632	$20,902
A	Mapping of Tribal Land for Sportsmen	$8,568	$8,568
A	ND Game & Fish Department Outdoor Heritage Habitat Initiative	$2,733,000	$1,900,000
A	North Dakota Pheasant Habitat Initiative	$38,000,000	$3,000,000
A	Pheasant Lake Fishing access/Shoreline Restoration Project	$42,500	$21,250
A	Prairie Project	$842,300	$300,000
A	TMBCI Sky Chief Park Fishing Pier Project	$70,000	$60,000
A	Western ND Habitat Enhancement Projects	$719,900	$480,900
	Directive A Totals	**$42,901,722**	**$6,077,494**
B	Antelope Creek Wild Rice Corridor Watershed Restoration Project	$977,000	$105,000
B	Bald Hill Creek Watershed Project	$880,665	$300,000
B	Enhanced Grazing Lands & Wildlife Habitat (Phase 1)	$3,665,820	$828,000
B	ND Statewide Conservation Tree Planting Initiative	$4,875,033	$1,878,000
B	North Dakota Pollinator Partnership	$292,879	$173,750
B	Ransom County Water Quality Improvement Project	$1,600,000	$115,000
B	Red River Riparian Project	$568,394	$230,000
B	Riparian Grazing Systems Project	$422,500	$253,500
B	Sheyenne River Sedimentation Reduction Project	$957,000	$126,000
B	Stutsman County Manure Management Project	$2,900,000	$300,000
B	The Marcus Friskop Nature Center	$378,960	$30,000
B	Turtle Creek Watershed Project Water & Habitat Initiative	$1,263,072	$138,000
B	Wild Rice River Restoration & Riparian Project Phase II	$33,125	$9,937
	Directive B Totals	**$18,814,448**	**$4,487,187**
C	Aquatic Habitat Infrastructure Enhancement	$934,218	$322,000
C	Artificial Nesting Habitat Improvement	$5,565	$5,565
C	Bismarck PF Habitat Enhancement	$100,000	$60,000
C	Brown Ranch Habitat Enhancement through Prescribed Grazing	$24,255	$16,000
C	Conservation of Grasslands and Long-billed Curlews on Private Lands in SW ND	$213,930	$29,322
C	Lake Tschida's Wildlife Conservation Planting, Recreation Project Walking Trail, Bird Observatory and Playground Rest Area	$92,969	$66,152
C	LSC 20,000 Trees by 2020	$181,000	$50,000
C	Natural Resource Stewardship in North Dakota's Parks, Preserves & Natural Areas	$645,987	$129,000
C	ND Hen House Project I	$65,030	$34,000
C	North Dakota Waterbank Program	$1,600,000	$1,200,000
C	Sheyenne River Bank Stability Restoration Project - Phase 1 Bjornson Golf Course	$1,245,917	$197,550
C	South Golden Lake Inlet Beautification Project	$74,342	$57,342
C	Urban Woods and Prairies Initiative	$148,789	$82,218
C	Warwick Dam - Modification & Rehabilitation (Water Commission Project # 0240)	$272,152	$55,000
C	Water Storage Piggyback	$400,000	$300,000
C	Working Wetlands in North Dakota	$4,950,000	$1,750,000
	Directive C Totals	**$10,954,154**	**$4,354,149**
D	Beach City Park Northside Playground	$60,000	$25,000
D	Beulah Bay Campground Expansion & Conservation Project	$74,212	$42,120
D	Centennial Park Woodland Trail and Souris River Recreational Access Plan	$634,000	$305,000
D	City of Munich Playground Equipment Fund	$109,329	$45,000
D	Community Outdoor Fitness Park	$466,492	$45,000
D	Crooked Crane Trail Exercise & Fitness Loop	$1,300,000	$975,000
D	Dead Colt Creek Recreational Playground Project	$60,232	$45,174
D	Downtown River Access for Grand Forks Greenway	$100,000	$75,000
D	Drayton Campground	$453,033	$125,000
D	Drayton Campground	$463,378	$180,000
D	Graner Park Bank Stabilization	$250,200	$187,650
D	Harmon Lake Campground Expansion	$200,000	$150,000
D	LaMoure County Memorial Park Streambank Restoration Project	$971,946	$695,424
D	Norsemen Outdoor Education Center	$303,281	$216,781
D	North Dakota 4-H Camp	$23,673	$18,768
D	Northern Cass Pass	$185,171	$138,876
D	Park River Parks & Recreation - Phase 1 Campground	$1,460,027	$240,000
D	Public Use Fishing Docks at Lake Metigoshe and Beaver Lake State Parks	$53,842	$40,382
D	Ryan Lake Fishing and Recreation Development Project	$290,005	$100,000
D	Sandhills Archery Club Landscaping	$82,550	$40,000
D	Sargent County Silver Lake Park "Playplaces & Gathering Spaces" Renovations Project	$54,832	$13,708
D	Stump Lake Park Bank Restoration	$630,550	$472,912
D	Trail Restoration & Improvement Program	$242,629	$112,000
D	Trailhead / Neighborhood Park	$627,920	$105,000
	Directive D Totals	**$9,097,302**	**$4,393,795**
	Grand Total	**$81,767,626**	**$19,312,625**

ANALYSIS OF THE NORTH DAKOTA OUTDOOR HERITAGE FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (REFLECTING THE 2015-17 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$0		$7,003,663
Add estimated revenues				
Oil and gas gross production tax collections	$21,207,063[1]		$50,000,000[1]	
Interest income	7,000		20,000	
Total estimated revenues		21,214,063		50,020,000
Total available		$21,214,063		$57,023,663
Less estimated expenditures and transfers				
Grants	$14,110,400[2]		$50,000,000[3]	
Administrative expenses	100,000		300,000	
Total estimated expenditures and transfers		14,210,400		50,300,000
Estimated ending balance		$7,003,663		$6,723,663

[1]Pursuant to North Dakota Century Code Section 57-51-15, the amount of oil and gas gross production tax collections deposited in the fund may not exceed $15 million per fiscal year or $30 million per biennium. The December 2014 forecast for oil and gas taxes estimates $21.2 million of oil and gas gross production tax collections will be deposited in the fund during the 2013-15 biennium. The executive budget for the 2015-17 biennium proposes increasing the allocation to $50 million per biennium.

[2]The Industrial Commission established five rounds of grant awards during the 2013-15 biennium and has approved contract awards of $14,110,400 through November 2014. The board awarded grants of $5,848,133 on December 2, 2013, $2,509,428 on April 1, 2014, and $5,752,839 on August 1, 2014. The board anticipates two more rounds of grant awards during the 2013-15 biennium which are scheduled for January 2015 and May 2015. The North Dakota Outdoor Heritage Advisory Board is recommending the Industrial Commission approve projects up to the amount of anticipated collections this biennium; however, not all of those funds will be expended in the 2013-15 biennium as many of the grants are for multiyear projects. The Industrial Commission has expended $870,791 from the fund through September 2014 and anticipates $6 million of the funds will be expended during the 2013-15 biennium.

[3]The 2015-17 executive budget recommends commitments of $80.4 million for new conservation and outdoor recreation projects, including $30.4 million from general fund and $50 million from grants from the North Dakota outdoor heritage fund.

FUND HISTORY

The North Dakota outdoor heritage fund was established in 2013 House Bill No. 1278 (Chapter 54-17.8) to provide, pursuant to a continuing appropriation, grants to state agencies, tribal governments, political subdivisions, and nonprofit organizations to:

- Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;
- Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems, and to support other practices of stewardship to enhance farming and ranching;
- Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and
- Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Four percent of the first 1 percent of oil and gas gross production tax collections is deposited in the North Dakota outdoor heritage fund. A maximum of $15 million of oil and gas gross production tax collections may be deposited in the fund each year. The Industrial Commission has oversight of the North Dakota outdoor heritage fund. The North Dakota Outdoor Heritage Advisory Board (consisting of 12 voting and 4 ex officio members) makes recommendations to the commission on the funding of grants.

Renewable Energy Program
North Dakota Century Code 54-63

History of the Renewable Energy Program

North Dakota's Renewable Energy Program was established by the Legislature in 2007 under the control of the North Dakota Industrial Commission. The law provides that the Industrial Commission shall consult with the Renewable Energy Council. The Program's responsibilities include providing financial assistance as appropriate to foster the development of renewable energy and related industrial use technologies including, but not limited to, wind, biofuels, advanced biofuels, biomass, biomaterials, solar, hydroelectric, geothermal and renewable hydrogen through research, development, demonstration and commercialization. In addition the Program shall promote research and utilization of renewable energy co-product utilization for livestock feed, human food products and industrial use technologies. The Commission has adopted policies to implement this Program.

The Legislature further provided that the Commission shall contract with the Department of Commerce to provide technical assistance to the Renewable Energy Council and the Industrial Commission to carry out the law, including pursuit of aid, grants or contributions of money and other things of value from any source for any purpose consistent with the law.

The 2013 Legislature approved a continuing source of funding for the program—5% of the monies credited to the Resources Trust Fund with a $3,000,000 cap.

Mission Statement

The Mission of the Renewable Energy Program is to promote the growth of North Dakota's renewable energy industries through research, development, marketing and education.

Grant Round Timelines

By policy grant round application deadline dates were established to be January 1, May 1 and September 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission of North Dakota.

Grant Round Process & Procedures

A group of Technical Reviewers are identified by the Department of Commerce staff to analyze and critique the applications. Based on the analysis of the Technical Reviewers the Dept. of Commerce staff makes a recommendation to the Renewable Energy Council. The Council then makes a recommendation to the Industrial Commission. If the Commission approves funding the Industrial Commission Executive Director negotiates a contract and payments are made based upon work completed.

Grants may not exceed the legislative appropriation. By policy all projects must generate matching funds from industry or other sources (e.g., various federal government agencies, non-profit organizations) of cash or in-kind services (contributed equipment, materials or services). In-kind

services may not exceed fifty percent of the total Commission funding amount. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. The Commission has established that the maximum amount of any one grant is $500,000.

Funded Projects

The Commission has approved the funding of 34 projects including 2 projects that were funded from the Biomass Incentive Research Fund. Currently there are 4 applications for Grant Round 24 that are in the review process. The total amount of Renewable Energy Program funding committed to the 32 approved projects as of December 31, 2014 is $8,610,748. Each of these projects has match funding which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over $26 million. Some of the ongoing projects are:

- Biocomposites Development for Industrial & Consumer Products
- Commercial Application of Soybean Stalk as a New Alternative Fiber
- Distributed Geothermal Power
- Solar Soaring Power Manager
- Application of Agricultural Byproducts for Energy Systems

Renewable Energy Council

The Renewable Energy Council is appointed by the Governor. Current members are as follows:

Al Anderson, Commerce Commissioner - by law the Commissioner serves as Chairman
Kyle Bahls, ADM – represents biodiesel industry
Al Christianson, Great River Energy – represents biomass industry
Terry Goerger – represents the agriculture industry
Rod Holth, Green Vision – represents advanced biofuels and sugar-based biofuel
Mark Nisbet, Excel Energy – represents wind industry
Randy Schneider – represents ethanol industry

ANALYSIS OF THE RENEWABLE ENERGY DEVELOPMENT FUND

N.D.C.C. 54-63-04

Continuing Appropriation

	2013-2015 Biennium		2015-2017 Biennium	
Beginning Balance		$2,757,612[1]		$2,762,112
Add estimated revenues[2]				
Resources Trust Fund	$3,000,000		$3,000,000	
Interest Income (estimated)	$ 3,500		$ 4,000	
Applicant contribution (estimated)	$ 1,500		$ 1,000	
Total Available		$5,762,112		$5,767,112
Less estimated project expenditures and commitments				
Project Expenditures & Commitments[3]	$2,890,000		$4,880,000	
Administrative Costs	$ 110,000		$ 120,000	
Total estimated expenditures		$3,000,000		$5,000,000
Estimated ending balance		$2,762,112		$ 767,112

(1) The Renewable Energy Program/Fund was authorized in 2007 and received $3,000,000 General Fund appropriations in each of the 2007-2009, 2009-2011 biennia & $1,500,000 in the 2011-2013 biennium. In addition some special funds were transferred from the Biomass Incentive Fund prior to 2013. In the 2013-2015 biennium a continuing appropriation was established with 5% of the Resources Trust Fund not to exceed three million dollars per biennium.

(2) Revenues under the 2013-15 biennium reflect the continuing appropriation of $3,000,000. Other estimated revenues include actual interest income of $2,943 and application contribution income of $600 through November, 2014 with estimated revenues for the remainder of the biennium.

(3) Actual project expenditures through November, 2014 totaled $1,699,126 and outstanding commitments of $1,331,154 for 9 projects with 4 project applications in the review process that total $1,174,158 and one additional grant round scheduled for May 1, 2015. Actual administrative and technical costs through November, 2014 total $68,952 with an estimate for the remainder of the biennium.

INDUSTRIAL COMMISSION OF NORTH DAKOTA
OIL AND GAS RESEARCH COUNCIL

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Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Oil and Gas Research Program
North Dakota Century Code 54-17.6

History of the Oil and Gas Research Program

North Dakota's Oil and Gas Research Program ("Program"), established by the Legislature in 2003, is a state/industry program designed to demonstrate to the general public the importance of the State oil and gas exploration and production industry, to promote efficient, economic and environmentally sound exploration and production methods and technologies, to preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources, to develop the State's oil and gas resources, and to support research and educational activities concerning the oil and natural gas exploration and production industry. The Program is funded from two percent of the State's share of the oil and gas gross production tax and oil extraction tax revenues, **up to $10 million**, each biennium.

Mission Statement

The Mission of the Oil and Gas Research Council/Program is to promote the growth of the oil and gas industry through research and education.

General Criteria

Priority areas of the Program that promote the growth of the oil and gas industry through research and education in no particular order include, but are not limited to, the following:

- Generate information and knowledge that will have the highest probability of bringing new oil and gas companies and industry investment to North Dakota.
- Have the highest potential for preserving and creating oil and gas jobs, wealth, and tax revenues for North Dakota.
- Most effectively educate the general public about the benefits and opportunities provided by the North Dakota oil and gas industry.
- Positively affect ultimate recovery from North Dakota's existing oil and gas pools.
- Preserve existing production levels.
- Identify oil and gas exploration and production technologies presently not used in North Dakota.
- Identify oil and gas potential in non-producing counties.
- Maximize the market potential for oil, natural gas, and the associated byproducts.
- Improve the overall suitability of the oil and gas industry in North Dakota through the development of new environmental practices that will help to reduce the footprint of oil and gas activities
- Develop baseline information that will lead to other projects, processes, ideas, and activities.

Grant Round Timelines

Grant round deadline dates are June 1 and November 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission ("Commission").

Ron Anderson Chairman, Ryan Kopseng, Vice Chairman, John Berger, Steve McNally, Anthony Duletski
Ron Ness, Jeff Kummer, Lynn Helms, Ed Murphy

Oil and Gas Research Council (OGRC)
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: kfine@nd.gov PHONE: 701-328-3722 FAX: 701-328-2820
"Your Gateway to North Dakota":www.nd.gov

Grant Round Process & Procedures

Since the Program was implemented the Commission has approved funding of 69 projects totaling $16,378,213. The dollars invested by the State in these projects is also matched so that every dollar provided by the Program is leveraged. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. As with the other Commission administered research programs the Commission believes having a partner in the project leads to projects being conducted that have a value to the industry and State and is not just research for research sake. The Program during the current biennium has been set up to direct 92% of its funds for research and 3% for education with the remaining funds used for the Pipeline Authority (2%) and for administration (3%).

Current Projects of Interest

Program to Determine the Uniqueness of Three Forks Bench Reserves, Determine Optimal Well Density in the Bakken Pool, and Optimize Bakken Production - Energy & Environmental Research Center and Continental Resources

This project is to simultaneously improve Bakken system oil recovery and reduce the environmental footprint of production activities. The anticipated outcomes are to increase well productivity and economic output of North Dakota's oil and gas resources, decrease environmental impacts of wellsite operations, and reduce demand for infrastructure construction and maintenance. Specific results will likely include:

a) a greater understanding of Bakken-Three Forks reservoirs and subsequent significant increases to estimates of recoverable hydrocarbons;
b) less truck traffic, resulting in decreased diesel emissions, road cost and spills;
c) reduced road maintenance costs, wastewater production, disposal costs, and freshwater use;
d) reduced land use impacts;
e) increased revenue for the state, royalty owners, and operators from added product streams captured earlier in the well life cycle.

Energy: Powered by North Dakota Curriculum - Bismarck State College and EmPower North Dakota Commission members.

This project is to develop relevant energy curriculum for 4th and 8th grade North Dakota Studies courses. The expected results are that 4th and 8th grade students and their teachers learn about energy through delivery of current curriculum. Curriculum will be developed including online modules with two weeks of content related to all of North Dakota's energy resources.

On January 9, 2015 the Commission awarded funding for five projects with the following two projects focused on the reduction of gas flaring:

Reduction of Flares and Capture of Natural Gas Liquids with Vortex Tools. Submitted by Bakken Frontier, LLC.

This project is to demonstrate through the use of the Vortex Tool the capture of NGL's which in turn will reduce the amount of flaring. This will be especially beneficial to more remote locations.

The Mini-GTL Zero Flare Solution that Captures 100% of Associated Gas Flaring at the Wellhead and Converts it to Biodegradable and Environmentally Safe Liquid Fuels and Chemicals. Submitted by GeoTechno Energy and Fuels (USA) LLC

This project will utilize a process for converting natural gas to liquids thus eliminating associated gas flaring via conversion to commercially saleable liquid chemicals at the wellhead.

During the current biennium the Program began to distribute a quarterly newsletter. A copy of the most recent newsletter is attached. Information on the projects funded by the Program is available on the Commission website at: https://www.dmr.nd.gov/ogr/ .

Oil and Gas Research Council Members

The Oil and Gas Research Council is a volunteer, citizen, industry, and government group which provides advice to the Commission on policies and recommends research for funding under the Program. The Governor appoints the members of the Oil and Gas Research Council.

Ron Anderson (county commissioner from an oil-producing county)
Anthony Duletski (representing oil and gas producing counties)
John Berger (North Dakota Petroleum Council)
Ryan Kopseng (North Dakota Petroleum Council)
Steve McNally (North Dakota Petroleum Council)
Jeff Kummer (North Dakota Petroleum Council)
Ron Ness (President, North Dakota Petroleum Council)
Lynn Helms (ND Oil and Gas Division Director - non-voting member)
Ed Murphy (State Geologist - non-voting member)

Technical Advisors

Kent Ellis (Education expertise)
Monte Besler (Petroleum Engineering expertise)
Rory Nelson (Operation Engineering expertise)

The Commission Administrative Office provides the administrative support for the Program and maintains the financial records of the Program. Brent Brannan has been retained on a part-time basis to serve as the Program Director.

The Oil and Gas Research Program

OGRP Quarterly NEWSLETTER

SUMMER 2014 Vol. 1, No. 2

This quarterly newsletter is produced by the Oil and Gas Research Program to provide periodic information and updates on Program activities to the citizens of North Dakota. It is the objective of this newsletter to report on the use of ND tax dollars to further promote ND resources for the economic benefit of the state.

From the Director's Desk

This quarter, we decided to put a special focus on select, current Oil & Gas Research Program (OGRP) projects to give the reader a flavor of the advancements being made to more effectively produce North Dakota's oil and gas resources. We are currently supporting several projects that are tackling the key challenges facing production growth. The Williston Basin continues to provide an era of economic success. The following summaries of a few highlighted OGRP projects underscore what makes this Bakken machine run so well. These are indeed exciting times to be a North Dakotan!

OGRP Director

Brent Brannan

INDUSTRIAL COMMISSION OF NORTH DAKOTA OIL & GAS RESEARCH PROGRAM

Governor
Jack Dalrymple

Attorney General
Wayne Stenehjem

Agriculture Commissioner
Doug Goehring

Director
Brent Brannan

Mission Statement

The mission of the Oil and Gas Research Council is to promote the growth of the oil and gas industry through research and education.

A Few Highlighted Programs

ergy Curriculum Project

Bismarck State College *$250,000 Project Cost*

The EmPower North Dakota Commission regularly heard from energy companies that "workforce" was one of the top issues spanning all industry sectors. Despite work with Job Service North Dakota and an energy career awareness program for high school students, there were still issues of North Dakota's youth leaving the state to find jobs. To find a way to keep young talent in the state and interested in energy careers, an EmPower subcommittee was formed. Conversations held with stakeholders ultimately led to the decision that energy education needed to happen early in a child's school career, and students are currently receiving very little state-specific information. The North Dakota Studies curriculum is required for all North Dakota schools, so that vehicle was one way to ensure that the energy message is delivered.

Energy curriculum is being created and inserted into the North Dakota Studies courses for students in 4th grade and 8th grade, including online modules, with 2 weeks of content related to North Dakota's energy resources. The updated curriculum will have relevant information about North Dakota's robust energy resources in North Dakota Studies courses in 4th and 8th grade. Students and teachers will have the opportunity to learn about energy and its relevance to North Dakota. Teachers will be trained [redacted]ontent and delivery of new curriculum and technology. [redacted]force needs will be mitigated because of an increased [redacted]erest and understanding of the energy industry and the abundance of career options in North Dakota.

Program to Determine the Uniqueness of Three Forks Bench Reserves, Determine Optimal Well Density in the Bakken Pool, and Optimize Bakken Production

EERC and Continental Resources *$115,230,000 Project Cost*

The goal of this project being conducted by the Energy & Environmental Research Center (EERC) in close coordination with Continental Resources, Inc., and several of the Williston Basin's premier operating companies is to simultaneously improve Bakken system oil recovery and reduce the environmental footprint of production activities. The anticipated outcomes of this project are to increase well productivity and economic output of North Dakota's oil and gas resources, decrease environmental impacts of wellsite operations, and reduce demand for infrastructure construction and maintenance. Specific results will likely include:

a) A greater understanding of Bakken–Three Forks reservoirs and subsequent significant increases to estimates of recoverable hydrocarbons.
b) Less truck traffic, resulting in decreased diesel emissions, road dust, and spills.
c) Reduced road maintenance costs, wastewater production, disposal costs, and freshwater use.
d) Reduced land use impacts.
e) Increased revenue for the state, royalty owners, and operators from added product streams captured earlier in the well life cycle.

Effects of Oil and Gas Development on Mule Deer Populations in Western North Dakota

North Dakota Game and Fish Department (NDGF)
$659,000 Project Cost

2013 was the first year of a 3-year field study on the effects of energy development on mule deer in western North Dakota. The field work for this study began on February 17, 2013, when the NDGF Department captured and radio-collared 90 female mule deer. A second capture took place in December 2013 when 46 additional deer were captured and collared. Currently, NDGF has 112 radio-collared deer: 65 mule deer does, 17 mule deer yearlings (collared as fawns), and 30 mule deer fawns. A final capture is expected to take place in December 2014.

To date, NDGF has collected over 115,000 GPS fixes from radio-collars on 106 mule deer does and 60 female mule deer fawns. The spatial data from the GPS fixes provide the primary data NDGF will assess for this study. NDGF will analyze survival of radio-collared deer, abundance data, age and sex structures of the mule deer population, and stress levels and pregnancy rates of captured does.

Enhanced Bakken Recovery Research Program

EERC *$1,350,000 Project Cost*

The EERC is conducting a research program to evaluate the use of carbon dioxide (CO_2) to increase the ultimate recovery of Bakken oil while simultaneously storing CO_2. The objective is to use new and existing reservoir characterization and laboratory data integrated with reservoir modeling to determine whether CO_2-based enhanced oil recovery (EOR) will result in greater production in the Bakken Formation. The ultimate goals of the project are to generate previously unavailable knowledge regarding the CO_2 storage capacity of North Dakota shale and to determine the potential to increase oil recovery from such shale. The results of this work will provide insight regarding relationships between Bakken oil, key reservoir attributes, and CO_2 under reservoir conditions in order to better understand the efficient use of CO_2 for EOR.

THE NEXT
GRANT ROUND APPLICATION DEADLINE IS NOVEMBER 1.

How Can You Learn More about Us?

Scan the QR code, or visit our Web site at
www.dmr.nd.gov/ogr

A Look Ahead . . .

Future quarterly OGRP newsletters will focus on project updates, emerging priorities for OGRP, and key insights from leaders of our Program council. The goal of these newsletters, as always, will be to translate how OGRP projects are impacting oil and gas exploration and recovery in our state and why that matters to the reader. Look for the next issue at the end of our fall season!

If you would like to receive an electronic copy of this newsletter on a regular basis, please send your e-mail address to **brentbrannan@gmail.gov**. We would be happy to include you on the mailing list.

OGRP Quarterly

North Dakota oil & gas research program

North Dakota Oil and Gas Research Program
State Capitol, 14th Floor
600 East Boulevard Avenue
Department 405
Bismarck, ND 58505-0840

ANALYSIS OF THE OIL AND GAS RESEARCH FUND

N.D.C.C. 57-51.1

Continuing Appropriation

	2013-2015 Biennium		2015-2017 Biennium	
Beginning Balance		$3,875,671[1]		$2,074,031
Add transfers and estimated revenues[2]				
Transfer from State Treasurer from oil and gas taxes	$10,000,000		$10,000,000	
Estimated applicant contributions	$ 3,000		$ 3,000	
Estimated Interest Income	$ 7,000		$ 7,000	
Total Available		$13,885,671		$12,084,031
Less estimated expenditures and commitments[3]				
Estimated Project Expenditures & Commitments	$11,278,534		$ 10,495,000	
Administrative and Technical Services Costs	$ 332,706		$ 200,000	
Transfer to the North Dakota Pipeline Authority	$ 200,400		$ 305,000[5]	
Total estimated expenditures		$11,811,640		$11,000,000
Estimated ending balance		$ 2,074,031[4]		$ 1,084,031

(1) The Oil and Gas Research Program/Fund was authorized by the 2003 Legislature. During the 2003-2005 biennium $50,000 was made available for the Program. That amount was increased in the 2005 Legislature to $1,300,000 and then it was again increased in 2007 to $3,000,000 and in 2009 it was increased to $4,000,000. In 2013 it was increased to $10,000,000. The source of funding for the Oil and Gas Research Fund is two percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues.

(2) Revenues under the 2013-2015 biennium reflect the transfer of $10,000,000 from the State Treasurer. Estimated interest income includes actual interest income of $339 through November, 2014 and an estimate of the interest income through June 30, 2015. Estimated applicant contributions reflect actual applicant contributions of $2,000 through November, 2014 with an estimate for the remainder of the biennium.

(3) Since 2003 through 2014 the Commission has committed funding for 64 projects totaling $21,943,669 of OGRP funding. Total project costs are $350,764,284. This includes four projects approved so far during the 2013-2015 biennium with funding to be provided during the 2013-2015 and subsequent biennia. On January 9, 2015 the Industrial Commission approved five additional projects totaling $2,047,532. Actual project payments through November, 2014 total $6,867,940 with an estimate for the remainder of the biennium. Actual administrative and technical services costs through November, 2014 total $138,136 (excluding the Pipeline Authority) with an estimate for the remainder of the biennium. Within the administrative and technical services costs is payment for a study on workforce that was directed by the 2013 Legislature to be completed.

(4) This funding is needed for payments of approved projects that will be completed in subsequent biennia. Outstanding commitments as of November, 2014 are approximately $7.6 million.

(5) This amount is determined by the Industrial Commission based on a recommendation from the Oil and Gas Research Council. It is estimated that approximately $305,000 will be needed during the next biennium for the Pipeline Authority.

INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PIPELINE AUTHORITY

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

North Dakota Pipeline Authority
North Dakota Century Code 54-17.7

The North Dakota Pipeline Authority (Pipeline Authority) was created by the North Dakota Legislature in 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy." As established by the Legislature the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed pipeline infrastructure. The Industrial Commission acting as the Pipeline Authority has issued no bonds under this statutory authority.

By law the Pipeline Authority membership is comprised of the members of the Industrial Commission. The Industrial Commission transferred $200,400 during the 2013-2015 biennium from the Oil and Gas Research Fund to the Pipeline Authority Fund. The Industrial Commission has named Justin Kringstad, a consultant, as Director of the Pipeline Authority. He works closely with the Director of the Department of Mineral Resources, the President of the North Dakota Petroleum Council and the Executive Director of the Industrial Commission. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Pipeline Authority Director reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

The Pipeline Authority issues a quarterly newsletter in addition to making numerous presentations to the Legislative interim committees and the public. These newsletters and presentations are available on the Pipeline Authority website at www.northdakotapipelines.com In addition Mr. Kringstad participates in monthly webinars providing regular updates on the transportation issues related to oil and gas.

This past year the Pipeline Authority continued to work closely with the midstream industry in North Dakota to quantify future pipeline and processing needs for the region. Evolving technology and dynamic pricing make the Pipeline Authority's production forecasting efforts an ongoing process. Mr. Kringstad also chaired the Governor's Pipeline Technology Working Group which began meeting in early 2014. The working group provided a final written report to the Governor in early December, 2014.

The Pipeline Authority website is updated on a regular basis so you should add this website to your "favorites". We are hopeful that this website will be a good tool for keeping policy makers, citizens and industry informed of what is happening with the development of pipelines in North Dakota.

Pipeline Authority
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: Justin Kringstad PHONE: 701-220-6227 FAX: 701-328-2820
"Your Gateway to North Dakota":www.nd.gov

ANALYSIS OF THE PIPELINE AUTHORITY FUND

N.D.C.C. 54-17.7-11

Continuing Appropriation

	2013-2015 Biennium		2015-2017 Biennium	
Beginning Balance		$166,066		$ 76,766
Add transfers and estimated revenues[1]				
Transfer from Oil and Gas Research Fund	$ 200,400		$ 305,000[3]	
Estimated Interest Income	$ 300		$ 300	
Total Available		$366,766		$382,066
Less estimated expenditures and commitments[2]				
Study Expenditures	$ 75,000		$ 130,000	
Administrative Costs	$ 20,000		$ 25,000	
Consultant Costs	$ 195,000		$ 215,000	
Total estimated expenditures		$290,000		$370,000
Estimated ending balance		$ 76,766		$ 12,066

(1) Revenues reflect a transfer of $200,400 from the Oil and Gas Research Fund for the 2013-15 biennium. Estimated interest income includes actual interest income of $153 through November, 2014 and an estimate of the interest income through June 30, 2015.

(2) Actual administrative costs through November, 2014 total $9,584 with an estimate for the remainder of the biennium. Actual consultant costs through November, 2014 total $120,943 with an estimate for the remainder of the biennium.

(3) The amount to be transferred from the Oil and Gas Research Fund for the Pipeline Authority is at the discretion of the Industrial Commission utilizing the funding available in the Oil and Gas Research Fund.

INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA TRANSMISSION AUTHORITY

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

NORTH DAKOTA TRANSMISSION AUTHORITY
Chapter 17-05 North Dakota Century Code

The North Dakota Transmission Authority ("Authority") was created by the North Dakota Legislature in 2005. Since its inception the Authority's mission has been to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed transmission.

By statute the Authority membership is comprised of the members of the Industrial Commission. The Director of the Authority works closely with the Executive Director of the Commission. The Authority has no other staff and receives no direct General Fund appropriation. Funding for the Authority comes from the Lignite Research, Development and Marketing Program.

The powers of the Authority include: 1) make grants or loans or borrow money; 2) to issue up to $800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, lease, rent and dispose of transmission facilities; 5) enter into contracts to construct, maintain and operate transmission facilities; 6) investigate, plan prioritize and propose transmission corridors; and 7) participate in regional transmission organizations. In 2009 the Legislature provided the Authority with the power to attach the moral obligation of the State on up to 30% of any revenue bonds sold in conjunction with the financing of a transmission line project.

The Authority's work has focused on electric demand projections, such as the joint Montana-Dakota Utilities Co. - Basin Electric Power Cooperative "Power Forecast 2012" study, and interaction with members of Midwest Independent System Operator ("MISO"), the Organization of MISO and other regional and state planning and permitting authorities to ensure transmission policies developed will be favorable to any new North Dakota projects (coal, natural gas, wind or other renewable) that may come before these groups.

The Authority has continued to be engaged in MISO transmission line development work that seeks to identify lines that have value to transmission across the MISO footprint. Such lines with regional benefit will be eligible for cost allocation across the MISO footprint. Of particular importance to North Dakota are the Ellendale to Big Stone, Big Stone to Brookings and Brookings to Twin Cities lines identified by MISO as having regional benefits.

Recently Basin Electric and Western Area Power Administration ("Western") indicated their intent to join the Southwest Power Pool ("SPP"), another regional transmission organization similar to MISO but with a different footprint. Similar planning and transmission line development will be supported by their power pool as is done by MISO for its members. Once Basin Electric and Western are part of the SPP, regional transmission planning and cost allocation will cover almost the entire State of North Dakota.

ND Transmission Authority
North Dakota Transmission Authority
Andrea Stomberg, Director
1016 East Owens Avenue – P.O. Box 2277 - Bismarck, ND 58502-2277
E-Mail: andreastomberg@lignite.com PHONE: 701-257-7117 FAX: 701-258-

The Transmission Authority coordinates its activities with the Public Service Commission and the Department of Commerce and regularly reports to the Industrial Commission.

A copy of the Transmission Authority's annual report is available on the Industrial Commission website at http://www.nd.gov/ndic/ under publications.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Schedule
House Bill 1014
House Appropriations Committee-Government Operations Division
Medora Room
Thursday, January 15, 2015

8:30 a.m.	Administration Office – **Karlene Fine**, Executive Director and Secretary Section 1, Subdivision 1, Sections 3, 5, 6, 12, 18
8:40 a.m.	Department of Mineral Resources – **Lynn Helms**, Director Section 1, Subdivision 1, Sections 2, 13
9:40 a.m.	Bank of North Dakota – **Eric Hardmeyer**, President Sections 1, Subdivision 2, Sections 2, 7, 8, 9, 10, 14, 15, 20
10:35 a.m.	North Dakota State Mill – **Vance Taylor**, President and General Manager Section 1, Subdivision 3, Section 11
11:05 a.m.	Housing Finance Agency – **Jolene Kline**, Executive Director Section 1, Subdivision 4, Sections 2, 4, 16, 17, 19
11:45 a.m.	Public Finance Authority – **DeAnn Ament**, Executive Director Section 1, Subdivision 1
12:00 noon	Administration - **Karlene Fine**, Executive Director and Secretary
	Hearing will resume with presentations on the continuing appropriations:
3:00 p.m.	Lignite Research, Development & Marketing Program – **Jason Bohrer**, Chairman, Lignite Research Council & **Mike Jones**, Director of the Lignite Research, Development and Maketing Program
3:10 p.m.	Outdoor Heritage Fund - **Wade Moser**, Chairman, Outdoor Heritage Fund Advisory Board
3:20 p.m.	Renewable Energy Program – **Al Anderson**, Chairman, Renewable Energy Council
3:30 p.m.	Oil and Gas Research Program – **Brent Brannan**, Director
3:40 p.m.	Pipeline Authority – **Justin Kringstad**, Director
3:50 p.m.	Transmission Authority - Karlene Fine on behalf of **Andrea Stomberg**, Director
4:00 p.m.	Administration - Wrap-up - **Karlene Fine**, Industrial Commission Executive Director

Karlene K. Fine, Executive Director and Secretary
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: kfine@nd.gov
Phone: (701) 328-3722 FAX: (701) 328-2820

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Administration – Karlene Fine
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Bank of North Dakota – Eric Hardmeyer
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Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-328-5700 Fax: 701-328-5632 www.banknd.nd.gov/

Department of Mineral Resources – Lynn Helms
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Physical Address: 1016 E Calgary, Bismarck, ND 58501
Geological Survey
Phone: 701-328-8000 Fax: 701-328-8010 www.dmr.nd.gov/ndgs/
Oil and Gas Division
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Housing Finance Agency – Jolene Kline
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Physical Address: 2624 Vermont Ave, Bismarck, ND 58501
Phone: 701-328-8080 Fax: 701-328-8090 www.ndhfa.org

Lignite Research, Development & Marketing Program – Jason Bohrer
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Phone: 701-258-7117 Fax: 701-328-2820 www.nd.gov/ndic/lrc-infopage.htm

Mill & Elevator – Vance Taylor
PO Box 13078, Grand Forks ND 58208-3078
Phone: 701-795-7000 Fax: 701-795-7272 www.ndmill.com/

Oil and Gas Research Program – Brent Brannan
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-425-1237 Fax: 701-328-2820 www.dmr.nd.gov/ogr/

Outdoor Heritage Fund – Karlene Fine and Wade Moser
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Pipeline Authority – Justin Kringstad
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Public Finance Authority – DeAnn Ament
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-328-7100 Fax: 701-328-7130 www.nd.gov/pfa/

Renewable Energy Program – Andrea Holl Pfennig
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-2687 Fax: 701-328-2820 www.nd.gov/ndic/renew-infopage.htm

Transmission Authority – Andrea Stomberg
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Fax: 701-328-2820

HB 1014

Attachment B
Jan. 15, 2015

Testimony of Connie Ova, Chief Executive Officer
Jamestown/Stutsman Development Corporation
In Support of HB 1014
January 15, 2015

Chairman Thoreson and members of the House Appropriations Government Operations Division , I'm Connie Ova, CEO of the Jamestown/Stutsman Development Corporation (JSDC), and vice president of the Economic Development Association of North Dakota (EDND). On behalf of Jamestown/Stutsman Development Corporation and EDND, I would like to express our support for HB 1014, which includes an appropriation for a short line railroad revolving loan fund at the Bank of North Dakota.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy. As we move forward to enhance the state's economy in all business sectors, and in all parts of the state, the need for additional rail has become imperative. Although EDND has not taken a specific position on the short line railroad loan component in this bill yet, the Jamestown/Stutsman County Development Corporation is very much in support. The need for rail has changed from an option that "would be nice to have" to a "must have option". Without it you can't move raw materials in or products out.

The JSDC has had experience with the importance of rail development over the past twenty years starting with the potato processing project which began as American Prairie Foods, became AVIKO and is now Cavendish Farms. JSDC provided a rail spur option for expansion at that site many years ago and Cavendish Farms capitalized on that option by connecting that spur to their plant in 2013. Most recently JSDC worked with Great River Energy on the Spiritwood Energy Park rail loop and are very aware that the cost of rail can easily run upwards of $2M/rail mile. SEPA is a partnership between the Jamestown/Stutsman Development Corporation and Great River Energy. SEPA built a rail loop last summer to provide rail access to Dakota Spirit AgEnergy (DSA) plant and the SEPA industrial park.

Stutsman County is very much dependent on agriculture and value-added agriculture and it is imperative to have the ability to efficiently ship our commodities to market. There is a need to improve safety and expedite rail traffic flow through the entire state and region. The need for an increase in automation has been driven by the dramatic increase in North Dakota rail traffic. Funding assistance with short line rail and rail switches helps promote the

proliferation of rail-based industry in North Dakota. Knowing the high cost of rail development I encourage the committee to consider increasing the $10M allocation to $30M especially looking at the price tag of $2M/rail mile.

I urge the committee's support of HB 1014 and especially the short line rail road revolving loan fund.

Attachment C
HB 1014
Jan. 15, 2015

Testimony

House Bill No. 1014

House Appropriations Committee

Government Operations Division

Representative Blair Thoreson, Chairman

January 15, 2015

Chairman Thoreson, members of the House Appropriations Committee – Government Operations Division, I am Kim Zeeb, with Fraser, Ltd., Fargo. I had the pleasure of speaking during the 2009 Legislative Session on behalf of transition age youth struggling with mental illness. Today I am here, again, to convey the plights that transition age youth face in regards to homelessness.

According to the 2010 census, the Fargo-Moorhead metro area is made up of 208,777 residents including roughly 35,000 college students. As the largest metro area in the state of North Dakota, the community serves as a hub of human services not found in other parts of the state. Currently experiencing a significant influx of individuals seeking new opportunities, human service providers in the Fargo-Moorhead community are overwhelmed with homeless individual and family needs. Youth homelessness in the Fargo-Moorhead metro is on the rise producing significant risk to the safety of those served by Fraser, Ltd. Given the rates of victimization experienced by the population coupled with six months of below freezing temperatures, safety and shelter have become a concern for many in the community.

Fraser, Ltd. began a grassroots effort in 2006 to identify a unique population of adolescents and young adults. Through our efforts we identified transition age youth, the challenges they face, and a plan of support. In 2009, Fraser, Ltd. developed Transitional Youth Services with a continuum of care for youth experiencing homelessness or at-risk of homelessness; Stepping Stones Resource Center (drop-in center), Transitional Living and Emergency Shelter programs (opening in 2010), and Permanent

Supportive Housing (PSH) project. Each year the drop-in center serves approximately 1,600 program participants with the mean age being 20. Fifty –five percent meet the federal definition of homeless, 94% report being unemployed, 78% report living with a mental illness, 51% report being pregnant or having children, and 100% are low income. The Transitional Living and Emergency Shelter program has had 109 admits since inception, with 83% transitioning to appropriate independent living situations. Permanent Supportive Housing is the final piece in an already established continuum of care for this population. In the State of North Dakota's '10 Year Plan to End Homelessness' Permanent Supportive Housing was identified as the number one strategy to work towards. On May 1, 2014, Fraser, Ltd. opened our state's first Permanent Supportive Housing project for at-risk and homeless youth, ages 18-26.

The building that houses the project is a HUD Section 8 property. The construction of the building is being done in phases as funding becomes available. Phase One (opened May 2014), with nine single units. When additional funding is secured, Phase Two will open with additional single units, and finally, Phase Three with four family units. With the high numbers of homeless youth we serve through Stepping Stones Resource Center and the Transitional Living and Emergency Shelter, the Permanent Supportive Project could be filled to capacity if completed now.

Fraser, Ltd. continues to be diligent in securing funds to complete the Permanent Supportive Housing project. The Executive Director and Transitional Youth Services Administrator also submitted written testimony in support of House Bill No. 1014, in allocating funds to provide housing for individuals and families of low income through the housing incentive fund. This concludes my testimony. Thank you for your time and attention.

HB 1014 January 17, 2015 testimony
Chairman Thoreson and members of the Appropriations Committee

My name is David Klein and I am the Executive Director of the Stutsman County Housing Authority, which covers five counties in central North Dakota. I am also an active member of the South Central Homeless Coalition.

The Governor's budget for $30 million tax credits for the Housing Incentive Fund is a good start, but falls short of impacting the state.

North Dakota has a housing crisis that impacts all corners of the state, far outside of the oil patch. Many believe the lack of affordable housing, rental and ownership, is what threatens to collapse the state's economy, not the dipping oil prices. Without affordable housing, cities and companies cannot recruit companies whose workers need housing that isn't going to cost them 45% or more of their income.

Impact because of the lack of affordable housing

In Stutsman County, our rental vacancy rate is 1.3% with some developments happening, but only a few within that affordable range. There are over 1,100 job openings now in Stutsman County with several large projects happening including Menards, CHS Fertilizer Plant, Dakota Spirit Ethanol, and many more regional expansion like John Deere in Valley City and Post (pasta plant) in Carrington that need employees. The lack of affordable housing impacts these businesses but also critical services. It is difficult for those essential government agencies and services to staff their offices and assist clients when housing becomes this scarce. But also we have concern for the local campuses in the region, University of Jamestown and Valley City State University, who have many students and employees that cannot find affordable, safe, and decent housing in the region. If students cannot find the housing, they may not come to those campuses, which will have a devastating effect on our local economy.

Communities such as Carrington, Valley City, Edgeley, Ellendale, Gwinner, Napoleon, Cooperstown, Devils Lake, Langdon, Cavalier, and Jamestown need affordable housing. These communities have a tough time getting developers to the table, but the communities also have infrastructure needs. The Housing Incentive Fund can help these communities thrive once again with small projects that will bring in rental and help spur areas for ownership development.

Let's not forget that the affordable housing does not just help essential workers, it helps our local economies. Some manufacturers cannot find employees because of the lack of housing. UTC Aerospace, Cavendish Farms, Walmart, Pizza Corner, and others in the Jamestown and Valley City area use temporary employees from other areas to help fill the gaps. Why? Because we have a very low unemployment rate and no housing. Plus, our entire region is in need of service workers. We hear the stories of fast food places in the oil patch not being open certain hours, scaling back services, or being drive-thru only. That isn't just the oil patch. It has been happening in Jamestown for over a year.

If a community cannot keep its local café, gas station, grocery store, or hotel staffed, what happens? It becomes undesirable. People desire certain businesses in order to establish their families. We need to keep our service industries alive and find ways to keep our communities desirable. It is difficult to recruit new college graduates when the average debt is nearing $30,000, which equates to $345 a month going to student loan payments but the cost of living is higher in North Dakota than in other states.

In addition, we are seeing homelessness issues grow and the most vulnerable people needing more assistance than what the state can provide. We must look at housing first programs, much like the Cooper House in Fargo. There is also a growing need for detox centers that impact housing because families may lose housing options due to a family members issues.

Permanent / Long-term funding

The Housing Incentive Fund needs permanent or long-term funding to make a real impact on the state. This does not mean North Dakota will become the home of cheap housing. The state can expand the program to assist with development of affordable home ownership, new college grad housing, and a state voucher to help essential service workers in areas where housing development might not happen.

I suggest that the state increase the tax on a pack of cigarettes to $2.00 per pack from the 44 cents. The increased tax would be match neighboring states. That "SIN" tax would generate $35 million a year for the housing incentive fund (numbers from the ND Tobacco Free Coalition). That fund would go towards helping develop affordable housing solutions. Another "SIN" tax would be to raise the sales tax on all alcohol purchases by 3% to go towards funding detox centers, supportive housing solutions, and homeless prevention efforts. These two "SIN" taxes would last for a minimum of 10 years and alleviate the state from taking money from the general or other funds, and trying to fund tax credits.

Speaking of tax credits, another proposal from the Governor would cut corporate and personal income taxes. Cutting those taxes would hamper the efforts to fund the housing incentive fund with tax credits, and impact hundreds of non-profits. However, I support the $30 million tax credit allocation and hope for program expansions.

Economic activities are happening all across the state and we need to help continue that growth and understand that affordable housing IS the key to long-term continued growth. I hope that you pass the tax credits, but seriously look at expanding the program and look at permanent funding as I have suggested. Thank you.

HA Num	HA Name	Leasing Potential Estimate	Leasing Potential %	Total Program Units Under ACC	Current Reported Leasing	Units remaining under ACC	2014 Spending as a Percent of ABA*	2014 Spending as a Percent of Total YTD funding (with HAP Reserves)*	2014 UML Leased as Percent of UMA	Greater UML/ UMA OR Total Funds	Per unit cost increase over 10 years
ND001	Housing Authority of Cass County	1	0.2%	386	392	-6	96.6%	90.0%	101.55%	90.30%	-4.95%
ND002	Housing Authority of the City of Williston	0	0.0%	81	27	54	103.3%	103.3%	33.33%	104.81%	57.89%
ND003	Rolette County Housing Authority	5	7.8%	64	50	14	104.0%	82.4%	78.13%	82.94%	-21.41%
ND009	Towner County Housing Authority	5	25.5%	20	10	10	97.6%	62.1%	50.00%	60.67%	11.21%
ND010	Morton County Housing Authority	23	3.6%	648	501	147	97.4%	88.4%	77.31%	88.36%	13.95%
ND011	Housing Authority of Stutsman County, ND	10	1.8%	569	391	178	101.0%	93.0%	68.72%	94.18%	34.79%
ND012	Grand Forks Housing Authority	0	0.0%	1,265	1,206	59	100.5%	95.3%	95.34%	100.25%	10.49%
ND013	Ramsey County Housing Authority	12	6.5%	183	94	89	89.3%	67.3%	51.37%	65.91%	19.74%
ND014	Fargo Housing And Redevelopment Authority	32	2.5%	1,294	1,248	46	93.1%	85.3%	96.45%	97.81%	0.00%
ND015	Mercer County Housing Authority	4	22.3%	17	10	7	106.2%	70.3%	58.82%	71.26%	28.79%
ND016	Eddy County Housing Authority	0	0.3%	55	36	19	101.1%	93.7%	65.45%	95.39%	7.62%
ND017	Minot Housing Authority	21	2.4%	882	517	365	104.7%	82.9%	58.62%	86.74%	61.98%
ND019	Traill County Housing Authority	2	5.6%	39	31	8	96.5%	87.8%	79.49%	88.97%	-13.07%
ND021	Burleigh County Housing Authority	0	0.0%	1,074	810	264	105.6%	97.6%	75.42%	97.37%	14.23%
ND022	Barnes County Housing Authority	0	0.0%	212	190	22	95.8%	95.8%	89.62%	95.35%	14.35%
ND024	Cavalier County Housing Authority	9	17.4%	50	23	27	101.0%	71.8%	46.00%	73.13%	25.13%
ND025	Housing Authority of the County of Ransom	0	0.0%	55	47	8	99.6%	94.3%	85.45%	92.85%	26.65%
ND026	Housing Authority of Mountrail County	2	2.7%	74	24	50	158.1%	91.2%	32.43%	92.86%	18.00%
ND028	Housing Authority of Foster County	4	6.8%	60	38	22	90.7%	73.1%	63.33%	73.20%	-3.43%
ND030	Benson County Housing Authority	2	15.3%	16	13	3	112.0%	80.2%	81.25%	80.75%	47.59%
ND031	Stark County Housing Authority	34	10.1%	340	173	167	80.4%	76.0%	50.88%	75.93%	28.15%
ND035	Richland County Housing Authority	21	17.1%	124	95	29	88.7%	72.3%	76.61%	71.82%	22.38%
ND036	McKenzie County Housing Authority	1	3.0%	33	20	13	101.3%	84.6%	60.61%	81.01%	45.70%
ND037	Dunn County Housing Authority	1	2.8%	49	13	36	86.5%	86.5%	26.53%	89.70%	101.70%
ND038	Lamoure County Housing Authority	0	0.0%	31	30	1	98.7%	91.9%	96.77%	89.76%	7.24%
ND039	McIntosh County Housing Authority	0	0.4%	41	40	1	98.4%	90.6%	97.56%	95.12%	6.62%
ND040	Housing Authority of the City of Cooperstown	5	10.2%	52	30	22	89.4%	68.6%	57.69%	70.07%	2.09%
ND044	Pembina County Housing Authority	4	2.2%	178	158	20	93.8%	81.6%	88.76%	95.43%	-6.67%
ND049	Walsh County Housing Authority	15	14.6%	100	74	26	86.4%	74.9%	74.00%	74.16%	-3.31%
ND052	Dickey/Sargent Counties	3	5.9%	53	35	18	97.3%	88.7%	66.04%	91.29%	10.18%
ND054	Emmons County Housing Authority	1	35.5%	4	1	3	103.6%	60.6%	25.00%	69.37%	99.24%
ND055	McHenry/Pierce County Housing Authority	2	4.3%	57	40	17	101.4%	80.8%	70.18%	80.15%	27.91%
ND057	Housing Authority of the County of Wells	0	0.0%	25	20	5	105.5%	96.3%	80.00%	98.84%	8.94%
ND070	Northwest Regional Housing Authority	10	21.4%	46	21	25	93.9%	67.0%	45.65%	68.78%	69.76%

Total lease up available	230
Total vouchers ACC (contract)	8,177
Total vouchers used	6,408
Total vouchers open	1,769
Total vouchers lost**	**1,539**
Vouchers used January 2010	7,107
Vouchers used October 2014	6,408
Vouchers lost in four years**	**699**
Average per unit cost October 2014	$316.87
Using AVG cost of vouchers	$2,030,532
Increased rent by $10 average	$323.87
1% budget increase	$2,050,837
Vouchers helped with increase rent	6332
Vouchers lost due to increase	76

Vouchers loss is happening because of flat line budgets and increased rent and utility costs.

The math sidebar shows what happens when rent costs go up by $10 and the housing authority covers 70% of the increase. This factors a 1% budget increase (which is unlikely to happen). North Dakota loses 76 vouchers to lack of funding because of a minor increase in rent.

Most tenants see increases of $25, $50, upwards of $200 per month increases lately, making this calculation tame.

Under the current federal funding and rents, North Dakota will lose a minimum of 76 vouchers per year, in addition to the 699 vouchers lost over the past four years.

**** Last five columns use data from July 2014 and have not been updated with October 2014 numbers ****

SCHA

David Klein
Executive Director

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F

HB1014 January 15, 2015 attachment E

HB 1014 January 17, 2015 testimony

Chairman Thoreson and members of the Appropriations Committee

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

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

- 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

HB 1014 January 15, 2015 attachment 7

Testimony on HB 1014
Appropriations – Government Operations Division
Chairman: Representative Blair Thoreson
January 15, 2015

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

Chairman Thoreson 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 and 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 respectively request your support for a continuing appropriation of the HIF at $100M. This would be a continued investment in ND communities, offering

great financial leverage, while 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.

HB1014 January 15, 2015 Attachment 2

GRAND FORKS
HOUSING AUTHORITY

WRITTEN TESTIMONY PROVIDED TO
ND HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE
GOVERNMENT OPERATIONS DIVISION
DURING THE 64th LEGISLATIVE ASSEMBLY
ON JANUARY 15TH, 2015
IN SUPPORT OF
HB 1014
REGARDING THE
HOUSING INCENTIVE FUND

Chairman Thoreson
Vice Chairman Brandeburg
Members of the Appropriations Committee - Government Operations Division

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

EQUAL HOUSING OPPORTUNITY

1405 – 1st Avenue North, Grand Forks, ND 58203
(701)746-2545(office) (701)787-9437(direct) (701)740-6738(cell)
(701)746-2548(fax) TDD 711 tnhanson@grandforksgov.com

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

Attachment #
HB 1014
Jan. 25, 2015

ND HOUSE OF REPRESENTATIVES
GOVERNMENT OPERATIONS
64th LEGISLATIVE ASSEMBLY
JANUARY 15TH, 2015

Chairman Thoreson and members of the Committee my name is Tom Alexander and I am the Executive Director of the Minot Housing Authority.

In Minot we have over 500 households on a waiting list for housing assistance and the list continues to grow. As you probably know Minot finds itself in unique situation for a variety of reasons but mainly because of the 2011 flood companied by Minot being on the edge of the current oil boom. In Minot and as well as statewide, affordable housing units are in huge demand. Data indicates that ND has a shortage of 11,400 affordable housing units statewide.

At the same time that the demand for affordable housing is increasing, market pressures have pushed rents up in Minot and in other parts of ND. With that, there are fewer affordable privately owned units on the market. We have also lost numerous subsidized units due to private owners converting the units to market rate as it is more profitable.

Minot Housing Authority was approached by Beyond Shelter, a nonprofit affordable housing developer in Fargo in 2012/13 to partner on a variety of projects to create affordable housing in Minot area. Do date, this partnership has completed a two phase 64 unit affordable town home project called Washington Town Homes.

Currently, we have 3 projects in the works, Fieldcrest (NE Minot), Cooks Court (north of Kmart) and The Willows (Burlington) which will create

over 100 affordable units for essential workers, seniors and low income. We are also planning future affordable housing units for the community of Minot. Having said that, the Housing Incentive Fund has been instrumental in putting the funding together to ensure that the rents remain affordable.

The proposed level of Housing Incentive Fun is greatly appreciated but it is not enough to meet the serious and immediate needs of the entire state - the Housing Authority Directors Association advocates for a $100,000,000 funding level which will be leveraged with other programs. This level of funding will create around 900 units of housing statewide for the biennium or, about 10 projects a year for the next two years. This level of funding doesn't solve entire problem but it is a very doable goal and it will help put a dent in the need.

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

Tom Alexander – Minot Housing Authority

HB1014 January 15, 2015 Attachment I

Testimony re: HB 1014

Thursday, January 15, 2015

Mr. Chairman and Members of the Committee:

My name is Jessica Thomasson and I am here today as the CEO of Lutheran Social Services of North Dakota and am here to speak in favor or the Housing Incentive Fund which is being considered for re-authorization in HB1014.

Lutheran Social Services is a non-profit organization that works in and with communities across the state of North Dakota and has done so in various ways for almost one hundred years.

While I know you have statistics about the impact the HIF program has had on the state as a whole, I wanted to spend a few minutes talking about the impact it has had on individual communities and individual families served by our organization.

We have successfully utilized the Housing Incentive Fund six times since the program started, leveraging almost $5.5 million in HIF funds to create 107 units of affordable rental housing for young families, seniors, and working adults. Our HIF rents have typically ranged from $335 to $950.

This program helped LSS complete a historic rehab in Williston to create very affordable apartments for 44 tenants, all of whom are 55 and older. Apartments in this project rent for $335 to $785 per month in a community that struggles mightily with the availability of affordable housing. Several of our tenants at Legacy were coming from apartments and mobile homes that they could no longer afford, due to rising rents in the community. This project gave them an opportunity to stay in the community they love and have called home for many years.

In Bowman, we were able to partner with ABLE Incorporated to created affordable apartments some of which housed people served by the organization. ABLE works with adults with developmental disabilities. HIF funds helped us create beautiful new affordable apartments where these long-time residents of the community could, with ABLE's help, live independently and, as was the case with the project in Williston, make their home in the community they love.

Many of our tenants work for school districts, for nursing homes, for local newspapers and banks, in offices and restaurants. The common denominator for all is that they want to live in

the rural North Dakota community that is home to them, and they needed a place they could afford to live for that to be possible.

I can say from experience that creating truly affordable rental housing in today's environment would be extremely difficult, and I will go out on a limb and say almost impossible, without the Housing Incentive Fund. HIF is an essential piece of most of the projects Lutheran Social Services does in North Dakota. Why is this the case?

Our organization's goal is to create housing that is as affordable as we can make it, to help give our tenants their best chance at making a stable life and finding ways to thrive.

Construction costs are what they are. It doesn't matter how much rent you charge – the building costs the same to construct. So, for us to keep rents affordable, we need to reduce the amount of debt the project has to carry to cover costs of development. When HIF funds are available to a project, that gap is filled and it is possible to offer tenants lower rents. Without HIF, a project needs to raise donated funds or utilize federal dollars to help lower the amount of debt needed to complete a project. And federal funds, even if they are available, are not always a good fit for the on-the-ground economics that affect labor markets in many North Dakota communities.

This state-based resource is making a significant difference to families, to seniors, and to communities across North Dakota because it is making an affordable place to live a reality for them. I urge you to support the re-authorization of this program and encourage you to allocate funding at a level that will allow communities across the state an opportunity to access this resource.

I appreciate the opportunity to bring information about the Housing Incentive Fund. Thank you for your time.

Jessica Thomasson, Lutheran Social Services, 271-3272, jthomasson@lssnd.org

Lutheran Social Services Housing

Lutheran Social Services of North Dakota

HB1014 January 15, 2015 attachment B.

Chairman Thoreson and members of the Government Operations Appropriation Subcommittee, my name is Jaclyn Hall and I am before you to talk about my experiences as a Housing Incentive Fund recipient in 2013.

During the last biennium, 35.4 million dollars was appropriated to support affordable housing. These projects awarded spread all across North Dakota and supported seniors, the disabled, families, and like our organization individuals and families experiencing Homelessness.

As an agency, we have invested over 9 million dollars to create 85 affordable housing units in Bismarck. With the support of 2.85 million from the Housing Incentive Fund, our project continues on. Currently, over 50 of these units are occupied and another 32 will be completed by mid May.

As I worked through the process for approval, the application and process seemed very easy. The application was straight forward and the assistance by individuals like Bill Hourigan at NDHFA was wonderful. It made sense - create a program that will impact a variety

of incomes and clients and create an atmosphere where the community would support your efforts.

Once our project was approved, I was taken aback by the fact we were charged a 5 percent origination fee on our application. Almost $150,000 of our award was to be kept by NDHFA to market the housing incentive fund and administer the program. It seems odd to me that an agency who is funded generously by the State of ND would keep these funds – enough to provide flooring for 30 of my units or replacement windows for 45 units.

During admin rules, I personally questioned this origination – asking that non profits or who would market the fund to their donors could receive a soft credit for their efforts. This was taken under consideration but the outcome didn't change.

As a recipient of these funds and a champion for affordable housing, I ask you to take this concern under advisement as you consider funding this project once more. By trying to keep our rents as low as possible, the additional funds that were captured as origination fees would go a long way in this effort.

I truly believe it is a worthwhile program and addresses the concern of a lack in affordable housing, but to take funds away from the projects – just does not make sense.

Thank you for your time and I will take any questions if you have them.

HB 1014 January 15, 2015 Attachment K

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1014
JANUARY 15, 2015, 8:30 A.M.
HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT OPERATIONS DIVISION
MEDORA ROOM
REPRESENTATIVE BLAIR THORESON, CHAIRMAN

ALAN ANDERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good afternoon, 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. As Commerce Commissioner I also have the pleasure of serving as the chairman of both the Renewable Energy Council.

On behalf of the Renewable Energy Council, I am here today to speak in favor of House Bill 1014.

The legislature enacted a permanent funding mechanism for the Renewable Energy Program, similar to the Oil & Gas Research and Lignite Research programs during the last session. The program is being utilized and in all cases, projects had strong partnerships between private entities and ND universities and research. The most recent projects have also had a clear roadmap to commercialization and crossed several of our state industries.

Examples of projects funded from the Renewable Energy Program include:

- Commercial Application of Soybean Stalk as a New Alternative Fiber in Particle Boards ($198,300). This project studies the feasibility of using soy stalk-wheat straw blends for low density fiber boards at a commercial scale, and optimization of the manufacturing process. The 50% match comes from Masonite, which has a manufacturing facility in Wahpeton.
- Distributed Geothermal Power ($100,230). This project will demonstrate the technical and economic feasibility of electrical power generation using the heat contained in oil field fluids. A geothermal system that has been designed and build through the combined efforts of UND & Access Energy will be installed at a Continental Resources, In. water supply well site near Marmarth. The system will generate a continuous 250 kW of electricity from non-conventional low temperature geothermal water.
- Solar Soaring Power Manager ($500,000). This project will create a solar soaring power management system for Unmanned Aerial Systems to initially double fly times and ultimately provide unlimited endurance powered by solar energy. Packet Digital will create an advanced solar power management integrated circuit (PMIC) combining flexible, high efficiency power conversion circuitry with a microprocessor to make the first PMIC targeted for dramatically extended flight times in unmanned aircraft.
- Application of Agricultural Byproducts for Energy Systems ($237,093). Woodshed Renewables owns a currently idle manufacturing facility in Finley. This project would define the market opportunity, optimize the production of solid fuels using standard equipment, and estimate the costs and returns to being producing biomass/wood blend pellets at the facility.

Mr. Chairman and members of the Appropriations Committee, I respectfully request your favorable consideration of House Bill 1014. That concludes my testimony and I am happy to entertain any questions.

HB1014 January 15, 2015 Attachment 2

The Renewable Energy Program promotes the growth of North Dakota's renewable energy industries through research, development, marketing and education. Dollars are available in three grant rounds and are limited to $500,000, requiring a 50 percent match.

North Dakota's Renewable Energy Program was established by the legislature in 2007 under the control of the North Dakota Industrial Commission. The law provides that the Industrial Commission shall consult with the Renewable Energy Council (REC).

The REC is made up of seven individuals including the North Dakota Department of Commerce Commissioner, who serves as chairman, and representatives from the following six industries:

- Agriculture
- Biomass
- Biodiesel
- Wind
- Ethanol
- Sugar Beet-Based Ethanol

The North Dakota Department of Commerce provides technical assistance on the management of this program.

Renewable Energy Program policies, an application template, prior and on-going projects and other resources can be found at **www.nd.gov/ndic/renew-infopage.htm.**

North Dakota®
DEPARTMENT OF COMMERCE

Karlene Fine
North Dakota Industrial Commission
701-328-3722
ndicinfo@nd.gov

Andrea Holl Pfennig
North Dakota Department of Commerce
701-328-2687
ahpfennig@nd.gov

www.nd.gov/ndic/renew-infopage.htm

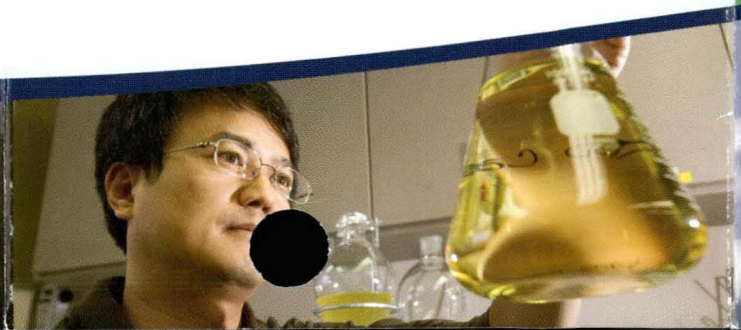
A North Dakota Industrial Commission Program
Governor Jack Dalrymple
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

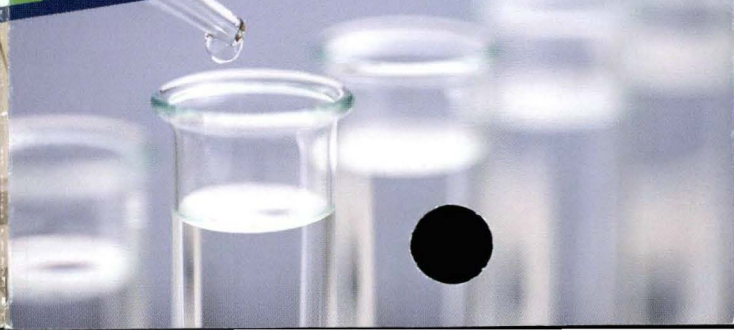
May 2014, 1,000 printed

renewable ENERGY PROGRAM

NORTH DAKOTA INDUSTRIAL COMMISSION

Promoting the Growth of Renewable Energy in North Dakota





ELIGIBLE PROJECTS

Any project proposing education, research, development or marketing of renewable energy resources, materials or products is eligible.

To be considered, projects must:

- Demonstrate a high probability of advancing to a commercially viable stage supported by a road map to commercialization.
- Have significant involvement from a North Dakota private entity.
- Not be duplicative of other research or demonstration projects or technology.

An entity may apply for grants for different phases of a project, provided appropriate benchmarks are in place and earlier phases have been deemed successful by the Renewable Energy Council and Industrial Commission.

Examples of eligible projects include:

- Generate information and knowledge to develop new renewable energy company investment.
- Preserve and create renewable energy jobs, wealth and tax revenues.
- Create economic stability, growth and jobs creation related to the production and utilization of biomass resources.
- Educate the general public about the benefits and opportunities provided by renewable energy, materials and products.
- Promote efficient, economic and environmentally sound development and use of renewable energy resources, materials and products.
- Identify and develop renewable energy technologies presently not used in North Dakota.
- Promote research of renewable energy coproducts for livestock feed, human food products and industrial use technologies.
- Establish an incentive program to assist the agricultural community in demonstrating the commercial feasibility of production, harvest, storage and delivery of a biomass feedstock. Maximize the market potential for renewable energy resources, materials and products and the associated byproducts.
- Develop baseline information that will lead to other projects, processes, ideas and activities.

For details,
www.nd.g[redacted]dic/renew-infopage.htm

APPLICATION DEADLINES

There are three grant rounds per year. The application deadlines are January 1, May 1 and September 1. Additional grant round deadline dates may be established by the North Dakota Industrial Commission.

AWARD CEILING

Awards are limited to $500,000 and require a 50 percent match. In-kind services may not exceed 50 percent of the total Industrial Commission funding amount.

North Dakota®

HB1014 January 15, 2015 attachment M

Proposed Amendment for HB 1014, offered by the Lignite Energy Council before the House Appropriations Committee – Government Operations Division January 15, 2015

Insert after Section 20 of HB 1014:

SECTION 21. AMENDMENT. Section 54-17.5-02 of the North Dakota Century Code is amended and reenacted as follows:

> **54-17.5-02. Lignite Research Council – Compensation – Appointment of members**. The industrial commission shall consult with the lignite research council established by executive order in matters of policy affecting the administration of the lignite research fund. Section 44-03-04 shall not apply to members of the council appointed by the governor.

SECTION 22. APPROPRIATION. Notwithstanding any other provision of law, there is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $10,000,000 to the lignite research fund for the purposes of commercializing the capture, utilization, and storage of carbon dioxide, and next generation electric generation technology.

HB1014 January 15, 2015 Attachment N

EERC
Energy & Environmental Research Center

UNIVERSITY OF NORTH DAKOTA
15 North 23rd Street — Stop 9018 / Grand Forks, ND 58202-9018 / Phone: (701) 777-5000 Fax: 777-5181
Web Site: www.undeerc.org

January 15, 2015

To Members of the North Dakota 64th Legislative Assembly:

I would like to submit this letter in support of funding that would help encourage the development of solutions to achieve a commercialized process to capture and utilize carbon dioxide that mutually benefits the State of North Dakota and our region's energy industry. The Energy & Environmental Research Center (EERC) has been actively involved in numerous programs to help achieve this goal, including the Plains CO_2 Reduction (PCOR) Partnership, Bakken Enhanced Oil Recovery project, and the Bakken Production Optimization Program. Our research to date has identified tremendous opportunity for both technological advances in power generation and carbon capture as well as utilization and storage to enhance oil production and energy security.

Additional funding for the development of this technology would also help achieve the goals of the Energy Polygenerational Industrial Complex (EPIC) concept, as well as fulfill the recommendations of the North Dakota EmPower Commission. The energy industry is under immense social and regulatory pressure with respect to carbon dioxide emissions. The sooner we begin to demonstrate that we can feasibly implement technological solutions to reduce carbon dioxide, the sooner we can guarantee the viability and longevity of the state's energy industry. This is a win-win for the State of North Dakota and for our national prosperity.

The EERC appreciates your continued support of this effort.

Please feel free to contact me by phone at (701) 777-5157 or by e-mail at jharju@undeerc.org if you would like to discuss this further.

Sincerely,

John A. Harju
Associate Director for Research

JAH/rss

HB1014 January 22, 2015 Attachment A

North Dakota
Grain Growers Association

Your voice for wheat and barley. www.ndgga.com

North Dakota Grain Growers Association
Testimony on HB 1014
House Appropriations
Governmental Operations Division
January 22, 2015

Chairman Thoreson, members of the House Appropriations Governmental Operations Division, for the record my name is Dan Wogsland, Executive Director for the North Dakota Grain Growers Association. NDGGA is here today to support Sections 14 and 15 of HB 1014.

Chairman Thoreson, members of the Committee, you are all very aware of the rail issues that North Dakota has suffered through both past and present. While the problems are many the solutions are few. North Dakota is an export state; that said it is essential that we have a transportation system that can meet the capacity demands of today's agriculture. While many rail issues are national in scope, the state of North Dakota can step to the plate by providing much needed dollars to improve the infrastructure of the state's short line railroads and rail shippers.

It is well documented that the Class 1 railroads in the state have made and are making massive investments in rail infrastructure; it has been reported that BNSF alone has spent $4.5 billion in its rail system to meet shipper needs and plans a record $5 billion in rail infrastructure improvements in 2015. This is very laudable and is welcome by the agricultural community as a positive step in the right direction. That said short line railroads located in North Dakota have nowhere near the ability to raise the capital necessary to make such investments in needed improvements. HB 1014 is the right step in providing the needed state aid to improve our shipping needs.

Chairman Thoreson, members of the House Appropriations Governmental Operations Division, the sections of HB 1014 before you aren't expenditures, they are investments in North Dakota infrastructure that will pay dividends for years to come. Added rail capacity in the state will serve to ease the needs of our roads; further it will allow for the timely delivery of North Dakota commodities whether that is wheat, barley, coal or oil.

As an export state we depend on our transportation system for the continued success of the North Dakota economy. Therefore the North Dakota Grain Growers Association appears today in support of HB 1014 and urges the Committee to give the measure a Do Pass recommendation.

HB1014 January 22, 2015 Attachment B

Section 184 State Lending Authority

Section 184 Lender [redacted]icipation list June 2014			
[redacted]		The section 184 loan is available in all counties for the following states: AK, AZ, CA, CO, FL, HI, ID, IN, KS, MA, ME, MI, MN, MT, NC, ND, NM, NV, OK, OR, SC, SD, UT, WA, WI	
		The section 184 loan is available in SELECT counties for the following states: AL, CT, IA, IL, LA, MO, MS, NE, NY, RI, TX, WY	
		The section 184 loan is NOT available in the following states: AR, DE, DC, GA, KY, MD, NH, NJ, OH, PA, TN, VT, VA, WV	
Section 184 Approved Lenders	Phone Number	Website	
			The lender will offer loans in the listed states
1st Tribal Lending / Mid American Mortgage	866-235-4033	www.ltribal.com	all states
Academy Mortgage Corporation	800-660-8664	www.academymortgage.com	AK,AZ, MI
Advantage Mortgage LLC	907-257-0145	www.advantagemtg.com	AK
[redacted]ecula Home Loans	951-225-6900	www.acctemeculahomeloans.com	AZ, CA, NM
[redacted]acific Bank	907-790-5196	www.alaskapacificbank.com	AK
[redacted]SA FCU	800 525-9094	www.alaskausa.org	AK, WA
American Bank of Oklahoma	918-686-7300	www.americanbankok.com	Ok
American Financial Network, Inc.	909-606-3905	www.afncorp.com	CA, ID, NV, UT, WI
American Mortgage & Equity Consultants, INC	952-715-3839	www.amecinc.org	all states
American Mortgage Group Inc.	916-960-1325	http://amgbanking.com/	OR
American Mortgage Services	877-602-7380	www.ams-ok.com	AR, KS, OK
American Pacific Mortgage Corp	916-960-1325	www.aprmg.com	AK, AZ, CA, NV, OR
American Southwest Mortgage Corp	888-593-1003	www.amswmtg.com	all states
Americas Lender LLC	918-682-9037	www.americaslenderonline.com	TX, OK
AmeriPro Funding, Inc.	512-335-5300	www.ameriprofunding.com	all states
Armstrong Bank	866-773-6678	www.armstrongbank.com	OK
Aspire Financial, Inc.	972-387-4600	texaslending.com	all states
Arvest Mortgage Company	918-631-1500	www.arvest.com	AR,OK
Associated Mortgage Corp	918-491-9900	www.amcmtg.com	OK
AVB Bank	918-251-9611	www.bankavb.com	OK
Banc First	877-602-2262	www.bancfirst.com	OK
Bangor Savings Bank	877-266-4671	www.bangor.com	ME
Bank 2	405-949-7000	www.bank2online.com	all states
Bank of Commerce	918-266-2567	www.bankboc.com	all states
Bank of Oklahoma (BOKF NA)	800-234-6181	www.bankofoklahoma.com	all states
Bay Bank	920-490-7600	www.baybankgb.com	IA, IL, MI, MN, WI
Cascade Residential Mortgage	503 892-0011	www.cascaderm.com	CA, OR, WA
Catalyst Lending	303-843-4540	www.catalystlending.net	all states
[redacted] Mortgage LLC	515-440-0554	www.capitalmortgageiowa.com	all states
[redacted]nial Home Mortgage, LLC	405-615-0146	www.centennialmtg.com	OK

Chippewa Valley Bank	715-266-3501	ww.chippewavalleybank.com	MI, MN, ND, WI,IL

Citizens Bank of NM	800-325-9961	www.cbnm.com	NM
Citizens Community Credit Union	701-665-1303	www.citizens-cu.Org	ND, SD
[redacted]ecurity Bank and Trust	888-272-8866	www.citizenssecurity.com	OK
[redacted]gage	360-683-4848	www.cliftmtg.com	WA
[redacted]ortgage	877-220-4663	www.cobaltmortgage.com	all states
Community Bank of Poison	460-883-0600	www.communitybanksmontana.com	MT
Cornerstone Home Lending	702-492-5077	www.houseloan.com	ALL
CoVantage Credit Union	715-478-5100	www.covantagecu.org	WI
CWM Partners LP	405-794-4412	www.cwmpartners.com	OK
Dakota Community Bank NA	800-255-8315	www.dakotacommunitybank.com	ND
Denali Alaskan Federal CU	866-450-3262	denalialaskanhomeloans.com	AK
Directors Mortgage, Inc.	503.636.6000	directorsmortgage.net	all states
Eagle Bank	301-986-1800	www.eaglebankcorp.com	MT
Edgewater Financial Group, Inc.	866-690-0782	edgewaterlinks.com	CA, OR, WA
Equity Mortgage Group LLC	918-935-3200	www.mortgagelendersearch.net	OK
Expert Mortgage Solutions	888-887-7771	www.expertmortgagesolutions.net	CA, OR, WA
Fairway Independent Mortgage	608-837-4800	www.fairwayindependentmc.com	all
Financial Concepts Mortgage LLC	405-722-5626	www.fcmortgageloans.com	OK
First American Mortgage Inc.	405-354-0426	http://faminc.biz/	OK
First Capital Mortgage LLC	918-274-1519	www.1stcapitalok.com	OK
First Choice Loan Services Inc.	888-639-2517	www.184loans.com	all states
First Commercial Bank	405-844-0110	https://www.firstcommercialbk.com	OK
First Community Bank	505-246-8100	www.fcbnm.com	NM
First Mortgage Company LLC	405-302-0009	www.firstmortgageco.com	CO, OK
First National Bank & Trust Co (Of Shawnee)	405-275-8830	www.fnbokla.com	OK
First National Bank Alaska	907-777-4362	www.fnbalaska.com	AK
FSN BK Sallisaw	918-427-1798	www.firstnational.com	OK
[redacted]rity Financial Inc.	707-432-1000	http://firstpriorityfinancial.com	CA
[redacted] Bank of Elmore	580-788-2213	fsbec.com	all states
[redacted] Bank of Yukon	405-354-2265	www.thelocalbanker.com	all states
[redacted]ed Bank and Trust Co	800-924-4427	www.firstunitedbank.com	all states
Founders Group of Nevada	405-471-6660	www.foundersmortgageinc.com	OK
Four Directions Development Corporation	207-561-9970	www.fourdirectionsmaine.org	ME
Frontier State Bank	405-463-0097	www.frontier-ok.com	OK
Gateway Mortgage Group	405-720-7064	www.gatewayokc.com	all states
Georgetown Mortgage LLC	512-930-7888	www.gtnmtg.com	all states
Goldmark Financial Corp	425-776-1166	www.goldmarkfinancial.com	WA
Good Deeds Mortgage Company, Inc.	503-768-4248	rosecitymortgage.com	CA, OR, WA
Great Plains National Bank (GPN)	405-720-7064	www.gpnbank.com	all states
Guaranteed Rate Inc.	773-290-0356	www.guaranteedrate.com	AZ, IL
Guild Mortgage Company	405-830-5326	www.guildmortgage.com	ND, OR, SD, WA
Home Buyers Mortgage Company	505-986-9080	www.homebuyersmtg.com	NM
Home Mortgage Resource Inc.	918-458-0784	www.hmrok.com	OK
Homestate Mortgage Company LLC	907-762-5890	www.homestatemtg.com	AK
Homestead Mortgage Services Inc.	918-456-5599	www.mortgagelendersearch.net	OK
Hunt Mortgage Services	405-361-5172	www.loan-mortgagebroker.com	OK
Indian Head Credit Union	715-635-8273	www.indianheadcu.org	WI
!serve Residential Lending LLC	480-614-6700	www.iservelending.com	AZ, CA, CO, NV, NM
Jackson County Bank	715-284-5341	www.jacksoncountybank.com	WI
Kodiak Island Housing Authority	907-486-8111	www.kodiakislandhousing.com	AK
Leader Mortgage Corp	918-682-4888	http://leadermuskogee.com	OK
Leader One Financial Corp	800-270-3416	www.leaderl.com	KS, OK
[redacted] Mortgage LLC	505-296-4747	www.legacymortgagenm.com	NM
[redacted]se Financial Enterprises, Inc.	503-485-9500	greatestlender.com	OR

Loan Depot	888-337-6888	www.loandepot.com	all states
Lumber Guaranty Bank	910-521-9707	www.lumbeeguarantybank.com	NC
[redacted]nk (servicing only)	n/a	n/a	n/a
[redacted] County National Bank	888-447-7280	www.mcclainbank.com	OK
[redacted]a Chippewa Tribe Finance Corp	218-335-8581	www.mctfc.org	MN
M[redacted]ge Broker Network Group LLC (MBNG)	918-449-9838	www.mbng.com	OK
Mountain West Bank	800-641-5401	www.mountainwestbank.com	ID
Native American Bank	866-522-0438	http://www.nabna.com/	ALL
Neighborhood Mortgage	360-671-8044		WA
New American Mortgage LLC	704-926-6330	www.movementmortgage.com	NC
New Executive Mortgage	989-671-3500	www.execmortgageofmi.com	MI
New Penn Financial, LLC	888-673-5521	newpennfinancial.com	all
No Cal Realty, Inc.	530-877-9208	www.norcalrealty.us	CA
Open Mortgage LLC	512-492-3300	www.openmortgage.com	All
Oswego Mortgage Corporation	503-697-7214	www.oswegomortgage.com	all states
Patriot Lending Group	208-233-4084	patriotlending.org	all states
Patriot Mortgage Corporation	541-767-0520	www.patriotmortgageteam.com	CA, OR, WA
Peoples Bank & Trust Co	580-757-2409	www.peoplesbankusa.com	OK
Pinnacle Bank	641-752-2393	www.bankpinnacle.us	all states
Pinnacle Capital Mortgage Corporation	916-865-2000	www.pcmloan.com	WA
Premier Home Loans	541-492-1150	www.phhlloans.com	OR
Premier Mortgage LLC	907-865-9400	www.premiermortgagealaska.com	Ak
Premier Mortgage Resources LLC	971-888-4513	www. pmrmtg.com	OR WA
Price Mortgage Group, Inc.	405-513-7700		ok
Pro Mortgage Associates Inc.	800-328-9918	www.profmortgage.com	OK
Prosperity Bank	918-748-7177	http://hIc.prosperitybankusa.com/	OK TX
Real Estate Financial Services	800-732-5414	www.rwloan.com	CA
R[redacted]nk	855-226-5722	www.rcbbank.com	KS, OK
[redacted]k Mortgage & Lending LLC	405-488-5626	www.redrocklend.com	OK
[redacted]nancial Group Inc.	800-254-4103	www.regentfinancial.com	AR, IA, KS, NE, OK
R[redacted]B&T (RBT)	800-994-2055	www.bankrbt.mobi	OK
Resident Lending Group Inc.	503-589-1999	www.residentlendinggroup.com	OR, WA
Residential Mortgage LLC (RM)	907-222-8800	www.residentialmtg.com	AK, WA
Resource Mortgage of Norman	405-290-1404	www.mortgagelendersearch.net	OK
Sky Valley Financial Inc.	800-557-9944	www.sky-valley.com	CA
Southwest Funding LP	877-878-8989	www.southwestfunding.com	OK
Spirit Bank NA	800-352-1171	www.spiritbank.com	OK
Spirit of Alaska Federal Credit Union	800-478-1949	www.spiritofak.com	AK
Spurr Mortgage Corp	405-348-9919	www.spurrmortgage.com	OK
Stillwater Mortgage	307-237-7002	www.stillwatermortgage.net	OK, WY
Stockman Bank of Montana	888-669-0724	www.stockmanbank.com	MT
Suburban Mortgage Co of NM	800-658-9371	www.smcnm.com	NM
Suburban Mortgage Inc.	602-942-7777	www.submort.com	AZ, NM
Summit Funding Inc.	951-634-3532	www.summitfunding.net	CA,ID
Sun West Mortgage Corp	800-453-7884	www.swmc.com	all states
Turtle Mountain State bank	701-477-5995	www.tmstatebank.com	all states
Tlingit-Haida Regional Housing Authority	888-241-6868	www.thrha.org	AK
Today Lending LLC	877-863-2901	www.todaylending.com	FL, KS, OK, OR,
Towne Mortgage Co.	888-778-9700	www.townemortgage.com	all states
True North FCU	907-523-4710	www.truenorthfcu.org	all states
True Trust Mortgage	800-375-6146	www.trustlending.net	OK
United Community Mortgage Corp	800-423-7026	www.unitedbank.com	OK
United Funding Fidelity Corp.	866-760-0600	www.uffwholesale.com	AR, MO, OK
[redacted]al Lending Corp	800-758-4063	www.ulc.com	OK, NM, CO, WY

US Agenies Credit Union	503-275-0329	www.usacu.org	all states
Valliance bank	405-286-5700	vbank.com	all sates
[redacted] Mortgage Inc.	800-373-5654	www.valleymortgageinc.com	ND
[redacted] Bank	800-232-8948	www.vectrabank.com	CA, CO, NV, NM
[redacted] ortgage, INC	480-966-0919	www.vipmtginc.com	all states
[redacted] Bank	580-332-5131	www.visionbankok.com	all states
Vision Mortgage Services Corp	920-884-1300	www.vision-gb.com	WI
wi Bradley Mortgage Capital Corp Inc.	888-884-1300	www.wjbradley.com	all states
W R Starkey Mortgage LLP	866-952-4968	www.wrstarkey.com	Ok, CO
Ward Lending Group LLC	306-709-9000	www.wardlendinggroup.com	WA
Wells Fargo Bank NA	Visit site	www.wellsfargo.com/nativeamericanlending	all states
WestStar / Everett Funding, Inc.	800-281-6446	www.westloan.com	all states
Woodlands National Bank	877-382-4357	www.woodlandsnationalbank.com	MN, WS
Yurok Alliance for Northern California Housing	707-954-6225	www.yurokhousing.com	CA
Zions First National Bank	801-316-1700	https://zionsbank.mortgagewebcenter.com	ID, UT
1st Tribal Lending / Mid American Mortgage	866-235-4033	www.ltribal.com	all states

[redacted]

[redacted]

HB1014 January 22, 2015 Attachment A

Wilson M. Laird Core and Sample Library

Built in 1980

Full to capacity in 2017 (est.)

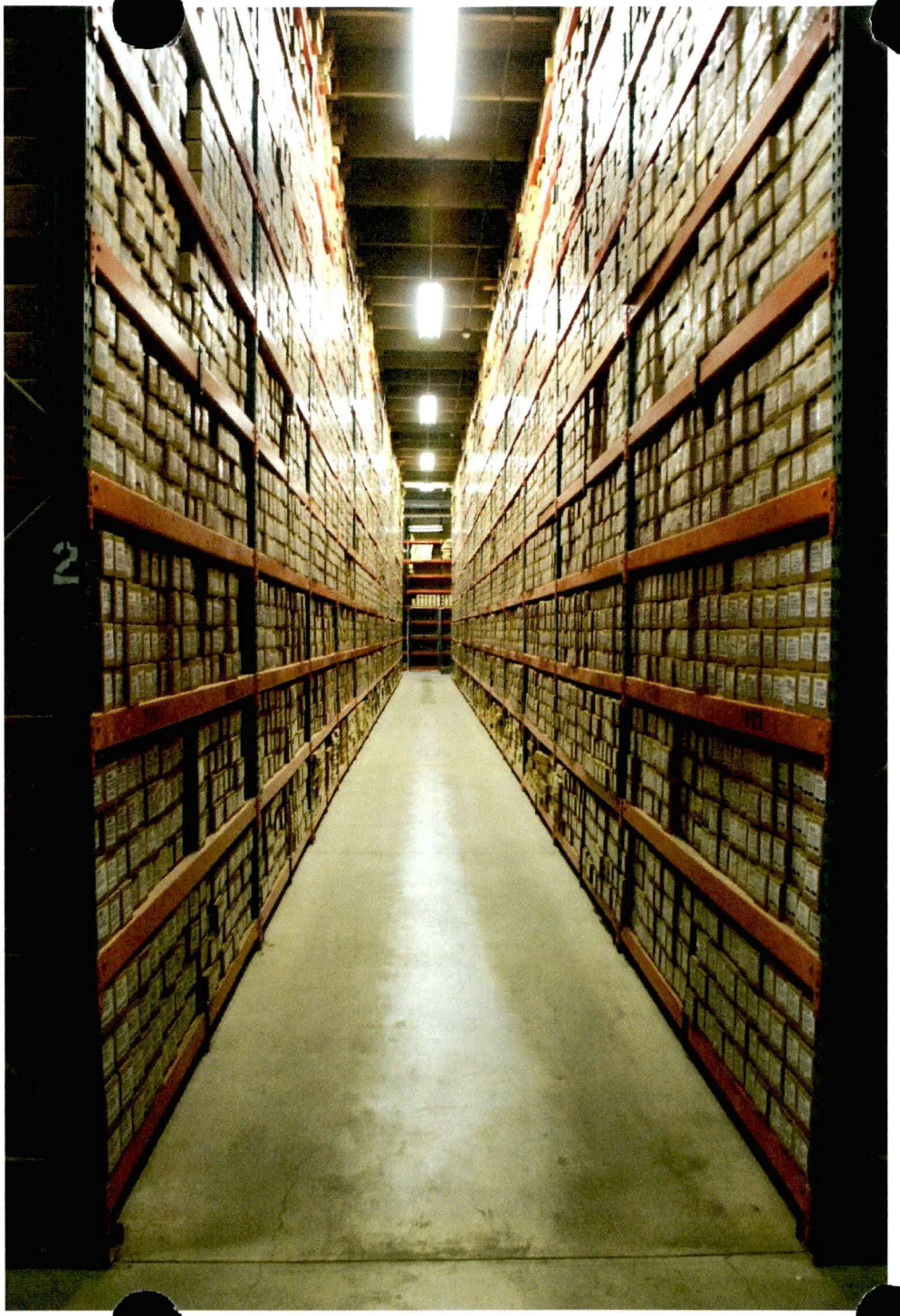
CORE BOXES

whole core

slabbed core

Standard Core Box **Two-Inch Box** **One-Inch Box**

SAMPLE BOXES



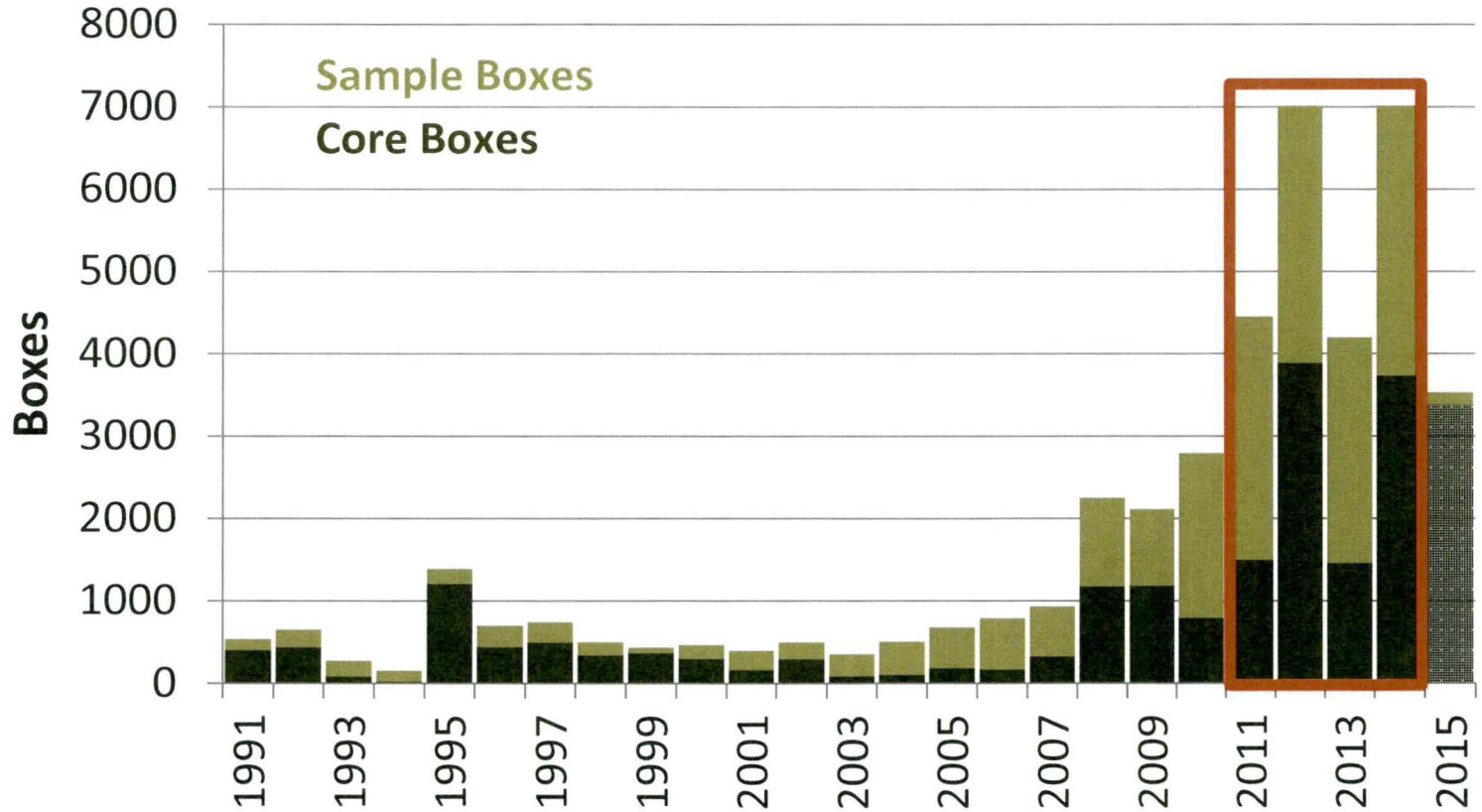
> 75 miles of core
400,000 feet of core

132,000 core boxes
40,000 sample boxes

Each aisle contains about 260 tons of rock.

CORE AND SAMPLE LIBRARY

Boxes Received

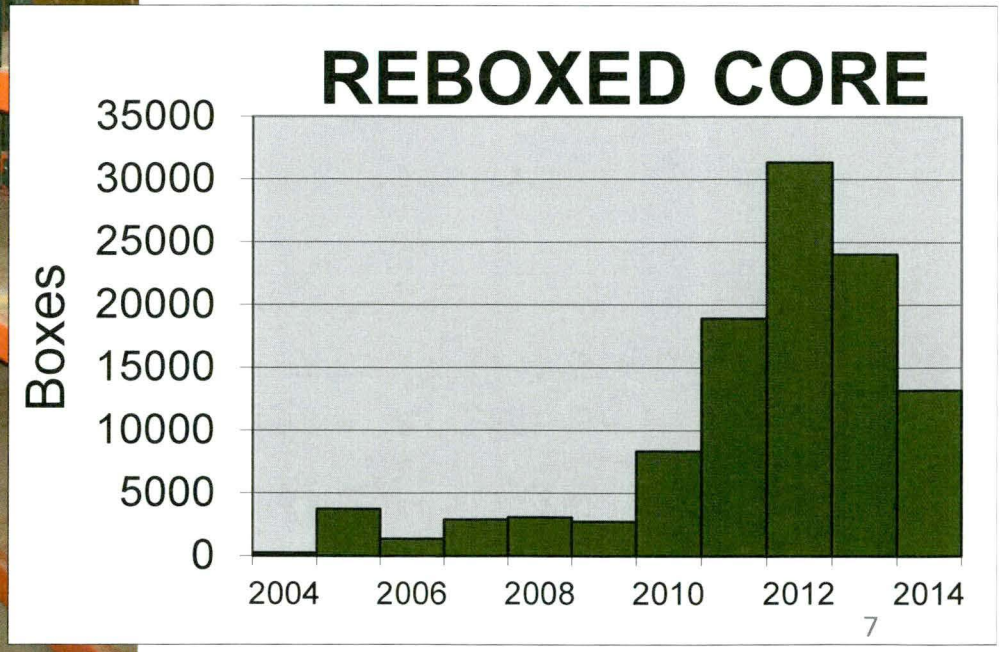


7496-01
90202
d1Bx2
7503-04
d1Bx4
90204
7511-13
d1Bx7
7506-09
d1Bx5
90205
7509-11
d1Bx6
7551-54
d1Bx23
7593-45
d1-Bx20
7595-97
d1Bx21

#25
Amerada Pet. Corp
C. Iverson #1
SWSW 6-155-95
#44
Amerada Petro. Corp.
N. Odegaard #1
NENE 33-156-95

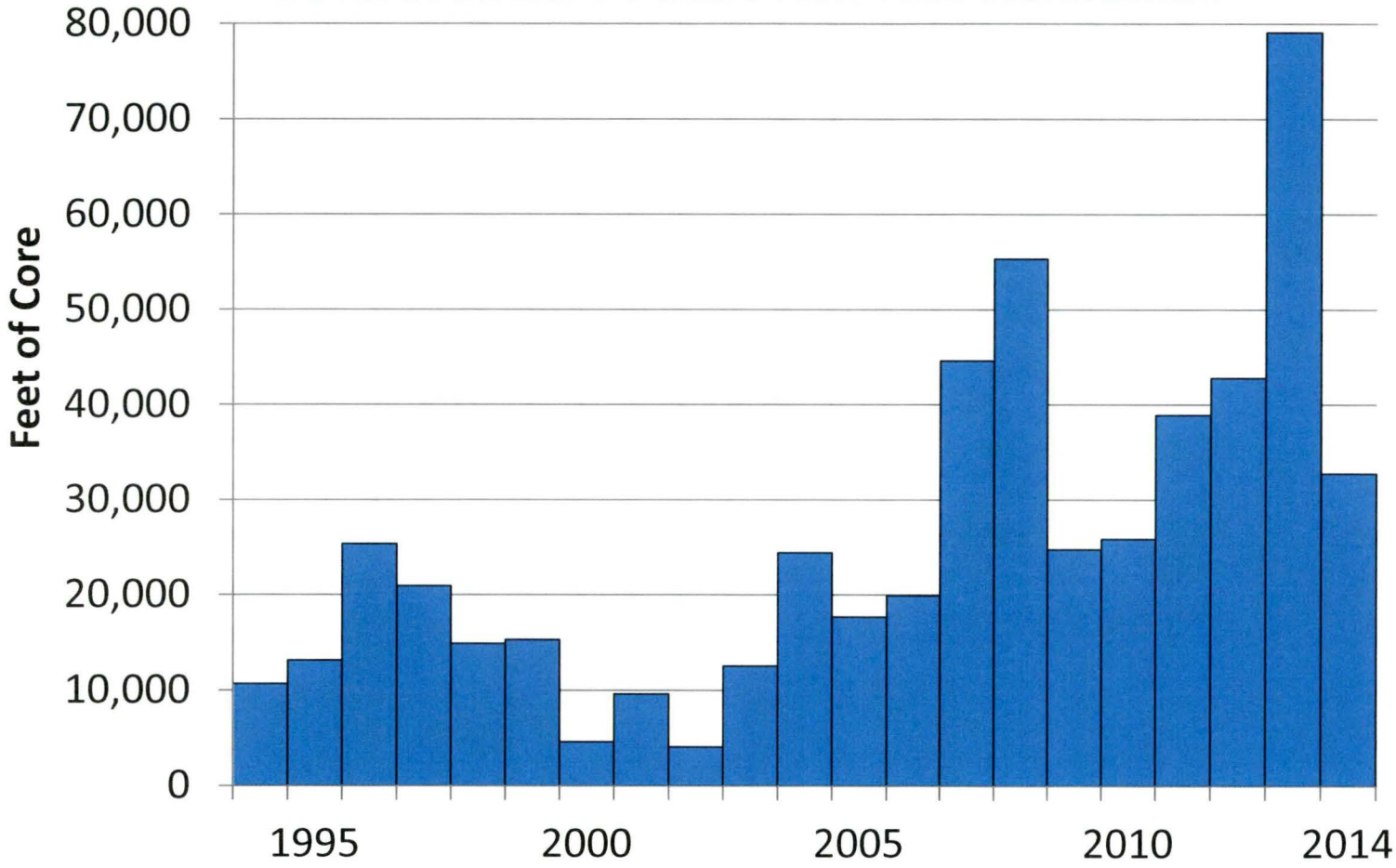
132,000 core boxes
Reboxed 110,000 core boxes

40,000 sample boxes
Reboxed 20,000 sample boxes

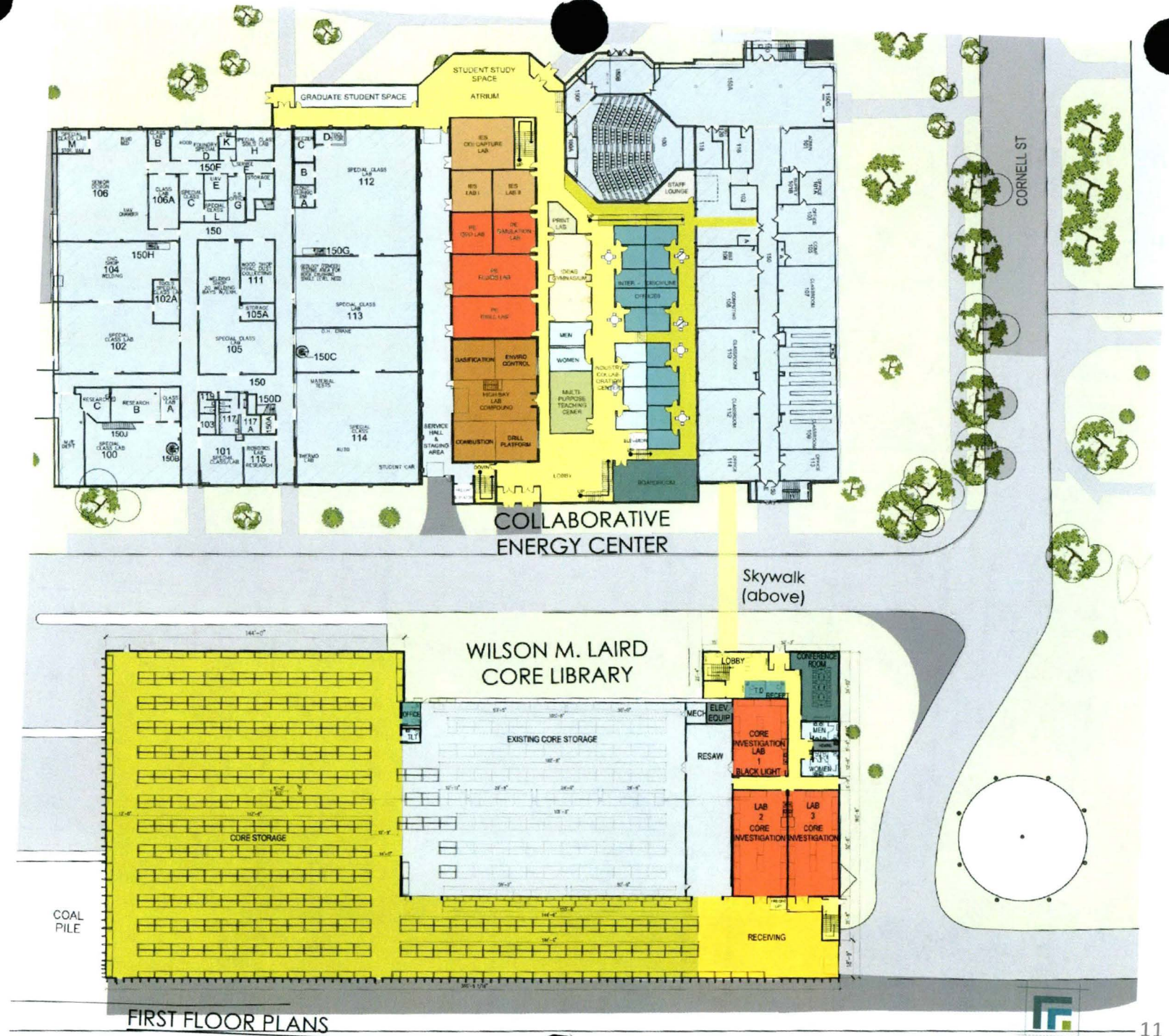


CORE LIBRARY

CORE STUDIED BY INDUSTRY AND ACADEMIA

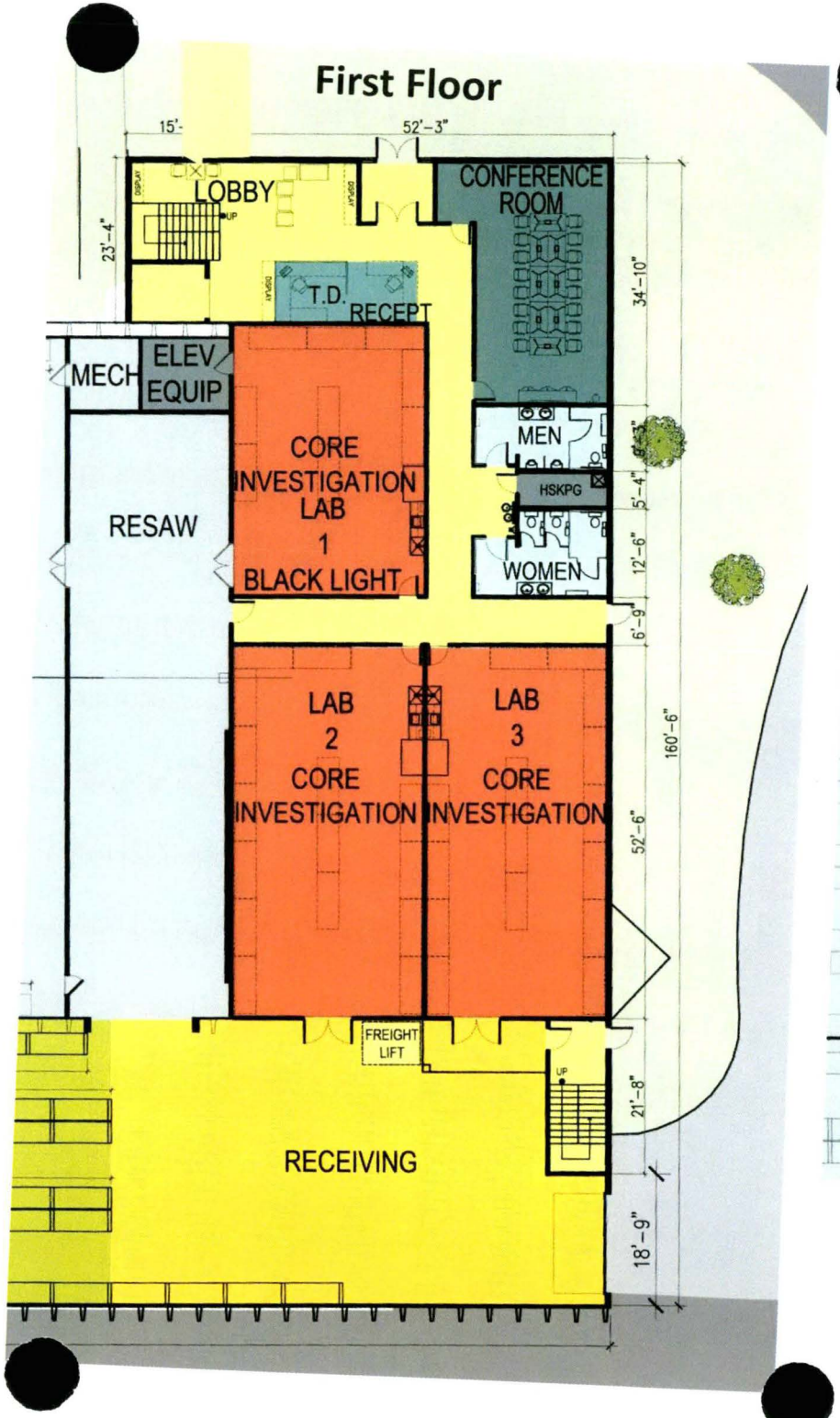


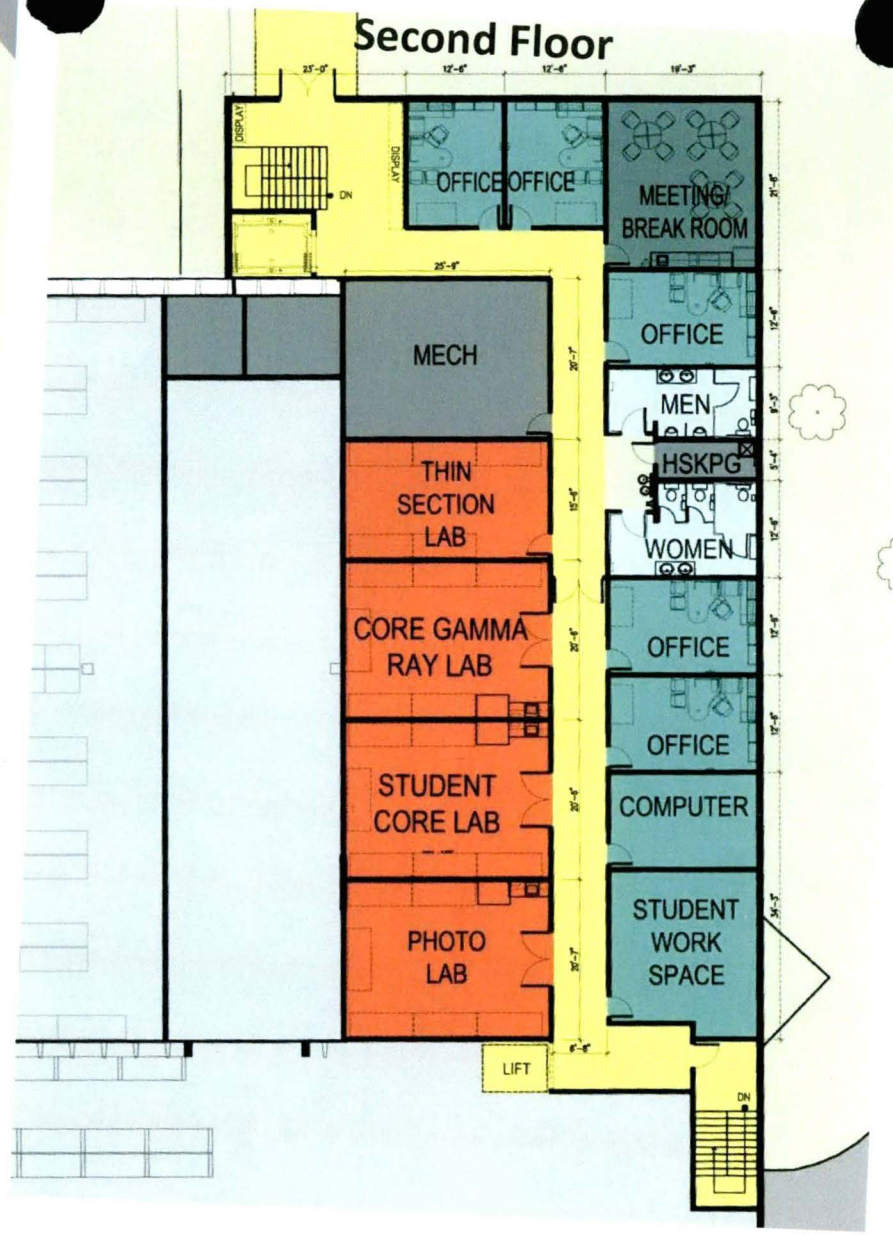
EAPC computer generated drawing of core library expansion.



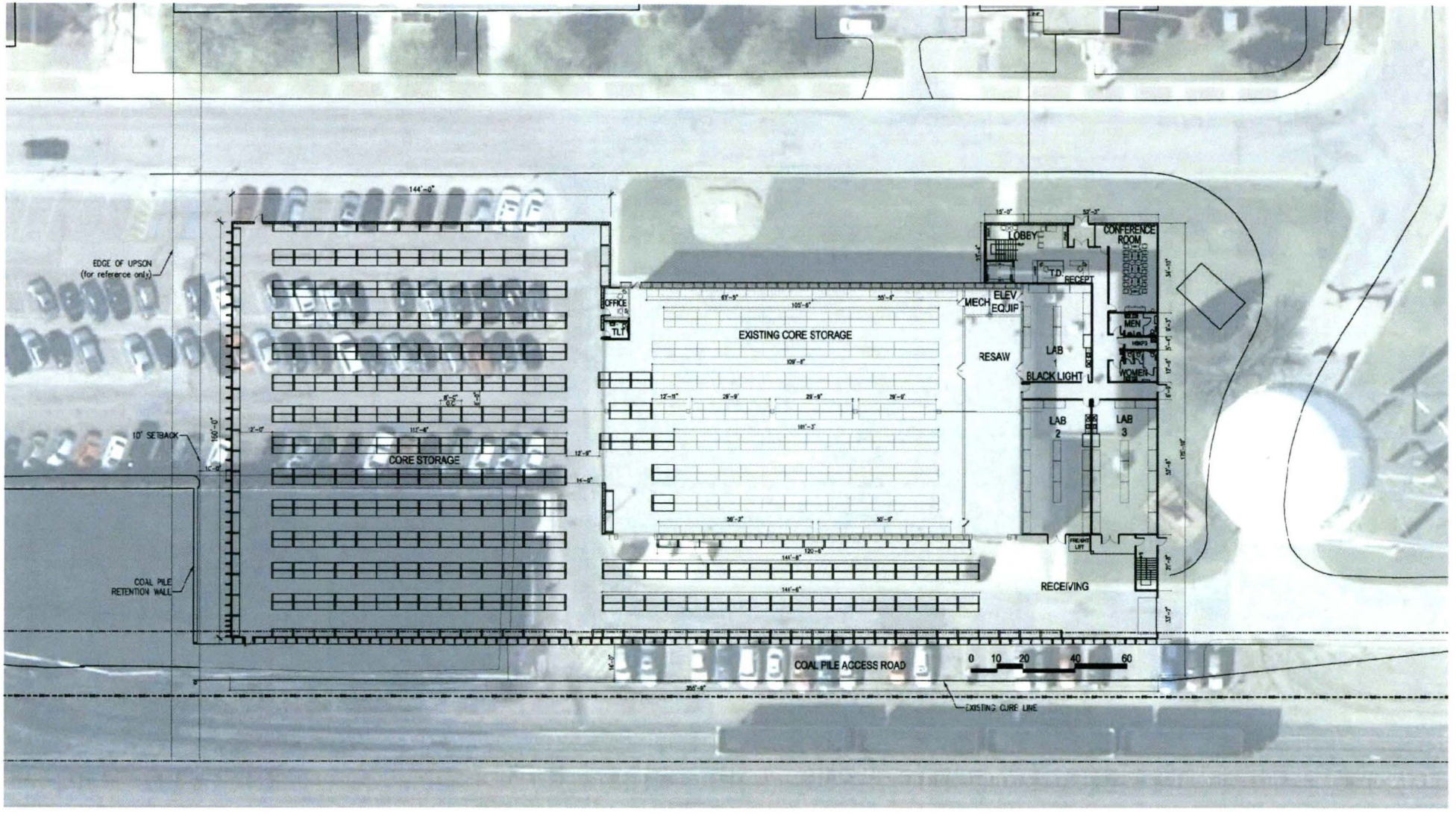
FIRST FLOOR PLANS

EAPC
ARCHITECTS ENGINEERS





CORE LIBRARY



Core Library Expansion

3800 Demers Avenue, Grand Forks ND 58201 | TELE 701.775.5000 | FAX 701.775.5181

Wilson M. Laird Core Library Expansion NDGS
Cost Estimate

Estimate Contingency (%) = 15.0% **EAPC Project No.** 20132560

BASIC CONSTRUCTION COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Lab and Office Areas - Basic MEP + Fire Suppression incl.	13,500	100	$ 200.00	$ 2,700,000.00
Core Storage Areas Addition - Basic MEP + Fire Suppression incl.	32,400	SF	$ 140.00	$ 4,536,000.00
			Subtotal	$ 7,236,000.00
			Estimate Contingency	$ 1,085,400.00
			Basic Constructon Subtotal	$ 8,321,400.00

SITE IMPROVEMENTS NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Demolish Existing Office- MEP incl.	1	LS	$ 75,000.00	$ 75,000.00
Site Work Demo & Improvements	1	LS	$ 35,000.00	$ 35,000.00
Curb Remove & Replace	1104	LF	$ 38.00	$ 41,952.00
Roadway Pavement	1200	SF	$ 12.75	$ 15,300.00
Parking Lot Remove & Repair	16000	SF	$ 5.50	$ 88,000.00
Soil Remove & Replace @ Addition	5000	CY	$ 32.00	$ 160,000.00
Coal Wall Move, Include Ftgs	1	LS	$ 125,000.00	$ 125,000.00
Oil Pump Model Remove and Relocate	1	LS	$ 40,000.00	$ 40,000.00
Sky Walk Complete Structure, incl. MEP, interiors, Exterior envelope	1	LS	$ 425,000.00	$ 425,000.00
			Subtotal	$ 1,005,252.00
			Estimate Contingency	$ 150,787.80
			Site Improvements Subtotal	$ 1,156,039.80

SITE UTILITY COSTS NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Steam Line Vault & Steam Line rerouting	1	LS	$ 10,000.00	$ 10,000.00
Steam Line Modifications	1	LS	$ 125,000.00	$ 125,000.00
New Fire Suppression water service	1	LS	$ 20,000.00	$ 20,000.00
			Subtotal	$ 155,000.00
			Estimate Contingency	$ 23,250.00
			Site Utility Subtotal	$ 178,250.00

Wilson M. Laird Core Library Expansion NDGS

Cost Estimate

SPECIALTIES NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Core Freight & Passenger Elevator	1	EA	$ 160,000.00	$ 160,000.00
Labs: Fume Hoods (Equipment)	6	Ea.	$ 9,000.00	$ 54,000.00
Labs: Fume Hoods (Exhaust)	6	Ea.	$ 6,000.00	$ 36,000.00
Laboratory Dust Collection + Arms	1	Ea.	$ 124,000.00	$ 124,000.00
New Bathroom in Existing	1	Ea.	$ 20,000.00	$ 20,000.00
Upgrade HVAC in Existing Core Storage	15360	SF	$ 12.00	$ 184,320.00
Upgrade Lighting and Basic 120V in Existing	15360	SF	$ 10.00	$ 153,600.00
ADD Fire Suppression into Existing Core Storage	15360	SF	$ 3.00	$ 46,080.00
Façade Improvements	7880	SF	$ 30.00	$ 236,400.00
Remove West Shear Wall, Reinforce	1	LS	$ 175,000.00	$ 175,000.00
UND- Parking Replacement	74	Ea.	$ 25,000.00	$ 1,850,000.00
			Subtotal	$ 3,039,400.00
			Estimate Contingency	$ 455,910.00
			Specialties Subtotal	$ 3,495,310.00

FURNITURE, FIXTURES, & EQUIPMENT

System/Component	Quantity	Unit	cost/unit	System cost
Core Storage Shelving	3562	LF	$ 186.00	$ 662,532.00
Lab Tables	62	Ea.	$ 1,200.00	$ 74,400.00
Systems Furniture Offices	1	LS	$ 44,300.00	$ 44,300.00
Conference & Meeting Room Furniture	1	LS	$ 18,365.00	$ 18,365.00
Other FFE @ 3.5% of BLDG	1	LS	$ 253,300.00	$ 253,300.00
			Subtotal	$ 1,052,897.00
			Estimate Contingency	$ 157,934.55
			Specialties Subtotal	$ 1,210,831.55

Project Construction Subtotal	$	14,361,831.35
Contract Bond(5%)	$	718,091.57
A/E Fees @ 6.5%	$	933,519.04
Project Total	**$**	**16,013,441.96**

1
..\Research and Development\Lignite Research Council\LRC Members - LRC and LRC Exec Comm\Primaries & Alternates.doc

HB1014 January 29, 2015 Attachment A

As of: 11/13/2014

Lignite Research Council (LRC) Primaries and Alternates

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bcbogar@jadestoneconsulting.com

Note: LRC Executive Committee members' term runs from Jan. 1, 2013 through Dec. 31, 2014

EXECUTIVE ORDER 2013-02:

30 members of Lignite Research Council appointed by the Governor; open-ended terms:
3 lignite mining representatives
7 lignite processing representatives
5 lignite research representative
5 representatives of state agencies involved in lignite matters
1 representative of federal agencies involved in lignite matters
1 representative from the labor community
2 representatives from the North Dakota Legislature
2 representatives representing lignite ownership
1 representative from a political subdivision
3 public members: (2 representatives representing Lignite Energy Council (LEC president and LEC past president); 1 public sector member)

HB1014 January 27, 2015 Attachment B

Proposed Amendment for HB 1014, offered by the Lignite Energy Council before the House Appropriations Committee – Government Operations Division January 15, 2015

Insert after Section 20 of HB 1014:

SECTION 21. AMENDMENT. Section 54-17.5-02 of the North Dakota Century Code is amended and reenacted as follows:

> **54-17.5-02. Lignite Research Council – Compensation – Appointment of members**. The industrial commission shall consult with the lignite research council established by executive order in matters of policy affecting the administration of the lignite research fund. Section 44-03-04 shall not apply to members of the council appointed by the governor.

SECTION 22. APPROPRIATION. Notwithstanding any other provision of law, there is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $10,000,000 to the lignite research fund for the purposes of commercializing the capture, utilization, and storage of carbon dioxide, and next generation electric generation technology.

HB1014 January 27, 2015 Attachment C

BNI Coal, LTD Testimony on House Bill 1014
January 27, 2015, 8:30 A.M.
House Appropriations Committee – Government Operations Division
Representative Blair Thoreson, Chairman

Wade Boeshans – President & General Manager of BNI Coal, LTD an ALLETE Company

SUPPORT of HB 1014

Good morning Chairman Thoreson and members of the committee. My name is Wade Boeshans. I am the President and General Manager of BNI Coal which is headquartered in Bismarck, ND. I am a fourth generation North Dakotan and graduate of North Dakota State University in Civil Engineering. I grew up on the land that my great grandfather homesteaded; in what is now the heart of coal country in Mercer County. I have personal experience with the many benefits of lignite mining including the affordable electricity it provides and the economic prosperity it affords our communities. I am here today to ask for your support of House Bill 1014 and specifically the amendment that provides an additional ten million dollar appropriation for development and demonstration of CO2 capture and sequestration technologies.

BNI Coal is a subsidiary of ALLETE an Energy Company Headquartered in Duluth MN. ALLETE subsidiaries, BNI Coal and Minnesota Power, collectively own and operate over one billion dollars of assets in North Dakota. A native ND mining company, BNI Coal started mining in northwestern North Dakota in 1930 and has been mining coal for the Milton R Young Station since 1970 at its Center Mine location. BNI Coal supplies 4 to 4.5 million tons of lignite coal annually to the Young Station and employs 170 people with an annual local spend of $60 million.

The EPA's proposed rules to regulate carbon dioxide, also known as the EPA's Clean Power Plan, threatens to shutdown North Dakotas Lignite Industry. To survive in this carbon-constrained future and secure the future of the lignite industry long-term, the lignite industry will need new, advanced generation technologies that include carbon dioxide capture and sequestration. To this end, research, development, and demonstration of next generation technologies that include the capture of carbon dioxide emissions from lignite based facilities as well as research, development, and demonstration of carbon dioxide sequestration for enhanced oil recovery in the Bakken are essential.

BNI Coal and the ALLETE companies have made significant research and development investments in carbon capture and sequestration technologies. We have invested over one million dollars in coal-based research over the last six years. We have frequently partnered with other lignite industry companies and the state of North Dakota through the Lignite Research Council on research projects. One such example of our R&D partnerships this past year is our research partnership with Dakota Gasification Company on a next generation coal technology called the Allam Cycle. This research also received funding from the State of North Dakota through the Lignite Research Council and leveraged other research completed in the UK. Our Allam Cycle research concluded that the technology is very promising both technically and economically. Essentially this next generation technology could enable near-zero emission coal utilization including carbon dioxide emissions while providing lower electric costs than all other commercially available technologies. Simply stated, this is a very promising game-changing technology that should be advanced through additional research and demonstration.

However, moving a game changing technology like the Allam Cycle from the lab to commercialization is a time consuming and costly endeavor. (See attached Exhibit 1). Current state research funding mechanisms include Lignite Research funding for lab scale research and Vision 21 funds which support commercialization. What is needed is a source of funding to advance technologies through detailed design and demonstration. The ten million dollar funding request through the Lignite Research Council proposes to meet this need and enable technologies such as the Allam Cycle to advance through the demonstration phase.

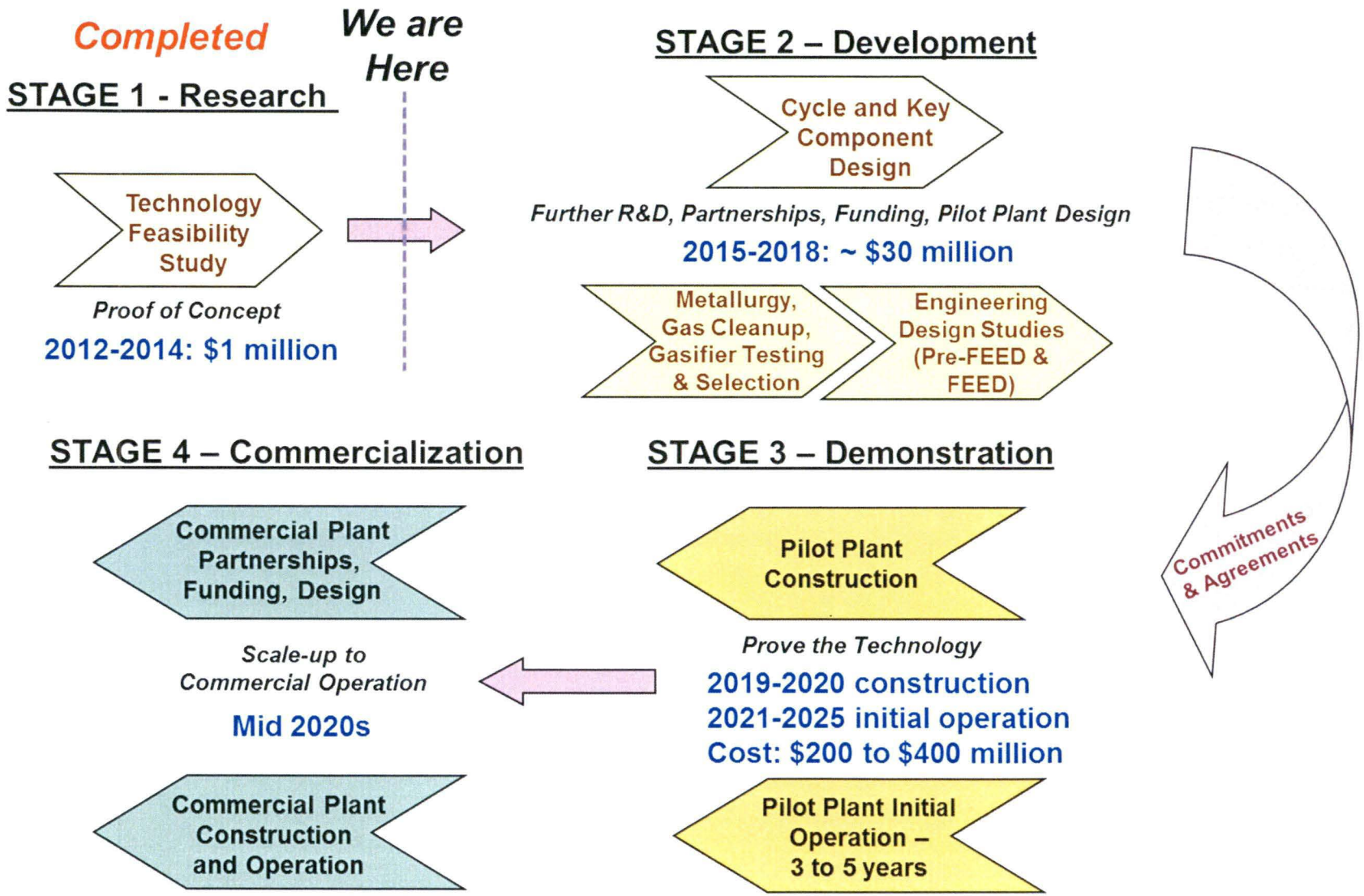
I see a convergence of energy production in North Dakota and a next generation energy solution enabled by technological advancements. In this vision for the future, coal will provide fuel for electric generation, carbon dioxide for enhanced oil recovery (unlocking billions of additional barrels of oil), and heat and electricity for bio-fuels production all in an environmentally sustainable manner that includes a carbon dioxide solution. North Dakota can and should lead the way in advancing the technologies that enable this vision. Within North Dakota, we have the technical expertise within our industries, the research expertise within the EERC and universities, and the natural resources to make this vision a reality and propel our economy for generations.

Chairman Thoreson and members of the committee, I respectfully ask for your support of additional funding for lignite research in House Bill 1014. This concludes my testimony and I would be pleased to respond to any questions.

Thank you.

Exhibit 1

North Dakota Lignite Allam Cycle Development Pathway



HB1014 January 27, 2015 Attachment D

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

Biennium	2006B 2001A	2010B 2002A	2005A	2006A 1998A 2000A	2010A/B	2012A	Totals	Other Source	Energy Conser.	Total Gen. Fund	10% of $.01 Sales Tax*	Available Debt Ser
2015-17	2,110,340	917,956	6,570,669	2,004,003	460,544	3,084,650	15,148,162	1,102,614	507,367	13,538,181	73,565,700	60,027,519
2017-19	2,126,363	917,144	6,575,206	1,377,800	504,531	1,809,463	13,310,507	1,146,911	507,785	11,655,811	76,508,328	64,852,517
2019-21	1,865,172	928,088	6,574,469	0	490,888	1,797,750	11,656,367	1,140,293	507,625	10,008,449	79,568,661	69,560,212
2021-23	812,924	492,700	6,573,256	0	481,056	909,000	9,268,936	840,392	499,535	7,929,009	82,751,408	74,822,399
2023-25	0	0	3,285,650	0	465,981	0	3,751,631	499,317	245,604	3,006,710	86,061,464	83,054,754
2025-27	0	0	0	0	448,181	0	448,181	448,182	0	0	89,503,922	89,503,922
2027-29	0	0	0	0	425,469	0	425,469	425,468	0	0	93,084,079	93,084,079
2029-31	0	0	0	0	174,031	0	174,031	174,031	0	0	96,807,442	96,807,442
Totals	6,914,799	3,255,888	29,579,250	3,381,803	3,450,681	7,600,863	54,183,284	5,777,208	2,267,916	46,138,160		
	4.24%	3.24%	4.23%	4.13%	3.33%	1.41%						

Rev 1/26

*The December 2014 forecast is used with a 4% increase each subsequent biennium.

HB 1014
Attachment D
Jan 27/15

North Dakota Building Authority
Oil Core Library
Summary of Financing Options

	10-Year		20-Year	
	$14 MM	**$16 MM**	**$14 MM**	**$16 MM**
Par	$12,885,000	$14,715,000	$12,875,000	$14,705,000
Project Fund	$14,000,000	$16,000,000	$14,000,000	$16,000,000
True Interest Cost	2.14%	2.14%	3.30%	3.30%
Capitalized Interest	$880,800	$1,005,825	$936,375	$1,069,650
Net Debt Service	$16,126,650	$18,416,875	$20,086,525	$22,945,250
Average Biennial Net Debt Service	$4,031,663	$4,604,219	$2,231,836	$2,549,472
Net Debt Service per $100,000 of Project Cost	$115,000	$115,000	$143,000	$143,000

Prepared by: Public Financial Management, Inc.

HB1014 January 27, 2015 Attachment E

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

North Dakota Public Finance Authority
North Dakota; Appropriations; General Obligation; Moral Obligation

Primary Credit Analyst:
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Jessica L Wood, Chicago (1) 312-233-7004; jessica.wood@standardandpoors.com

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1380812 | 302099398

North Dakota Public Finance Authority
North Dakota; Appropriations; General Obligation; Moral Obligation

Credit Profile

US$1.87 mil cap fing prog bnds (North Dakota) ser 2015A due 06/01/2029

Long Term Rating	AA/Stable	New

North Dakota ICR

Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA' rating, with a stable outlook, to North Dakota Public Finance Authority's capital financing program bonds, series 2015A, which has the state's moral obligation pledge to refill the authority's debt service reserve fund, and affirmed its 'AA' rating on the authority's other moral obligation debt. At the same time, Standard & Poor's affirmed its 'AAA' and 'AA+' ratings on North Dakota's general obligation (GO) and appropriation debt, respectively. All ratings have a stable outlook.

The ratings reflect what we view as the state's following credit strengths:

- Very strong financial results and financial position;
- Strong economy, fueled in large part by petroleum extraction activities, although this sector may experience significant slowdown due to lower oil prices;
- Low debt levels coupled with rapid debt amortization; and
- A low level of liability relating to other postemployment benefits (OPEB) and recently enacted improvements in annual pension funding relative to the actuarial required contribution (ARC).

In our view, oil taxes have a limited direct impact on the state's general fund, as the amount that flows into the general fund is capped at $300 million per biennium, or about 4.4% of the fiscal 2013-2015 general fund budget, which has already been reached for the current biennium. However, excess oil taxes above that cap flow to state reserve funds and special funds or to local governments, and therefore remain important to the state's credit quality. Oil-funded state reserves are largely used for capital projects to support economic growth concentrated in the western part of the state. However, if the recent sharp declines in oil prices result in slowing economic activity in the state, we believe that making sufficient adjustments to the revenue projections and appropriations will be a key component of the state's future credit quality. One of the state's two oil-related taxes is also subject to price triggers that could compound the tax declines.

The 2015A issue is secured by payments from local governments and also by North Dakota's moral obligation to fund any deficiencies in the bonds' debt service reserve. Given that the state legislature only meets biennially, moral obligation-backed issues must maintain a debt service reserve in the amount of maximum annual debt service over a 24-month period. The state is restricted in its ability to issue GO bonds, but currently also has debt secured by pledges

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that are subject to biennial appropriation.

In our view, the state's very strong financial position provides significant flexibility in the event of an economic slowdown. North Dakota's reserves are more than 100% of annual general fund spending, driven primarily by increased revenue collections from oil production. Fiscal 2014 ended with a general fund balance of $5.23 billion on a generally accepted accounting principles basis, an $890 million increase from the previous year primarily due to revenue collections exceeding budget projections. The unassigned portion of the fund balance was $1.42 billion (47% of fiscal 2014 general fund expenditures and net transfers). In addition to a general fund balance, the balances in other reserve funds included $586.2 million in the budget stabilization fund (which is a statutorily created fund that can be used in the event of revenue shortfalls), and $1.35 billion in the legacy fund as of June 30, 2013, which is projected to be $2.97 billion by June 30, 2015 (the legacy fund is a constitutionally created fund that cannot be tapped until 2017, and then only 15% of the principal may be spent and only with a two-thirds majority vote of the legislature). The state projects total reserves in the budget stabilization fund, foundation aid stabilization fund, strategic investment and improvements fund, and general fund ending balance to be more than $2.54 billion as of June 30, 2015. The state's current estimates don't reflect the potential for oil-price triggers that could reduce the rate of the oil taxes that are projected to flow into these reserves, but we project that these reserves will be very strong at the end of fiscal 2015 even if the tax triggers go into effect. North Dakota is in the second year of its 2013-2015 biennium, and there are currently no proposed amendments to the enacted biennial budget. The 2013-2015 budget projections were based on an assumed oil price of $80 per barrel in the current fiscal year.

State law contains two oil extraction price triggers that could reduce future oil taxes if oil prices continue to decline. North Dakota has two different oil taxes: a 5% oil and gas production tax and a 6.5% oil extraction tax. Only the extraction tax is subject to the triggers. The production tax would continue to produce significant revenue and would be available to fund the $300 million cap per biennium general fund revenue, even if the extraction tax were lowered or eliminated due to the triggers. The first trigger would be activated if the West Texas Intermediate (WTI) oil price drops below $57.50 a barrel for a month; then, the extraction tax would drop to 2% from 6.5%, but only for wells completed after the trigger date. The state believes that it is possible that this will be triggered for Feb. 1, 2015 and that the tax would remain at 2% for the rest of fiscal 2015. However, the trigger would not apply to fiscal 2016 due to a statutory sunset of the trigger mechanism, and the tax rate would return to 6.5% at the end of fiscal 2015. Officials estimate the fiscal 2015 funding for the strategic investment and improvements fund -- which is used as a source of funding for one-time spending in the proposed 2015-2017 biennial budget -- could be reduced by about $200 million if the trigger goes into effect in February. The state projects that this trigger could reduce additional fiscal 2015 funding to other reserve funds by another $500 million.

A second oil tax trigger is activated if the average monthly WTI price falls below $55.09 for five consecutive months. If this happens, the extraction tax is eliminated for wells within their first 24 months of production and falls to 4% for older wells for at least five months, or until the average price rises above $55.09. This trigger has no sunset, and officials estimate it could reduce tax revenue by $100 million per month if it is activated.

Oil activity also spurs other taxes -- such as income and sales taxes, which combined represent about 70% of state revenues -- and a decline in oil production would negatively affect those taxes. For November 2014, the latest

available data, total revenues and transfers were 9.5% ahead of projections for the biennium. Although sales taxes and individual income taxes were below projections for November, officials indicate that the declines were due to timing differences in revenue collections that were reversed in December.

Sales taxes are North Dakota's largest general fund revenue source, at 51% of the 2013-2015 biennial forecast revenue, and are projected to grow by 14.5%. The second-largest revenue source is individual and corporate income taxes (20%), which are projected to decline from the previous biennium due to reductions the legislature passed in 2013; there are additional rate reductions proposed in the 2015-2017 executive budget. Other major general fund sources are transfers from the strategic investment and improvement fund and the property tax relief fund, which totaled about 16% of general fund revenues. These reserve funds were subsidized with oil tax revenues in previous years and will continue to be funded in the 2013-2015 biennium for spending in a subsequent biennium.

Total expenditures in the 2013-2015 general fund budget grew significantly to $6.86 billion from $4.24 billion in the previous biennium, although $2.43 billion of the expenditures were one-time expenditures, and the majority of the one-time items were for capital projects such as highway projects in the western region of the state. We believe this spending pressure would be eliminated in the event of a significant decline in the oil production that is driving the projects. Despite dramatically reduced oil prices as of January 2015, officials do not anticipate that oil production will decline significantly during the remainder of the fiscal year. Officials believe that even with the price declines, the break-even figures for new wells are still below current oil prices and that some of the slowdown in new drilling activity is due to producers waiting to see if the extraction tax triggers go into effect.

In addition, despite the expenditure growth, North Dakota's major reserve funds are still projected to end the biennium at levels equal to or greater than fiscal 2013 levels. Through November 2014, general fund revenue collections were $152.1 million, or 10.8%, below the projections from May 2013. However, biennium-to-date revenues total $3.87 billion, which is $336.0 million, or 9.5%, higher than forecast. The largest surpluses were in individual income taxes, $203.6 million or 41% above projections; sales taxes, $40.8 million or 2.3% above projections; and corporate income taxes, $91.1 million or 46% above projections.

The recommended 2015-2017 biennial budget projects that ongoing revenues will exceed ongoing expenditures by $361 million, although the budget used a November revenue forecast, before the steepest oil price declines. The budget was based on oil prices that ranged between $74 and $82 over the biennium, but the state plans to update the revenue forecast in March 2015 prior to budget passage. The price of oil has fallen sharply in the past six months, and as of January 2015, the price per barrel hovered between $45 and $50 per barrel. The current 2015-2017 revenue projection from November forecasts 4.8% (or $469 million) revenue growth from the 2013-2015 biennium forecast. The revenue projection estimates sales taxes to grow by 19% and individual and corporate income taxes to grow by 25%. These figures will likely be reduced in the next forecast in March 2015, reflecting the impact of the oil price decline on state revenues.

In our view, North Dakota's stability throughout economic cycles has long been a positive credit factor, and the state's performance through the recent recession was stronger than nearly all state peers. The state's economic performance, spurred by oil drilling in the Bakken formation in the western area of the state, has contributed to a structurally balanced budget in recent years and the expectation of surplus operations through the current biennium. North

Dakota's unemployment remains very low; the November 2014 rate was 2.4% (seasonally adjusted), which was the lowest in the nation and about half of the national rate (5.5%). North Dakota is now the nation's second-largest oil-producing state, and the growth in the oil production sector has contributed to significant employment growth in the western half of the state, with growth occurring in the remainder of the state as well. However, given that a large part of the state's economic growth can be traced to the development of new shale oil fields, North Dakota could face slowing growth if there are extended oil price declines, in our opinion, due to the higher expense of shale oil drilling. As current oil prices have declined substantially in the past six months, the state will need to appropriately reflect the potential slowdown in its revenue and expenditure projections.

Despite the large infrastructure needs triggered by the oil extraction activities, the pay-as-you-go capital funding has kept North Dakota's debt levels low. Given the state's limited additional debt on the horizon, we believe annual debt service should remain very low as a percent of the operating budget; the carrying charge was less than 1% of expenditures in fiscal 2014.

Based on the analytical factors we evaluate for states, on a scale of '1.0' (strongest) to '4.0' (weakest), we have assigned North Dakota a composite score of '1.4'.

Outlook

The stable outlook reflects what we view as North Dakota's strong government framework and management, strong budgetary performance, and very strong reserves. Downside risks for the rating include the state's economic and financial vulnerability to extended oil price declines. Standard & Poor's will monitor the state's revenue results and the budget adjustments in response to any declines.

Governmental Framework

North Dakota has a constitutional requirement that the enacted budget be balanced, and it cannot carry over a deficit. The state does allow voter initiatives, but these have not historically affected its operations or financial flexibility. A significant citizen initiative known as Measure 2 was proposed, and defeated, on a June 2012 ballot, and this initiative would have eliminated local property taxes and compelled the state to supplant that lost revenue, which would have had an estimated impact of about $800 million.

The state's executive branch has the ability to control the rate of expenditures through an allotment process that reduces the appropriations from particular funds. The allotment reductions can be made in specific situations, including when the estimated revenues in a fund are projected to be insufficient to meet all appropriations from that fund.

On a scale of '1.0' (strongest) to '4.0' (weakest), we have assigned a score of '1.1' to North Dakota's governmental framework.

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Financial Management Assessment: 'Good'

North Dakota's management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA). An FMA of good indicates that practices exist in most areas, although not all might be formalized or regularly monitored by governance officials. Highlights include the following:

- The state uses outside sources to devise revenue and expenditure assumptions, using both a statewide advisory panel and other nationally recognized sources. To augment the findings, North Dakota uses historical data to make future projections.
- The governor uses an allotment process to keep budgeted expenditures on track and avoid drawing down reserves. The governor can also make transfers from the budget stabilization fund as needed if there is a revenue shortfall.
- The state's long-term financial planning goes out three to four years (the current and following biennium) and is designed to make sure future biennia are balanced.
- The State Investment Board, which is chaired by the lieutenant governor and includes the state treasurer, oversees a formal investment policy as well as the investments. The board reports on both results and holdings to a legislative committee regularly.
- North Dakota's capital improvement plan encompasses a wide variety of projects, but does not follow a formal time horizon and have all future sources identified.
- We understand that the state has policies concerning savings thresholds for refundings, as well as a limitation on the amount of revenue debt that can be issued, but does not have more defined policies regarding debt.
- North Dakota has a formula for the maximum balance in its budget stabilization fund, but there is no more formal fund balance policy for the other reserves. The state does, however, enjoy access to what we consider ample liquidity through the Bank of North Dakota (BND), which is state owned, as well as other reserve funds.

On a scale of '1.0' (strongest) to '4.0' (weakest), we have assigned a score of '1.5' to North Dakota's financial management.

Economy

The Bakken region now accounts for about 10% of total U.S. oil production, second only to Texas, and thus plays a large role in U.S. energy production. However, shale oil extraction, such as in the Bakken region, is more expensive than some other forms of extraction and will therefore be more sensitive to declines from falling oil prices.

IHS Economics projects the growth outlook for North Dakota will begin to converge with the rest of the nation, as annual gains in state payrolls start to slow after 2015-2016, although these projections were prepared when oil was at $70 a barrel. However, even IHS' pessimistic scenario projects positive employment growth for 2015 (0.9%) and personal income (4.5%). The firm's five-year baseline economic outlook projects that average job growth in North Dakota will slow to a level of 1.6%, which would be slightly stronger than the national average, as the oil extraction activities mature from the initial development stage to the steadier production stage. Although the firm projects job growth will slow, it indicates a good employment picture, with growth in all employment sectors and professional and business services leading the way at 3.1% annual growth.

Oil drilling in western North Dakota has significantly improved many of the state's economic metrics. While

employment in the mining sector is not expanding at the swift rate seen in 2011 and 2012, it was still up by double digits (26.5%) in the third quarter of 2014, and most other sectors of the state economy continue to benefit, directly or indirectly, from this expansion. According to IHS, the state's year-over-year job growth as of November 2014 was 4.83%, which is very strong compared with 1.8% national growth during the same period, but is a decline from growth in mid-2012. The 2013 population was 723,400, and it has risen at a faster rate than the U.S. in recent years. The state's population growth had previously been below national levels but accelerated recently as the high demand for workers and the low unemployment rate have drawn in workers from other states. North Dakota's age-dependency ratio has also improved, and was about 2 percentage points lower than the national level. The unemployment rate has also been well below the nation's rate recently. However, the state's employment base is more concentrated than the overall U.S. economy.

The state's income and wealth factors are stronger than national averages. North Dakota's per capita gross state product (GSP) and GSP growth over 10 years have both been stronger than the nation's. The 2013 per capita GSP was 133% of the U.S. per capita GDP and 10-year growth was 7.1% compared with 1.6% for the U.S. during the same period. The state's per capita personal income has increased steadily since 2006 and was 125% of the nation's level in 2012, which was fifth of the 50 states.

On a scale of '1.0' (strongest) to '4.0' (weakest), we have assigned a score of '1.6' to North Dakota's economy.

Budgetary Performance

The state maintains strong reserves, in our view. In addition to the general fund, North Dakota maintains multiple other reserve funds, including:

- The budget stabilization fund, which was created in 1987. The authorizing legislation requires that any general fund amount in excess of $65 million at the end of a biennium must be transferred to the budget stabilization fund. The maximum for this fund is 9.5% of the current biennial budget, and the fund is currently at that level, which was $586.2 million at the end of fiscal 2014. The fund can be used either by the governor if biennial revenues are projected to decline by at least 2.5% below the most current legislative estimates, or by legislative appropriation;
- The Strategic Investment and Improvements Fund, which is funded by excess oil taxes per a formula, and which can be appropriated by a majority vote of the legislature. This fund had a balance of more than $700 million at fiscal year-end 2014; and
- A legacy fund, which was established when voters approved Constitutional Measure 1 in November 2010. The legacy fund receives 30% of oil and gas production and extraction tax revenues collected after June 30, 2011, and will be unavailable for use until after fiscal 2017. After fiscal 2017, the legislature may appropriate up to 15% of the principal, and all of the interest, of the fund in any biennium if the appropriation is approved by at least two-thirds of each house of legislature.

Although the state has the ability to issue short-term notes to improve intrayear liquidity, the sound cash position has not required such an issuance in a number of years. General fund cash was $2.29 billion at the end of fiscal 2014.

On a scale of '1.0' (strongest) to '4.0' (weakest), we have assigned a '1.2' to North Dakota's budgetary performance.

Debt And Liability Profile

North Dakota has very restricted ability to issue unlimited-tax GO debt, and all such debt matured in the late 1990s. Most GO-type projects are funded as appropriation debt through the North Dakota Building Authority. By statute, general fund appropriations for debt service for building authority debt cannot exceed 10% of the sales use and motor vehicle tax revenues, and the burden from building authority debt is low. We understand that all building authority debt will be repaid within 15 years. Officials expect that North Dakota's significant capital needs will continue to be funded on a pay-as-you-go basis, which will keep bonded debt levels low.

A portion of the North Dakota Public Finance Authority debt carries the state's moral obligation pledge; this debt is used to fund projects across the state. The state has no variable-rate debt or swaps outstanding, although the North Dakota Housing Finance Agency, an enterprise fund, has several swaps in place. Primarily because of strong oil and gas extraction taxes, unlike many states, North Dakota has not had to increase its long-term borrowing program, restructure existing debt for savings, or borrow for cash flow purposes. Total tax-supported debt, including this issue, is less than $500 per capita and less than 1% of state personal income and gross state product.

Pensions And Other Postemployment Benefits

The state's four key pension funds have a combined funded ratio that had decreased to 61% (as of the 2013 valuations) but increased to 63.8% -- as of the 2014 valuations -- from 69% in 2011, with a total overall unfunded liability that rose to $2.25 billion in 2014 from about $1.63 billion as of the 2011 valuation.

Although North Dakota has not been fully funding its pension ARC in recent years, which we believe could lead to increased pension payments in future years, there have been recent efforts to improve ARC funding, which we view as a positive action. Overall, in our view, the state's debt and liabilities profile includes focus on low debt levels and low OPEB liability coupled with the strong economic measures. The legislature approved an increase in the state's contribution equal to 1% of payroll (along with a 1% payroll increase in the employee contribution) each year for fiscal years 2012 through 2014, which brought the fiscal 2014 payment to 7.12% of payroll, or 4.5 percentage points below the ARC. The legislature did not approve the additional pension payment increases for fiscal 2015 requested by the executive branch, but executive officials emphasize that the legislature indicated that it would reconsider additional payment increases. The governor's recommended 2015-2017 budget includes another increase to the pension contribution.

The state's unfunded pension liability is $3,110 per capita and 5.4% of personal income, which we consider below-average. We consider North Dakota's OPEB obligations to be low, due to relatively modest retiree benefits.

On a scale of '1.0' (strongest) to '4.0' (weakest), we have assigned a score of '1.8' to North Dakota's debt and liability profile.

The Bank of North Dakota

North Dakota owns, controls, and maintains BND. By statute, BND is defined as the state of North Dakota doing business as BND. The state views the bank as serving an important role in promoting the state government's economic development and stabilization. BND has a captive customer base and operates as the agent of several state-legislated programs, a lender, a depository for state agency funds, and a correspondent bank to private financial institutions in the state. North Dakota legislation asserts that the state guarantees all BND's deposits.

Standard & Poor's bases its ratings on BND on North Dakota's ownership of the bank. In our opinion, there is a high likelihood that the state would provide timely and sufficient extraordinary support to BND, if necessary. We assess the likelihood of support from the state as high, based on a "very strong" link and "important" role for the bank. The 'AA-' rating on the bank includes one notch of uplift from the company's 'a+' SACP, based on our expectation the bank would receive support from the state and the application of our criteria for government-related entities (GREs). In our assessment of BND's SACP, we factor in the bank's "strong" (as our criteria describe it) business position, which North Dakota's strong economy underpins, and its robust capital position. Factors constraining the rating include the bank's geographic concentration in North Dakota with its exposure to the energy and agriculture industries, its vulnerability to higher interest-rate risk on account of its sizable and growing securities portfolio, and its limited capital flexibility based on the potential for changes in appropriations.

The 'AA+' rating on the bank's deposits include three notches of uplift from the SACP and reflects our assessment of the likelihood of support for the bank's deposits--which are explicitly backed by the state--as "extremely high," considering a "very strong" link between the state and the bank's deposits and the "critical" role the deposits play, as defined in our GRE criteria. We believe the deposits' role is critical because, in our view, the bank provides services that a private entity could not readily undertake. Specifically, because the law requires all money of the state and state institutions must be deposited with BND, any changes to this arrangement would necessitate a change in the state legislative code. We therefore believe defaulting on the deposits would have a critical impact for the government for the following reasons:

- All deposits benefit from guarantees issued by the State of North Dakota as specified in the state legislative code governing the bank. By contrast, this preferential status does not explicitly extend to other obligations of the bank.
- Because the law requires all money of the state and state institutions must be deposited with BND, in our view, these guarantees serve a central purpose of maintaining trust and financial market stability, and avoiding reputational risks. Also, a default on these state-guaranteed deposits has never happened in the bank's nearly 100-year old history.
- Given the state's ownership, material ties to, and oversight over BND, exploiting the wording of the respective laws and not honoring the deposit guarantees in a timely fashion would create significant reputational risk for the state and its own standing in the markets.

Related Criteria And Research

Related Criteria

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Related Research

U.S. State And Local Government Credit Conditions Forecast, Dec. 10, 2014

Ratings Detail (As Of January 26, 2015)

North Dakota Bldg Auth, North Dakota

North Dakota

North Dakota Bldg Auth (North Dakota) facs imp

Long Term Rating	AA+/Stable	Affirmed

North Dakota Bldg Auth lse rev bnds ser 2002A dtd 04/01/2002 due 12/01/2003-2017 2019 2022

Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

North Dakota Bldg Auth lse rev rfdg bnds 2002 ser C dtd 07/01/2002 due 08/15/2003-2014

Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

North Dakota Pub Fin Auth, North Dakota

North Dakota

North Dakota Pub Fin Auth (North Dakota) cap fing prog

Long Term Rating	AA/Stable	Affirmed

North Dakota Pub Fin Auth (North Dakota) cap fing prog bnds (North Dakota) ser 2014A dtd 04/01/2014 due 06/01/2034

Long Term Rating	AA/Stable	Affirmed

North Dakota Pub Fin Auth (North Dakota) moral oblig

Long Term Rating	AA/Stable	Affirmed

North Dakota St Wtr Comm, North Dakota

North Dakota

North Dakota St Wtr Comm (North Dakota) wtr dev trust fd

Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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HB1014 January 27, 2015 Attachment 7

House Appropriations Committee -- Government Operations Division

HB 1014

January 27, 2015

Ed Murphy
State Geologist, North Dakota Department of Mineral Resources

Wilson M. Laird Core and Sample Library

Options Beyond Expanding the Core Library

1. Remove samples (cuttings) to a remote climate-controlled facility

a.) This would not be convenient because samples need to be accessible.

b.) Would require additional shelving, a second forklift, two people retrieving samples at all times to follow safety protocol.

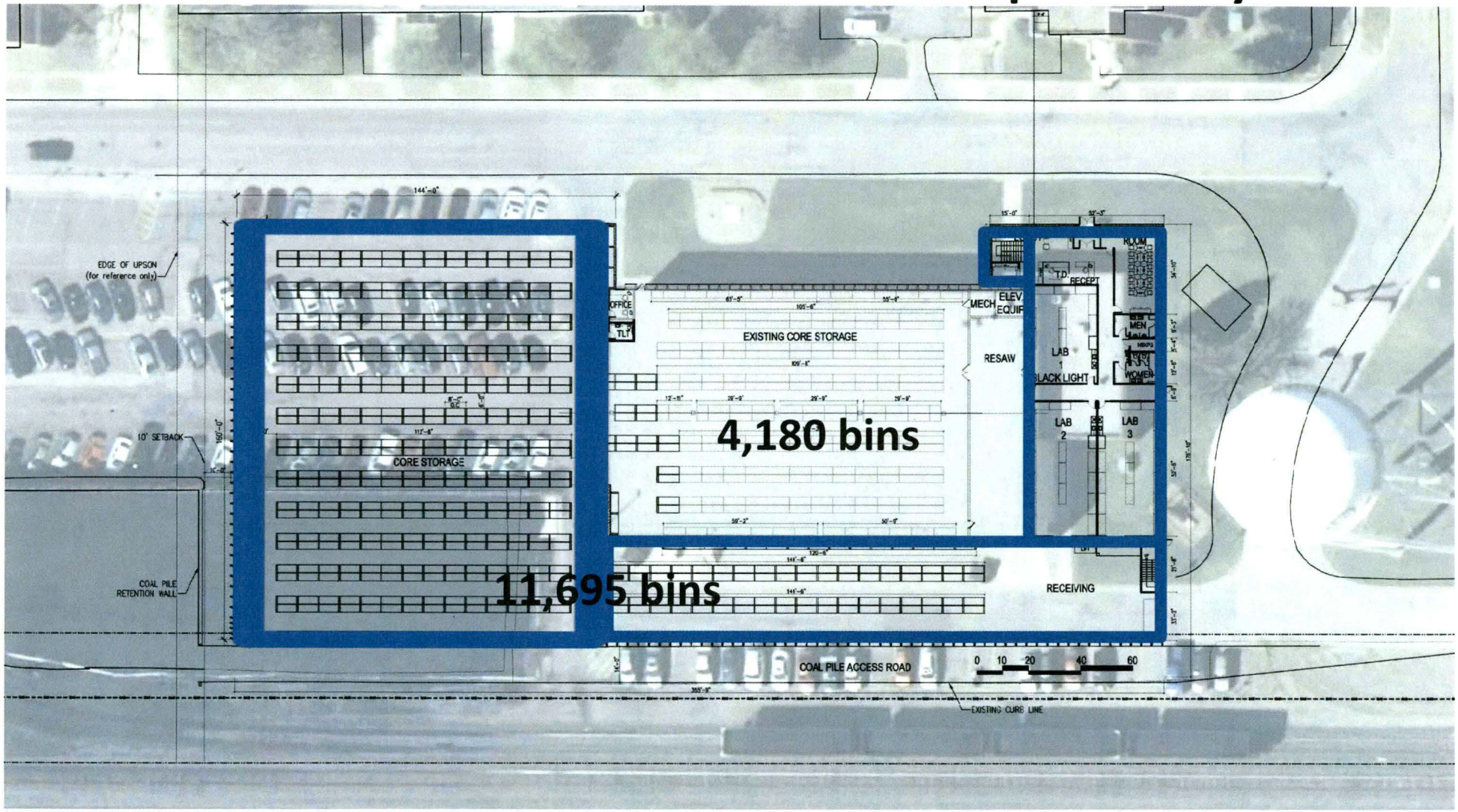
An area 45 ft x 48 ft (2,160 sq. ft.) stacked 7 ft. high would contain the existing cuttings. Under this type of arrangement, we would need another 816 sq. ft. of cuttings storage for the samples we anticipate in 2015.

c.) Would not generate that much space in the current core library because the majority of cuttings are stored on the top two rows where core cannot be stored due to their increased weight (1,200 lbs per bin vs. 294 lbs per bin or 50 lbs vs. 12.3 lbs per cubic foot).

d.) Facility would have to sufficient air handling or venting system due to invert drilling mud on the cuttings.

Where top two rows of shelving were added.

Wilson M. Laird Core and Sample Library



$16,013,442 expansion costs

74 parking spots

65 year capacity (based on 2014 rates)

3000 Demers Avenue, Grand Forks ND 58201 | TELE: 701.775.5900 | FAX: 701.775.5911

Wilson M. Laird Core Library Expansion NDGS
Cost Estimate

Estimate Contingency (%) = 15.0% **EAPC Project No.** 20132560

BASIC CONSTRUCTION COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Lab and Office Areas - Basic MEP + Fire Suppression incl.	13,500	100	$ 200.00	$ 2,700,000.00
Core Storage Areas Addition - Basic MEP + Fire Suppression incl.	32,400	SF	$ 140.00	$ 4,536,000.00
			Subtotal	$ 7,236,000.00
			Estimate Contingency	$ 1,085,400.00
			Basic Constructon Subtotal	$ 8,321,400.00

SITE IMPROVEMENTS NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Demolish Existing Office- MEP incl.	1	LS	$ 75,000.00	$ 75,000.00
Site Work Demo & Improvements	1	LS	$ 35,000.00	$ 35,000.00
Curb Remove & Replace	1104	LF	$ 38.00	$ 41,952.00
Roadway Pavement	1200	SF	$ 12.75	$ 15,300.00
Parking Lot Remove & Repair	16000	SF	$ 5.50	$ 88,000.00
Soil Remove & Replace @ Addition	5000	CY	$ 32.00	$ 160,000.00
Coal Wall Move, Include Ftgs	1	LS	$ 125,000.00	$ 125,000.00
Oil Pump Model Remove and Relocate	1	LS	$ 40,000.00	$ 40,000.00
Sky Walk Complete Structure, incl. MEP, interiors, Exterior envelope	1	LS	$ 425,000.00	$ 425,000.00
			Subtotal	$ 1,005,252.00
			Estimate Contingency	$ 150,787.80
			Site Improvements Subtotal	$ 1,156,039.80

SITE UTILITY COSTS NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Steam Line Vault & Steam Line rerouting	1	LS	$ 10,000.00	$ 10,000.00
Steam Line Modifications	1	LS	$ 125,000.00	$ 125,000.00
New Fire Suppression water service	1	LS	$ 20,000.00	$ 20,000.00
			Subtotal	$ 155,000.00
			Estimate Contingency	$ 23,250.00
			Site Utility Subtotal	$ 178,250.00

Wilson M. Laird Core Library Expansion NDGS

Cost Estimate

SPECIALTIES NOT INCLUDED IN BASIC COSTS

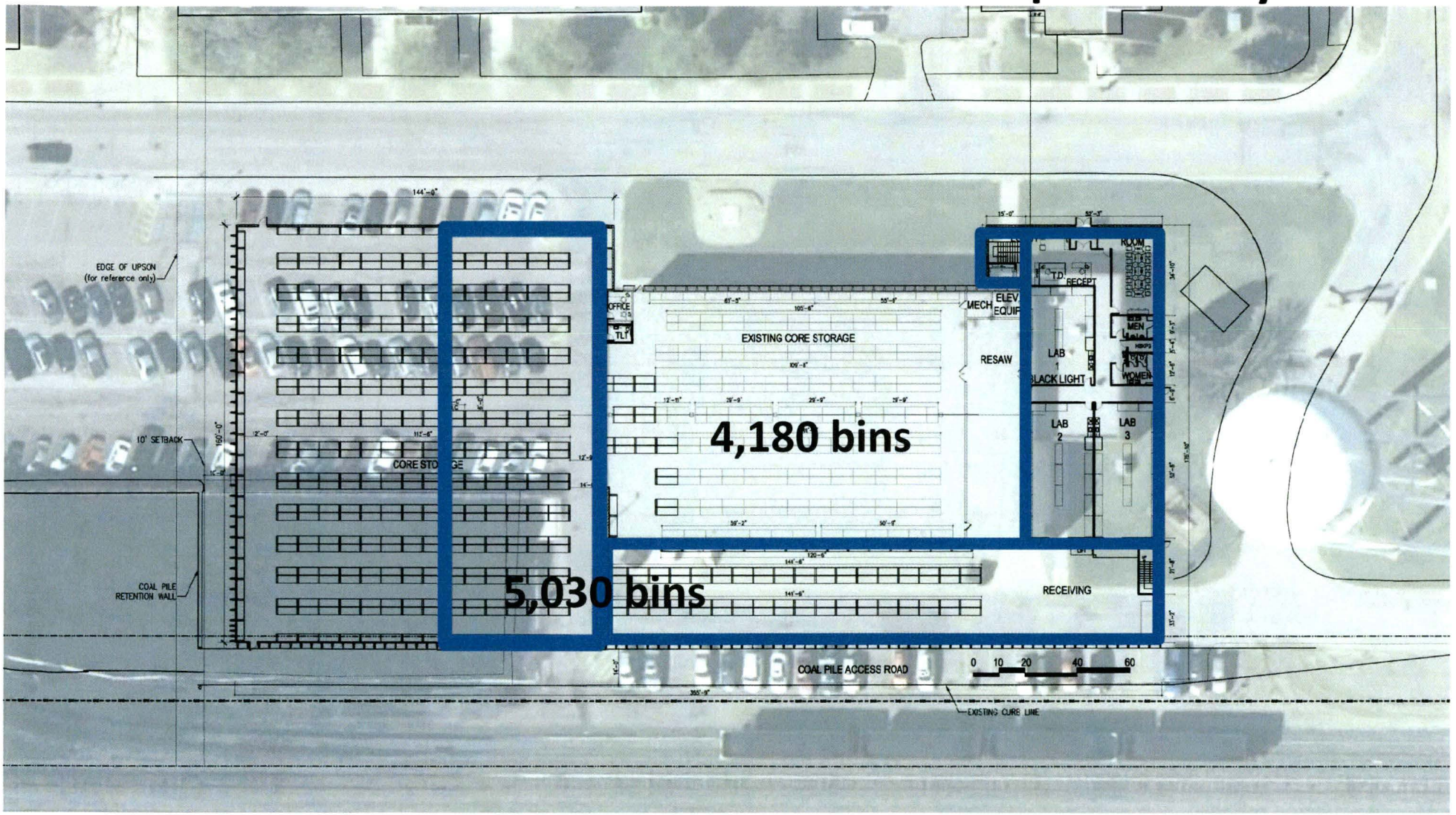
System/Component	Quantity	Unit	cost/unit	System cost
Core Freight & Passenger Elevator	1	EA	$ 160,000.00	$ 160,000.00
Labs: Fume Hoods (Equipment)	6	Ea.	$ 9,000.00	$ 54,000.00
Labs: Fume Hoods (Exhaust)	6	Ea.	$ 6,000.00	$ 36,000.00
Laboratory Dust Collection + Arms	1	Ea.	$ 124,000.00	$ 124,000.00
New Bathroom in Existing	1	Ea.	$ 20,000.00	$ 20,000.00
Upgrade HVAC in Existing Core Storage	15360	SF	$ 12.00	$ 184,320.00
Upgrade Lighting and Basic 120V in Existing	15360	SF	$ 10.00	$ 153,600.00
ADD Fire Suppression into Existing Core Storage	15360	SF	$ 3.00	$ 46,080.00
Façade Improvements	7880	SF	$ 30.00	$ 236,400.00
Remove West Shear Wall, Reinforce	1	LS	$ 175,000.00	$ 175,000.00
UND- Parking Replacement	74	Ea.	$ 25,000.00	$ 1,850,000.00
			Subtotal	$ 3,039,400.00
			Estimate Contingency	$ 455,910.00
			Specialties Subtotal	$ 3,495,310.00

FURNITURE, FIXTURES, & EQUIPMENT

System/Component	Quantity	Unit	cost/unit	System cost
Core Storage Shelving	3562	LF	$ 186.00	$ 662,532.00
Lab Tables	62	Ea.	$ 1,200.00	$ 74,400.00
Systems Furniture Offices	1	LS	$ 44,300.00	$ 44,300.00
Conference & Meeting Room Furniture	1	LS	$ 18,365.00	$ 18,365.00
Other FFE @ 3.5% of BLDG	1	LS	$ 253,300.00	$ 253,300.00
			Subtotal	$ 1,052,897.00
			Estimate Contingency	$ 157,934.55
			Specialties Subtotal	$ 1,210,831.55

Project Construction Subtotal	$	14,361,831.35
Contract Bond(5%)	$	718,091.57
A/E Fees @ 6.5%	$	933,519.04
Project Total	**$**	**16,013,441.96**

Wilson M. Laird Core and Sample Library



$12,417,606 expansion costs

55 parking spots

28 year capacity (based on 2014 rates)

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Wilson M. Laird Core Library Expansion NDGS
Cost Estimate - Reduced Core Storage Area
23-Jan-15

Estimate Contingency (%) = 6.0% **EAPC Project No.** 20132560

BASIC CONSTRUCTION COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Lab and Office Areas - Basic MEP + Fire Suppression incl.	13,500	SF	$ 200.00	$ 2,700,000.00
Core Storage Areas Addition - Basic MEP + Fire Suppression incl.	18,630	SF	$ 140.00	$ 2,608,200.00
			Subtotal	$ 5,308,200.00
			Construction Contingency @ 3%	$ 159,246.00
			Early Phase Est. Contingency	$ 318,492.00
			Basic Constructon Subtotal	$ 5,785,938.00

SITE IMPROVEMENTS NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Demolish Existing Office- MEP incl.	1	LS	$ 75,000.00	$ 75,000.00
Site Work Demo & Improvements	1	LS	$ 35,000.00	$ 35,000.00
Curb Remove & Replace	1104	LF	$ 38.00	$ 41,952.00
Roadway Pavement	1200	SF	$ 12.75	$ 15,300.00
Parking Lot Remove & Repair	8150	SF	$ 5.50	$ 44,825.00
Soil Remove & Replace @ Addition	2875	CY	$ 32.00	$ 92,000.00
Coal Wall Move, Include Ftgs	1	LS	$ 125,000.00	$ 125,000.00
Oil Pump Model Remove and Relocate	1	LS	$ 40,000.00	$ 40,000.00
Sky Walk Complete Structure, incl. MEP, interiors, Exterior envelope	1	LS	$ 425,000.00	$ 425,000.00
			Subtotal	$ 894,077.00
			Construction Contingency @ 3%	$ 26,822.31
			Early Phase Est. Contingency	$ 53,644.62
			Site Improvements Subtotal	$ 974,543.93

SITE UTILITY COSTS NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Steam Line Vault & Steam Line rerouting	1	LS	$ 10,000.00	$ 10,000.00
Steam Line Modifications	1	LS	$ 125,000.00	$ 125,000.00
New Fire Suppression water service	1	LS	$ 20,000.00	$ 20,000.00
			Subtotal	$ 155,000.00
			Construction Contingency @ 3%	$ 4,650.00
			Early Phase Est. Contingency	$ 9,300.00
			Site Utility Subtotal	$ 168,950.00

SPECIALTIES NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Core Freight & Passenger Elevator	1	EA	$ 160,000.00	$ 160,000.00
Labs: Fume Hoods (Equipment)	6	Ea.	$ 9,000.00	$ 54,000.00
Labs: Fume Hoods (Exhaust)	6	Ea.	$ 6,000.00	$ 36,000.00
Laboratory Dust Collection + Arms	1	Ea.	$ 124,000.00	$ 124,000.00
New Bathroom in Existing	1	Ea.	$ 20,000.00	$ 20,000.00
Upgrade HVAC in Existing Core Storage	15360	SF	$ 12.00	$ 184,320.00
Upgrade Lighting and Basic 120V in Existing	15360	SF	$ 10.00	$ 153,600.00

ADD Fire Suppression into Existing Core Storage	15360	SF	$	3.00	$	46,080.00
Façade Improvements	7880	SF	$	30.00	$	236,400.00
Remove West Shear Wall, Reinforce	1	LS	$	175,000.00	$	175,000.00
UND- Parking Replacement	55	Ea.	$	25,000.00	$	1,375,000.00
				Subtotal	$	2,564,400.00
				Construction Contingency @ 3%	$	76,932.00
				Early Phase Est. Contingency	$	153,864.00
				Specialties Subtotal	$	2,795,196.00

FURNITURE, FIXTURES, & EQUIPMENT

System/Component	Quantity	Unit		cost/unit		System cost
Core Storage Shelving	2062	LF	$	186.00	$	383,532.00
Lab Tables	62	Ea.	$	1,200.00	$	74,400.00
Systems Furniture Offices	1	LS	$	44,300.00	$	44,300.00
Conference & Meeting Room Furniture	1	LS	$	18,365.00	$	18,365.00
Other FFE @ 3.5% of BLDG	1	LS	$	253,300.00	$	253,300.00
				Subtotal	$	773,897.00
				Construction Contingency @ 3%	$	23,216.91
				Early Phase Est. Contingency	$	46,433.82
				Specialties Subtotal	$	843,547.73

Project Construction Subtotal	$	10,568,175.66
Contract Bond(5%)	$	528,408.78
A/E Fees @ 6.5%	$	686,931.42
UND PM Fee @ 2%	$	211,363.51
CM at Risk Fee @ 4%	$	422,727.03
Project Total	**$**	**12,417,606.40**

Financial Impact of the Core and Sample Library

It could be argued that a significant number of the oil wells that have been drilled in the state of North Dakota can be directly or indirectly linked back to the core and sample library. All to often these connections are difficult to quantify and to document.

Fortunately, geologists with Whiting Petroleum Corporation were interviewed for an article that was published in the American Association of Petroleum Geologists Explorer Magazine in April of 2012. The article (pages 10-12) points to the importance of core studies in the exploration of oil, specifically to Whiting's Pronghorn oil play in Billings and Stark counties in North Dakota.

As Whiting Petroleum geologist Lynn Cantor noted **"We go to the North Dakota Geological Survey in Grand Forks twice a year deliberately to see newly released cores**," she said. **"We had evaluated more than 150 cores when we came across this new information**, so we were able to recognize that it was different, because we had the context to put it into and to understand what it meant in terms of a new play."

AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS
EXPLORER MAGAZINE
April 2012

NOT Middle Bakken or Three Forks!

Rocks Led the Way to Sweet Pronghorn Spots

By Louise S. Durham

It's a jubilant occasion, indeed, when one discovers a new sweet spot in a known play area.

A key to success: Keep an open mind. "The discovery of various Bakken petroleum system sweet spots over the last 10 years typically advanced through application of preceding paradigms to new areas," said AAPG member Orion Skinner, senior explorationist at veteran Bakken shale player Whiting Petroleum Corp. in Denver. "By contrast, each new sweet spot represents a distinct combination of multiple play factors including source rock quality, maturity, reservoir quality, pressures, to name a few," Skinner noted.

"Remaining open minded to a variety of sweet spot factors is fundamental to tight oil resource play exploration." The team members at Whiting practice what they preach. A striking example of this approach to business is their discovery of the highly productive Pronghorn zone that lies beneath the lower Bakken shale and overlies the Three Forks formation in the Williston Basin in North Dakota. "**It's an extra unit that was predicted by good core work and sequence stratigraphy,"** said AAPG member Lyn Canter, technical adviser at Whiting, now the dominant producer in the Pronghorn interval in Stark and Billings counties.

"We recognized this new zone and got about a year's jump on everybody else and got our lease position put together," Canter said.

This Was No Accident

Whiting drilled the discovery well in the Pronghorn zone in the first half of 2010 and has drilled more than 30 wells in the field to date. The horizontal wells have a measured depth of approximately 20,000 feet, and some IPs have tallied as much as 3,100 bopd with very little water. The main Pronghorn pay facies is burrowed detrital dolomitic siltstone with finer grained rippled interbeds, according to AAPG member Mark Sonnenfeld, vice president geoscience at Whiting.

At first glance, Whiting's high profile operating presence and expertise in the basin – particularly in the Middle Bakken interval at the giant Sanish and Parshall fields in Mountrail County, N.D. – might suggest that the Pronghorn discovery was a lucky break.

Au contraire. Pronghorn was no accident.

"**Detailed core and detailed log evaluation across the basin identified this extra package of rock that ultimately became this Pronghorn zone**, which is not present at Sanish-Parshall," Canter said.

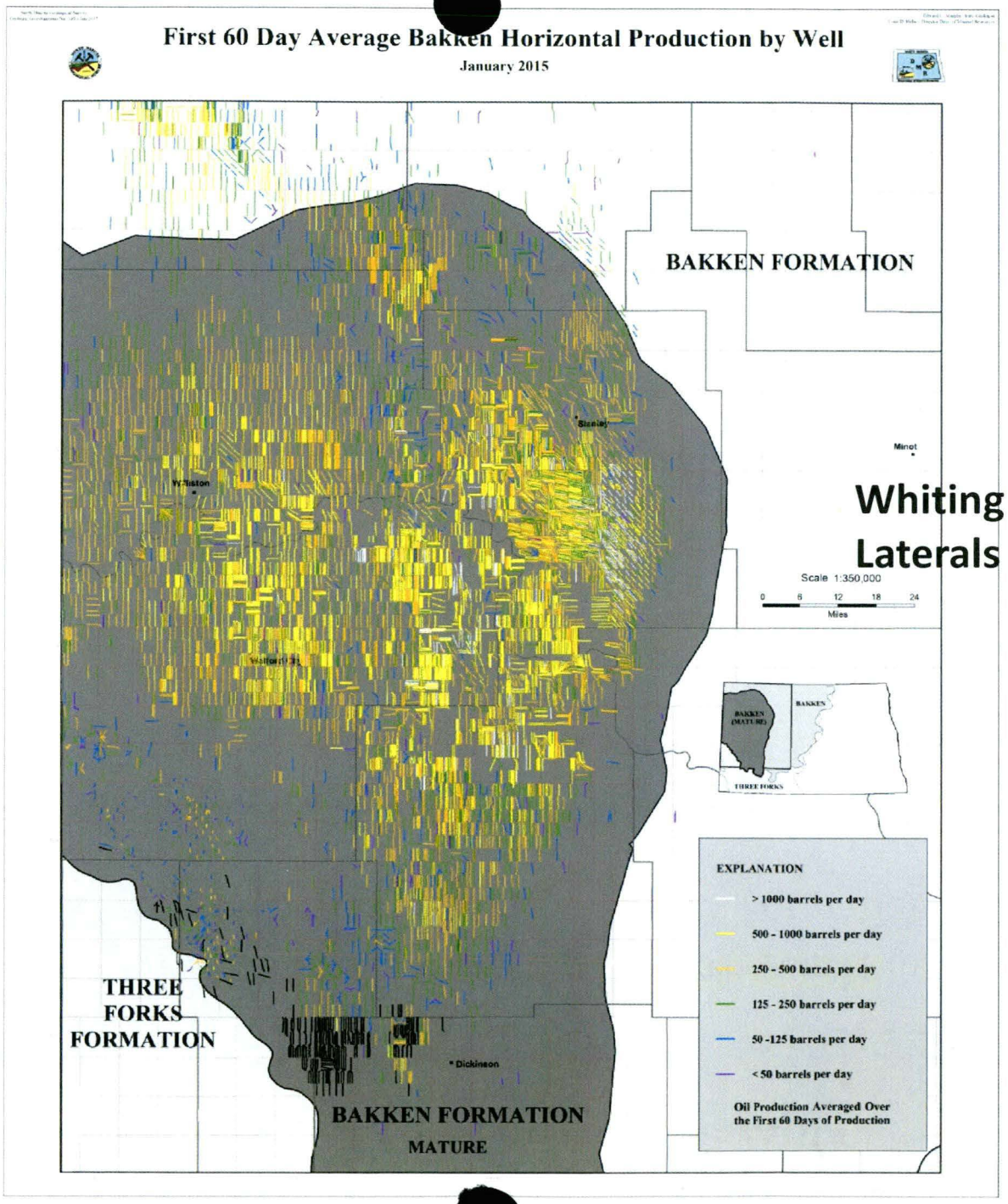
"My view is it's the very close team interaction and the integration between **core work** and the logs at a very detailed level," Sonnenfeld emphasized. "That's what really unlocked this.

We ran across a core that was very obviously different than anything we had seen," he said. "In trying to understand it and map it out, this area fell out of that effort.

"One of the elements of this story we're trying to get across is that this was not an accidental discovery at all," he noted. "It was very much something we converged on through our mapping, **integrated with core data**.

"For us, informally, the moral of this story is geology matters," Sonnenfeld emphasized. Similar, But Different Canter **noted they have studied nearly every Bakken-Three Forks core available in the basin. "We go to the North Dakota Geological Survey in Grand Forks twice a year deliberately to see newly released cores," she said. "We had evaluated more than 150 cores when we came across this new information,** so we were able to recognize that it was different, because we had the context to put it into and to understand what it meant in terms of a new play. "We have a dynamic look into the Bakken because of our dedication to evaluating as much rock data as possible," Canter said. "Our focus is a basin-scope effort and not just small project areas."

Whiting has an in-house laboratory that includes a large core layout area where the drilling engineers can visit to see the rock they're drilling through, which accelerates the learning curve to get the horizontal drilled quickly and in the right zone, according to Canter.



Whiting Pronghorn Laterals in Black

Financial Impact of the Core and Sample Library

Between 2010 – 2014, Whiting Petroleum drilled **217 oil wells** in Billings and Stark counties targeting the Pronghorn Member of the Bakken Formation in this area.

In their own words, they drilled these wells and pursued this oil play based upon their work in the Wilson M. Laird Core and Sample Library.

To date, these wells have produced **19,542,147 barrels of oil**.

Using just the oil extraction tax and todays price of **$40/barrel**, Whiting's Pronghorn oil play has generated **$50,800,000.**

That is more than three times the proposed $16,000,000 core library expansion.

HB1014 January 28, 2015 Attachment A

House Appropriations Committee
House Bill No. 1014 Budget No. 475
North Dakota Mill & Elevator Association
January 28, 2015

Budget Request

All operating funds are generated internally at the Mill. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The budget request is for $64,825,750. This is a $12,702,193 increase over the last biennium budget. This increase represents increases in both wages and benefits and other operating expenses.

The proposed budget includes a wages and benefits increase of $7,647,000 over the current budget. That amount includes the funding of the twelve new FTE positions. These twelve positions add $1.7 million to the budget request. In the first year of the current biennium, the Mill spent $12,820,524 on wages and benefits. This leaves a balance of $16,321,226 for the current fiscal year.

The twelve (12) positions added for the next biennium are as follows:

Three (3) FTE mill operators for the new mill. The new mill will require one employee per shift to insure proper operation of all equipment and maintain product quality.

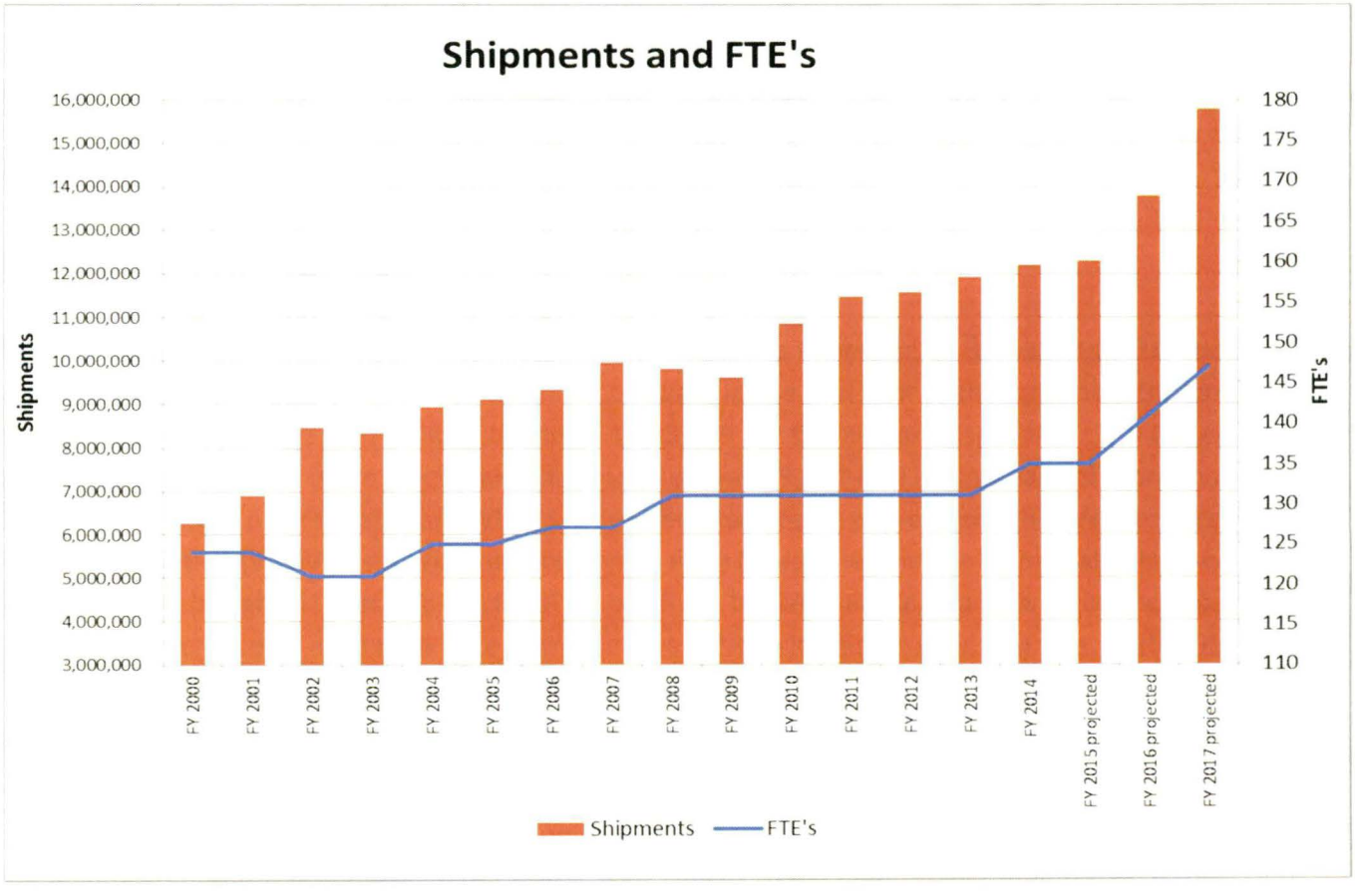
Three (3) FTEs to clean, check and load rail cars in the new mill. The new mill will provide additional capacity to load 4 – 5 additional rail cars per day. This will require 3 additional employees, working on the third shift to prepare and load the rail cars.

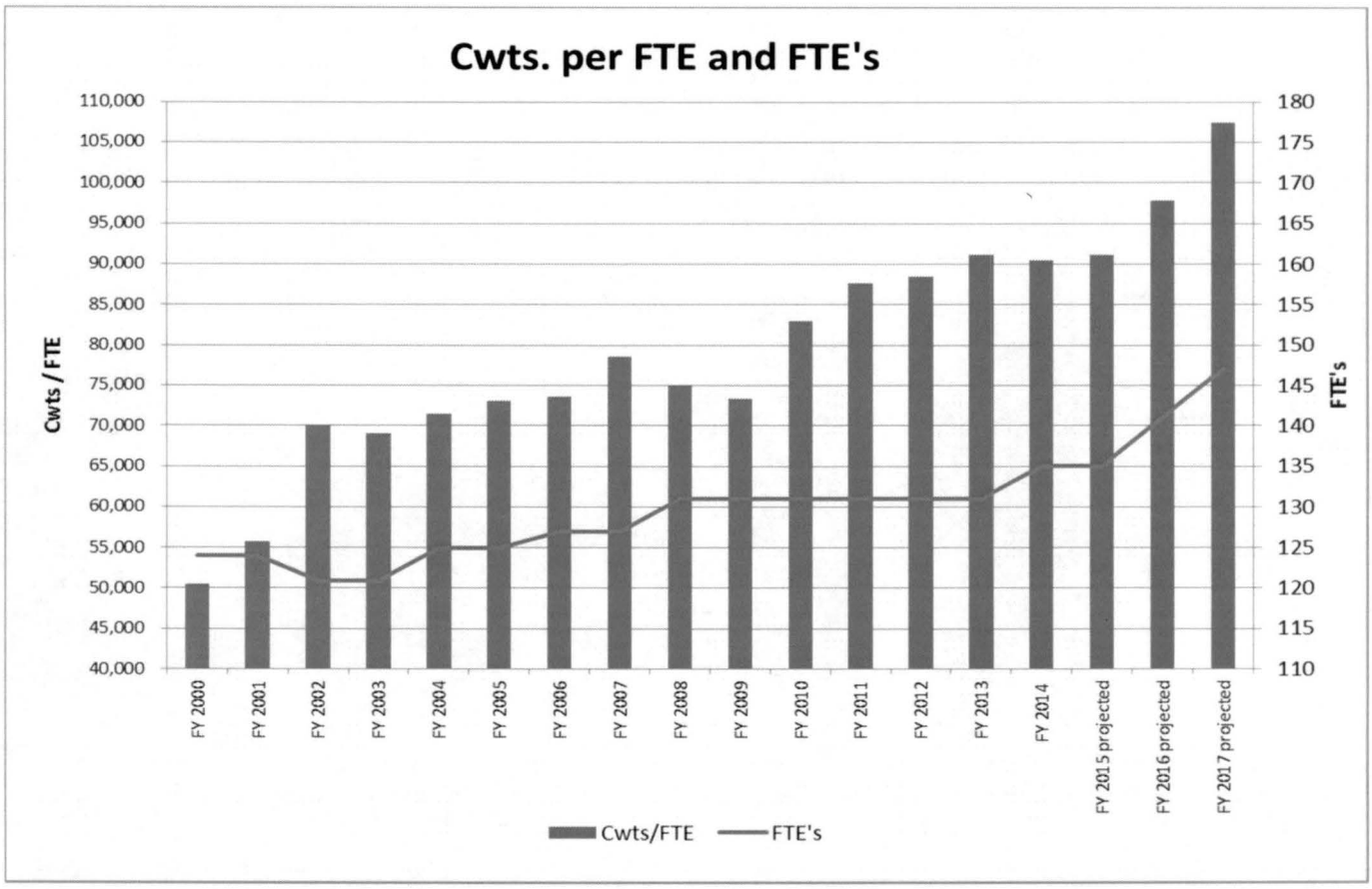
Two (2) FTE flour packing positions to meet the increased demand for bag product. The new mill will provide additional capacity to increase pack production. This will require 2 additional employees to staff our B-2 packing line on second and third shifts.

Two (2) FTE utility workers to assist in keeping the mills (including the new mill) clean. Two additional utility workers will be required to clean the additional 75,000 square feet of production area.

One (1) FTE electrician position required to keep the electrical infrastructure in working condition. The new mill will have 203 additional electric motors a totaling over 3000 horse power and related electrical controls that will require periodic troubleshooting and maintenance.

One (1) FTE maintenance worker to keep the milling equipment in operational condition. The new mill will have approximately 180 new pieces of equipment that will run 24/7. One additional maintenance worker will be required to complete scheduled maintenance to assure reliable operation of the mill.





Operating Budget Request

The proposed budget includes an increase in the operating expenses of $5,531,000. Utilities expense increased $3,675,400 over the current budget. In the first year of the current biennium, the Mill spent $3,726,691 on utilities leaving $4,898,309 for the current fiscal year. The largest portion of our utility bill is the electrical expense which was $3,197,830, an increase of more than $450,000 from the prior fiscal year. While we continue to receive power from the Western Area Power Association (WAPA) a growing portion comes from Nodak Electric at a higher rate. In Fiscal Year 2014, we bought 61% of our electrical power from Nodak Electric at a 92% higher cost per kWh. This increase is an 11.7% rate increase over the prior fiscal year. In the 2015-2017 biennium, the mill will have a new milling unit which adds over 30% capacity with all the power coming from Nodak Electric.

Repairs expense increased $900,000 over the current budget. In the first year of the current biennium, the mill spent $2,513,932 on repairs leaving $3,551,068 for the current fiscal year. As the milling equipment purchased in fiscal year 2001 begins to get older higher maintenance costs will drive this expense higher as well as rail car repairs.

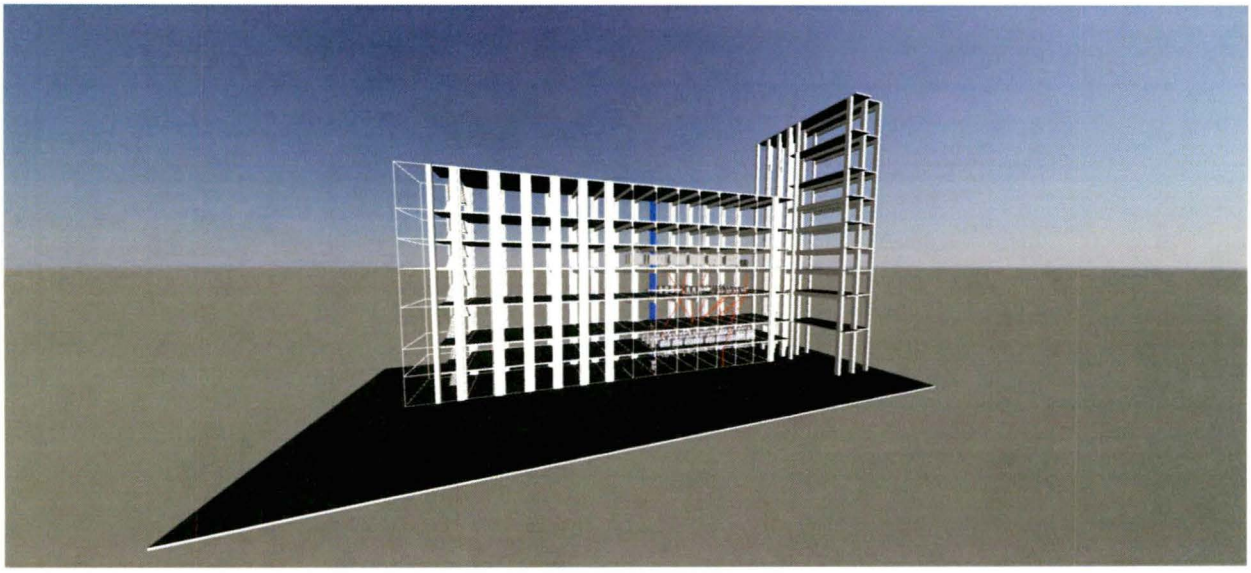
Insurance expense increased by $200,000. In the first year of the current biennium, the mill spent $839,870 on insurance which leaves $1,485,130 for the current fiscal year. The insurance market

has been soft and we have been able to obtain better than expected rates. This may not continue into the future and insurance rates are expected to climb. In addition to insurance rates increasing, the high wheat prices have driven up our grain and flour inventory values. In addition, as we have increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values. We will also have additional rail cars and the new mill building to insure for the biennium.

Four items, wages and benefits, utility expense, repair and demurrage expense, and insurance expense reflect the increase of $11,622,860 in our requested appropriations or 92% of the request.

As in the current biennium, in the 2015-2017 biennium, 5% of estimated Mill profits is budgeted to be transferred to the Agricultural Fuel Tax Fund. In the House Bill No. 1014, Section 11, 50% of estimated remaining Mill profits up to $6,817,200 is budgeted to be transferred to the General Fund for the biennium. Maintaining the transfers to the General Fund at this level will allow for the completion of several capital projects needed to improve Mill infrastructure at a lower cost.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.



HB 1014 January 30, 2015 Attachment A

NORTH DAKOTA housing FINANCE AGENCY

Jolene Kline Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

January 30, 2015

TO: Government Operations Division, House Appropriations Committee
FROM: Jolene Kline, Executive Director
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Re: Administrative Costs for the Housing Incentive Fund

Chairman Thoreson and members of the Government Operations Division of the House Appropriations Committee:

During the hearing for House Bill 1014 regarding the Housing Incentive Fund on Jan. 15, concern about the origination fees charged to successful applicants was raised. I wanted to provide you with some background on this matter.

Attached you will find a summary of administrative expenses for the HIF2 program.

NDHFA charges a non-refundable $500 application fee to cover the expenses of reviewing and scoring HIF applications.

Successful applicants are charged a 5 percent origination fee with 2 percent due upon issuance of a financial award and 3 percent at the time of the first draw. These fees are clearly spelled out in the program allocation plan. There is a line item in the program application for the origination fee and projects are issued an origination fee invoice.

Once completed and in operation, projects are charged an annual compliance monitoring fee of $50 per development plus $35 per restricted unit.

The budget for the HIF compliance monitoring period was calculated using the weighted average of the number of restricted units as compared to the length of the recorded land restriction deed. LURAs are filed for 15-40 years depending on the loan terms of the lead lender.

Calculations for FY2017-2036 salary and operating expense were modeled off the established Low-Income Housing Tax Credit Program. LIHTC compliance staff monitors approximately 2,500 units per FTE. HIF compliance monitoring has additional responsibilities for staff. Some examples of the differences between the two programs:

- Monitoring vacancies on each completed HIF project is done quarterly instead of annually under LIHTC;
- Staff conduct full analysis of financial statements, operating budgets and cash flow of HIF projects as HIF is structured as a loan and may be repayable upon non-compliance;
- Under HIF, NDHFA is solely tasked with ensuring the covered units are occupied by income qualified and/or essential service employed households and the project is financially stable.

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www.ndhfa.org
info@ndhfa.org

LIHTC projects have tax credit investors who hire third party asset managers to monitor financial stability of a project;

- In LIHTC projects, the IRS takes the responsibility of bringing a property back into compliance. For HIF, that is the responsibility of NDHFA;
- LIHTC units that are 15 years and older have reduced compliance requirements for the remaining 15 years of their extended compliance period. HIF projects with compliance periods of longer than 15 years maintain the same level of requirements.

For these reasons and in comparing HIF1 actual administration costs, we estimated a work load of 1,500 units per FTE, which equals to 0.6 FTE for the current number of HIF units. Projects with both LIHTC and HIF funding are only assessed one monitoring fee.

Operating Expenses include:

- Occupancy costs such as a proportion of building rent, telephone, data processing, printing, and postage and office supplies;
- Travel expenses associated with site visits;
- Professional services including third party audit requirements;
- Title fees such as title memos and recording fees; and
- Expenses related to ongoing training of property management staff.

The salary and benefits and operating expenses are the greatest in FY 2014, 2015 and 2016 because as projects are constructed and brought into service, there is a much greater level of interaction and needs for the above expenses than in the ongoing compliance period.

Our records indicate the HIF operating expenses are in line with those of the LIHTC program.

In subsection 2 of section 54-17-40 of the North Dakota Century Code authorizing the Housing Incentive Fund program, it states, "The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients." When this provision was originally adopted by the Legislative Assembly in 2011, the agency was only collect the fee from the fund. In the 2011-13 biennium, we collected $789,921, which is 5.26 percent of the total fund. An amendment was made in 2013 to the above language which allowed us to charge the fees to the projects as we felt this was a more appropriate manner of doing business. With anticipated economies of scale of a larger program, we lowered the fee from 5.26 percent to 5 percent for the 2013-15 HIF II program.

A HIF recipient indicated in written testimony to this committee that the 5 percent origination fee came as a surprise once the project was approved. I dispute this. The 5 percent origination fee is fully disclosed in the HIF Allocation Plan. The recipient listed the full origination fee amount on the signed HIF application under the listing of project costs which was submitted for the September 30, 2013, competitive funding round. The HIF recipient also discussed the fee with staff during the May 10, 2013, public hearing on the HIF Allocation Plan.

Aside from the Housing Incentive Fund dollars, no general fund money is appropriated to the agency by the Legislative Assembly. We are a self-supporting agency dependent on fees earned from administration of various housing programs and revenues generated by our homeownership program to cover our operations. As the attached spreadsheet shows, the 5 percent origination fee is projected to cover administrative expenses with a slight deficit.

2013-2015 H[redacted]ng Incentive Fund 2
Administrative Expenses -12/31/2014

Units	935
Affordable Units	720
Total Projects	30

Funds:	
TC Contributions	20,000,000
General Fund	15,400,000
Transfer from HIF 1	2,371,121
Total	37,771,121

	FY2013	FY2014	FY2015 (Budget)	FY2016 (Budget)	FY2017 (Budget)	FY2018-2036 Budget	Total All Years
Revenue:							
Application Fee	10,000	14,500	2,500				27,000
Origination Fee	-	763,751	1,089,804	35,005			1,888,560
Annual Compliance Fee	-	-	2,560	13,192	19,435	369,265	404,452
Total Revenue	10,000	778,251	1,094,864	48,197	19,435	369,265	2,320,012
Expenses:							
Salaries & Benefits (1)	15,516	182,352	189,471	189,471	67,556	1,283,560	1,927,926
Operating Expenses	9,383	31,811	38,232	38,232	13,784	261,900	393,342
Total Admin Expenses	24,899	214,163	227,703	227,703	81,340	1,545,460	2,321,268
Project Disbursements:							
Project Payments	-	12,163,528	22,373,316	3,234,277	-	-	37,771,121
Net Income (Loss)	(14,899)	564,089	867,161	(179,506)	(61,905)	(1,176,195)	(1,256)

(1) Salary and Benefits include a .6 FTE for compliance monitoring position and staffing expenses for accounting and IT time allocation. Staffing time estimates was compared to established monitoring programs at the agency.

(2) Operating expenses include costs of third party audits, proportional expenses for building rent, telephone, and utilities, travel expenses associated with compliance site visits, and costs associated with ongoing training of property managers.

HB1014 January 30, 2015 Attachment B

NORTH DAKOTA housing FINANCE AGENCY

Jolene Kline Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

January 29, 2015

TO: Government Operations Division, House Appropriations Committee
FROM: Jolene Kline, Executive Director
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Re: Meeting with Standing Rock Sioux Tribe

Chairman Thoreson and members of the Government Operations Division of the House Appropriations Committee:

As requested at the meeting on Jan. 22, I am writing to provide a report on the meeting with the Standing Rock Sioux Tribe regarding their proposed housing development.

Two of my senior staff members, Planning and Housing Development Director Jennifer Henderson and Homeownership Director Dave Flohr, attended the Tribal Council meeting on Tuesday, Jan. 27. In addition to our staff, representatives of the Bank of North Dakota and USDA Rural Development attended. The meeting was a formal council meeting so there was not an opportunity to get into all of the specific details and engage in an open dialog, but some valuable information was shared.

As you will recall from Long Soldier District council representative Joe Dunn, the Tribal Council is exploring means to facilitate a 20 acre single-family subdivision just south of Fort Yates on trust land that is currently zoned residential.

Council members heard a presentation from homebuilders Steven and Robyn Gates on single family and twin homes ranging in price from $206,000 to $254,000 depending on square footage and options. The council also heard from Juel Burnette, the manager of 1st Tribal Lending, which is a financial service provider and conducting business nationwide. 1st Tribal Lending specializes in HUD Section 184 lending. Mr. Burnette was previously employed at Wells Fargo as manager of the 184 lending team and has worked with the program since 1999. He is very engaged and knowledgeable about the 184 program and indicated to the Tribal Council he would like to continue discussions on this lending opportunity.

HUD 184 lending is complex and in order to efficiently originate the product, there must be continued use of the program. The North Dakota banks that were authorized 184 lenders have discontinued the program due to lack of use and difficulty in maintaining personnel who are knowledgeable in the regulatory guidelines.

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Council members seemed pleased with the information Mr. Burnette provided and he planned to follow up with the members to discuss further.

Additional financing options were also provided including the Native American Veteran Direct Home Loan Program through the Department of Veteran Affairs and USDA Rural Development's direct lending programs. Rural Development also has a StrikeForce initiative which is a coordinated effort to increase economic opportunities and address the needs of rural communities suffering from persistent poverty. Rural Development was not given an opportunity to speak at the council meeting, but Area Director Alisa Dahl mentioned to staff that Standing Rock is one of their target communities and she will be reaching out further to the council.

There exists another opportunity for the Tribal Council through the Hearth Act of 2012. This provision allows tribes, with the approval of the Bureau of Indian Affairs, to create land leasing regulations for trust lands. Once completed, the tribe is then authorized to negotiate and enter into leases without further approvals from the Secretary of the Department of Interior, which oversees the BIA. This would increase tribal sovereignty and possibly reduce processing time for borrowers and lenders on trust land. NDHFA has provided this information to Mr. Dunn and we will discuss this with him further.

Mr. Dunn also indicated that he may be looking for additional technical assistance for the subdivision development to create buildable lots. The Gates' are willing to do the housing development but are not in a position to provide the infrastructure necessary for the subdivision. NDHFA is currently reaching out to public and private entities to provide contacts for Mr. Dunn.

Standing Rock- Commercial Code Implementation- Secured Transaction

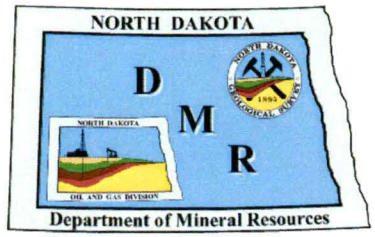
In June 2014, the tribe adopted a commercial code that governs aspects of business transaction on tribal land. It provides guidelines for secured transactions using personal property as collateral and provides certainty on creditor's rights in security, remedies available, etc.

Standing Rock is working with the North Dakota Secretary of State to execute a memorandum of agreement to begin utilizing the state's centralized indexing system. Once the state has completed its conversion to a new system, Standing Rock will execute the MOA and they will then have a searchable filing system. This initiative is regarding personal property and not real property (real estate transactions). It is intended to spur economic development and drive business investment on tribal land as well as create opportunities for tribal business to emerge or expand by increasing their access to financing.

North Dakota Indian Affairs Commissioner Scott Davis worked extensively on this initiative with the Standing Rock Tribe and indicated a willingness to answer further questions for the committee. The Turtle Mountain Band of Chippewa Indians has also adopted a commercial secured transaction code. Mr. Davis indicated he has had conversations with the other tribes and will continue efforts to implement the code on each reservation.

While this will be helpful for economic development purposes, it does not address the specific concerns voiced regarding housing development and mortgage lending.

HB 1014 January 30, 2015 attachment C



House Appropriations
Government Operations Committee

HB-1014

January 30, 2015

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission

2015-2017 Budget Requests

Positions needed for regulatory oversight at current activity levels:

7 - Engineering Techs Field Inspection - focus on wells and facilities – needed for anything over 120 rigs.

1 - Engineering Tech GIS – Increased pipeline and gas capture GIS requirements.

3 - 1 Safety Officer, 1 Accounting\Budget Specialist, and 1 Human Resources Technician – Increased Department office support functions – backlog of 1,074 cases waiting on orders - current Department FTE count of more than 75 creates safety, fraud risk assessment, and recruiting issues.

1 - Petroleum Engineer Reclamation Specialist – Increased spill response and reclamation requirements.

1 - Surface Geologist – Pending special waste landfill reviews in western North Dakota.

2 - Engineering Technicians – well log & directional survey compliance and QC – backlog of 619 drilling permit applications, 669 directional surveys, and 408 well logs in Department inboxes.

9

Contingency Positions Authorized when Average Price as defined in NDCC 57-51.1-01 (2) exceeds "Trigger Price" as defined in NDCC 57-51.1-01 (12) for five consecutive months:

2 FTE Engineering Techs Field Inspection – increased drilling and completions will add wells and facilities.

1 FTE Petroleum Engineer Field Inspector – Increasing activity in the Spearfish play in Bottineau Co.

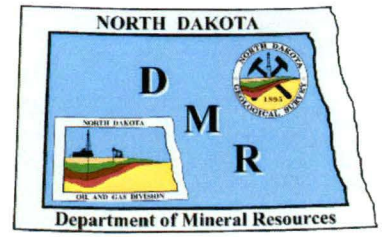
1 FTE Surface Geologists – Increased geo-hazard mapping needs in northwestern and eastern North Dakota.

1 FTE Petroleum Engineer Geology Analyst - current back log of 5,153 wells that need formation tops picked.

1 FTE Engineering Technician Treating Plant Inspection - drill cuttings and salt water recycle proposed

Contingency Positions Authorized if well count exceeds 20,000

3 FTE Engineering Technicians OGD field inspection-focusing on wells and facilities.



Prioritized Listing of Requests not included in the Executive Budget

1) DMR Market Equity Compensation – $800,000 – retention of experienced employees
   48 FTE with 5 or less years, 13 FTE with 6-10 years, 7 FTE with 11-15 years, 3 FTE with 16-20 years, 1 FTE with 21-25 years, and 15 FTE with 25 or more years of experience.

3

2) Two ATVs & Trailers for Pipeline Inspection – ONE TIME $41,500 – critical for pipeline inspection. Contractors will not allow any other type of vehicles on right of way.

Permanent Staff Model

21	Petroleum Engineer - Field Inspectors Current			13	Engineering Technician - Field Inspectors Current		
22	Petroleum Engineer - Field Inspectors Needed			**22**	Engineering Technician - Field Inspectors Needed		
45	hours per week			45	hours per week		
5	hours office time			5	hours office time		
15	hours Spills, Pluggings, other Engineering			10	hours Spills and Pipelines		
18,247	producing wells	0	visits per year	18,247	producing wells	4	visits per year
1,408	injection wells	0	visits per year	1,408	injection wells	12	visits per year
0	hours for well inspections			29	hours for well inspections		
25	hours for rig inspection			0	hours for rig inspection		

544 hours per week for rig inspection

3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)

	Rigs	Petroleum Engineer - Field Inspectors	6/30/2017 Wells	Engineering Technician - Field Inspectors
	120	15	18,567	20
Q4 2015	130	17	18,784	21
	140	18	19,002	21
Q2 2015	150	19	19,220	21
	160	20	19,437	21
Q2 2017	170	22	19,655	22
	180	23	19,872	22
Max 2015-17	190	24	20,089	22
	200	26	20,307	22
	210	27	20,525	22

1/15/2015

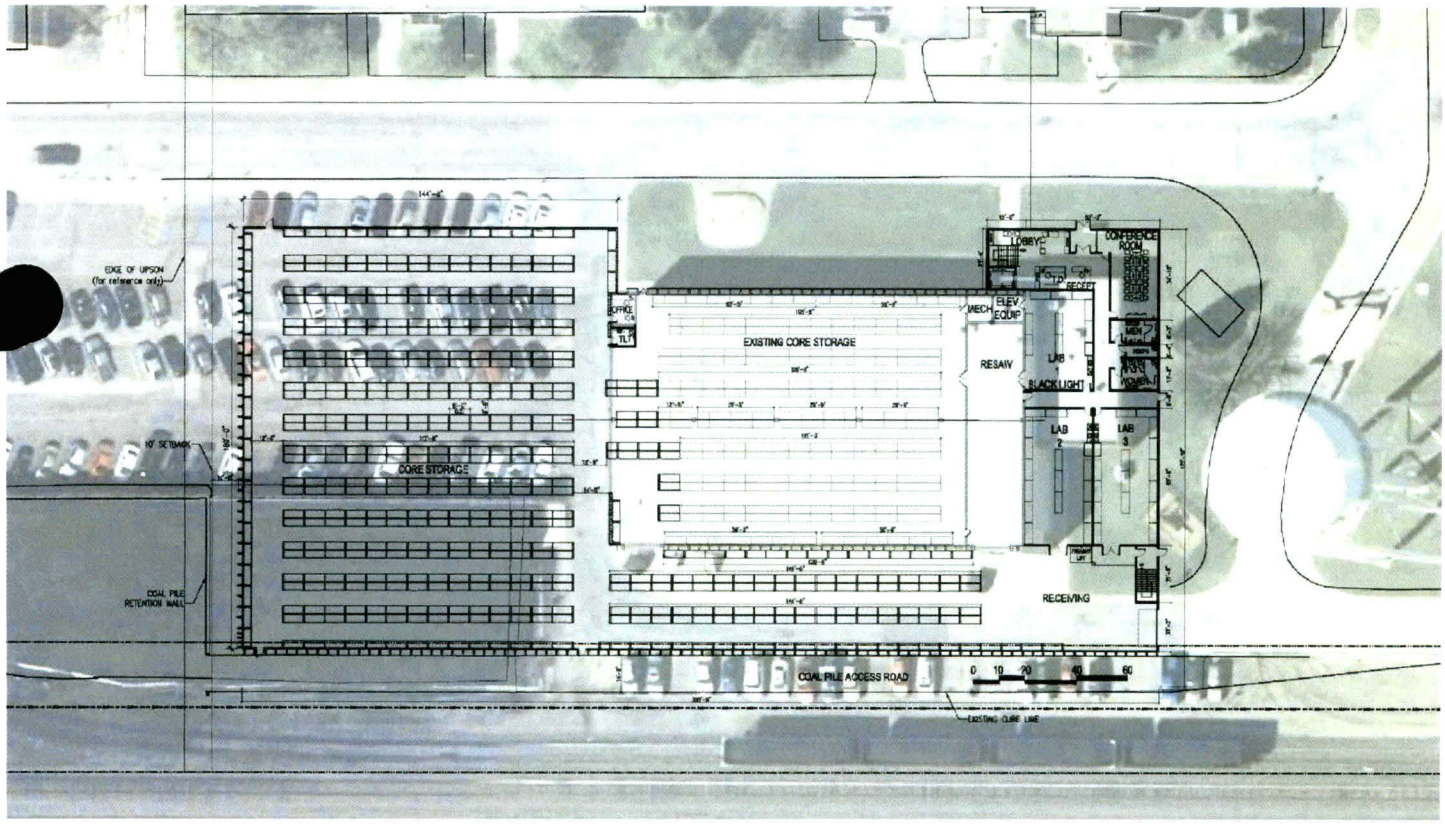
HB 1014 January 30, 2015 Attachment D

HOUSE APPROPRIATIONS
GOVERNMENT OPERATIONS DIVISION
House Bill 1014

January 29, 2014
Ed Murphy emurphy@nd.gov
ND Department of Mineral Resources

Wilson M. Laird Core and Sample Library

$16 Million Expansion



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Wilson M. Laird Core Library Expansion NDGS
Cost Estimate

28-Jan-15

Estimate Contingency (%) = 6.0% **EAPC Project No.** 20132560

BASIC CONSTRUCTION COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Lab and Office Areas - Basic MEP + Fire Suppression incl.	13,500	100	$ 200.00	$ 2,700,000.00
Core Storage Areas Addition - Basic MEP + Fire Suppression incl.	32,400	SF	$ 140.00	$ 4,536,000.00
			Subtotal	$ 7,236,000.00
			Construction Contingency @ 3%	$ 217,080.00
			Early Phase Est. Contingency	$ 434,160.00
			Basic Constructon Subtotal	$ 7,887,240.00

SITE IMPROVEMENTS NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Demolish Existing Office- MEP incl.	1	LS	$ 75,000.00	$ 75,000.00
Site Work Demo & Improvements	1	LS	$ 35,000.00	$ 35,000.00
Curb Remove & Replace	1104	LF	$ 38.00	$ 41,952.00
Roadway Pavement	1200	SF	$ 12.75	$ 15,300.00
Parking Lot Remove & Repair	16000	SF	$ 5.50	$ 88,000.00
Soil Remove & Replace @ Addition	5000	CY	$ 32.00	$ 160,000.00
Coal Wall Move, Include Ftgs	1	LS	$ 125,000.00	$ 125,000.00
Oil Pump Model Remove and Relocate	1	LS	$ 40,000.00	$ 40,000.00
Sky Walk Complete Structure, incl. MEP, interiors, Exterior envelope	1	LS	$ 425,000.00	$ 425,000.00
			Subtotal	$ 1,005,252.00
			Construction Contingency @ 3%	$ 30,157.56
			Early Phase Est. Contingency	$ 60,315.12
			Site Improvements Subtotal	$ 1,095,724.68

SITE UTILITY COSTS NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Steam Line Vault & Steam Line rerouting	1	LS	$ 10,000.00	$ 10,000.00
Steam Line Modifications	1	LS	$ 125,000.00	$ 125,000.00
New Fire Suppression water service	1	LS	$ 20,000.00	$ 20,000.00
			Subtotal	$ 155,000.00
			Construction Contingency @ 3%	$ 4,650.00
			Early Phase Est. Contingency	$ 9,300.00
			Site Utility Subtotal	$ 168,950.00

SPECIALTIES NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Core Freight & Passenger Elevator	1	EA	$ 160,000.00	$ 160,000.00
Labs: Fume Hoods (Equipment)	6	Ea.	$ 9,000.00	$ 54,000.00
Labs: Fume Hoods (Exhaust)	6	Ea.	$ 6,000.00	$ 36,000.00
Laboratory Dust Collection + Arms	1	Ea.	$ 124,000.00	$ 124,000.00
New Bathroom in Existing	1	Ea.	$ 20,000.00	$ 20,000.00
Upgrade HVAC in Existing Core Storage	15360	SF	$ 12.00	$ 184,320.00
Upgrade Lighting and Basic 120V in Existing	15360	SF	$ 10.00	$ 153,600.00
ADD Fire Suppression into Existing Core Storage	15360	SF	$ 3.00	$ 46,080.00

Façade Improvements	7880	SF	$	30.00	$	236,400.00
Remove West Shear Wall, Reinforce	1	LS	$	175,000.00	$	175,000.00
UND- Parking Replacement	74	Ea.	$	25,000.00	$	1,850,000.00
				Subtotal	$	3,039,400.00
				Construction Contingency @ 3%	$	91,182.00
				Early Phase Est. Contingency	$	182,364.00
				Specialties Subtotal	$	3,312,946.00

FURNITURE, FIXTURES, & EQUIPMENT

System/Component	Quantity	Unit		cost/unit		System cost
Core Storage Shelving	3562	LF	$	186.00	$	662,532.00
Lab Tables	62	Ea.	$	1,200.00	$	74,400.00
Systems Furniture Offices	1	LS	$	44,300.00	$	44,300.00
Conference & Meeting Room Furniture	1	LS	$	18,365.00	$	18,365.00
Other FFE @ 3.5% of BLDG	1	LS	$	253,300.00	$	253,300.00
				Subtotal	$	1,052,897.00
				Construction Contingency @ 3%	$	31,586.91
				Early Phase Est. Contingency	$	63,173.82
				Specialties Subtotal	$	1,147,657.73

Project Construction Subtotal	$	13,612,518.41

FEES AND PERMITS

Contract Bond(5%)	$	680,625.92
A/E Fees @ 6.5%	$	884,813.70
UND PM Fee @ 2%	$	272,250.37
CM at Risk Fee @ 4%	$	544,500.74
Fees/Permit Subtotal	$	2,382,190.72
F&P = 17.5% of Construction Cost		

Total Project Cost	**$**	**15,994,709.13**

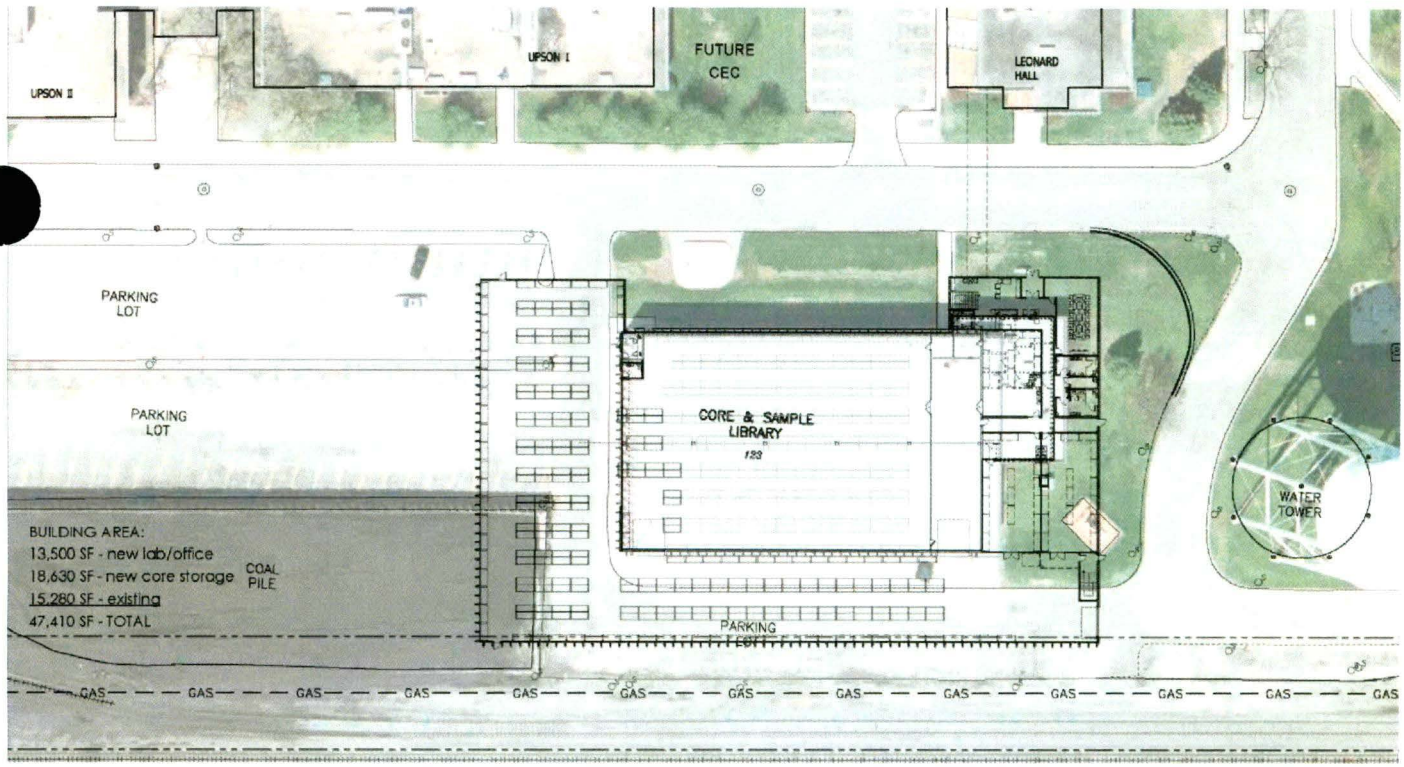
HB1014 January 30, 2015 Attachment E

HOUSE APPROPRIATIONS
GOVERNMENT OPERATIONS DIVISION
House Bill 1014

January 29, 2014
Ed Murphy emurphy@nd.gov
ND Department of Mineral Resources

Wilson M. Laird Core and Sample Library

$12 Million Expansion



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Wilson M. Laird Core Library Expansion NDGS
Cost Estimate - Reduced Core Storage Area

28-Jan-15

Estimate Contingency (%) = 6.0% **EAPC Project No.** 20132560

BASIC CONSTRUCTION COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Lab and Office Areas - Basic MEP + Fire Suppression incl.	13,500	SF	$ 200.00	$ 2,700,000.00
Core Storage Areas Addition - Basic MEP + Fire Suppression incl.	18,630	SF	$ 140.00	$ 2,608,200.00
			Subtotal	$ 5,308,200.00
			Construction Contingency @ 3%	$ 159,246.00
			Early Phase Est. Contingency	$ 318,492.00
			Basic Constructon Subtotal	$ 5,785,938.00

SITE IMPROVEMENTS NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Demolish Existing Office- MEP incl.	1	LS	$ 75,000.00	$ 75,000.00
Site Work Demo & Improvements	1	LS	$ 35,000.00	$ 35,000.00
Curb Remove & Replace	1104	LF	$ 38.00	$ 41,952.00
Roadway Pavement	1200	SF	$ 12.75	$ 15,300.00
Parking Lot Remove & Repair	8150	SF	$ 5.50	$ 44,825.00
Soil Remove & Replace @ Addition	2875	CY	$ 32.00	$ 92,000.00
Coal Wall Move, Include Ftgs	1	LS	$ 125,000.00	$ 125,000.00
Oil Pump Model Remove and Relocate	1	LS	$ 40,000.00	$ 40,000.00
Sky Walk Complete Structure, incl. MEP, interiors, Exterior envelope	1	LS	$ 425,000.00	$ 425,000.00
			Subtotal	$ 894,077.00
			Construction Contingency @ 3%	$ 26,822.31
			Early Phase Est. Contingency	$ 53,644.62
			Site Improvements Subtotal	$ 974,543.93

SITE UTILITY COSTS NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Steam Line Vault & Steam Line rerouting	1	LS	$ 10,000.00	$ 10,000.00
Steam Line Modifications	1	LS	$ 125,000.00	$ 125,000.00
New Fire Suppression water service	1	LS	$ 20,000.00	$ 20,000.00
			Subtotal	$ 155,000.00
			Construction Contingency @ 3%	$ 4,650.00
			Early Phase Est. Contingency	$ 9,300.00
			Site Utility Subtotal	$ 168,950.00

SPECIALTIES NOT INCLUDED IN BASIC COSTS

System/Component	Quantity	Unit	cost/unit	System cost
Core Freight & Passenger Elevator	1	EA	$ 160,000.00	$ 160,000.00
Labs: Fume Hoods (Equipment)	6	Ea.	$ 9,000.00	$ 54,000.00
Labs: Fume Hoods (Exhaust)	6	Ea.	$ 6,000.00	$ 36,000.00
Laboratory Dust Collection + Arms	1	Ea.	$ 124,000.00	$ 124,000.00
New Bathroom in Existing	1	Ea.	$ 20,000.00	$ 20,000.00
Upgrade HVAC in Existing Core Storage	15360	SF	$ 12.00	$ 184,320.00
Upgrade Lighting and Basic 120V in Existing	15360	SF	$ 10.00	$ 153,600.00
ADD Fire Suppression into Existing Core Storage	15360	SF	$ 3.00	$ 46,080.00

Façade Improvements	7880	SF	$	30.00	$	236,400.00
Remove West Shear Wall, Reinforce	1	LS	$	175,000.00	$	175,000.00
UND- Parking Replacement	55	Ea.	$	25,000.00	$	1,375,000.00
				Subtotal	$	2,564,400.00
				Construction Contingency @ 3%	$	76,932.00
				Early Phase Est. Contingency	$	153,864.00
				Specialties Subtotal	$	2,795,196.00

FURNITURE, FIXTURES, & EQUIPMENT

System/Component	Quantity	Unit		cost/unit		System cost
Core Storage Shelving	2062	LF	$	186.00	$	383,532.00
Lab Tables	62	Ea.	$	1,200.00	$	74,400.00
Systems Furniture Offices	1	LS	$	44,300.00	$	44,300.00
Conference & Meeting Room Furniture	1	LS	$	18,365.00	$	18,365.00
Other FFE @ 3.5% of BLDG	1	LS	$	253,300.00	$	253,300.00
				Subtotal	$	773,897.00
				Construction Contingency @ 3%	$	23,216.91
				Early Phase Est. Contingency	$	46,433.82
				Specialties Subtotal	$	843,547.73

Project Construction Subtotal	$	10,568,175.66

FEES AND PERMITS

Contract Bond(5%)	$	528,408.78
A/E Fees @ 6.5%	$	686,931.42
UND PM Fee @ 2%	$	211,363.51
CM at Risk Fee @ 4%	$	422,727.03
Fees/Permit Subtotal	$	1,849,430.74

F&P = 17.5% of Construction Cost

Total Project Cost	$	**12,417,606.40**

HB1014 February 5, 2015 Attachment A

State Bonding

General Obligation Bonds

General obligation bonds are secured by the full faith and credit and the general taxing power of the state.

Article X, Section 13 of the North Dakota Constitution provides for the issuance of general obligation bonds of the State as follows:

- The State may not incur general obligation debt unless evidenced by a bond issue authorized by law for clearly defined purposes.
- Every law authorizing a general obligation bond issue must:
  - Provide for a levying of an annual tax, or make some other provision, sufficient to pay the interest semiannually and the principal within 30 years from the date of issuance.
  - Specifically appropriate the proceeds of the tax levy, or such other provision, to the repayment of the principal of and interest on the bonds.
- The appropriation referred to above may not be repealed, or the tax or other provision discontinued, until both the principal of and interest on the bonds have been paid.
- General obligations bonds in excess of $2,000,000 must be secured by a first mortgage upon either of the following:
  A. A first mortgage on real estate for no more than 65% of the value of the real estate.
  B. A first mortgage on real or personal property of State-owned utilities, enterprises or industries for no more than the value of the utilities, enterprises or industries. The State may not issue or guarantee bonds secured by property of State-owned utilities, enterprises or industries in excess of $10,000,000.
- The State may not issue debt in excess of the limit set out in this section except for one of the following purposes:
  A. Repelling invasion.
  B. Suppressing insurrection.
  C. Defending the State in time of war.
  D. Providing for the public defense in case of threatened hostilities.

Currently, there are no outstanding General Obligation Bonds of the State.

Appropriation Bonds

Appropriation bonds do not carry a moral obligation as defined below nor are they general obligations of the state; they are payable solely from biennial appropriations of a specific source or from pooled revenues from various sources. For example, the Water Commission was given authority to issue bonds for water development projects with the primary source of payment being appropriations from the Water Development Trust Fund. N.D.C.C. §61-02.1--04 [The Water Development Trust Fund has as its source of funding the monies received from the Tobacco Settlement Trust Fund. If there are insufficient funds available in the Water Development Trust Fund from tobacco settlement payments, then funds are to be drawn from a) the Resources Trust Fund, b) other available current revenues, c) other revenues of the Water Commission and d) certain biennial earnings of the Bank of North Dakota.]

The North Dakota Building Authority issues revenue bonds which are a form of appropriation bonds. The Authority looks to a financing agreement (either a loan agreement or a lease agreement which provide for a financing payment every six months) entered into between the Authority and the State Agency to repay the outstanding bonds. The financing agreements are structured for successive two-year terms. In the case of the Building Authority the majority of the financing payments from the State Agency come from the General Fund that is appropriated each biennium by the Legislature,

(although some payments originate from federal or other funds available to a State Agency). These bonds are sold with the understanding that the lease rentals or loan payments are repayable (primarily) from biennial appropriations and that the Legislature is not required to appropriate funds for the financing payments in future biennia.

Moral Obligation Bonds

A moral obligation pledge will generally require that the state agency issuing the bonds must notify the Governor or other executive branch office by a certain date in the fiscal year that a bond reserve fund deficiency exists or is expected to occur. The Governor or other executive officer is then required to submit in the executive budget a request for an appropriation that will be sufficient to restore or cover the reserve fund deficiency. The State Legislature then has a moral (but not legal) obligation to provide the requested appropriation to replenish the reserve fund.

For example, bonds issued by the Public Finance Authority (previously known as the Municipal Bond Bank) may be issued as moral obligation bonds. (However, the Public Finance Authority's State Revolving Fund bond issues sold in 2011 and 2012 without the need for the moral obligation pledge and only the 2012 taxable bonds required reserves. The State Revolving Fund program is rated on its own at Aaa by Moody's.) Subsection 1 of NDCC §6-09.4-10 generally requires the Public Finance Authority to establish and maintain a reserve fund equal to the maximum annual debt service on all outstanding Public Finance Authority bonds. (Rating agencies sometimes require a two-year annual debt service reserve since North Dakota operates on a biennial basis.) Subsection 4 of NDCC §6-09.4-10 provides that if the Public Finance Authority issues moral obligation bonds the legislative assembly is morally (but not legally) obligated to appropriate and pay to the Public Finance Authority for deposit in its reserve fund such sum as is certified to the Legislature by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve.

Revenue Bonds

Revenue bonds are not general obligations of the State; they are payable solely from revenues from a specific source or from pooled revenues from various sources. There are different sources for repaying revenue bonds. State issued revenue bonds are as follows:

Mortgage Revenue Bonds

The North Dakota Housing Finance Agency issues mortgage revenue bonds. The proceeds from these bonds are used to buy certain first-time home loans from lenders and the repayment of these loans provides funds for the primary debt service on the bonds. HFA bonds are not debt of the State, but are full faith and credit obligations of the HFA (to the extent of legally available funds).

Other Revenue Bonds

- There are several other types of revenue bonds issued by the state. First, the Industrial Commission has issued student loan revenue bonds (which are similar to mortgage revenue bonds). The proceeds from the student loan revenue bonds are used to purchase student loans primarily from the Bank of North Dakota. The payments made by students on the loans (the revenues) are then utilized to repay the bonds.
- The University System has issued several different types of revenue bonds. Parking lots are often financed by revenue bonds with the parking fees (revenues) used to repay the debt. The same applies for student housing, student unions and technology bonds.
- The Water Commission has issued revenue bonds for part of the Southwest Pipeline Project and for a small portion of the NAWS Project. The main source of repayment is water user fees.

- The Department of Transportation issued one issue of revenue bonds in 2005. The proceeds from the Transportation bonds were used for specified transportation projects. The repayment sources for these bonds are anticipated Federal highway grant and revenue funds and the appropriated State's Highway Fund revenues.
- Both the Transmission Authority and the Pipeline Authority have been given authority to issue revenue bonds. As of January 1, 2015 neither Authority has issued any bonds. During the 2009 Legislative Session a bill was passed to allow up to $240 million of Transmission Authority bonds to be backed by the State's moral obligation.

Payment Sources

Each type of issue reflects a different source of repayment should there be a default. The only bonds that require that a tax be levied to pay for debt service are the general obligation bonds. The State has no general obligation bonds outstanding at this time.

All the other bonds must clearly state in the legal documents and official statements that the bonds are not a general obligation of the State of North Dakota and the bondholder can only rely on the revenue or other sources that are pledged. Typically an official statement for the bond issue will include a paragraph that states something similar to the following:

> "The Bonds do not constitute debt of the State or any agency or political subdivision thereof, neither the faith or credit nor the taxing powers of the State or political subdivision thereof are pledged to the payment of the principal or interest on the bonds."

Bonding Authority

Attached is a chart which shows what entities have authority to issue bonds, the security and repayment sources for each type of bonds, any limitations, amounts outstanding and the statutory reference.

Karlene Fine
328-3722

01/29/15

Issuer	Type of Bond	Security Source*	Source of Repayment	Various Limitations**	Amount Outstanding	Statutory Reference
Ind. Commission/ Agricultural Bonds	Revenue Bonds	Agricultural loans	Loan Repayments	***	$0	4-36
North Dakota Building Authority	Lease Revenue/ Appropriation Bonds	Deed/lease held on the facilities either constructed or rehabilitated; and more recently, funds derived from biennial appropriations provided under agreement.	Biennial appropriations (including General Fund, Local Match Funds, Federal Funds & Fee income)	**General Fund** appropriation cannot exceed 10% of 1% of the sales use, motor vehicle tax ****	$50,425,000 (as of 12-31-14)	54-17.2
State Fair Association	Revenue Bonds	Revenues and earnings	Revenues	***	$0	4-02.1
Housing Finance Agency	Mortgage Revenue Bonds	Revenues from Mortgages held on homes and multi-family facilities	Mortgage loan repayments and reserve/ investment income	***	$553,110,000 (as of 12-31-14)	54-17
Industrial Commission/ Lignite Research Program	Revenue Bonds	Lignite tax revenues	Biennial appropriations from the Lignite Research Fund	No limitations except to the extent of funds available in the Lignite Research Fund for debt service payments	$0	54-17.5
Pipeline Authority	Revenue Bonds	Revenues and earnings/Lease Agreements	Revenues	$800,000,000	$0	54-17.7
Public Finance Authority	Moral Obligation Revenue Bonds	Political Subdivision bonds; and for certain bonds, the moral obligation pledge of the state	Loan repayments from political subdivisions	Capital Financing Program ***; Industrial Development Revenue Bonds (small manufacturers) limitation of $2 million per project;. SRF Program ***	$284,155,000 (as of 12-31-14)	6-09.4
Governor & Treasurer – Real Estate Bonds	General Obligation	Real Estate mortgages & a commitment to levy a statewide mill levy	Payments from Real Estate Loans and Statewide Mill levy	$150,000,000/65% of the value of real estate mortgages	$0	54-30
Industrial Commission/ Student Loan Program	Revenue Bonds Residual Bonds	Student Loans guaranteed by Guarantee Agency and Federal Government	Student Loan payments	***	$1,000,000 (as of 6-30-14)	54-17
Transmission Authority	Moral Obligation Revenue Bonds	Revenues and earnings / Lease agreements	Revenues	$800,000,000 (Moral obligation is limited to $240 million of the $800 million)	$0	17-05

Department of Transportation	Grant Anticipation Revenue Bonds	Anticipated Federal Highway Grant & Revenue Funds & appropriated State Highway Fund Revenue	Anticipated Federal Highway Grants & Revenue Funds & appropriated State Highway Fund revenue	Limited to financing for two specific projects	$27,025,000 (as of 12-31-14)	24-02-40.1
University System	Revenue Bonds	Revenues from the fees	Parking Fees, Housing Fees, Student Fees	Each project must be approved by the Legislature. No overall limitation	$246.568,500 (as of 6-30-14)	15-55
Water Commission	Revenue Bonds Appropriation Bonds	Revenues and earnings	Collection of User Fees; Water Development Trust Fund appropriation	Statutory limitation of an aggregate of $2 million unless Legislature authorizes a higher amount for a specific project (SW pipeline has a limitation of $25,000,000; Red River Valley Water Supply project has a limitation of $40,000,000; Northwest Area Water Supply project does not have such a limitation.)	$58,220,000 (as of 6-30-14) These bonds are scheduled to be defeased prior to 6-30-15.	61-24.3, 61-24.6, 61-02, 61-02.1

*Security Sources also include reserve funds and other invested funds and accounts that are provided for in each bond issue. Generally these reserve funds represent up to one year's debt service or 10% of the bond issue. The Public Finance Authority's CFP bonds have a two years maximum annual debt service requirement. Balances in the reserve funds are generally used to make the final debt service payment.

**The Federal Government has established an overall volume cap for Private Activity Bonds that is $301,515,000 for calendar year 2015. The Student Loan Revenue Bonds and the Housing Finance Agency Revenue Bonds fall within the Private Activity Bond Volume Cap.

***The issuance of bonds is subject to adherence to bond document requirements and satisfactory program cash flows.

****North Dakota Building Authority Bonds issued for Energy Conservation Projects, by law, are not under the 10% of 1% sales tax limitation. ***Revised 01/29/15***

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February 5, 2015 HB1014 Attachment B

ANALYSIS OF MAJOR SPECIAL FUNDS FOR THE 2013-15 AND 2015-17 BIENNIUMS INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015

Prepared by the
North Dakota Legislative Council Staff
February 2015

ANALYSIS OF THE BONDING FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$3,408,932		$3,490,733
Add revenues				
Investment income	$250,000		$300,000	
State bonding fund claims collections	50,000		50,000	
Game and fish bonds	7,000		7,000	
Total revenues		307,000		357,000
Total available		$3,715,932		$3,847,733
Less expenditures and transfers				
Claim liabilities/payments/write-offs	$150,000		$150,000	
Claims-related expenses	20,000		20,000	
Investment expense	10,000		10,000	
Administration	45,199		43,451	
Total expenditures and transfers		225,199		223,451
Ending balance		$3,490,733		$3,624,282

FUND HISTORY

The state bonding fund was created in 1915 and is maintained for bond coverage of public employees. The state bonding fund is managed by the Insurance Commissioner, and the amount of coverage provided to each state agency, department, industry, and institution is determined by the commissioner based upon the amount of money and property handled and the opportunity for default. North Dakota Century Code Section 26.1-21-09 provides that premiums for bond coverage are to be determined by the Insurance Commissioner but can be waived if the state bonding fund's balance is in excess of $2 million. No premium has been charged, possibly since 1953, because the bonding fund's balance has exceeded the minimum level established by the Legislative Assembly.

ANALYSIS OF THE BUDGET STABILIZATION FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$583,545,799		$687,095,131
Add estimated revenues				
Investment income	$0[1]		$0[1]	
Transfer from general fund	103,549,332[2]		0	
Total estimated revenues		103,549,332		0
Total available		$687,095,131		$687,095,131
Less estimated expenditures and transfers				
None				
Total estimated expenditures and transfers		0[3]		0[3]
Estimated ending balance		$687,095,131		$687,095,131

[1]Interest earned on the fund is deposited in the general fund because the balance in the fund is at the maximum allowed under North Dakota Century Code Section 54-27.2-01.

[2]Chapter 54-27.2 provides any amount in the general fund at the end of a biennium in excess of $65 million must be transferred to the budget stabilization fund except that the balance in the budget stabilization fund may not exceed 9.5 percent of the general fund budget approved by the most recently adjourned Legislative Assembly. The amount shown is based on the executive budget estimate of a June 30, 2015, general fund balance of $681,015,929 and the recommended 2015-17 biennium general fund appropriations of $7,232,580,330; therefore, the maximum balance in the fund is limited to $687,095,131.

[3]No transfers from the budget stabilization fund are anticipated.

FUND HISTORY

The budget stabilization fund was established by the Legislative Assembly in 1987 House Bill No. 1596. Major provisions include:

- Section 54-27.2-01 establishes the budget stabilization fund and provides any interest earned on the balance of the budget stabilization fund must be retained in the fund. The section currently provides any money in the fund in excess of 9.5 percent of the general fund budget as approved by the most recently adjourned Legislative Assembly must be deposited in the state general fund. The Legislative Assembly approved 2011 House Bill No. 1451 which decreased, effective July 1, 2011, the maximum balance allowed in the fund from 10 to 9.5 percent of the general fund budget approved by the most recently adjourned Legislative Assembly.
- Section 54-27.2-02 provides any amount in the state general fund at the end of a biennium in excess of $65 million must be transferred to the budget stabilization fund.
- Section 54-27.2-03 provides the Governor may order a transfer from the budget stabilization fund to the general fund if the Director of the Office of Management and Budget (OMB) projects general fund revenues for the biennium will be at least 2.5 percent less than estimated by the most recently adjourned Legislative Assembly. The amount transferred is limited to the difference between an amount 2.5 percent less than the original legislative general fund revenue forecast and the revised forecast prepared by OMB. Any transfer made must be reported to the Budget Section.

ANALYSIS OF THE CAPITOL BUILDING FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS[1] (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$2,841,003		$5,372,594
Add revenues				
Investment income	$40,678		$116,763	
Rentals, royalties, and bonuses	3,828,270		3,290,000	
Total revenues		3,868,948		3,406,763
Total available		$6,709,951		$8,779,357
Less expenditures and transfers				
Administrative expenses	$51,561		$59,194	
Income payments to counties	5,796[2]		5,796[2]	
Capitol Grounds Planning Commission continuing appropriation (North Dakota Century Code Section 49-10-02[3])	175,000		175,000	
Capitol Grounds Planning Commission operating expenses (2013 HB 1015, 2015 SB 2015)	25,000		25,000	
Demolition and construction of a new Governor's residence (2015 SB 2304)			5,000,000	
Office of Management and Budget Capitol projects (2011 SB 2015)	1,080,000[4]			
Total expenditures and transfers		1,337,357		5,264,990
Ending balance		$5,372,594		$3,514,367

[1]The analysis reflects the legislative appropriations for the 2013-15 biennium and appropriations included in bills under consideration by the 2015 Legislative Assembly and does not include the land owned by the fund.

[2]Section 15-04-23 provides the Board of University and School Lands is to pay a fee to the board of county commissioners of each county in which the state retains original grant lands. The total fees paid may not exceed 5 percent of the net revenue generated from the original grant lands in that county during the year preceding the payments. The board of county commissioners is to forward a prorated portion of any fees received to the organized townships in which the original grant lands are located. The funds are to be used for the repair, maintenance, and construction of roads and bridges. Any remaining funds are to be used by the county for repair, maintenance, and construction of roads and bridges in unorganized townships in which the original grant lands are located.

[3]Section 48-10-02 provides a continuing appropriation to the Capitol Grounds Planning Commission to expend up to $175,000 per biennium of income and interest of the Capitol building fund. The section was amended by 2013 House Bill No. 1015 to increase the amount of the maximum continuing appropriation to $175,000 per biennium beginning with the 2013-15 biennium. The amount that may be spent may not exceed 50 percent of the unencumbered balance of the fund on the first day of the biennium.

[4]Funding of $2.6 million was appropriated from the Capitol building fund by the Legislative Assembly in 2011 for the following projects:

- Legislative wing brass and wood restoration ($1,000,000).
- Capitol Café and hallway remodel ($700,000).
- Capitol south entrance remodeling ($900,000).

ANALYSIS OF THE CENTERS OF EXCELLENCE FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$10,756,483		$7,383,067
Add estimated revenues				
Transfer from the general fund				
Investment income	$9,600		$7,200	
Total estimated revenues		9,600		7,200
Total available		$10,766,083		$7,390,267
Less estimated expenditures and transfers				
Legal fees - Attorney General's office	$2,500[1]		2,500[1]	
Centers of excellence grants funding distributions	3,308,516[1]		3,725,329[1]	
Economic impact studies	37,000[1]		40,000[1]	
Centers of Excellence Summit	0[1]		0[1]	
Other administrative expenses	35,000[1]		35,000[1]	
Transfer to research North Dakota fund			$1,559,995[2]	
Total estimated expenditures and transfers		3,383,016		5,362,824
Estimated ending balance		$7,383,067[3]		$2,027,443[4]

[1]North Dakota Century Code Section 15-69-05(6), as amended by the Legislative Assembly in 2011 Senate Bill No. 2057, authorized the Department of Commerce to use funds available within the centers of excellence fund for the department's administrative expenses.

[2]House Bill No. 1018 directs the Office of Management and Budget to transfer unobligated funds from the centers of excellence fund to the Research North Dakota fund. The Department of Commerce anticipates $1,559,995 in unobligated funds will be transferred to the Research North Dakota fund.

[3]The 2013-15 biennium ending balance includes $5,587,994 that is obligated for centers of excellence proposals approved in previous bienniums.

[4]The 2015-17 biennium ending balance includes $1,862,665 that is obligated for centers of excellence proposals approved in previous bienniums and $164,778 that is obligated for future administrative expenses.

FUND HISTORY

Section 15-69-06 (2009 Senate Bill No. 2018) establishes a centers of excellence fund. Money in the fund is appropriated to the Department of Commerce on a continuing basis for implementing and administering the centers of excellence program. Interest earned on money in the fund is retained in the fund. The Legislative Assemblies in 2011 and 2013 did not appropriate new funding to the centers of excellence fund for the 2011-13 or 2013-15 biennium. Estimated expenditures for the 2011-13 and 2013-15 bienniums relate to centers of excellence awarded in prior bienniums. Pursuant to provisions of 2011 Senate Bill No. 2057, the centers of excellence fund will be repealed on August 1, 2023.

ANALYSIS OF THE CENTERS OF RESEARCH EXCELLENCE FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$4,732,148		$3,388,827
Add estimated revenues				
Transfer from the general fund	$0[1]		$0[1]	
Investment income	4,100		3,600	
Total estimated revenues		4,100		3,600
Total available		$4,736,248		$3,392,427
Less estimated expenditures and transfers				
Limited deployment-cooperative airspace project grant				
University of North Dakota (UND)	$0[2]		$0	
North Dakota State University (NDSU)	575,796[2]		0	
Centers of research excellence grants				
UND	190,670[3,4]		109,330[3,4]	
NDSU	522,812[3]		1,972,292[3]	
Base realignment grants				
UND	58,143[4]		0[4]	
Total estimated expenditures and transfers		1,347,421		2,081,622
Estimated ending balance		$3,388,827[5]		$1,310,805[6]

[1]The Legislative Assembly in 2011 appropriated $12 million from the general fund for transfer to the centers of research excellence fund to provide funding for a limited deployment-cooperative airspace project grant, centers of research excellence grants, and base realignment grants for the 2011-13 biennium.

[2]The Legislative Assembly in 2011 designated $4 million of the $12 million for grants to the North Dakota University System's research institutions for the purpose of leveraging private and federal funding to advance opportunities for a limited deployment-cooperative airspace project in the state during the 2011-13 biennium.

[3]In 2011 Senate Bill No. 2057, the Legislative Assembly designated $8 million of the $12 million for centers of research excellence grants. The Centers of Excellence Commission may not award centers of research excellence grants of more than $4 million to one research university or nonprofit foundation related to that research university. The centers of research excellence program established by the Legislative Assembly in 2011 replaces the centers of excellence program with the following modifications:

- Removed the requirement for Budget Section or Emergency Commission approval and authorized the Centers of Excellence Commission to award grants.
- Removed tourism from the definition of an "industry cluster".
- Removed the requirement that research universities limit applications to two per round of funding and removed the requirement that the awarding process give consideration to a center's ability to become financially self-sustaining.
- Replaced the prior requirement of annual audits with the requirement for an audit of all funds distributed to the centers after the second full fiscal year, after all funds distributed to the centers have been expended, and for all other years during the postaward monitoring. The centers may contract with an independent accountant for an agreed-upon procedures engagement. Postaward monitoring lasts for no fewer than 6 years and no more than 10 years following the designation of a center for both the centers of excellence and the centers of research excellence programs.

- Provided a statement of legislative intent for the centers of research excellence program to be an ongoing program. (The centers of excellence program had an established expiration date.)

As of April 1, 2014, a total of $4,813,750 has been awarded for centers of research excellence grants:

NDSU	
Center for Life Sciences Research and Applications	$1,350,000
Center for Technologically Innovative Processes and Products	320,000
Center for Technologically Innovative Processes and Products 2	1,011,250
Center for Biobased Materials Science and Technology	1,132,500
UND	
Center for Avian Therapeutics for Infectious Diseases	700,000
Center for Gas Utilization	300,000
Total	$4,813,750

[4]Of the $4 million available to UND through the centers of research excellence program, $3 million was designated for base realignment grants. The purpose of the base realignment grants was to enhance economic development and employment opportunities associated with the Grand Forks Air Force Base resulting from action by the federal Defense Base Closure and Realignment Commission and to enhance infrastructure and economic development projects or programs to accommodate growth near the Grand Forks Air Force Base. Any funds not committed within the first 18 months of the biennium are available for the centers of research excellence program. As of April 1, 2014, a total of $2,840,400 was awarded for base realignment grants:

UND	
Global Hawk sensor operator part task trainer	$878,204
Joint Distributed Common Ground System	125,706
North Dakota Unmanned Aircraft Systems Airspace Initiative (Phase 2)	255,440
Airspace Integration Team - UAS National Test Site	500,000
Enhanced Use Lease for Grand Forks Air Force Base	921,050
Enhanced Use Lease Phase IV for GFAFB	160,000
Total	$2,840,400

[5]The 2013-15 biennium estimated ending balance includes $3,020,268 of anticipated committed funds for centers of research excellence proposals approved in the 2011-13 biennium.

[6]The 2015-17 biennium estimated ending balance includes $938,646 of anticipated committed funds for centers of research excellence proposals approved in the 2011-13 biennium.

FUND HISTORY

Section 12 of 2011 Senate Bill No. 2057 established the centers of research excellence fund. Money in the fund is appropriated to the Department of Commerce on a continuing basis for implementing and administering the centers of research excellence program. Interest earned on money in the fund is retained in the fund. The Legislative Assembly in 2013 did not appropriate new funding to the centers of research excellence fund for the 2013-15 biennium. Estimated expenditures for the 2013-15 biennium relate to centers of research excellence grants awarded in prior bienniums.

ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium[1]		2015-17 Biennium[1]	
Beginning balance		$0		$27,002
Add estimated revenues				
Investment income	$444,759		$192,067	
School construction loan income	1,353,787		1,750,000	
Total estimated revenues		1,798,546		1,942,067
Total available		$1,798,546		$1,969,069
Less estimated expenditures and transfers				
Investment expense	$91,010		$24,494	
Administrative expenses	5,534		9,840	
Transfer to the general fund	1,675,000		1,900,000	
Total estimated expenditures and transfers		1,771,544		1,934,334
Estimated ending balance		$27,002		$34,735

[1]The beginning and ending balances do not include the value of permanent assets of the coal development trust fund which must be maintained pursuant to North Dakota Century Code Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota. As of November 30, 2014, the total value of permanent fund assets was $66.59 million, of which $28.55 million was school construction loans receivable, $7.19 million was coal impact loans receivable, and $30.85 million was either invested or was a receivable of investment or other earnings.

Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota, provide that the income from the coal development trust fund must be used first to replace any uncollectible loans made from the fund and any remaining income must be deposited in the general fund. The amounts shown on this analysis include only the income in excess of any allowance for uncollectible loans made from the fund and do not include any revenues or expenses affecting the permanent fund balance.

FUND HISTORY

The coal development trust fund originated in 1979 with passage of House Bill No. 1257, now codified as various sections of Chapter 57-62. In 1980 the voters of North Dakota approved Constitutional measure No. 5, creating Article X, Section 21, of the Constitution of North Dakota, and establishing the coal development trust fund as a constitutional trust fund.

Section 57-62-02 provides 30 percent of the coal severance tax must be deposited in the coal development trust fund. Section 57-62-02 provides the Board of University and School Lands shall administer the fund and use money in the fund for loans to coal-impacted counties, cities, and school districts and for loans to school districts for school construction. Section 15.1-36-02 limits the outstanding principal balance of school construction loans from the coal development trust fund to $50 million.

Section 57-61-01.5 provides that 70 percent of the money deposited in the coal development trust fund must be transferred to the lignite research fund. Consequently, 30 percent of the coal severance taxes deposited in the fund (9 percent of total coal severance taxes collected) remains in the coal development trust fund to be used for the purposes provided in Section 57-62-02.

ANALYSIS OF THE COMMON SCHOOLS TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

ASSETS, DISTRIBUTIONS, AND INVESTMENT RETURNS FOR THE COMMON SCHOOLS TRUST FUND

The following is a summary of actual and estimated assets, distributions, and investment returns for the common schools trust fund for the 1997-99 through 2015-17 bienniums:

Biennium	Fiscal Year	Beginning Assets (Excluding Land and Minerals Values)	Distributions	Total Average Investment Return (Interest Income and Capital Gains)
1997-99	1998	$400,689,879	$23,200,000	13.57%
	1999	$444,823,559	$23,200,000	7.50%
1999-2001	2000	$467,059,293	$23,775,000	11.05%
	2001	$521,509,978	$23,775,000	2.03%
2001-03	2002	$533,360,593	$28,896,500	(1.34%)
	2003	$522,905,814	$28,896,500	4.57%
2003-05	2004	$547,047,877	$30,000,000	12.60%
	2005	$614,738,548	$30,000,000	8.58%
2005-07	2006	$686,273,875	$31,100,000	7.51%
	2007	$761,901,287	$31,100,000	12.82%
2007-09	2008	$887,092,909	$33,400,000	(4.22%)
	2009	$908,928,685	$33,400,000	(13.75%)
2009-11	2010	$846,314,086	$38,589,000	14.48%
	2011	$1,221,501,801	$38,589,000	17.99%
2011-13	2012	$1,622,412,984	$46,257,000	2.42%
	2013	$1,917,135,220	$46,257,000	10.65%
2013-15	2014	$2,417,363,782	$65,163,000	13.85%
	2015	$3,128,315,233	$65,163,000	[1]
2015-17	2016	[1]	$103,067,000	[1]
	2017	[1]	$103,067,000	[1]

[1]Article IX, Section 2, of the Constitution of North Dakota, was amended in November 2006 through voter approval of Measure No. 1 (2005 House Concurrent Resolution No. 3037). The measure changed the way distributions from the common schools trust fund and other permanent educational trust funds are determined. The amendment became effective July 1, 2009, and distributions are no longer based on interest and income earned by the fund. Distributions from the common schools trust fund are now based on a percentage of the five-year average value of trust assets, excluding the value of lands and minerals. Therefore, the Board of University and School Lands does not project asset values, income, or investment return because it is no longer relevant to the calculation of distribution amounts. **The unaudited fund balance of the common schools trust fund was $3,223,476,400 as of October 31, 2014.**

Note: House Bill No. 1214, under consideration by the Legislative Assembly, creates a health care delivery trust fund and allocates tobacco settlement proceeds to the new fund rather than to the common schools trust fund. Tobacco settlement proceeds that would be deposited into the new fund rather than the common schools trust fund are estimated to total approximately $18 million during the 2015-17 biennium.

MONEY DEPOSITED IN THE COMMON SCHOOLS TRUST FUND

Select Constitutional Provisions

Article IX, Section 1

This section provides that the following money must be deposited in a permanent trust fund, known as the common schools trust fund, and used to support the common schools of the state:

- All proceeds relating to public lands granted to the state by the federal government for the support of the common schools.
- All proceeds relating to property acquired by the state through escheat (property reverting to the state in the absence of legal heirs).
- All gifts, donations, and other property acquired by the state for the support of the common schools.
- The proceeds of all bonuses relating to the leasing of coal, gas, oil, or other mineral interests relating to common schools lands.

This section was included in the original Constitution of North Dakota enacted in 1889. In 1982 the section was amended to provide that bonuses relating to the leasing of coal, gas, oil, or other mineral interests relating to common schools lands were to be deposited in the common schools trust fund. In 2006 Measure No. 1 approved by voters removed the reference to bonuses related to leasing and provided that revenues earned by a perpetual trust fund must be deposited in the fund.

Article IX, Section 5

This section provides that in all sales of common schools lands, the state must retain the mineral interests. Leases may be executed for the extraction and sale of the minerals.

This section was included in the original Constitution of North Dakota enacted in 1889. As originally enacted, the section prohibited the sale of common schools lands that were "coal lands" and did not address other minerals. In 1960 the section was amended to its current form which allows the sale of lands containing minerals but requires that the state retain the mineral interests. Minerals are defined to include oil, gas, coal, cement materials, sodium sulphate, sand and gravel, road material, building stone, chemical substances, metallic ores, uranium ores, and colloidal or other clays.

Article X, Section 24

This section provides that 10 percent of oil extraction tax revenue must be deposited in the common schools trust fund.

This section was enacted in 1994 through voter approval of Measure No. 1 (1993 Senate Concurrent Resolution No. 4011). The section has not been changed since enactment.

Select North Dakota Century Code Provisions

Section 47-30.1-23

This section provides that all funds received by the state under the Uniform Unclaimed Property Act, except amounts deducted for the payment of claims and certain administrative costs, must be deposited in the common schools trust fund.

Section 54-27-25

This section, which was enacted by the 1999 Legislative Assembly, creates a tobacco settlement trust fund to be used to deposit tobacco settlement money received by the state. Forty-five percent of the tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement and deposited in the tobacco settlement trust fund must be transferred to the common schools trust fund and become a part of the principal of the fund.

To date, $162,774,059 of tobacco settlement money received by the state has been transferred to the common schools trust fund. The following is a summary of transfers to the common schools trust fund from the tobacco settlement trust fund:

1999-2001	$23,805,353 (actual)
2001-03	$23,998,745 (actual)
2003-05	$20,977,123 (actual)
2005-07	$19,722,653 (actual)
2007-09	$27,672,929 (actual)
2009-11	$18,248,834 (actual)
2011-13	$18,108,052 (actual)
2013-15	$19,240,371 (estimate)
2015-17	$18,000,000 (estimate)
2017-25 ($23,626,724 per biennium)	$94,506,896 (estimate)

DISTRIBUTIONS FROM THE COMMON SCHOOLS TRUST FUND

Select Constitutional Provisions

Article IX, Section 1

This section provides that revenues earned by the perpetual trust fund must be deposited in the fund, the costs of administering the fund may be paid out of the fund, and the perpetual trust funds must be managed to preserve their purchasing power and to maintain stable distributions to fund beneficiaries.

Article IX, Section 2

This section provides that payments to the common schools of the state include:

- Biennial distributions from each educational trust fund must be 10 percent of the five-year average value of the trust assets, excluding the value of land and minerals. This section was amended in November 2006 through voter approval of Measure No. 1 (2005 House Concurrent Resolution No. 3037). The measure changed the way distributions from the common schools trust fund and other permanent educational trust funds are determined. Previously, distributions were based on the amount of interest and income earned by each trust during a fiscal year. The amendment became effective July 1, 2009, and distributions from the common schools trust fund for the 2009-11 biennium and all subsequent bienniums are based on the distribution formula.
- All fines for violation of state laws. (This money is not added to the trust fund but is added to the distributions from the common schools trust fund and distributed to schools.)
- All other amounts provided by law.

This section was included in the original Constitution of North Dakota enacted in 1889. The original law contained the following two provisions that were removed through voter approval of Measure No. 3 in June 1982:

- Payments to the common schools must be distributed in proportion to the number of school-age children in each district.
- Any portion of the interest or income of the common schools trust fund not distributed during a fiscal year must be added to the permanent balance of the trust fund.

Select North Dakota Century Code Provisions

Section 15-01-02

This section provides that the Board of University and School Lands has full control of:

- The selection, appraisement, rental, sale, disposal, and management of common schools lands.
- The investment of any funds derived from the sale of common schools lands.
- The proceeds of any other property required by law to be used for the support of the common schools.

INVESTMENT OF THE COMMON SCHOOLS TRUST FUND

Section 15-03-04 provides that the Board of University and School Lands is to apply the prudent investor rule in investing the permanent funds under its control, including the common schools trust fund. The prudent investor rule means that in making investments, the board is to exercise the same judgment and care that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it.

ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$47,258		$337,042
Add estimated revenues				
Transfers to date from the tobacco settlement trust fund	$2,275,638[1]		$0	
Projected remaining transfers from the tobacco settlement trust fund	2,000,000[2]		3,980,000[2]	
Total estimated revenues		4,275,638[2]		3,980,000[2]
Total available		$4,322,896		$4,317,042
Less estimated expenditures and transfers				
State Department of Health (2013 SB 2004, 2015 HB 1004)				
Tobacco prevention and control, including the Tobacco Quitline and the tobacco cessation coordinator and operating expenses	$3,220,354[3]		$3,440,864[3]	
Dentists' loan repayment program	340,000[4]		360,000[4]	
Women's Way program	400,500[5]		0[5]	
Dental grant program	25,000[6]		0[6]	
Behavioral Risk Factor State Survey			520,500	
Total estimated expenditures and transfers		3,985,854		4,321,364
Estimated ending balance		$337,042		($4,322)

[1]As of December 2014, $2,275,638 has been transferred from the tobacco settlement trust fund for the 2013-15 biennium. Total transfers of $36,172,013 have been made from the tobacco settlement trust fund to the community health trust fund.

[2]Revenues - Interest earned on the community health trust fund is deposited in the state general fund. Community health trust fund revenues have been estimated based on the average of actual revenues received into the community health trust fund during the 2009-11 and 2011-13 bienniums.

Initiated Measure No. 3 (2008) resulted in the following estimated allocation of the revised estimated collections for tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)		
			Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	$36.4 million	N/A	$16.4 million	$16.4 million	$3.6 million
Actual payment April 2009	39.2 million	$14.1 million	11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million	18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million	18.1 million	18.1 million	4.0 million
Estimated 2013-15 biennium	65.2 million	22.5 million	19.2 million	19.2 million	4.3 million
Estimated 2015-17 biennium	62.6 million	22.6 million	18.0 million	18.0 million	4.0 million
Estimated 2017-19 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2019-21 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Total	$540.4 million	$105.5 million	$195.6 million	$195.6 million	$43.7 million

In 2003 certain tobacco companies began reducing their tobacco settlement payments to North Dakota contending the Master Settlement Agreement allows for the payments to be reduced if they lose sales to small cigarette makers that did not participate in the agreement and if states do not enforce laws intended to make smaller tobacco companies set aside money for legal claims. The Attorney General's office has filed a lawsuit against the tobacco companies to collect full payment.

[3]North Dakota Century Code Section 54-27-25 provides money in the community health trust fund may be used by the State Department of Health, subject to legislative appropriation, for community-based public health programs and other public health programs, including programs with an emphasis on preventing or reducing tobacco usage. The 2003 Legislative Assembly authorized the establishment of a telephone "Tobacco Quitline." The 2007 Legislative Assembly increased the funding for the quitline to provide nicotine replacement therapy and cessation counseling. The 2007 Legislative Assembly authorized 1 full-time equivalent (FTE) tobacco prevention coordinator position and related funding for salaries and wages and operating expenses for the position. The 2013 Legislative Assembly did not approve direct funding for the quitline or the tobacco prevention coordinator position, but appropriated $3,220,354 from the community health trust fund to the department for tobacco prevention and control programs for the 2013-15 biennium. The department anticipates expending $3,220,354 from the fund for the 2013-15 biennium. The 2015-17 executive budget recommendation provides $3,440,864 from the community health trust fund to the department for tobacco prevention and control programs for the 2015-17 biennium.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure also provides that 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control. Based on estimated tobacco settlement trust fund transfers during the 2015-17 biennium, tobacco prevention and control expenditures from the community health trust fund are required to total $3.2 million.

[4]The dentists' loan repayment program, which is administered by the Health Council, was established in 2001 Senate Bill No. 2276 (Chapter 43-28.1). Each year the Health Council is to select up to three dentists who agree to provide dental services in the state. The dentists are eligible to receive funds, not to exceed a total of $80,000 per applicant, for the repayment of their educational loans. The funds are payable over a four-year period ($20,000 per year). The dentists' loan repayment program is to provide the highest priority for acceptance into the program to dentists willing to serve the smallest and most underserved communities in North Dakota. Senate Bill No. 2152 (2007) provided a dentist practicing in Bismarck, Fargo, or Grand Forks must have received dental medical payments of at least $20,000 in the form of medical assistance reimbursement or practiced at least two full workdays per week at a public health clinic or nonprofit dental clinic in order to qualify for the dentists' loan repayment program. The 2013 Legislative Assembly appropriated $520,000, of which $180,000 is from the general fund and $340,000 is from the community health trust fund, for the dentists' loan repayment program. The department anticipates expending $340,000 from the fund for the dentists' loan repayment program for the 2013-15 biennium. The 2015-17 executive budget recommendation includes $600,000, of which $240,000 is from the general fund and $360,000 is from the community health trust fund, for the dentists' loan repayment program, $80,000 more than the 2013-15 biennium legislative appropriation. Dentists accepted into the program per biennium include:

Biennium (Number of Dentists Accepted Into Program)	Communities Served
2001-03 biennium (3)	Minot (2) Larimore
2003-05 biennium (6)	Fargo Community Health Center New Rockford Grand Forks Fargo Bismarck West Fargo
2005-07 biennium (4)	Fargo Community Health Center Bismarck (serving special populations) Mott Minot
2007-09 biennium (6)	Park River Bismarck Grand Forks Cando/Devils Lake Rugby Wishek

Biennium (Number of Dentists Accepted Into Program)	Communities Served
2009-11 biennium (6)	Bismarck Fargo Jamestown Larimore Valley City Williston
2011-13 biennium (6)	Bowman Hazen Langdon/Walhalla Carrington Cavalier Williston
2013-15 biennium (6 to date)	Minot New Rockford Fargo/Grand Forks Watford City (3)

In addition, the 2009 Legislative Assembly provided in Senate Bill No. 2358 an appropriation of $180,000 from the general fund for a loan repayment program for dentists in public health and nonprofit dental clinics. The bill also created Section 43-28.1-01.1 which provides if funds are appropriated, the Health Council is to select up to three dentists who provide or will provide dental services for three years in a public health clinic or nonprofit dental clinic that uses a sliding fee schedule to bill patients for loan repayment grants. The grant award is $60,000 per recipient and is paid over a two-year period. This loan repayment program was not funded by the Legislative Assembly in 2011. In 2013 the Legislative Assembly provided in Senate Bill No. 2354 $180,000 from the general fund for the loan repayment program for three dentists who practice in a public health setting or a nonprofit dental clinic that uses a sliding fee schedule to bill patients. The State Department of Health has enrolled four dentists (Grand Forks (2) and Fargo (2)) in the loan repayment program for dentists in public health and nonprofit dental clinics. The State Department of Health used state funds to leverage federal funds for three of the four dentists in the loan repayment program. Additional funding ($30,000) remains in the loan repayment program and will be used to leverage federal funds if an applicant is received with sufficient time to comply with the requirements outlined in Century Code prior to the close of the biennium. The 2015-17 executive budget recommendation includes $180,000 from the general fund for the loan repayment program for three dentists who practice in a public health setting or a nonprofit dental clinic that uses a sliding fee schedule to bill patients.

[5]The 2013 Legislative Assembly provided $400,500 from the community health trust fund for the Women's Way program. The department anticipates expending $400,500 from the fund for the Women's Way program during the 2013-15 biennium. The 2015-17 executive budget recommendation includes $500,000 from the general fund for the Women's Way program, $99,500 more than the legislative appropriation for the 2013-15 biennium.

[6]Senate Bill No. 2152 (2007) provided for a dental grant program. A dentist who has graduated from an accredited dental school within the previous five years and is licensed to practice in North Dakota may submit an application to the Health Council for a grant for the purpose of establishing a dental practice in North Dakota cities with a population of 7,500 or less. The Health Council may award a maximum of two grants per year with a maximum grant award of $50,000 per applicant to be used for buildings, equipment, and operating expenses. The community in which the dentist is located must provide a 50 percent match. The grant must be distributed in equal amounts over a five-year period, and the dentist must commit to practice in the community for five years. The 2013 Legislative Assembly appropriated $25,000 from the community health trust fund for the dental grant program during the 2013-15 biennium. The department anticipates expending $25,000 from the fund for the dental grant program during the 2013-15 biennium for expenditures related to one grant awarded to a dentist in Larimore during the 2009-11 biennium and for other dental loan repayments. The 2015-17 executive budget recommendation does not include funding for the dental grant program.

FUND HISTORY

Section 54-27-25 created by 1999 House Bill No. 1475 established the community health trust fund. This section creates a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund must be transferred within 30 days of its deposit in the fund as follows:

- 10 percent to the community health trust fund.
- 45 percent to the common schools trust fund.
- 45 percent to the water development trust fund.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in this new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement relating to strategic contribution payments, which began in 2008 and continues through 2017, will be deposited beginning in 2009 into the newly created tobacco prevention and control trust fund. The measure also provides 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control.

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the Master Settlement Agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. Future tobacco settlement payments will be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25, as amended by the measure.

ANALYSIS OF THE STATE DISASTER RELIEF FUND FOR THE 2009-11, 2011-13, 2013-15, AND 2015-17 BIENNIUMS (REFLECTING THE 2015-17 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2009-11 Biennium Actual		2011-13 Biennium Actual		2013-15 Biennium Estimates		2015-17 Biennium Executive Budget	
Beginning balance		$37,623,216		$34,675,167		$77,651,986		$76,808,019
Add revenues								
Transfer from the general fund								
Transfer from the permanent oil tax trust fund (2011 SB 2369)	$22,000,000[1]							
Transfer from the general fund (Section 17 of 2011 SB 2371)			$48,700,000[2]					
Interest income	199,420		70,784		$76,000		$76,000	
Federal funds - Volunteer hours adjustment and local share federal-to-federal mission assignments	612,263		1,604,101					
National Guard reimbursements	136,057		705,950		1,800,000		200,000	
Oil and gas tax collections (based on current law formula)			22,000,000[3]		22,000,000[3]		22,000,000[3]	
Total revenues		22,947,740		73,080,835		23,876,000		22,276,000
Total available		$60,570,956		$107,756,002		$101,527,986		$99,084,019
Less estimated expenditures								
Emergency snow removal grants	$9,000,000[4]							
Costs relating to disasters occurring prior to 2009	513,321[5]		$826,535[6]					
Costs relating to 2009 flooding	5,739,762[5]		2,656,019[6]		$3,075,469[6]		$669,990[6]	
Costs relating to the January 2010 winter snowstorm	1,506,693[5]		69,717[2]		310,392[2]		18,044[2]	
Costs relating to 2010 flooding	3,390,192[5]		164,272[2]		1,324,682[2]		208,927[2]	
Costs relating to the April 2010 ice storm	2,854,089[5]		544,138[2]		561,900[2]			
Costs relating to the April 2011 blizzard	16,937[5]							
Costs relating to 2011 flooding	2,874,795[5]		12,261,836[2,7,8]		8,940,334[2,7,8]		13,796,037[2,7,8]	
2011 ice storm (2013 HB 1016)					590,239		68,469	
2013 flood (2015 SB 2016)							914,426	
Costs relating to flooding in incorporated cities			1,715,887[8]		978,578[8]			

	2009-11 Biennium Actual		2011-13 Biennium Actual		2013-15 Biennium Estimates		2015-17 Biennium Executive Budget	
Disaster response coordination contract			400,000[9]		400,000[9]		400,000[9]	
State disasters and flood mitigation efforts			7,240[8]		1,996,744[8]			
Contingent appropriation for 2012 disaster event			0[2]					
Housing rehab and retention			5,458,372[2]		3,541,629[2]			
Flood-impacted housing assistance grant program					1,500,000[11]			
Road grade raising projects - Department of Transportation			6,000,000[2]					
Disaster recovery planning and technical services					1,500,000[12]		1,000,000[12]	
Presidentially declared disasters - State share (Section 3 of 2015 SB 2016)							5,000,000[13]	
2013 snowstorm (2015 SB 2016)							482,702	
2014 rain storms (2015 SB 2016)							225,000	
Total estimated expenditures and transfers		25,895,789		30,104,016[10]		24,719,967[14]		22,783,595
Estimated ending balance		$34,675,167		$77,651,986		$76,808,019		$76,300,424

NOTE

Section 2 of House Bill No. 1377 amends North Dakota Century Code Section 57-51.1-07.5 relating to the allocation of oil and gas taxes to limit the allocation to the state disaster relief fund if the unobligated balance in the fund is more than $40 million.

[1]Senate Bill No. 2369 (2011) provided a $22 million transfer from the permanent oil tax trust fund to the state disaster relief fund and authorized the Adjutant General to use this funding for costs associated with state disasters and flood mitigation efforts.

[2]Section 17 of 2011 Senate Bill No. 2371 provided the Office of Management and Budget transfer $48.7 million from the general fund to the state disaster relief fund during the 2011-13 biennium for the following purposes:

Relief Assistance	Transfer Amount	Appropriation Authority
Disaster-related expenses	$32,700,000	Section 15 of 2011 Senate Bill No. 2371 provided appropriation authority of $29.5 million from the state disaster relief fund to the Adjutant General for providing the required state share of funding for expenses associated with presidentially declared state disasters. Section 16 of Senate Bill No. 2371 provided a contingent appropriation of $5 million from the state disaster relief fund to the Adjutant General relating to grants to political subdivisions for a portion of the local share required to match federal emergency relief funding. The funding is contingent upon a 2012 disaster event exceeding $50 million in damages across the state.

Relief Assistance	Transfer Amount	Appropriation Authority
Flood-impacted housing assistance grant program	10,000,000	Section 9 of Senate Bill No. 2371 appropriated $10 million from the state disaster relief fund to the Adjutant General for providing: • Additional rebuilders loan program funding to the Bank of North Dakota. • Funding to political subdivisions for flood-impacted housing rehabilitation. Funding must be used as deemed most effective in that community to assist homeowners in rehabilitation or replacement of their flood-damaged homes and to retain homeowners in the community.
Road grade raising grants	6,000,000	Section 14 of Senate Bill No. 2371 appropriated $6 million from the state disaster relief fund to the Department of Transportation for grants to counties for road grade raising projects on federal aid eligible roads.
Total	$48,700,000	

[3]House Bill No. 1451 (2011) created a new section to Chapter 57-51.1 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund under Chapters 57-51 and 57-51.1 as follows:

- The first $200 million is deposited in the general fund;
- The next $341,790,000 is deposited in the property tax relief fund;
- The next $100 million is deposited in the general fund;
- The next $100 million is deposited in the strategic investment and improvements fund;
- The next $22 million is deposited in the state disaster relief fund; and
- Any additional revenues are deposited in the strategic investment and improvements fund.

[4]Section 2 of 2011 Senate Bill No. 2369 authorized up to $9 million from the state disaster relief fund to be used for providing emergency snow removal grants to counties, cities, and townships. Section 2 of Senate Bill No. 2369 provided a county, township, or city may apply to the Department of Emergency Services for an emergency snow removal grant for reimbursement of up to 60 percent of the costs incurred by the county, township, or city for the period January 2011 through March 2011 that exceed 200 percent of the average costs incurred for these months in 2004 through 2008. The Department of Emergency Services distributed $9 million in grants prior to June 30, 2011, and reported to the Budget Section regarding the grants awarded under this section on September 15, 2011.

[5]Section 6 of 2009 Senate Bill No. 2012 authorized up to $23 million from the state disaster relief fund to be used for paying costs relating to the 2009 flood disaster, snow removal damage to roads, and other disasters in accordance with Section 8 of Senate Bill No. 2012. Section 8 of Senate Bill No. 2012 provided a political subdivision receiving federal emergency relief funding relating to disasters occurring from January 2009 through June 2009 may apply to the Department of Emergency Services for an emergency relief grant of up to 50 percent of the local match required to receive the federal emergency relief funding.

[6]Section 1 of 2011 Senate Bill No. 2016 included spending authority of $7.8 million from the state disaster relief fund for expenses related to the 2009 flood disaster ($3,369,258) and other unclosed state disasters ($4,473,046) in the 2011-13 biennium.

[7]Section 5 of 2011 Senate Bill No. 2016 appropriated $3.5 million from the state disaster relief fund to the Adjutant General for the purpose of providing the required state share of funding for defraying the expenses associated with presidential-declared disasters pursuant to Section 37-17.1-27.

[8]Section 4 of 2011 Senate Bill No. 2369 appropriated $22 million from the state disaster relief fund for flood-related costs for the remainder of the 2009-11 biennium and for the 2011-13 biennium. Subject to Emergency Commission and Budget Section approval, the Adjutant General may use the funding for city flood mitigation projects (up to $3.2 million) and for disaster relief relating to 2011 spring flooding, road grade raising projects, 50 percent of the local match for disasters occurring from January 2011 through June 2011, and state expenses associated with presidential-declared disasters in the state. In September 2011, the Adjutant General received Emergency Commission and Budget Section approval for 2011-13 expenses of $17.5 million for flood disasters, $1.2 million for funding specific city flood mitigation projects, and $4.8 million for road grade raising and matching grants to political subdivisions.

[9]In 2011 Senate Bill No. 2016, the Legislative Assembly provided authority to the Department of Emergency Services to utilize $400,000 from the state disaster relief fund to contract for services to coordinate disaster response organizations with state and political subdivision disaster response efforts, including all aspects of disaster recovery from preparedness training through cleanup for declared or undeclared disasters. House Bill No. 1016 (2013) continued the same level of funding for the 2013-15 biennium. The executive budget recommends continuing the same level of funding for the 2015-17 biennium.

[10]Total 2011-13 state disaster relief fund appropriation authority provided to the Adjutant General consists of:

$22,000,000	see Footnote 8
3,500,000	see Footnote 7
7,842,304	see Footnote 6
400,000	see Footnote 9
42,700,000	see Footnote 2
$76,442,304	

[11]Section 4 of 2013 House Bill No. 1016 appropriated $1.5 million from the state disaster relief fund to the Housing Finance Agency to provide grants to counties, cities, local housing authorities, and other nonprofit entities providing flood-impacted housing assistance. The section required an entity requesting grant funding to certify to the Housing Finance Agency that housing occupants were eligible to receive housing assistance under federal Department of Housing and Urban Development guidelines, that a land use agreement was in place for temporary housing units, and that a plan had been developed for the disposal of temporary housing units. The Housing Finance Agency was to develop guidelines for the distribution of funds, including the frequency of the distribution of grant funds.

[12]The 2013-15 biennium legislative appropriations include funding of $1.5 million for contracted services to provide technical assistance and support to state and local government agencies with emergency management needs associated with preparedness, mitigation, and response and recovery. The executive budget recommends funding of $1 million for continuing the disaster recovery planning and technical assistance contracted services for the 2015-17 biennium.

[13]Section 3 of 2015 Senate Bill No. 2016 appropriates $5 million from the state disaster relief fund to the Adjutant General to provide the required state share of funding for defraying the expenses associated with presidentially declared disasters. Use of this funding is subject to Emergency Commission approval.

[14]This amount is an estimate based on actual expenditures through September 30, 2014, and agency estimated expenditures through June 30, 2015.

FUND HISTORY

Section 37-17.1-27 (Section 4 of 2009 Senate Bill No. 2012) establishes a state disaster relief fund. In 2011 Senate Bill No. 2369, the Legislative Assembly amended Section 37-17.1-27 to limit use of money in the fund for only the required state share of funding for expenses associated with presidential-declared disasters in the state and to require Emergency Commission and Budget Section approval of the use of money in the fund. Senate Bill No. 2292 (2013) further amended the section to allow money in the fund to be used for wide area search and rescue activities. Any interest or other fund earnings must be deposited in the fund.

ANALYSIS OF THE ELECTRONIC HEALTH INFORMATION EXCHANGE FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$7,485,386[1]		$5,063,422
Add revenues				
Funds from health information network participants	$0		$1,765,339	
Total revenues		0		1,765,339
Total available		$7,485,386		$6,828,761
Less expenditures and transfers				
Implementing a statewide health information technology and exchange network	$2,352,988		$4,397,432	
Regional Extension Center for Health Information Technology Services	68,976		100,000	
payments/Department of Human Services Health Information Technology Grant Match				
Total expenditures and transfers		2,421,964		4,497,432
Ending balance		$5,063,422		$2,331,329

[1]Section 8 of 2009 Senate Bill No. 2332 provided the Industrial Commission transfer, during the 2009-11 biennium, as requested by the Health Information Technology Office Director, up to $8 million from the current earnings and the accumulated undivided profits of the Bank of North Dakota to the health information technology loan fund to meet any required match for federal funds or to the electronic health information exchange fund to meet any required match for federal funds or as directed, a portion to both funds to meet any required match for federal funds.

Section 6 of 2011 House Bill No. 1021 amended Section 8 of 2009 Senate Bill No. 2332 to provide the Industrial Commission transfer, during the 2009-11 or 2011-13 biennium, up to $8 million from the current earnings and the accumulated undivided profits of the Bank of North Dakota to the health information technology loan fund or to the electronic health information exchange fund to meet any required match for federal funds or for ongoing operating expenditures of the health information exchange. During the 2009-11 biennium, $500,000 was transferred, and $7.5 million was transferred during the 2011-13 biennium.

FUND HISTORY

North Dakota Century Code Section 54-59-27 (2009 Senate Bill No. 2332) establishes the electronic health information exchange fund. The fund consists of the money deposited in the fund from federal or other sources or money transferred into the fund as directed by the Legislative Assembly. The Health Information Technology Office is to administer the fund. The money in the fund is to be used to facilitate and expand the electronic health information exchange. Money in the fund may be used, subject to legislative appropriations, to provide services directly for grants and for costs of administration of the fund.

An application for a grant must be made to the Health Information Technology Office. The Health Information Technology Office is to determine the applicant's eligibility based upon criteria established by the Health Information Technology Office Director, in collaboration with the Health Information Technology Advisory Committee.

ANALYSIS OF THE ENVIRONMENT AND RANGELAND PROTECTION FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$3,012,852		$2,427,561
Add estimated revenues				
Pesticide registration fees (North Dakota Century Code Section 19-18-04)	$4,300,000[1]		4,300,000[1]	
Weed seed-free forage (Section 4-35.2-03)	48,922[2]		48,922[2]	
Fertilizer registration, inspection, and tonnage fees (Sections 19-20.1-03, 19-20.1-03.1, and 19-20.1-06)	1,000,000[3,4]		1,080,850[3,4]	
Commercial feed registration, inspection, and tonnage fees (Section 19-13.1-16)	727,500[5]		727,500[5]	
Total estimated revenues		6,076,422		6,157,272
Total available		$9,089,274		$8,584,833
Less estimated expenditures and transfers				
Agriculture Commissioner				
Plant Industries Division (2013 HB 1009; 2015 SB 2009)	$1,814,882		$1,744,288	
Pesticide and Fertilizer Division (2013 HB 1009; 2015 SB 2009)	2,665,275		3,133,009	
Marketing and Information Division (2013 HB 1009; 2015 SB 2009)	148,522		376,204	
Livestock Development Division (2013 HB 1009; 2015 SB 2009)	568,369[6]		541,628	
Animal Health Division (2013 HB 1009; 2015 SB 2009)	99,998[7]		109,766	
Wildlife Services program (2013 HB 1009; 2015 SB 2009)	384,400[7]		384,400	
Administrative Services Division (2013 HB 1009; 2015 SB 2009)	307,957		100,000	
Crop Protection Product Harmonization and Registration Board[8]				
Crop protection product registration, labeling, and grants (2015 SB 2009)	75,000		75,000	
Minor use pesticide registration (2013 HB 1009; 2015 SB 2009)	325,000		325,000	
State Department of Health				
Ground water testing (2013 SB 2004; 2015 HB 1004)	222,310		200,000	
North Dakota Stockmen's Association environmental services program (2013 SB 2004; 2015 HB 1004)	50,000		50,000	
Total estimated expenditures and transfers		6,661,713		7,039,295
Ending balance		$2,427,561		$1,545,538

[1]The Legislative Assembly in 1999 approved Senate Bill No. 2009, which included a provision increasing the biennial pesticide registration fee by $50, from $300 to $350. The Legislative Assembly in 2009 approved House Bill No. 1009, which deposits all pesticide registration fees in the environment and rangeland protection fund rather than a portion in the general fund.

[2]House Bill No. 1270 (2009) allows the Agriculture Commissioner to certify forage acreage as being free of certain weeds and weed seed. The appropriation provided to the department for the program is the amount that is anticipated to be received from fees charged for certifications.

[3]House Bill No. 1321 (2011) repealed Section 19-20.2-08.1 that deposits certain inspection fees in the anhydrous ammonia storage facility inspection fund. The bill provided that the fee collections are to be deposited in the environment and rangeland protection fund, and anhydrous ammonia inspection storage facility inspection duties are to be transferred from the Insurance Commissioner to the Agriculture Commissioner.

[4]Senate Bill No. 2009 (2011) amended Sections 19-20.1-03, 19-20.1-03.1, and 19-20.1-06 to deposit fertilizer distribution registration, licensing, and inspection fees in the environment and rangeland protection fund rather than the general fund. House Bill No. 1321 (2011) also amended Section 19-20.1-06 to deposit a portion of fertilizer distribution inspection fees in the environment and rangeland protection fund rather than the general fund.

[5]House Bill No. 1009 (2013) added a new section to Chapter 19-13.1 to deposit the first $727,500 of commercial feed inspection, licensing, and registration fees in the environment and rangeland protection fund rather than the general fund.

[6]House Bill No. 1009 (2013) provides for the Department of Agriculture to assume livestock development duties from the Dairy Coalition.

[7]House Bill No. 1009 (2013) provides for a portion of funding for the Wildlife Services program ($384,400) and the State Board of Animal Health ($99,998) to be paid from the environment and rangeland protection fund rather than the game and fish fund.

[8]Section 4-35-30, as created by 2001 House Bill Nos. 1009 and 1328, created the Crop Protection Product Harmonization and Registration Board. The duties of the board consist of:

- Identifying and prioritizing crop protection product labeling needs.
- Exploring the extent of authority given to North Dakota under the federal Insecticide, Fungicide, and Rodenticide Act.
- Identifying the data necessary to enable registration of a use to occur in a timely manner.
- Determining what research, if any, is necessary to fulfill data requirements for responsibilities of the board.
- Requesting the Agriculture Commissioner to pursue specific research funding options from public and private sources.
- Requesting the Agricultural Experiment Station to pursue specific research to coordinate registration efforts.
- Pursuing any opportunities to make more crop protection product options available to agricultural producers in this state through any means the board determines advisable.
- Administering a grant program through which agriculture commodity groups may apply for funds to be used to address issues related to the registration of crop protection products.

The members of the Crop Protection Product Harmonization and Registration Board consist of:

- The Governor or the Governor's designee (Chairman).
- The Agriculture Commissioner or the Commissioner's designee.
- The Chairman of the House Agriculture Committee or the Chairman's designee.
- The Chairman of the Senate Agriculture Committee or the Chairman's designee.
- A member of the House or Senate Agriculture Committee who is not a member of the faction in which the committee Chairman is a member, appointed by the Chairman of the Legislative Management.
- A crop protection product dealer in the state appointed by the Governor from a list of three nominees submitted by the North Dakota Agricultural Association.
- A consumer of crop protection products appointed by the Governor from a list of three nominees submitted by the North Dakota Grain Growers Association.
- A consumer of crop protection products appointed by the Governor from a list of three nominees submitted by the North Dakota Oilseed Council.
- A representative of the crop protection product manufacturing industry appointed by the Chairman of the Legislative Management (nonvoting).
- The Director of the Agricultural Experiment Station (nonvoting).

FUND HISTORY

Section 19-18-02.1, created by 1991 Senate Bill No. 2451, establishes the environment and rangeland protection fund. The fund contains collections from pesticide registration fees. During the 2007-09 biennium, the biennial fee was $350 per pesticide product registered in the state. Of this amount, $300 was deposited in the environment and rangeland protection fund and $50 in the general fund. Pursuant to provisions of 2009 House Bill No. 1009, beginning with the 2009-11 biennium, the entire pesticide registration fee is deposited in the environment and rangeland protection fund rather than a portion in the general fund.

ANALYSIS OF THE FIRE AND TORNADO FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$24,772,838		$22,716,331
Add estimated revenues				
Premium collections	$5,000,000		$5,250,000	
Investment income (loss)	4,500,000		5,000,000	
Boiler inspection fees	600,000		700,000	
Loss claims and insurance recoveries	300,000		350,000	
Total estimated revenues		10,400,000		11,300,000
Total available		$35,172,838		$34,016,331
Less estimated expenditures and transfers				
Loss claims payments	$5,000,000		$4,500,000	
Claims-related payments	5,700,000		6,000,000	
Insurance Department administration and anhydrous ammonia inspection costs	1,656,507		1,469,026	
State Fire Marshal program (2013 HB 1003; 2015 SB 2003)	100,000		100,000	
Total estimated expenditures and transfers		12,456,507		12,069,026
Estimated ending balance		$22,716,331		$21,947,305

FUND HISTORY

The state fire and tornado fund originated in 1919. The fund is maintained to insure the various political subdivisions and state industries against loss to public buildings and permanent fixtures. North Dakota Century Code Section 26.1-22-14 requires that if the fire and tornado fund balance is less than $12 million, the Insurance Commissioner must increase assessments on policies.

ANALYSIS OF THE FOUNDATION AID STABILIZATION FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$335,364,942		$621,036,942
Add estimated revenues				
Oil extraction tax allocations	$285,672,000[1]		$172,760,000[1]	
Total estimated revenues		285,672,000		172,760,000
Total available		$621,036,942		$793,796,942
Less estimated expenditures and transfers				
Transfer to state school aid program	$0[2]		$0[2]	
Contingent transfer to the school construction assistance loan fund (2015 SB 2039)				
Contingent transfer to the public employee retirement stabilization fund (2015 SB 2039)				
Total estimated expenditures and transfers		0		0
Estimated ending balance		$621,036,942		$793,796,942

[1]Estimated revenues - Based on actual oil extraction tax collections deposited in the fund through December 2014 and estimated allocations for the remainder of the 2013-15 biennium and the 2015-17 biennium per the January 2015 revenue forecast.

[2]Estimated expenditures - As provided in Article X, Section 24, of the Constitution of North Dakota, the principal of the foundation aid stabilization fund can only be used to offset foundation aid reductions made by executive action due to a revenue shortfall. No foundation aid reductions as a result of a revenue shortfall are currently anticipated in the 2013-15 biennium or the 2015-17 biennium.

NOTE

The following resolution and bill under consideration by the Legislative Assembly may affect the foundation stabilization fund:

- Senate Concurrent Resolution No. 4003 provides for a constitutional amendment to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for making low-interest loans for school construction projects, addressing existing or anticipated unfunded benefit obligations of state retirement funds, or other education-related purposes. Senate Bill No. 2039 provides for transfers from the foundation aid stabilization fund to the school construction assistance loan fund ($250 million) and to the public employee retirement stabilization fund ($200 million) contingent on the approval of Senate Concurrent Resolution No. 4003 by the Legislative Assembly and the voters in June 2016.

FUND HISTORY

The foundation aid stabilization fund was created in 1994 when the voters of North Dakota approved a constitutional amendment, now Article X, Section 24, of the Constitution of North Dakota, to provide that 20 percent of oil extraction tax revenue be allocated as follows:

- 50 percent (of the 20 percent) to the common schools trust fund.
- 50 percent (of the 20 percent) to the foundation aid stabilization fund.

The principal of the foundation aid stabilization fund may only be spent upon order of the Governor to offset foundation aid reductions made by executive action due to a revenue shortfall. North Dakota Century Code Section 54-44.1-12 provides that the Director of the Budget may order an allotment to control the rate of expenditures of state agencies. This section provides that an allotment must be made by specific fund and all departments and agencies that receive money from a fund must be allotted on a uniform percentage basis, except that appropriations for foundation aid, transportation aid, and special education aid may only be allotted to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund.

Article X, Section 24, of the Constitution of North Dakota, provides that the interest income of the foundation aid stabilization fund must be transferred to the general fund on July 1 of each year. However, the State Treasurer's office allocates the interest income to the general fund on a monthly basis. For the period July 1, 2013, through December 31, 2014, $328,133 of interest from the foundation aid stabilization fund has been allocated to the general fund.

ANALYSIS OF THE HEALTH CARE TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$397,591		$285,551
Add estimated revenues				
Investment earnings	$1,174		$1,035	
Loan repayments - Principal and interest	1,026,297		999,499	
Total estimated revenues		1,027,471		1,000,534
Total available		$1,425,062		$1,286,085
Less estimated expenditures and transfers				
Department of Human Services increased payments to basic care and long-term care facilities (2011 HB 1325; 2013 HB 1012)	$546,786[1]			
Department of Human Services one-time grant to an assisted living facility that accepts low-income tenants (2013 HB 1012)	425,000			
State Department of Health operation and maintenance of the nurse aide registry (2013 SB 2004)	167,725[2]		$85,127[2]	
Total estimated expenditures and transfers		1,139,511		85,127
Ending estimated balance		$285,551		$1,200,958

[1]House Bill No. 1012 (2013) provides a special funds appropriation of $1,255,979, of which $546,786 is from the health care trust fund and $679,193 is from federal funds, to the Department of Human Services for increased payments to basic care and long-term care facilities to continue funding a portion of the bed layaway program from the health care trust fund.

[2]Section 6 of 2011 House Bill No. 1041 amends North Dakota Century Code Section 50-30-02 to provide money in the health care trust fund may not be included in draft appropriation Acts under Section 54-44.1-06, except for the operation and maintenance of the nurse aide registry.

FUND HISTORY

The health care trust fund was established by the Legislative Assembly in 1999 (Senate Bill No. 2168) for providing nursing alternative loans or grants. The Legislative Assembly in 2011 House Bill No. 1196 provided that money in the fund may be transferred to the long-term care facility loan fund for nursing facility renovation projects and used for other programs as authorized by the Legislative Assembly. Money was generated for the health care trust fund as a result of the Department of Human Services making government nursing facility funding pool payments to two government nursing facilities--McVille and Dunseith. Payments were made based on the average amount Medicare rates exceeded Medicaid rates for all nursing care facilities in the state multiplied by the total of all Medicaid resident days of all nursing homes. Federal Medicaid funds were available for these payments and required a state match. Payments were made to the two government nursing facilities and were subsequently returned to the state, less a $50,000 transaction fee retained by each of the two government nursing facilities. Once returned to the state, the state's matching share was returned to its source, and the federal funds were deposited in the health care trust fund. Money in the fund is invested by the State Investment Board, and any investment earnings are retained in the fund. The federal government has eliminated this intergovernmental transfer program. As a result, North Dakota's final intergovernmental transfer payment was received in July 2004.

ANALYSIS OF THE HEALTH INFORMATION TECHNOLOGY LOAN FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium Actual		2015-17 Biennium Estimated	
Beginning balance		$0		$0
Add estimated revenues				
Transfer from the Bank of North Dakota	$0		$0	
Total estimated revenues		0		0
Total available		$0		$0
Less estimated expenditures and transfers				
Loans to health care providers and other purposes	$0		$0	
Total estimated expenditures and transfers		0		0
Estimated ending balance		$0		$0

NOTE

The following bill under consideration by the Legislative Assembly may affect the health information technology loan fund:

- Senate Bill No. 2364 repeals North Dakota Century Code Section 6-09-42 eliminating the health information technology loan fund. This fund was established anticipating federal funds would be received through the Health Information Technology for Economic and Clinical Health Act for loans to health care providers. These funds were never made available; therefore, this fund has not been utilized.

FUND HISTORY

Section 6-09-42 (2009 Senate Bill No. 2332) establishes a health information technology loan fund at the Bank of North Dakota for providing loans to health care providers to purchase and upgrade electronic health record technology, train personnel in its use, improve security of information technology exchange, and for other purposes as established by the Health Information Technology Office, in collaboration with the Health Information Technology Advisory Committee. This fund is a revolving loan fund. All money transferred into the fund, interest upon money in the fund, and collections of interest and principal on loans made from the fund are appropriated for disbursement. Annually, the Bank may deduct a service fee for administering the revolving loan fund.

An application for a loan must be made to the Health Information Technology Office. The Health Information Technology Office Director, in collaboration with the Health Information Technology Advisory Committee, may approve the application of a qualified applicant that meets the criteria established by the Health Information Technology Office Director. The Health Information Technology Office is to forward approved applications to the Bank of North Dakota. Upon approval of the application by the Bank, the Bank is to make the loan from the revolving fund. A loan made under this fund must be repayable over a period that may not exceed 10 years.

ANALYSIS OF THE HEALTH INFORMATION TECHNOLOGY PLANNING LOAN FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$435,893		$0
Add revenues				
Transfer from the Bank of North Dakota current earnings and accumulated undivided profits	$0[1]		$0[1]	
Loan repayments - Principal	2,056,600		1,860,000	
Loan repayments - Interest and miscellaneous income	177,727		186,000	
Total revenues		2,234,327		2,046,000
Total available		$2,670,220		$2,046,000
Less expenditures and transfers				
Loans to health care entities[2]	$2,583,507		$1,953,000	
Bank of North Dakota fees	86,713		93,000	
Total expenditures and transfers		2,670,220		2,046,000
Ending balance		$0		$0

[1]Section 4 of 2011 House Bill No. 1021 provided the Industrial Commission transfer up to $5 million from the current earnings and accumulated undivided profits of the Bank of North Dakota to the health information technology planning loan fund or the health information technology loan fund in the 2011-13 biennium. The Health Information Technology Office Director is to request transfers from the Bank only as necessary to meet cashflow needs of the funds and only upon certification by the Director of a demonstrated need for health information technology planning loans.

[2]The Health Information Technology Advisory Committee has approved the following loan applications since the program's inception during the 2009-11 biennium through January 23, 2015:

St. Andrew's Health Center (Bottineau)	$625,000
Cooperstown Medical Center	200,000
Wishek Hospital	761,149
Towner County Medical Center (Cando)	924,018
Presentation Medical Center (Rolla)	625,000
West River Health Services (Hettinger)	1,250,000
Ashley Medical Center	625,000
Tioga Medical Center	931,320
St. Luke's Community Hospital and Clinics (Crosby)	541,776
Midgarden Family Clinic (Park River)	101,590
7-Day Clinic Walk-In Express Care (Fargo)	50,000
Linton Hospital	420,115
McKenzie County Health Care System	600,000
Garrison Memorial Hospital	800,000
Nelson County Health System	305,000
Southwest Healthcare System	605,000
St. Alexius Medical Center	1,250,000
Pediatric Therapy Partners	100,000
Valley Health	72,155
Knife River Care Center	125,000
Golden Acres Manor	98,648
St. Luke's Home	115,053
Richard P. Stadter Psychiatric Center	702,000
Elm Crest Manor	74,500
Northwood Deaconess	370,125
Total	$12,272,449

FUND HISTORY

North Dakota Century Code Section 6-09-43 (2009 Senate Bill No. 2332) establishes a health information technology planning loan fund at the Bank of North Dakota for providing low-interest loans to health care entities to assist those entities in improving health information technology infrastructure. This fund is a revolving loan fund. As prescribed in Section 9 of the bill, $5 million was transferred from the Bank to this fund during the 2009-11 biennium. All money transferred into the fund, interest upon money in the fund, and collections of interest and principal on loans made from the fund are appropriated for disbursement. Annually, the Bank may deduct a service fee for administering the revolving loan fund.

Section 4 of 2011 House Bill No. 1021 provided the Industrial Commission transfer up to $5 million from the current earnings and accumulated undivided profits of the Bank of North Dakota to the health information technology planning loan fund or the health information technology loan fund in the 2011-13 biennium. The Health Information Technology Office Director is to request transfers from the Bank only as necessary to meet cashflow needs of the funds and only upon certification by the Director of a demonstrated need for health information technology planning loans. During the 2011-13 biennium, $4,280,219 was transferred by the Bank to the health information technology loan fund.

An application for a loan must be made to the Health Information Technology Office. The Health Information Technology Office Director, in collaboration with the Health Information Technology Advisory Committee, may approve the application of a qualified applicant that meets the criteria established by the Health Information Technology Office Director. The Health Information Technology Office is to forward approved applications to the Bank. Upon approval of the application by the Bank, the Bank is to make the loan from the revolving loan fund.

ANALYSIS OF THE LEGACY FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$1,280,714,486		$3,341,414,486
Add estimated revenues				
30 percent of oil and gas gross production and extraction tax collections[1]	$1,665,930,000		$1,186,250,000	
Transfer of oil and gas tax revenues from the strategic investment and improvements fund[2]	240,370,000		119,150,000	
Transfer of other revenue sources from the strategic investment and improvements fund[3]	30,400,000		13,000,000	
Investment earnings[4]	124,000,000		124,000,000	
Total estimated revenues		2,060,700,000		1,442,400,000
Total available		$3,341,414,486		$4,783,814,486
Total estimated expenditures and transfers[5]		0		0
Estimated ending balance		$3,341,414,486		$4,783,814,486

[1]Estimated revenues - These amounts reflect actual oil tax revenue collections deposited in the fund through December 2014 and estimated allocations for the remainder of the 2013-15 biennium and estimated oil tax revenue allocations for the 2015-17 biennium based on the January 2015 revised revenue forecast. These amounts do not reflect any transfers from the strategic investment and improvements fund. The transfer amounts are shown separately on the schedule.

[2]Pursuant to North Dakota Century Code Section 15-08.1-08, if the unobligated balance of the strategic investment and improvements fund exceeds $300 million at the end of any month, 25 percent of any revenues received for deposit in the strategic investment and improvements fund in the subsequent month must be deposited instead into the legacy fund. These amounts do not reflect additional transfers from the strategic investment and improvements fund from revenue sources other than oil and gas tax revenue.

[3]These amounts reflect transfers to the legacy fund from the strategic investment and improvements fund from revenue sources other than oil and gas tax revenue, pursuant to Section 15-08.1-08.

[4]These amounts reflect investment earnings estimated by the Retirement and Investment Office.

[5]The principal and earnings of the legacy fund may not be spent until after June 30, 2017.

NOTE

The following bill under consideration by the Legislative Assembly may have a significant effect on the legacy fund:

- House Bill No. 1377 amends Section 15-08.1-08 to eliminate the transfer of 25 percent of any revenues from the strategic investment and improvements fund to the legacy fund, if the unobligated balance of the strategic investment and improvements fund exceeds $300 million at the end of any month.

FUND HISTORY

The legacy fund was created in 2010 when the voters of North Dakota approved a constitutional amendment–now Article X, Section 26, of the Constitution of North Dakota–to provide 30 percent of oil and gas gross production and oil extraction taxes on oil and gas produced after June 30, 2011, be transferred to the legacy fund. The principal and earnings of the legacy fund may not be spent until after June 30, 2017, and any expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly. Not more than 15 percent of the principal of the legacy fund may be spent during a biennium. The Legislative Assembly may transfer funds from any source to the legacy fund, and such transfers become part of the principal of the fund. The State Investment Board is responsible for investment of the principal of the legacy fund. Interest earnings accruing after June 30, 2017, are transferred to the general fund at the end of each biennium.

ANALYSIS OF THE LIGNITE RESEARCH FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$15,249,207		$16,157,867
Add estimated revenues				
Separate two-cent coal severance tax	$1,100,000		$1,100,000	
Fifty percent of coal severance taxes deposited in the coal development trust fund (result of passage of measure No. 3 in June 1990)	3,075,000		3,075,000	
Twenty percent of coal severance taxes deposited in the coal development trust fund (committed to clean coal projects) (result of passage of constitutional amendment passed by voters in June 1994)	1,250,000		1,250,000	
Investment income on Dakota Gasification Company ammonia plant and Red Trail	450,000		500,000	
Five percent of the general fund share of coal conversion tax (2007 HB 1093)	2,000,000		2,000,000	
Revenue bonds/short-term loan	0[1]		0[1]	
Interest income and return of funds	483,660		325,000	
Total estimated revenues		8,358,660		8,250,000
Total available		$23,607,867		$24,407,867
Less estimated expenditures and transfers[2,3]				
Administration	$750,000		$750,000	
Lignite feasibility studies (nonmatching grants)	2,100,000		3,000,000	
Small research grants	1,225,000		1,500,000	
Lignite marketing	1,800,000		1,200,000	
Lignite litigation	1,500,000[4]		1,500,000[4]	
Demonstration projects	75,000		2,604,000	
Total estimated expenditures and transfers		7,450,000[5]		10,554,000[5]
Estimated ending balance		$16,157,867		$13,853,867

[1]Pursuant to North Dakota Century Code Section 54-17.5-04, the Industrial Commission may issue revenue bonds or borrow short-term funds from the Bank of North Dakota.

[2]The Industrial Commission has a policy stating that 18 percent of lignite research fund income will be used for small research projects, 56 percent for large demonstration research projects, 21 percent for marketing projects, and 5 percent for administration. The commission has further directed that no single large demonstration research project can receive more than 37.5 percent of available funds.

[3]The Industrial Commission has waived the fund allocation policy. The Commission has committed $22,000,000 through the 2011-13 biennium to three projects. On January 9, 2015, one of the projects indicated they are not proceeding with their project and released their commitment of $8,732,503. Expenditures for Lignite Vision 21 Project have been $1,360,750 during the 2003-05 biennium, $2,243,391 during the 2005-07 biennium, $2,200,000 during the 2007-09 biennium, $3,972,090 during the 2009-11 biennium, $678,851 during the 2011-13 biennium and anticipated expenditures of $2,812,415 in subsequent bienniums. The objective of the Lignite Vision 21 Project is to construct new lignite-fired power plants in North Dakota. (These amounts are net of funds expended and then subsequently returned when projects did not proceed.)

[4]Lignite litigation - House Bill No. 1093 (2007) provides that $500,000 of the amount allocated to the lignite research fund in Section 1 of the bill is to be used to pay for fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources. Activities associated with the litigation have been initiated with $83,379 spent during the 2007-09 biennium, $153,907 spent during the 2009-11 biennium, $652,519 spent during the 2011-13 biennium, and $1,500,000 anticipated to be spent during the 2013-15 biennium. The original $500,000 will have been spent by the end of the 2011-13 biennium with additional funding being provided from nonmatching program funds. The state's portion of the litigation costs during the 2013-15 and 2015-17 bienniums will be from the nonmatching program funds. In addition, the lignite industry has agreed to pay a portion of the litigation costs.

[5]The Industrial Commission has continuing appropriation authority for all money deposited in the lignite research fund pursuant to Section 57-61-01.6.

FUND HISTORY

Section 57-61-01.5(2) and Article X, Section 21, of the Constitution of North Dakota, provide for 70 percent of the taxes collected and deposited in the coal development trust fund to be deposited in the lignite research fund. The remaining 30 percent of the funds deposited in the coal development trust fund are to be held in trust and administered by the Board of University and School Lands, which has the authority to invest the funds, and may, as provided by law, lend money from the fund to political subdivisions.

ANALYSIS OF THE NORTH DAKOTA OUTDOOR HERITAGE FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$0		($705,625)
Add estimated revenues				
Oil and gas gross production tax collections	$18,700,000[1]		$16,720,000[1]	
Interest income	7,000		20,000	
Total estimated revenues		18,707,000		16,740,000
Total available		$18,707,000		$16,034,375
Less estimated expenditures and transfers				
Grants	$19,312,625[2]		$15,734,375[3]	
Administrative expenses	100,000		300,000	
Total estimated expenditures and transfers		19,412,625		16,034,375
Estimated ending balance		($705,625)[4]		$0

[1]Pursuant to North Dakota Century Code Section 57-51-15, the amount of oil and gas gross production tax collections deposited in the fund may not exceed $15 million per fiscal year or $30 million per biennium. For the 2015-17 biennium, the executive budget recommendation proposes increasing the allocation to $50 million per biennium. The January 2015 revenue forecast for oil and gas taxes estimates collections of $18.7 million will be deposited in the fund during the 2013-15 biennium, and oil and gas production tax collections of $16.7 million will be deposited in the fund during the 2015-17 biennium. The January 2015 revised revenue forecast for the 2015-17 biennium, which is based on executive budget formula tax allocation changes and based on current law formula tax allocations, provides the following assumptions:

- Oil prices ranging from $45 to $65 per barrel.
- Oil production remaining constant at 1.2 million barrels of oil per day.
- $52.59 trigger price provisions effective for oil production between June 2015 and March 2016.

[2]The Industrial Commission established five rounds of grant awards during the 2013-15 biennium and has approved contract awards of $19,312,625 through January 2015. The board awarded grants of $5,848,133 on December 2, 2013, $2,509,428 on April 1, 2014, $5,752,839 on August 1, 2014, and $5,202,225 on January 9, 2015. The board anticipates one more round of grant awards during the 2013-15 biennium which is scheduled for May 2015. The North Dakota Outdoor Heritage Advisory Board is recommending the Industrial Commission approve projects up to the amount of anticipated collections this biennium; however, not all of those funds will be expended in the 2013-15 biennium as many of the grants are for multiyear projects. The Industrial Commission has expended $1,210,733 from the fund through December 2014 and anticipates $6 million of the funds will be expended during the 2013-15 biennium.

[3]The amount shown is based on current low estimates of the funds that will be available for grants in the 2015-17 biennium based on the January 2015 revised revenue forecast. The amounts do not reflect the 2015-17 executive budget which recommends commitments of $80.4 million for new conservation and outdoor recreation projects, including $30.4 million from the general fund and $50 million from grants from the North Dakota outdoor heritage fund.

[4]The 2013-15 biennium ending balance is estimated to be ($705,625) based on the following:

- The revenue forecast for oil and gas taxes was revised from $21.21 million in December 2014 to $18.7 million in January 2015.
- Grant awards of $19.3 million have been committed by the Industrial Commission as of January 2014, which includes some grant awards paid over multiple years. The fund balance reflects the grant awards committed to date.

NOTE

The following bills under consideration by the Legislative Assembly may affect the North Dakota outdoor heritage fund:

House Bill No. 1409 and House Bill No. 1013 amend Section 57-51-15 increase oil and gas gross production tax collection deposits from $15 million to $25 million per year and from $30 million to $50 million per biennium.

FUND HISTORY

The North Dakota outdoor heritage fund was established in 2013 House Bill No. 1278 (Chapter 54-17.8) to provide, pursuant to a continuing appropriation, grants to state agencies, tribal governments, political subdivisions, and nonprofit organizations to:

- Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;
- Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems, and to support other practices of stewardship to enhance farming and ranching;
- Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and
- Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Four percent of the first 1 percent of oil and gas gross production tax collections is deposited in the North Dakota outdoor heritage fund. A maximum of $15 million of oil and gas gross production tax collections may be deposited in the fund each year. The Industrial Commission has oversight of the North Dakota outdoor heritage fund. The North Dakota Outdoor Heritage Advisory Board (consisting of 12 voting and 4 ex officio members) makes recommendations to the commission on the funding of grants.

ANALYSIS OF THE PROPERTY TAX RELIEF SUSTAINABLILITY FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$341,790,000		$657,000,000
Add estimated revenues				
Allocation of oil and gas tax revenues (North Dakota Century Code Section 57-51.1-07.5)	$341,790,000		$341,790,000	
Transfer from general fund for the property tax relief component of the integrated school aid formula for the 2015-17 biennium (Section 3 of 2013 HB 1015)	315,210,000			
Total estimated revenues		657,000,000		341,790,000
Total available		$998,790,000		$998,790,000
Less estimated expenditures and transfers				
Transfer to general fund (Section 5 of 2013 HB 1013) (Section 3 of 2015 SB 2015)	$341,790,000		$657,000,000	
Total estimated expenditures and transfers		341,790,000		657,000,000
Estimated ending balance		$657,000,000		$341,790,000

NOTE

The following bill under consideration by the Legislative Assembly may affect the property tax relief sustainability fund:

- House Bill No. 1377 removes the requirement that 25 percent of revenues to be deposited in the strategic investment and improvements fund instead be transferred to the legacy fund when the unobligated balance of the strategic investment and improvements fund is $300 million or greater. The bill also adds a second deposit in the amount of $515,210,000 in the property tax relief sustainability fund to provide for total biennial oil and gas tax revenue deposits of $857 million.

FUND HISTORY

Section 57-64-05 (2009 Senate Bill No. 2199) establishes a property tax relief sustainability fund for property tax relief programs, pursuant to legislative appropriation. Senate Bill No. 2199 provided an initial transfer of $295 million from the permanent oil tax trust fund to the property tax relief sustainability fund. Chapter 57-51.1 provides for an allocation of the state's share of oil and gas tax revenues of $341,790,000 each biennium to the property tax relief sustainability fund after an allocation of $200 million to the general fund.

Section 15.1-27-45 created by the Legislative Assembly in Section 40 of 2013 House Bill No. 1013 changed the name of the property tax relief sustainability fund to the property tax relief fund, but only for the 2013-15 biennium.

ANALYSIS OF THE RESEARCH NORTH DAKOTA FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$0		$6,885,000
Add revenues				
Transfer from the general fund	$12,000,000[1]		$8,000,000[2]	
Transfer from the centers of excellence fund			1,559,995[3]	
Investment income	10,000		5,000	
Total revenues		12,010,000		9,564,995
Total available		$12,010,000		$16,449,995
Less expenditures and transfers				
Technical review expenses	$125,000		$125,000	
Research North Dakota grants	2,500,000[4]		5,000,000[4]	
Research North Dakota grants designated for biotechnology	1,500,000[5]		1,500,000[5]	
Research North Dakota venture grants	1,000,000[6]		3,000,000[6]	
Total expenditures and transfers		5,125,000		9,625,000
Ending balance		$6,885,000[7]		$6,824,995[3]

[1]In 2013 Senate Bill No. 2018, the Legislative Assembly established the Research North Dakota fund and provided a transfer of $12 million from the general fund to provide funding for the Research North Dakota grant program and the Research North Dakota venture grant program.

[2]House Bill No. 1018, includes a transfer of $8 million from the general fund to the Research North Dakota fund. The department anticipates awarding the total amount of $8 million during the 2015-17 biennium. As a result, the 2015-17 biennium ending balance includes $6,824,995 of funds anticipated to be awarded but not distributed.

[3]House Bill No. 1018 directs the Office of Management and Budget to transfer unobligated funds from the Centers of Excellence Fund to the Research North Dakota fund. The Department of Commerce anticipates $1,559,995 in unobligated funds will be transferred to the Research North Dakota fund.

[4]Of the $12 million appropriated for Research North Dakota, $6 million is available for Research North Dakota grants without any specific designation. The purpose of the Research North Dakota grant program is to provide grants to research universities for research, development, and commercialization activities in collaboration with a private sector partner. The Department of Commerce and the Centers of Excellence Commission are to develop guidelines for the grant application, which must include a detailed partnership agreement and proof of dollar-for-dollar matching funds which must be in cash. The partnership agreement must include the scope and location of the work, a budget, and intellectual property agreements.

[5]The Legislative Assembly in 2013 designated $4 million of the $12 million provided for the Research North Dakota grant program for biotechnology grants. These grants are to be provided to a research university to conduct research on and develop and commercialize vaccines and antibodies for the prevention of, treatment of, or cure for cancer; virally infectious diseases; or other pathogens, including bacteria, mycobacteria, fungi, and parasites.

[6]The Legislative Assembly in 2013 designated up to $2 million of the $12 million provided for the Research North Dakota grant program for venture grants. These grants are to be provided to a research university to further the commercialization of technology developed by the university or jointly with a startup or spinoff business operating in North Dakota. The Department of Commerce and the Centers of Excellence Commission will develop guidelines for the grants.

[7]Of the $12 million appropriated to the Department of Commerce from the Research North Dakota fund, the department anticipates awarding $10.2 million during the 2013-15 biennium. The department anticipates $5.0 million of the $10.2 million awarded will be distributed during the 2013-15 biennium. As a result, the 2013-15 biennium ending balance includes $5.2 million of funds anticipated to be awarded but not distributed as well as $1,675,000 of available funds not yet awarded.

FUND HISTORY

Section 17 of 2013 Senate Bill No. 2018 established a Research North Dakota fund. Money in the fund is appropriated to the Department of Commerce on a continuing basis for implementing and administering the Research North Dakota grant program and the Research North Dakota venture grant program. Interest earned on money in the fund is retained in the fund.

ANALYSIS OF THE RESOURCES TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$292,961,846		$500,600,016
Add estimated revenues				
Oil extraction tax collections	$571,350,000[1]		$345,520,000[1]	
Repayments and reimbursements	9,104,000		12,682,000	
Investment earnings/Miscellaneous income	2,284,170		3,445,000	
Total estimated revenues		582,738,170[1]		361,647,000
Total available		$875,700,016		$862,247,016
Less estimated expenditures and transfers				
State Water Commission - Grants, projects, and project administration, including expenditures approved by the Budget Section pursuant to 2013 HB 1020	$370,900,000[2]		$1,268,373,031[3]	
Fargo interior flood protection (2015 HB 1415)			60,000,000	
Mouse River basin - Flood-prone property acquisition (2015 SB 2303)			10,650,000	
Transfer to renewable energy development fund (2013 SB 2014)	3,000,000[4]		3,000,000[4]	
Transfer to energy conservation grant fund (2013 SB 2014)	1,200,000[4]		1,200,000[4]	
Total estimated expenditures and transfers		375,100,000		1,343,223,031
Estimated ending balance		$500,600,016		($480,976,015)
Restricted fund estimated income				
Infrastructure revolving loan fund pursuant to 2013 SB 2233		11,449,675[5]		45,999,675[5]
Estimated ending balance - Undesignated		$489,150,341		($526,975,690)

[1]Estimated revenues - Based on actual oil extraction tax collections deposited in the fund through December 2014 and estimated allocations for the remainder of the 2013-15 biennium and the 2015-17 biennium per the January 2015 revised revenue forecast.

[2]Sections 1 and 4 of 2013 House Bill No. 1020 appropriated $700.9 million, or any additional amount that becomes available subject to Budget Section approval, from the resources trust fund for the purpose of defraying the expenses of the State Water Commission for the 2013-15 biennium. If funding available from the resources trust fund for water projects for the 2013-15 biennium exceeds $287 million, Section 13 of House Bill No. 1020 provides legislative intent that, of the funds appropriated to the commission in the water and atmospheric resources line item, $60 million from the resources trust fund is provided to the commission for the purpose of paying off or defeasing the commission's outstanding bond issues. Through October 2014, $403.8 million has been credited to the resources trust fund. Funding from the water development trust fund provided for bond payments ($16.9 million) and contingent funding from the resources trust fund ($60 million) totaling $76.9 million would be available to defease the commission's outstanding bond issues of $75,250,000 and pay related fees. The State Water Commission has used $17.7 million of the $60 million authorized from the resources trust fund to retire five Southwest Pipeline series bonds and defease another. The State Water Commission plans to defease two remaining water development series bonds before the end of the 2013-15 biennium with the remaining $42.3 million of the $60 million.

[3]Sections 1 and 4 of 2015 Senate Bill No. 2020 appropriate $1,268,373,031 or any additional funding that becomes available from the resources trust fund for the purpose of defraying the expenses of the State Water Commission for the 2015-17 biennium.

[4]The Legislative Assembly in 2013 Senate Bill No. 2014 authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up $3 million per biennium and of one-half of 1 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to $1.2 million per biennium. Funds in the newly created energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings.

[5]Effective January 1, 2015, the Legislative Assembly in 2013 Senate Bill No. 2233 established an infrastructure revolving loan fund within the resources trust fund. The bill provides 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. Loans are approved by the State Water Commission and administered by the Bank of North Dakota. The estimated effect of 2013 Senate Bill No. 2233 on oil extraction tax allocations during the remainder of the 2013-15 biennium and the 2015-17 biennium reflect actual revenues through October 2014 and estimated revenues for the remainder of the 2013-15 biennium and the 2015-17 biennium based on the December revenue forecast.

NOTE

The following bills, under consideration by the Legislative Assembly may affect the resources trust fund:

- House Bill No. 1249 creates the Missouri River Empower Council and funding for the activities of the council are to be provided from the resources trust fund. A fiscal note prepared by the State Water Commission indicates expenses of the council are estimated to total $264,950 during the 2015-17 biennium.
- Senate Bill No. 2058 provides funding from the resources trust fund may not be used for planning or studying the feasibility of water projects, for the internal administration of the commission, for atmospheric resource activities, or for water appropriation activities. A fiscal note prepared by the State Water Commission indicates a savings of $43,345,697 to the resources trust fund and a $43,345,697 increase in funding from the general fund.
- Senate Bill No. 2076 requires the State Water Commission to study the impact of the Fargo diversion project during the 2015-16 interim and review retention as an alternative to diversion. A fiscal note prepared by the State Water Commission indicates the fiscal impact cannot be determined for the 2015-17 biennium.

FUND HISTORY

The resources trust fund was created pursuant to passage of Measure No. 6 in the November 1980 general election. Measure No. 6 created a 6.5 percent oil extraction tax, 10 percent of which was to be allocated to the resources trust fund. In June 1990, the Constitution of North Dakota was amended to establish the resources trust fund as a constitutional trust fund and provide that the principal and income of the fund could be spent only upon legislative appropriations for:

- Constructing water-related projects, including rural water systems.
- Energy conservation programs.

In November 1994, the voters of North Dakota approved a constitutional amendment, which is now Article X, Section 24, of the Constitution of North Dakota, to provide that 20 percent of oil extraction taxes be allocated as follows:

- 50 percent (of the 20 percent) to the common schools trust fund.
- 50 percent (of the 20 percent) to the foundation aid stabilization fund.

The 1995 Legislative Assembly amended North Dakota Century Code Section 57-51.1-07 to increase the percentage of oil extraction tax deposited into the resources trust fund from 10 percent to 20 percent. The state general fund received 60 percent of oil extraction tax revenues, and the remaining 20 percent was allocated pursuant to Article X, Section 24, of the Constitution of North Dakota.

Section 57-51.1-07, as amended by 2011 Senate Bill No. 2129, provides that oil extraction tax revenues be distributed as follows:

- 20 percent to the resources trust fund.
- 20 percent allocated as provided in Article X, Section 24, of the Constitution of North Dakota.
- 30 percent to the legacy fund.
- 30 percent to be allocated to the state's general fund with certain funds designated for deposit in the property tax relief sustainability fund, the strategic investment and improvements fund, and the state disaster relief fund as provided in 2011 House Bill No. 1451.

The 2013 Legislative Assembly in Senate Bill No. 2014 authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up to $3 million per biennium and of one-half of 1 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to $1.2 million per biennium. Funds in the newly created energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings. In addition, effective January 1, 2015, the Legislative Assembly in Senate Bill No. 2233 established an infrastructure revolving loan fund within the resources trust fund. The bill provides 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. Loans are approved by the State Water Commission and administered by the Bank of North Dakota.

ANALYSIS OF THE RISK MANAGEMENT FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$7,205,543		$3,411,607
Add estimated revenues				
Premiums	$1,728,623[1]		$1,875,000[2]	
Interest and other revenue	240,000[3]		240,000[3]	
Total estimated revenues		1,968,623		2,115,000
Total available		$9,174,166		$5,526,607
Less estimated expenditures and transfers				
Administration	$1,531,086		$1,650,546	
Claims-related expenses	10,000[4]		10,000[4]	
Claims, litigation, and excess insurance	4,221,473		3,408,454	
Total estimated expenditures and transfers		5,762,559		5,069,000
Estimated ending balance		$3,411,607		$457,607

[1]In response to an actuarial review completed in 2012 by Aon Risk Services, the Risk Management Division is assessing a total of $1,875,000 in risk management premiums to state agencies, boards, and commissions and the North Dakota University System for the 2013-15 biennium. Assessments are subject to a risk management discount program for agencies that adopt proactive loss control practices, with a maximum available discount of 15 percent. The amount shown for premiums reflects fiscal year 2014 discounts of $75,000 and estimated fiscal year 2015 discounts of $75,000.

[2]In response to an actuarial review completed in 2014 by Aon Risk Services, the Risk Management Division is assessing a total of $1,875,000 in risk management premiums to state agencies, boards, and commissions and the North Dakota University System for the 2015-17 biennium.

[3]Investment and other revenue relates to realized or projected gains from risk management investments, payments received from salvaged vehicles, and costs and attorney's fees collected for successful lawsuits.

[4]The amounts listed for claims-related expenses are for adjusting consulting services required for large or unusual claims.

FUND HISTORY

In September 1994, the North Dakota Supreme Court abolished the doctrine of sovereign immunity. As a result of this court decision, the 1995 Legislative Assembly passed the Tort Claims Act (1995 Senate Bill No. 2080), which created a risk management fund and assigned the responsibility of administering a risk management program to the Office of Management and Budget.

ANALYSIS OF THE SENIOR CITIZEN SERVICES AND PROGRAMS FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$0		$0
Add estimated revenues				
Allocation from sales, use, and motor vehicle excise tax collections	$5,008,098[1,2]		$6,667,719[1,2]	
Total estimated revenues		5,008,098		6,667,719
Total available		$5,008,098		$6,667,719
Less estimated expenditures and transfers				
State Treasurer - County senior citizen matching grants	$4,987,715[3]		$6,647,336[3]	
Transfer to the general fund	20,383[4]		20,383[4]	
Total estimated expenditures and transfers		5,008,098		6,667,719
Estimated ending balance		$0		$0

[1]The allocation from sales, use, and motor vehicle excise tax collections is shown below:

Fiscal Year	Allocation From Sales, Use, and Motor Vehicle Excise Tax Collections	Percentage Increase (Decrease) From Previous Year
2008	$1,163,721 (actual)	N/A
2009	$1,243,493 (actual)	6.9%
2010	$1,310,947 (actual)	5.4%
2011	$1,399,652 (actual)	6.8%
2012	$1,695,832 (actual)	21.2%
2013	$1,821,347 (actual)	7.4%
2014	$2,311,346 (actual)	26.9%
2015	$2,696,752 (actual)	16.7%
2016	$3,333,859 (estimate)	23.6%
2017	$3,333,860 (estimate)	0.0%

[2]Senate Bill No. 2242 (2011) increased the amount of state general fund revenue to be allocated to the senior citizen services and programs fund from two-thirds of one mill levied statewide to three-fourths of one mill levied statewide effective for taxable years beginning after December 31, 2010. The bill also increased the amount of grants provided to counties that have approved a mill levy for senior citizen services and programs from two-thirds of the amount levied in the county for senior citizen programs to three-fourths of the amount levied in the county for senior citizen programs, limited to one mill.

Senate Bill No. 2162 (2013) increased the amount of state general fund revenue to be allocated to the senior citizen services and programs fund from three-fourths of one mill levied statewide to 85 percent of one mill levied statewide effective for taxable years beginning after December 31, 2012. The bill also increased the amount of grants provided to counties that have approved a mill levy for senior citizen programs from three-fourths of the amount levied in the county for senior citizen programs to 85 percent of the amount levied up to one mill.

[3]The county senior citizen matching grants are shown below:

Fiscal Year	County Senior Citizen Matching Grants	Percentage Increase (Decrease) From Previous Year
2008	$1,153,293 (actual)	N/A
2009	$1,225,933 (actual)	6.3%
2010	$1,298,462 (actual)	5.9%
2011	$1,384,391 (actual)	6.6%
2012	$1,687,098 (actual)	21.9%
2013	$1,789,363 (actual)	6.1%
2014	$2,290,963 (actual)	28.0%
2015	$2,696,752 (actual)	17.7%
2016	$3,323,668 (estimate)	23.2%
2017	$3,323,668 (estimate)	0.0%

[4]Any funds remaining at the end of each biennium are transferred to the general fund.

NOTE

The following bill, under consideration by the Legislative Assembly, may affect the senior citizen services and programs fund:

- Senate Bill No. 2143 increases the amount of grants provided to counties that have approved a mill levy for senior citizen programs from 85 percent of the amount levied in the county for the senior citizen programs to 100 percent of the amount levied. The bill has been approved by the Senate.

FUND HISTORY

The Legislative Assembly in 2005 approved Senate Bill No. 2267, which created the senior citizen services and programs fund. Statutory provisions are contained in North Dakota Century Code Sections 57-15-56(5) and 57-39.2-26.2. Current statutory provisions provide that each year during July through December, the State Treasurer is to transfer to the fund the portion of sales, use, and motor vehicle excise tax collections that are equivalent to the amount generated from 85 percent of one mill levied statewide as reported by the Tax Commissioner. The State Treasurer, by March 1, of the following year, pursuant to a continuing appropriation, distributes money in the fund as grants to eligible counties for senior citizen programs. The grants are provided to counties that have approved a mill levy for senior citizen services and programs. Current statutory provisions provide that the amount of each county's annual grant is equal to 85 percent of the amount levied in dollars in the county for senior citizen programs, limited to one mill. The Legislative Assembly provided intent that counties match 50 percent of the state grant with funding from the county general fund or state aid distribution fund receipts. Any money remaining in the fund at the end of each biennium is transferred to the general fund, except in the 2005-07 biennium any remaining money in the fund at the end of the biennium was allocated to those counties that were levying the statutory maximum for senior citizen programs in proportion to the amounts generated by those levies in those counties. The Legislative Assembly in 2011 Senate Bill No. 2242 amended statutory provisions to increase the amount of collections to be allocated to the fund and the amount of grants provided to counties from two-thirds of the amount levied for senior citizen programs to three-fourths of the amount levied for senior citizen programs, limited to one mill. In 2013 Senate Bill No. 2162, the Legislative Assembly increased these amounts to 85 percent of the amounts levied for senior citizen programs, limited to one mill.

ANALYSIS OF THE STATE AID DISTRIBUTION FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$27,330,704		$0
Add estimated revenues				
Sales, use, and motor vehicle excise taxes (based on 40 percent of an equivalent one-cent sales tax through June 30, 2014, and 43.5 percent of an equivalent one-cent sales tax effective July 1, 2014)	$249,758,371[1]		$286,373,317[1]	
Total estimated revenues		249,758,371		286,373,317
Total available		$277,089,075		$286,373,317
Less estimated expenditures and transfers				
Payments to political subdivisions				
County share (53.7 percent)	$148,796,833		$153,782,471	
City share (46.3 percent)	128,292,242		132,590,846	
Total estimated expenditures and transfers		277,089,075		286,373,317
Estimated ending balance		$0		$0

NOTE

The following bills under consideration by the Legislative Assembly may affect the state aid distribution fund:

- House Bill No. 1287 proposes an increase to the share of sales, use, and motor vehicle excise taxes deposited into the state aid distribution fund from 8.7 percent of collections to 20 percent of collections. House Bill No. 1287 also changes the allocation that 50 percent of the revenue available for distribution will be distributed to cities and counties according to current provisions governing the 8.7 percent state aid distribution fund distributions. The remaining 50 percent of revenues available for distribution will be used for the state paid property tax credit for tax years 2016 and 2017.
- House Bill No. 1472 proposes a change in the state aid distribution formula from the state aid distribution funds share based on current sales, use, and motor vehicle excise tax rates from 8.7 percent to 20 percent and provides for 50 percent of the revenues collected to be distributed in accordance with North Dakota Century Code Section 57-39.2-26.1 and the remaining 50 percent allocated among counties in proportion to the share each county receives of all allocations among counties.

[1]Estimated revenues reflect January 2015 revised revenue forecast.

FUND HISTORY

Section 57-39.2-26.1 provided, prior to January 1999, for a portion of sales, use, and motor vehicle excise tax collections equal to 60 percent of an equivalent one-cent sales tax to be deposited by the State Treasurer in the state aid distribution fund. The Tax Commissioner certified to the State Treasurer the portion of sales, use, and motor vehicle excise tax net revenues that were deposited in the state aid distribution fund. The state aid distribution fund had historically been allocated, subject to legislative appropriation, with 50 percent of revenues for state revenue sharing and 50 percent for personal property tax replacement.

The 1997 Legislative Assembly amended Section 57-39.2-26.1 to provide that, effective January 1, 1999, deposits into the state aid distribution fund are based on an amount equal to 40 percent of an equivalent one-cent sales tax instead of an amount equal to 60 percent of an equivalent one-cent sales tax. In addition, a continuing appropriation was added which appropriates all revenues deposited in the state aid distribution fund for payments to political subdivisions. Senate Bill No. 2325 (2013) provides that effective July 1, 2014, deposits into the state aid distribution fund be based on an amount equal to 43.5 percent of an equivalent one-cent sales tax instead of an amount equal to 40 percent of an equivalent one-cent sales tax.

The 1997 Legislative Assembly also changed the allocation of the state aid distribution fund from 50 percent for personal property tax replacement and 50 percent for revenue sharing to 53.7 percent for counties and 46.3 percent for cities. The allocation for each county includes townships, rural fire protection districts, rural ambulance districts, soil conservation districts, county recreation service districts, county hospital districts, the Garrison Diversion Conservancy District, the Southwest Water Authority, and other taxing districts within the county, excluding school districts, cities, and taxing districts within the cities. The allocation for each city includes park districts and other taxing districts within the city, excluding school districts. The county allocation to townships must be based on the same percentage allocation that a township received in calendar year 1996.

House Bill No. 1025 (2003), which became effective on August 1, 2003, revised the state aid distribution formula for cities and counties to account for population changes resulting from the 2000 federal census. The bill provides for total distribution percentages to cities and counties to remain at 53.7 percent to counties and 46.3 percent to cities; however, the allocation formula to specific counties and cities is:

Population Category Through June 30, 2011			
Counties	**Percentage**	**Cities (Based on Population)**	**Percentage**
17 counties with the largest population (allocated equally)	20.48%	80,000 or more	19.4%
17 counties with the largest population (allocated based on population)	43.52%	20,000 or more but less than 80,000	34.5%
Remaining counties (allocated equally)	14.40%	10,000 or more but less than 20,000	16.0%
Remaining counties (allocated based on population)	21.60%	5,000 or more but less than 10,000	4.9%
		1,000 or more but less than 5,000	13.1%
		500 or more but less than 1,000	6.1%
		200 or more but less than 500	3.4%
		Less than 200	2.6%
Total	100.00%		100.0%

Senate Bill No. 2253 (2011), which became effective July 1, 2011, revised the state aid distribution formula for cities to provide that distributions be based upon the proportion each city's population bears to the total population of all cities. The bill did not change the total distribution percentages to cities and counties which remains at 53.7 percent to counties and 46.3 percent to cities. The allocation formula for specific counties and cities is:

Population Category Effective July 1, 2011		
Counties	**Percentage**	**Cities**
17 counties with the largest population (allocated equally)	20.48%	Based upon the proportion each city's population bears to total population
17 counties with the largest population (allocated based on population)	43.52%	
Remaining counties (allocated equally)	14.40%	
Remaining counties (allocated based on population)	21.60%	
Total	100.00%	

Senate Bill No. 2325 (2013), which became effective July 1, 2014, increased the portion of the sales and use, gross receipts, and motor vehicle excise tax collections that is deposited in the state aid distribution fund from an amount equal to 40 percent of the equivalent one-cent sales tax to an amount equal to 43.5 percent of an equivalent one-cent sales tax.

ANALYSIS OF THE STRATEGIC INVESTMENT AND IMPROVEMENTS FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$969,920,162		$279,525,162
Add estimated revenues				
Production royalties[1]	$203,000,000		$195,000,000	
Mineral leases[1]	535,000		400,000	
Oil and gas bonuses[1]	32,000,000		16,000,000	
Loan income[1]	2,650,000		5,590,000	
Investment earnings[1]	3,610,000		2,000,000	
Oil and gas tax collections[2]	1,145,280,000		561,760,000	
Total estimated revenues		1,387,075,000		780,750,000
Total available		$2,356,995,162		$1,060,275,162
Less estimated expenditures and transfers				
Transfer to legacy fund from oil and gas tax revenue[3]	$240,370,000		$119,150,000	
Transfer to legacy fund from other revenue sources[3]	30,400,000		13,000,000	
Transfer to the general fund (2013 HB 1015; 2015 SB 2015)	520,000,000		700,000,000	
Grants to critical access hospitals - Department of Human Services (2013 HB 1358)	9,600,000			
Grants for law enforcement needs - Attorney General (2013 HB 1358)	9,600,000			
Enhanced use lease grant program - Department of Commerce (2013 SB 2018)	2,500,000			
Grant program for nursing homes, basic care facilities, and providers of services to developmentally disabled individuals - Department of Commerce (2013 HB 1358)	2,000,000			
Private land study - Department of Trust Lands (2013 SB 2013)	50,000			
Funding for political subdivisions and state highways (2015 SB 2103) (Passed Senate)	1,136,250,000			
Transfer to the North Dakota school district construction fund (2015 SB 2178)	125,000,000			
Short line railroad revolving loan fund (2015 HB 1014)			10,000,000	
Contingent appropriation - Enhanced use lease grant program - Department of Commerce (2015 HB 1018)			5,000,000	
Grants for home health services - Department of Human Services (2015 HB 1173)			550,000	
Grants for domestic violence shelters - Department of Commerce (2015 HB 1285)			2,000,000	
Transfer to infrastructure revolving loan fund (2015 HB 1443)			300,000,000	
Transfer to the economic impact grant fund (2015 SB 2260)			20,000,000	
Township road matching grants - Department of Transportation (2015 SB 2263)			2,000,000	
Administrative costs/other fees	1,700,000		1,980,000	
Total estimated expenditures and transfers		2,077,470,000		1,173,680,000

Estimated ending balance	$279,525,162	($113,404,838)
Restricted fund income		
Reserve relating to potential title disputes[4]	$144,197,060	$148,197,060
Expanded school construction loan program - Department of Public Instruction (2013 HB 1013; 2015 SB 2013; 2015 SB 2031)	150,000,000	450,000,000
Medical facility infrastructure loans - Bank of North Dakota (2013 SB 2187)	50,000,000	50,000,000
Bank of North Dakota - Maintain guarantee reserve fund balance (2011 SB 2306; 2013 SB 2287)[5]	25,000,000	25,000,000
Ending balance - Undesignated	($89,671,898)	($786,601,898)

[1]The amounts shown reflect projections by the Department of Trust Lands for the 2013-15 and 2015-17 bienniums.

[2]House Bill No. 1451 (2011) created a new section to North Dakota Century Code Chapter 57-51.1 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund under Chapters 57-51 and 57-51.1 as follows:

- The first $200 million is deposited in the general fund;
- The next $341,790,000 is deposited in the property tax relief fund;
- The next $100 million is deposited in the general fund;
- The next $100 million is deposited in the strategic investment and improvements fund;
- The next $22 million is deposited in the state disaster relief fund; and
- Any additional revenues are deposited in the strategic investment and improvements fund.

Estimated revenues - These amounts reflect actual oil tax revenue collections deposited in the fund through December 2014 and estimated allocations for the remainder of the 2013-15 biennium and estimated oil tax revenue allocations for the 2015-17 biennium based on the January 2015 revised revenue forecast. These amounts do not reflect any transfers to the legacy fund. The transfer amounts are shown under estimated expenditures and transfers. The amounts shown reflect current law formula allocations.

[3]Pursuant to Section 15-08.1-08, if the unobligated balance of the strategic investment and improvements fund exceeds $300 million at the end of any month, 25 percent of any revenues received for deposit in the strategic investment and improvements fund in the subsequent month must be deposited instead into the legacy fund.

[4]These amounts represent oil and gas bonuses received from areas of the Yellowstone and Missouri Rivers and Lake Sakakawea where mineral rights are in dispute. Based on the outcome of legal settlements, these funds may need to be returned. Pursuant to action of the Board of University and School Lands, this portion of the fund balance is designated to be held in reserve pending the settlement of mineral ownership title disputes.

[5]Senate Bill No. 2306 (2011) provided guarantees on fuel production facility loans administered by the Bank of North Dakota be increased by $10.5 million to $12.5 million, and the value of all fuel production facility loan guarantees is increased by $15 million, from $10 million to $25 million. Money in the strategic investment and improvements fund is available to the Bank to maintain 25 percent of the guarantee reserve fund balance not to exceed a total of $6.25 million. Senate Bill No. 2287 (2013) which became effective on March 27, 2013, provides that money in the strategic investment and improvements fund is available to the Bank to maintain 100 percent of the guarantee reserve fund balance not to exceed a total of $25 million. Any money transferred from the strategic investment and improvements fund to maintain the guarantee reserve fund is available to reimburse lenders for guaranteed loans in default.

NOTE

The following bills under consideration by the Legislative Assembly may have a significant effect on the strategic investment and improvements fund:

- House Bill No. 1176 increases the allocation of oil and gas gross production tax collections to counties decreasing the allocation to the strategic investment and improvements fund.
- House Bill No. 1377 amends Section 15-08.1-08 to eliminate the transfer of 25 percent of any revenues from the strategic investment and improvements fund to the legacy fund if the unobligated balance of the strategic investment and improvements fund exceeds $300 million at the end of any month.
- Senate Bill No. 2033 provides a contingent appropriation of $200 million to the State Treasurer for distributions to political subdivisions if actual oil and gas tax collections exceed the legislative forecast for the first six months of the 2015-17 biennium.

FUND HISTORY

House Bill No. 1451 (2011) provided the lands and minerals trust fund be renamed the strategic investment and improvements fund, and as soon as feasible after June 30, 2011, the State Treasurer close out the lands and minerals trust fund and transfer any remaining unobligated balance to the strategic investment and improvements fund. The lands and minerals trust fund originated in 1977 when the Legislative Assembly transferred to the Board of University and School Lands possessory interest in properties obtained by the Bank of North Dakota, including tracts of real property and reserved mineral interests.

All income from the sale, lease, and management of the mineral interests relating to these properties is deposited in the strategic investment and improvements fund, pursuant to Section 15-08.1-08. The principal and interest of the fund may be used for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. Money in the fund may be included in draft appropriation Acts under Section 54-44.1-06 and may be appropriated by the Legislative Assembly, but only to the extent the money is estimated to be available at the beginning of the biennium in which the appropriations are authorized.

If the unobligated balance in the fund at the end of any month exceeds $300 million, 25 percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. Unobligated balance in the fund is defined as the balance in the fund reduced by appropriations or transfers from the fund authorized by the Legislative Assembly, guarantee reserve fund requirements under Section 6-09.7-05, and any fund balance designated by the Board of University and School Lands relating to potential title disputes related to certain riverbed leases.

ANALYSIS OF THE STUDENT LOAN TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (REFLECTING BOTH THE 1979 AND 1996 BOND RESOLUTIONS AND PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium[1]		2015-17 Biennium[1]	
Beginning balance		$41,375,000		$35,870,256
Add estimated revenues				
Fund earnings (net)	$500,000[2]		$400,000[2]	
Total revenues		500,000		400,000
Total available		$41,875,000		$36,270,256
Less estimated expenditures and transfers				
Funding for gap scholarship program (2015 SB 2288)			$5,000,000	
Funding for veterinary medical education program (2013 SB 2003; 2015 HB 1003)	$465,307[3]		465,307[6]	
Funding for North Dakota University System information technology services (2013 SB 2003; 2015 HB 1003)	539,437[4]		539,437[7]	
Transfer to the North Dakota Guarantee Agency	5,000,000[5]			
Total estimated expenditures and transfers		6,004,744		6,004,744
Estimated ending balance		$35,870,256		$30,265,512

[1]This analysis reflects the estimated revenues, expenditures, and ending balance for **both the 1979 and 1996 bond resolutions**. Prior to fiscal year 2012, permission was needed from the Ambac Assurance Corporation to use any assets from the 1996 bond resolution. However, there are no longer any bonds insured by the Ambac Assurance Corporation.

[2]The projected income for the 2013-15 and 2015-17 bienniums is based on interest rates as of January 1, 2014, and is net of the Industrial Commission and trustee expenses.

[3]The Legislative Assembly in 2013 provided $465,307 of funding from the student loan trust fund for the Kansas State University veterinary medical education program. This represents the same level of funding as provided in the 2011-13 biennium.

[4]The Legislative Assembly in 2013 provided $539,437 of funding from the student loan trust fund for the University System information technology services pool for ConnectND positions within the University System. This represents the same level of funding as provided in the 2011-13 biennium.

[5]Pursuant to the provisions of the 1996 bond resolution, the North Dakota Industrial Commission authorized the transfer of $5 million to the North Dakota Student Loan Guarantee Agency in December 2014 to maintain the reserve requirements for alternative student loan guarantees relating primarily to DEAL One loans.

[6]The 2015-17 executive budget recommendation includes $465,307 of funding from the student loan trust fund for the Kansas State University veterinary medical education program. This represents the same level of funding as provided in the 2011-13 biennium.

[7]The 2015-17 executive budget recommendation includes $539,437 of funding from the student loan trust fund for the University System information technology services pool for ConnectND positions within the University System. This represents the same level of funding as provided in the 2011-13 biennium.

FUND HISTORY

The Legislative Assembly in 1971 authorized the Industrial Commission to acquire and hold all unpaid government-guaranteed or reinsured student loans and North Dakota student loans belonging to the state or any of its agencies. As a result, the student loan trust fund was created which enabled the state to sell tax-exempt bonds and use the proceeds for purchasing student loans made or acquired by the Bank of North Dakota.

The student loan trust fund does not make loans to students or service loans which it acquires. The Bank continues to service those loans which the student loan trust fund holds.

The student loan trust fund is comprised of funds held under two general bond resolutions. The first general bond resolution includes funds from bonds issued in 1979, 1988, 1989, 1992, and 2004. The second general bond resolution--referred to as the 1996 bond resolution--includes funds from bonds issued in 1996, 1997, 1998, and 2000. All bond issuances prior to 2004 were insured by Ambac Assurance Corporation. There are no longer any outstanding bonds insured by Ambac Assurance Corporation.

Under both of the bond resolutions, assets may only be used for:

- Purchase of student loans.
- Payment of debt service to bondholders.
- Providing financial assistance to the North Dakota Student Loan Guarantee Agency.
- Payment of any rebate liability to the federal government.
- Administration of the student loan trust fund.

After all bonds in the 1979 and 1996 bond resolutions have matured, been redeemed or defeased and all expenses paid, and the resolutions closed, any remaining assets held under the bond resolutions would be transferred to the Industrial Commission for use at its discretion and as allowed by law. As of June 30, 2014, $1 million in bonds remains outstanding. In order to use assets held under the 1979 and 1996 general bond resolutions for a purpose other than those stated in the general bond resolution, the administrator of the student loan trust fund must receive a certification from the trustee of the bond (Bank of North Dakota) that sufficient reserves remain for bond payments and other related program costs. Prior to 2012, permission needed to be obtained from Ambac Assurance Corporation for any use of assets held in the 1996 general bond resolution. However, there are no longer any bonds insured by Ambac Assurance Corporation.

North Dakota Century Code Section 54-17-25 provides the Industrial Commission may issue subordinate or residual bonds when the commission determines that it is appropriate or expedient to do so.

ANALYSIS OF THE TOBACCO PREVENTION AND CONTROL TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$40,654,656		$47,405,222
Add estimated revenues				
Tobacco settlement revenues collected to date	$11,205,876[1]		$0	
Projected tobacco settlement revenues	11,304,243[2]		22,608,486[2]	
Investment and miscellaneous revenue	56,275		56,521	
Total estimated revenues		22,566,394[3]		22,665,007[3]
Total available		$63,221,050		$70,070,229
Less estimated expenditures and transfers				
Tobacco Prevention and Control Executive Committee expenditures (2013 SB 2024; 2015 HB 1024)	$15,815,828[4]		$16,109,756[4]	
Total estimated expenditures and transfers		15,815,828		16,109,756
Estimated ending balance		$47,405,222		$53,960,473

[1]As of December 2014, the state has received tobacco settlement payments totaling $33,962,256 for the 2013-15 biennium, of which $22,756,380 was deposited in the tobacco settlement trust fund and $11,205,876 was deposited in the tobacco prevention and control trust fund. To date, the state has received total tobacco settlement collections of $433,319,780, including $347,922,402 under subsection IX(c)(1) of the Master Settlement Agreement and $85,397,378 under subsection IX(c)(2) of the Master Settlement Agreement. Of the $433,319,780, $361,720,131 has been deposited into the tobacco settlement trust fund and $71,599,649 has been deposited into the tobacco prevention and control trust fund.

[2]Tobacco prevention and control trust fund revenues have been estimated based on the average of actual annual revenues received into the tobacco prevention and control trust fund during fiscal years 2013 and 2014.

[3]Initiated Measure No. 3 approved in the November 2008 general election provides if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the Tobacco Prevention and Control Executive Committee to adequately provide for the comprehensive plan. The Legislative Assembly in Section 39 of 2009 House Bill No. 1015 provided any money deposited in the water development trust fund under North Dakota Century Code Section 54-27-25 may only be spent pursuant to legislative appropriations.

The measure will result in the following estimated allocation of the revised estimated collections of the tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)		
			Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	$36.4 million	N/A	$16.4 million	$16.4 million	$3.6 million
Actual payment April 2009	39.2 million	$14.1 million	11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million	18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million	18.1 million	18.1 million	4.0 million
Estimated 2013-15 biennium	65.2 million	22.5 million	19.2 million	19.2 million	4.3 million
Estimated 2015-17 biennium	62.6 million	22.6 million	18.0 million	18.0 million	4.0 million
Estimated 2017-19 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2019-21 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Total	$540.4 million	$105.5 million	$195.6 million	$195.6 million	$43.7 million

[4]The 2013 Legislative Assembly appropriated $15,815,828 from the tobacco prevention and control trust fund to the Tobacco Prevention and Control Executive Committee for the purpose of providing a level of funding that will meet the annual level recommended by the Centers for Disease Control and Prevention for North Dakota as published in its *Best Practices for Comprehensive Tobacco Control* for the 2013-15 biennium. The 2015-17 executive budget recommendation provides $16,109,756 from the tobacco prevention and control trust fund to the Tobacco Prevention and Control Executive Committee.

FUND HISTORY

The tobacco prevention and control trust fund was created as a result of voter approval of Initiated Measure No. 3 in the November 2008 general election. The measure added seven new sections to Century Code and amended Section 54-27-25 to establish the Tobacco Prevention and Control Advisory Committee and an executive committee, develop and fund a comprehensive statewide tobacco prevention and control plan, and create a tobacco prevention and control trust fund to receive tobacco settlement dollars to be administered by the executive committee. The measure provides for the advisory committee, appointed by the Governor, to develop the initial comprehensive plan and select an executive committee responsible for the implementation and administration of the comprehensive plan. The initiated measure became effective 30 days after the election (December 4, 2008).

Tobacco settlement payments received by the state under the Master Settlement Agreement are derived from two subsections of the Master Settlement Agreement. Subsection IX(c)(1) of the Master Settlement Agreement provides payments on April 15, 2000, and on April 15 of each year thereafter in perpetuity, while subsection IX(c)(2) of the Master Settlement Agreement provides for additional strategic contribution payments that began on April 15, 2008, and continue each April 15 thereafter through 2017. Section 54-27-25, created by 1999 House Bill No. 1475, did not distinguish between payments received under the separate subsections of the Master Settlement Agreement and provided for the deposit of all tobacco settlement money received by the state into the tobacco settlement trust fund. Money in the fund, including interest, is transferred within 30 days of deposit in the fund as follows:

- 10 percent to the community health trust fund.
- 45 percent to the common schools trust fund.
- 45 percent to the water development trust fund.

The measure provides for a portion of tobacco settlement dollars received by the state to be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement will continue to be deposited in the tobacco settlement trust fund and allocated 10 percent to the community health trust fund (with 80 percent used for tobacco prevention and control), 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement will be deposited into the tobacco prevention and control trust fund. Interest earned on the balance in this fund will be deposited in the fund. The fund will be administered by the executive committee created by the measure for the purpose of creating and implementing the comprehensive plan.

The measure also provides if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the executive committee to adequately provide for the comprehensive plan. The Legislative Assembly in Section 39 of 2009 House Bill No. 1015 provided any money deposited in the water development trust fund under Section 54-27-25 may only be spent pursuant to legislative appropriation.

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the Master Settlement Agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. In 2009 tobacco settlement payments began to be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25 as amended by the measure.

ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$0		$0
Add estimated revenues				
Tobacco settlement revenues collected to date	$22,756,380[1]		$0	
Projected tobacco settlement revenues	20,000,000		40,000,000	
Total estimated revenues		42,756,380[2]		40,000,000[2]
Total available		$42,756,380[3,4]		$40,000,000[3,4]
Less estimated expenditures and transfers				
Attorney General - Tobacco settlement agreement costs (2015 SB 2003)			$200,000	
Transfers to the community health trust fund	$4,275,638		3,980,000	
Transfers to the common schools trust fund	19,240,371		17,910,000[5]	
Transfers to the water development trust fund	19,240,371		17,910,000	
Total estimated expenditures and transfers		42,756,380[4]		40,000,000[4]
Estimated ending balance		$0		$0

[1]As of December 2014, the state has received tobacco settlement payments totaling $33,962,256 for the 2013-15 biennium, of which $22,756,380 was deposited in the tobacco settlement trust fund and $11,205,876 was deposited in the tobacco prevention and control trust fund. To date, the state has received total tobacco settlement collections of $433,319,780, including $347,922,402 under subsection IX(c)(1) of the Master Settlement Agreement and $85,397,378 under subsection IX(c)(2) of the Master Settlement Agreement. Of the $433,319,780, $361,720,131 has been deposited into the tobacco settlement trust fund and $71,599,649 has been deposited into the tobacco prevention and control trust fund.

[2]Revenues - House Bill No. 1475 (1999) (North Dakota Century Code Section 54-27-25) provides interest on the money in the tobacco settlement trust fund must be retained in the fund, and the principal and interest must be allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. The interest earned on the money in the tobacco settlement trust fund will increase the amount available for transfers to the other funds. However, because of uncertainty regarding the timing of the receipt of the tobacco settlement proceeds, interest earned on the balance of the tobacco settlement trust fund has not been included in this analysis. Tobacco settlement revenues collected to date have been transferred immediately to the proper trust funds; therefore, no interest has been earned by the tobacco settlement trust fund to date.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amends Section 54-27-25 to provide a portion of tobacco settlement funds received by the state be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, which began in 2008 and continues through 2017, was deposited beginning in 2009 in the tobacco prevention and control trust fund. The amount received under subsection IX(c)(2) of the Master Settlement Agreement for 2008 was $13,797,729, which, because it was received prior to passage of the measure, was allocated pursuant to Section 54-27-25 prior to amendment. Remaining tobacco settlement trust fund revenues have been estimated based on actual revenues received through April 2014 and estimated revenues for the remainder of the 2013-15 biennium per the February 2013 legislative revenue forecast and do not include anticipated strategic contribution payments, which are deposited in the tobacco prevention and control trust fund.

[3]In 2006 certain tobacco companies began reducing their tobacco settlement payments to North Dakota contending that the Master Settlement Agreement allows for the payments to be reduced if they lose sales to small cigarette makers that did not participate in the agreement and if states do not enforce laws intended to make smaller tobacco companies set aside money for legal claims. The Attorney General's office has filed a lawsuit against the tobacco companies to collect the full payment. The total original estimated tobacco settlement collections, including payments to be received under both subsection IX(c)(1) and subsection IX(c)(2) of the Master Settlement Agreement, and the total actual and estimated collections as revised by the Office of Management and Budget are:

Biennium	1999 Original Estimated Collections	Actual and Office of Management and Budget Revised Estimated Collections
1999-2001	$57,593,770	$52,900,784
2001-03	61,143,578	53,636,363
2003-05	51,271,214	46,310,010
2005-07	51,271,214	43,828,118
2007-09	82,231,080	75,633,409
2009-11	82,231,080	64,013,596
2011-13	82,231,080	63,035,245
2013-15	82,231,080	65,266,498
2015-17	82,231,080	62,608,486
2017-25 ($58,591,490/$52,503,832 per biennium)	234,365,960	210,015,328
Total	$866,801,136	$737,247,837

[4]Initiated Measure No. 3, approved by voters in the November 2008 general election, will result in the following estimated allocation of the revised estimated collections of the tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)		
			Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	$36.4 million	N/A	$16.4 million	$16.4 million	$3.6 million
Actual payment April 2009	39.2 million	$14.1 million	11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million	18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million	18.1 million	18.1 million	4.0 million
Estimated 2013-15 biennium	65.2 million	22.5 million	19.2 million	19.2 million	4.3 million
Estimated 2015-17 biennium	62.6 million	22.6 million	18.0 million	18.0 million	4.0 million
Estimated 2017-19 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2019-21 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Total	$540.4 million	$105.5 million	$195.6 million	$195.6 million	$43.7 million

NOTE

The following bill under consideration by the Legislative Assembly may affect the tobacco settlement trust fund:

- House Bill No. 1214 creates a health care delivery trust fund and allocates tobacco settlement proceeds to the new fund rather than to the common schools trust fund. Tobacco settlement proceeds that would be deposited into the new fund rather than the common schools trust fund are estimated to total approximately $18 million during the 2015-17 biennium. This potential change is not reflected in the amounts shown above

FUND HISTORY

Section 54-27-25, created by 1999 House Bill No. 1475, established a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund, including interest, must be transferred within 30 days of its deposit in the fund:

- 10 percent to the community health trust fund.
- 45 percent to the common schools trust fund.
- 45 percent to the water development trust fund.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in a new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, relating to strategic contribution payments, which began in 2008 and continue through 2017, began to be deposited in 2009 into the newly created tobacco prevention and control trust fund.

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the Master Settlement Agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. In 2009 tobacco settlement payments began to be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25 as amended by the measure.

ANALYSIS OF THE STATE TUITION FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$1,852,546[1]		$5,471,683[1]
Add estimated revenues				
Fines for violation of state laws	$13,619,137[2]		$10,800,000[2]	
Transfers from the common schools trust fund	130,326,000		206,134,000	
Total estimated revenues		143,945,137		216,934,000
Total available		$145,797,683		$222,405,683
Less estimated expenditures and transfers				
State aid to schools	$140,326,000[3]		$219,134,000	
Total estimated expenditures and transfers		140,326,000		219,134,000
Estimated ending balance		$5,471,683[1]		$3,271,683[1]

[1]Beginning/ending balance - North Dakota Century Code Section 15.1-28-03 provides for the distribution of money in the state tuition fund in August, September, October, November, December, January, February, March, and April of each fiscal year. Fine proceeds deposited in the tuition fund during May and June of each fiscal year are carried forward for distribution in August of the subsequent year.

[2]Fines for violation of state laws - Fine proceeds estimated to be deposited in the state tuition fund during the 2013-15 biennium are based on actual fines deposited into the fund through December 2014 and estimated fine proceeds for the remainder of the 2013-15 biennium based on the December 2014 revenue forecast. Fine proceeds estimated to be deposited in the state tuition fund during the 2015-17 biennium are based on the December 2014 revenue forecast.. The amount of state tuition fund distributions from fine proceeds is shown below.

Fiscal Year	Revenue From Fines	Percentage Increase (Decrease) From Previous Year
1998	$3,384,890 (actual)	
1999	$3,818,890 (actual)	12.8%
2000	$4,866,644 (actual)	27.4%
2001	$4,241,256 (actual)	(12.9%)
2002	$4,778,756 (actual)	12.7%
2003	$4,607,423 (actual)	(3.6%)
2004	$4,721,407 (actual)	2.5%
2005	$4,507,137 (actual)	(4.5%)
2006	$4,506,316 (actual)	(0.01%)
2007	$4,590,395 (actual)	1.9%
2008	$4,692,048 (actual)	2.2%
2009	$4,452,118 (actual)	(5.1%)
2010	$4,593,325 (actual)	3.2%
2011	$4,963,691 (actual)	8.1%
2012	$5,769,861 (actual)	16.2%
2013	$6,158,750 (actual)	6.7%
2014	$6,844,632 (actual)	11.1%
2015	$6,774,505 (estimate)	(1.0%)
2016	$5,400,000 (estimate)	(20.3%)
2017	$5,400,000 (estimate)	0.0%

[3]The Legislative Assembly in 2013 provided $140,326,000 from the state tuition fund for state school aid payments during the 2013-15 biennium. In addition, Section 4 of 2013 House Bill No. 1013 provides that any money available in the state tuition fund in excess of the $140,326,000 is appropriated to the Department of Public Instruction for distribution to school districts.

NOTE

The following bill under consideration by the Legislative Assembly may affect the state tuition fund:

- House Bill No. 1171 changes the deposit of fees collected for noncriminal disposition of traffic offenses from the state tuition fund to the highway tax distribution fund. A fiscal note prepared by the judicial branch estimates the fiscal impact of the bill during the 2015-17 biennium would be a reduction of $6.3 million to the state tuition fund and an increase of $6.3 million to the state highway tax distribution fund. House Bill No. 1171 has been approved by the House.

FUND HISTORY

The state tuition fund originated in 1889 with enactment of the Constitution of North Dakota. The original constitutional provisions have not changed significantly since enactment and are currently contained in Article IX, Section 2, of the Constitution of North Dakota, which provides that payments to the common schools trust fund of the state include:

- Interest and income from the common schools trust fund.
- All fines for violation of state laws.
- All other amounts provided by law.

Section 15.1-28-01 provides the state tuition fund consists of the net proceeds from all fines for violation of state laws and leasing of school lands (included in transfers from the common schools trust fund) and the interest income from the common schools trust fund. Section 15.1-28-03 directs the Office of Management and Budget, on or before the third Monday in January, February, March, April, August, September, October, November, and December of each year, to certify to the Superintendent of Public Instruction the amount of the state tuition fund. Prior to the 2007-09 biennium, the Superintendent apportioned the money in the state tuition fund among the school districts in the state based on the number of school-age children in the district. The Legislative Assembly in 2007 Senate Bill No. 2200 consolidated funding for the state school aid program, including per student payments, teacher compensation payments, special education average daily membership payments, revenue supplemental payments, and tuition apportionment payments, into a new state school aid funding formula with a new distribution methodology; therefore, beginning with the 2007-09 biennium, the Superintendent includes the money in the state tuition fund in state school aid payments to school districts as determined by Chapter 15.1-27.

ANALYSIS OF THE VETERANS' POSTWAR TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$4,601,887[1]		$5,247,037
Add estimated revenues and other funds available for benefits				
Principal deposit pursuant to 2013 House Bill No. 1439	$250,000			
Investment income and increases in market value	700,000[2]		$700,000[2]	
Total deposits, estimated revenues, and other increases in market value		950,000		700,000
Total available		$5,551,887		$5,947,037
Less estimated expenditures and transfers				
Grants and related expenditures	$179,165			
Administrative Committee travel				
Veterans' Home equipment				
Vehicles - Vans				
Veterans' transportation programs	6,152			
Other veterans' programs	1,165			
Appeals Committee				
Stand Down (outreach to homeless veterans)				
Remaining funds available for programs that benefit veterans	118,368[3]		300,000[4]	
Total estimated expenditures and transfers		304,850[3]		300,000[4]
Estimated ending balance		$5,247,037		$5,647,037

[1]Revenue from the sale of vans during the 2011-13 biennium ($8,000) and funding available from the 2009-11 biennium ($20,326) is available for programs during the 2013-15 biennium and is included in the beginning balance.

[2]The State Treasurer has not provided investment income estimates for the 2013-15 or the 2015-17 bienniums. Investment income for the 2013-15 and the 2015-17 biennium is estimated based on the change in the fund value, biennium to date, during the 2013-15 biennium. See footnote 4 below regarding payable income.

[3]Prior to July 2011, North Dakota Century Code Section 37-14-14 appropriated on a continuing basis all income of the veterans' postwar trust fund to the Administrative Committee on Veterans' Affairs for programs that benefit veterans or their dependents. The Legislative Assembly in 2011 House Bill No. 1468 amended Section 37-14-14 to provide that all income earned in a biennium is appropriated to the Administrative Committee on Veterans' Affairs on a continuing basis in the following biennium, and not in the biennium in which it is earned, for authorized programs. In addition to 2011-13 biennium earnings totaling $262,372, funds available for benefits during the 2013-15 biennium include funds continued from prior bienniums ($28,326), interest income ($152), and funds available from the sale of vans ($14,000). Investment income earned by the fund during the 2013-15 biennium will not be available for programs until the 2015-17 biennium.

[4]Pursuant to provisions of House Bill No. 1468, investment income earned during the 2013-15 biennium is not available for program expenditures until the 2015-17 biennium. The amount shown for income available for benefits does not include investment changes in market value. Funds available for benefits during the 2015-17 biennium are estimated based on average monthly payable income earned through December 2014.

FUND HISTORY

Established

The fund was created by Section 6 of 1981 Senate Bill No. 2271:

> **SECTION 6. TRANSFER OF VIETNAM BONUS FUNDS TO VETERANS' POSTWAR TRUST FUND.** All unobligated moneys in the Vietnam veterans' adjusted compensation funds in the state treasury after July 1, 1981, shall be transferred by the state treasurer to the veterans' postwar trust fund. Any obligations of such funds as a result of any amendment of section 37-25-10 by the forty-seventh legislative assembly shall be paid out of the veterans' postwar trust fund and the moneys necessary to meet those obligations are hereby appropriated.

1988 Initiated Measure No. 4

Initiated Measure No. 4, approved by the voters in the November 1988 general election, provided the following:

- Established the veterans' postwar trust fund as a permanent fund.
- Required the State Treasurer to transfer $740,000 per year for five years commencing July 1, 1989, from the state general fund or other sources as appropriated by the Legislative Assembly to the veterans' postwar trust fund to total $3.7 million.
- Appropriated the income from the veterans' postwar trust fund on a continuing basis to the Administrative Committee on Veterans' Affairs to be spent for veterans' programs as authorized by law.
- Required the State Treasurer to invest the fund in legal investments as provided by Section 21-10-07.

The principal balance in the fund on December 8, 1988, was $401,849.

Senate Bill No. 2009 (1989) transferred $1,480,000, $740,000 on July 1, 1989, and $740,000 on July 1, 1990, from the state general fund to the veterans' postwar trust fund. The bill also appropriated up to $274,000 of investment income earned on the veterans' postwar trust fund balance to the Veterans' Home for its operating costs. Because of net budget reductions during the 1989-91 biennium, the transfer from the general fund to the veterans' postwar trust fund for the second year of the 1989-91 biennium was reduced by $95,005, from $740,000 to $644,995.

Senate Bill No. 2001 (1991) transferred $1,575,005 from the general fund to the veterans' postwar trust fund during the 1991-93 biennium. This amount restored the $95,005 which was not transferred during the 1989-91 biennium because of net budget reductions. Because of budget allotments ordered by the Governor during the 1991-93 biennium, the transfer from the general fund to the veterans' postwar trust fund for the second year of the 1991-93 biennium was reduced by $5,670, from $740,000 to $734,330.

House Bill No. 1001 (1993) transferred $745,670 from the general fund to the veterans' postwar trust fund during the 1993-95 biennium. This was the final transfer required by the initiated measure and included $5,670 to restore the reduction made during the 1991-93 biennium because of budget reductions.

1996 Initiated Constitutional Measure No. 4

Initiated Constitutional Measure No. 4, approved by the voters in the November 1996 general election, created the following new section to Article X of the Constitution of North Dakota:

> The veterans' postwar trust fund shall be a permanent trust fund of the state of North Dakota and shall consist of moneys transferred or credited to the fund as authorized by legislative enactment. Investment of the fund shall be the responsibility of the state treasurer who shall have full authority to invest the fund only in the same manner as the state investment board is authorized to make investments. All income received from investments is to be utilized for programs which must be of benefit and service to veterans, who are defined by legislative enactment, or their dependents, and such income is hereby appropriated to the administrative committee on veterans' affairs on a continuing basis for expenditure upon those programs selected at the discretion of the administrative committee on veterans' affairs.

2011 House Bill No. 1468

The Legislative Assembly in House Bill No. 1468 amended Section 37-14-14 to provide that all income earned in a biennium is appropriated to the Administrative Committee on Veterans' Affairs on a continuing basis in the following biennium, and not in the biennium in which it is earned, for authorized programs.

2013 House Bill No. 1439

The Legislative Assembly in House Bill No. 1439 provided $250,000 from the general fund to increase the principal balance of the veterans' postwar trust fund.

ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (INCLUDING PROPOSED CHANGES AS OF JANUARY 27, 2015)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$26,550,736		$9,501,107
Add estimated revenues				
Transfers to date from tobacco settlement trust fund	$10,240,371[1]			
Projected remaining transfers from tobacco settlement trust fund	9,000,000[2]		$17,910,000[2]	
Total estimated revenues		19,240,371[3]		17,910,000[5]
Total available		$45,791,107		$27,411,107
Less estimated expenditures and transfers				
Water projects	$19,408,500[4]		$27,500,000[5]	
State Water Commission (2013 HB 1020; 2015 SB 2020)	16,881,500[4]			
Total estimated expenditures and transfers		36,290,000		27,500,000
Estimated ending balance		$9,501,107		($88,893)

[1]As of December 2014, $10,240,371 has been transferred from the tobacco settlement trust fund for the 2013-15 biennium. Total transfers of $162,774,059 have been made from the tobacco settlement trust fund to the water development trust fund.

[2]Revenues - Interest earned on the water development trust fund is deposited in the state general fund. Water development trust fund revenues have been estimated based on the average of actual annual revenues received into the tobacco prevention and control trust fund during fiscal years 2013 and 2014.

[3]Initiated Measure No. 3 (2008) resulted in the following estimated allocation of the revised estimated collections for tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)		
			Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	$36.4 million	N/A	$16.4 million	$16.4 million	$3.6 million
Actual payment April 2009	39.2 million	$14.1 million	11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million	18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million	18.1 million	18.1 million	4.0 million
Estimated 2013-15 biennium	65.2 million	22.5 million	19.2 million	19.2 million	4.3 million
Estimated 2015-17 biennium	62.6 million	22.6 million	18.0 million	18.0 million	4.0 million
Estimated 2017-19 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2019-21 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Total	$540.4 million	$105.5 million	$195.6 million	$195.6 million	$43.7 million

In 2006 certain tobacco companies began reducing their tobacco settlement payments to North Dakota contending that the Master Settlement Agreement allows for the payments to be reduced if they lose sales to small cigarette makers that did not participate in the agreement and if states do not enforce laws intended to make smaller tobacco companies set aside money for legal claims. The Attorney General's office has filed a lawsuit against the tobacco companies to collect full payment.

[4]Sections 1 and 4 of 2013 House Bill No. 1020 appropriated $44,250,000, or any additional funding that becomes available subject to Budget Section approval, from the water development trust fund for the purpose of defraying the expenses of the State Water Commission for the 2013-15 biennium, including bond payments. Bond payments for the 2013-15 biennium were estimated to total $16,881,500. The remainder of the funds appropriated totaling $27.4 million were available for water projects. However, if funding available from the resources trust fund for water projects for the 2013-15 biennium exceeds $287 million, Section 13 of House Bill No. 1020 provided legislative intent that, of the funds appropriated to the commission in the water and atmospheric resources line item, $60 million from the resources trust fund was provided to the commission for the purpose of paying off or defeasing the commission's outstanding bond issues. Funding from the water development trust fund provided for bond payments ($16.9 million) and contingent funding from the resources trust fund ($60 million) totaling $76.9 million would be available to defease the commission's outstanding bond issues of $75,250,000 and pay related fees. Through October 2014, $403.8 million has been credited to the resources trust fund. The State Water Commission has retired five Southwest Pipeline Project series bonds and defeased another. In addition, the State Water Commission anticipated using funds available in the water development trust fund and the resources trust fund to pay off two remaining water development series bonds before the end of the 2013-15 biennium.

[5]Sections 1 and 4 of 2015 Senate Bill No. 2020 appropriate $27.5 million, or any additional funding that becomes available, from the water development trust fund for the purpose of defraying the expenses of the State Water Commission for the 2015-17 biennium.

FUND HISTORY

North Dakota Century Code Section 54-27-25, created by 1999 House Bill No. 1475, establishes a water development trust fund to be used for the long-term water development and management needs of the state. This section creates a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund must be transferred within 30 days of its deposit in the fund:

- 10 percent to the community health trust fund.
- 45 percent to the common schools trust fund.
- 45 percent to the water development trust fund.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in this new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement relating to strategic contribution payments, which began in 2008 and continue through 2017, began to be deposited in 2009 into the newly created tobacco prevention and control trust fund. The measure also provides that if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the Tobacco Prevention and Control Executive Committee to adequately provide for the comprehensive plan. The Legislative Assembly in Section 39 of 2009 House Bill No. 1015 provided any money deposited in the water development trust fund under Section 54-27-25 may only be spent pursuant to legislative appropriation.

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. In 2009 tobacco settlement payments began to be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25 as amended by the measure.

Section 61-02.1-04, created by 1999 Senate Bill No. 2188, provides the principal and interest on bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake must be repaid with money appropriated from the water development trust fund.

HB1014 February 5, 2015 Attachment C

House Bill 1014

Industrial Commission Agencies 2013-2015 Biennium Spending

	Line Item	Total Appropriation	Biennium-to-Date Expenditures December 31, 2014	To-Date Unexpended	Anticipated Turnback
Bank of North Dakota					
	Operating	$51,523,916	$34,284,297	$17,239,619	$0
	Accrued Leave Payments	$881,231	$126,312	$754,919	$0
	Cap. Assets	$745,000	$439,277	$305,723	$0
Bank of North Dakota Fund		$53,150,147	$34,849,886	$18,300,261	$0
Mill and Elevator					
	Salaries & Wages	$29,141,750	$19,868,535	$9,273,215	$0
	Accrued Leave Payments	$575,807	$33,477	$542,330	$0
	Operating Expenses	$21,796,000	$13,664,659	$8,131,341	$0
	Contingencies	$400,000	$0	$400,000	$0
	Agriculture Promotion	$210,000	$55,099	$154,901	$0
Mill and Elevator Fund		$52,123,557	$33,621,770	$18,501,787	$0
Housing Finance Agency					
	Salaries & Wages	$7,434,877	$4,746,052	$2,688,825	$0
	Accrued Leave Payments	$147,806	$8,189	$139,617	$0
	Operating Expenses	$3,791,758	$2,450,946	$1,340,812	$0
	Grants	$29,533,050	$21,808,695	$7,724,355	$0
	Contingencies	$100,000	$0	$100,000	$0
Housing Finance Agency Funds		$41,007,491	$29,013,882	$11,993,609	$0
Department of Mineral Resources					
	Salaries & Wages	$17,177,006	$11,629,640	$5,547,366	$0
	Accrued Leave Payments	$329,963	$23,688	$306,275	$0
	Operating Expenses	$5,675,532	$3,144,465	$1,531,067	$1,000,000
	Capital Assets	$5,800	0	$5,800	$0
Dept. of Mineral Resources General Fund		$22,894,125	$14,678,131	$7,215,994	$1,000,000
Dept. of Mineral Resources Special Funds		$294,176	$119,662	$174,514	$0
		188,301	$14,797,793	$7,390,508	$1,000,000

Public Finance Authority					
	Salaries & Wages	$472,985	$309,076	$163,909	$0
	Accrued Leave Payments	$8,345	$0	$8,345	$0
	Operating Expenses	$225,600	$69,305	$156,295	$0
Public Finance Authority Special Funds		$706,930	$378,381	$328,549	$0
Industrial Commission Administration					
	Salaries & Wages	$517,734	$290,625	$227,109	$0
	Accrued Leave Payments	$9,388	$0	$9,388	$0
	Operating Expenses	$135,595	$113,115	$22,480	$0
	Grants	$19,500,000	$4,589,032	$14,910,968	$0
	Grants-Bond Payments	$19,809,969	$18,831,237	$978,732	$0
Industrial Commission Adm. Special Funds		$39,972,686	$23,824,009	$16,148,677	$0

HB1014 February 5, 2015 Attachment D

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1013

Page 7, replace lines 5 through 10 with:

"~~c. Credit revenues to the oil and gas impact grant fund, but not in an amount exceeding two hundred forty million dollars per biennium;~~

~~d. Credit four percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding fifteen million dollars in a state fiscal year and not in an amount exceeding thirty million dollars per biennium;~~

c. Credit sixteen percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding twenty-five million dollars in a state fiscal year and not in an amount exceeding fifty million dollars per biennium;

d. Credit revenues to the oil and gas impact grant fund, but not in an amount exceeding one hundred nineteen million dollars per biennium; "

Renumber accordingly

HB1014 2-5-15 Handout #1

BND

Bank *of* North Dakota

Performance Highlights

Fourth Quarter Report 2014

BANK OF NORTH DAKOTA
BALANCE SHEET - ACTUAL VERSUS BUDGET
DECEMBER 31, 2014 - UNAUDITED

	(In thousands)			
	Actual	Budget	Difference	% Change
Cash and due from banks	$316,163	$185,000	131,163	70.90%
Federal funds sold	88,927	530,456	-441,529	-83.24%
Securities	2,933,570	2,859,662	73,908	2.58%
Loans				
Commercial	1,559,137	1,552,687	6,450	0.42%
Farm	436,970	381,259	55,711	14.61%
Residential	652,076	642,000	10,076	1.57%
Student Loans	1,203,972	1,141,787	62,185	5.45%
	3,852,155	3,717,733	134,422	3.62%
Less allowance for credit loss	(58,346)	(51,770)	(6,576)	12.70%
	3,793,809	3,665,963	127,846	3.49%
Other assets	83,280	83,828	-548	-0.65%
Total assets	7,215,749	7,324,909	-109,160	-1.49%
Deposits -				
Non-interest bearing	700,446	600,000	100,446	16.74%
Interest bearing	5,030,165	5,204,000	-173,835	-3.34%
Federal funds purchased and repurchase agreements	178,455	250,000	-71,545	-28.62%
Short and long-term borrowings	645,126	634,461	10,665	1.68%
Other liabilities	9,197	5,622	3,575	63.58%
Total liabilities	6,563,389	6,694,083	-130,694	-1.95%
Equity	652,360	630,825	21,535	3.41%
Total liabilities and equity	7,215,749	7,324,909	-109,160	-1.49%

STRATEGIC IMPERATIVE: One of BND's three strategic pillars is to generate a consistent financial return to the State of North Dakota while maintaining the strength and financial integrity of the Bank. As a strategic imperative, BND intends to grow profits while protecting its balance sheet by following strategies that focus on income generation, risk mitigation, and expense control.

COMMENTARY:

Securities were $74 million higher than budget as additional liquidity was invested in higher-earning assets. Farm loans were $55.7 million higher than budget as a result of increased operating needs, inventory carryover and continued demand for farm real estate loans. Residential real estate loans were $10 million higher than budget due to the success of BND's special rural and origination loan programs along with strong housing demand within the state. Student loans were $62.2 million higher than budget due to the popularity of the DEAL One consolidation program.

Deposits were lower than anticipated as a result of a slight slow down in the economic conditions in the state. Long-term borrowings were $10.7 million higher than projected due to BND utilizing FHLB funding for its various loan programs. Equity was $21.5 million higher than projected due primarily to $11.4 million mark-to-market adjustments to the securities portfolio and net income being $11.7 million higher than anticipated.

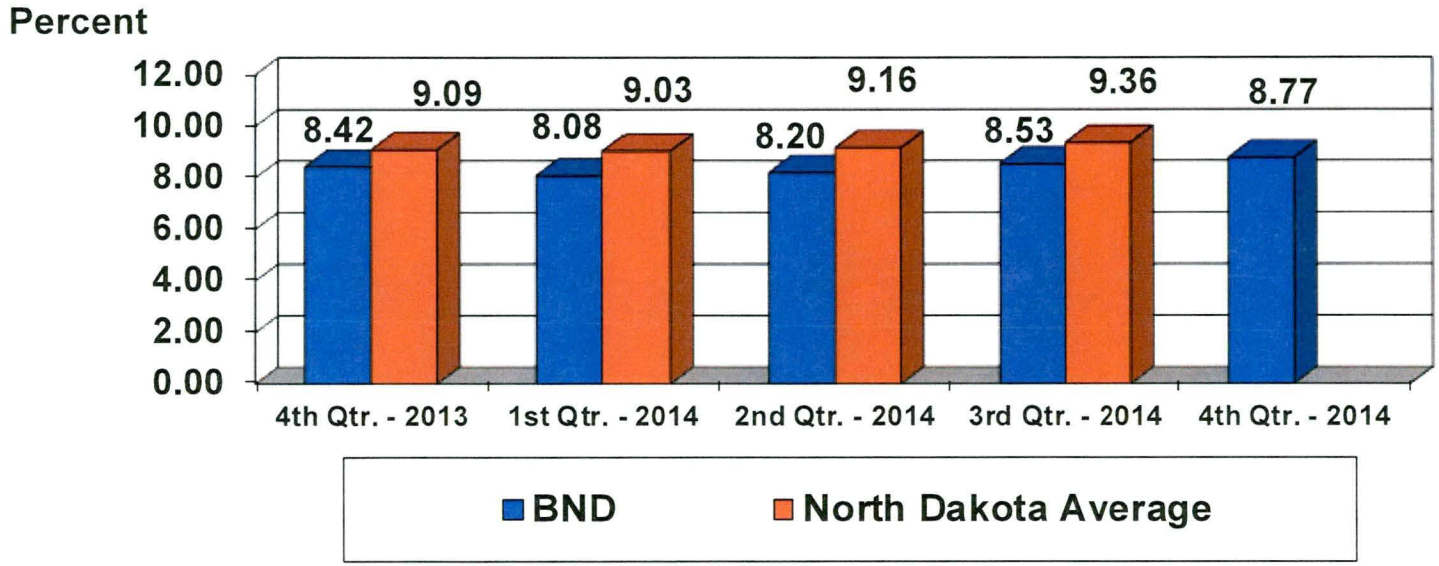
BANK OF NORTH DAKOTA
INCOME STATEMENT - ACTUAL VERSUS BUDGET
DECEMBER 31, 2014 - UNAUDITED

	(In thousands)			
	ACTUAL	BUDGET	DIFFERENCE	CHANGE
INTEREST INCOME	$174,584	$165,290	$9,294	5.62%
INTEREST EXPENSE	31,455	36,204	-4,749	-13.12%
NET INTEREST INCOME	143,129	129,085	14,044	10.88%
PROVISION FOR CREDIT LOSSES	8,000	8,400	-400	-4.76%
NET INTEREST INCOME AFTER PROVISION	135,129	120,685	14,444	11.97%
NONINTEREST INCOME	7,987	7,379	608	8.24%
NONINTEREST EXPENSE				
Salaries and benefits	13,751	14,353	-602	-4.19%
Occupancy and equipment	790	924	-134	-14.53%
Data Processing	4,487	6,220	-1,733	-27.87%
Other operating expenses	12,903	7,048	5,855	83.08%
	31,931	28,545	3,386	11.86%
NET INCOME	$111,185	$99,520	$11,665	11.72%

STRATEGIC IMPERATIVE: One of BND's three strategic pillars is to generate a consistent financial return to the State of North Dakota while maintaining the strength and financial integrity of BND.

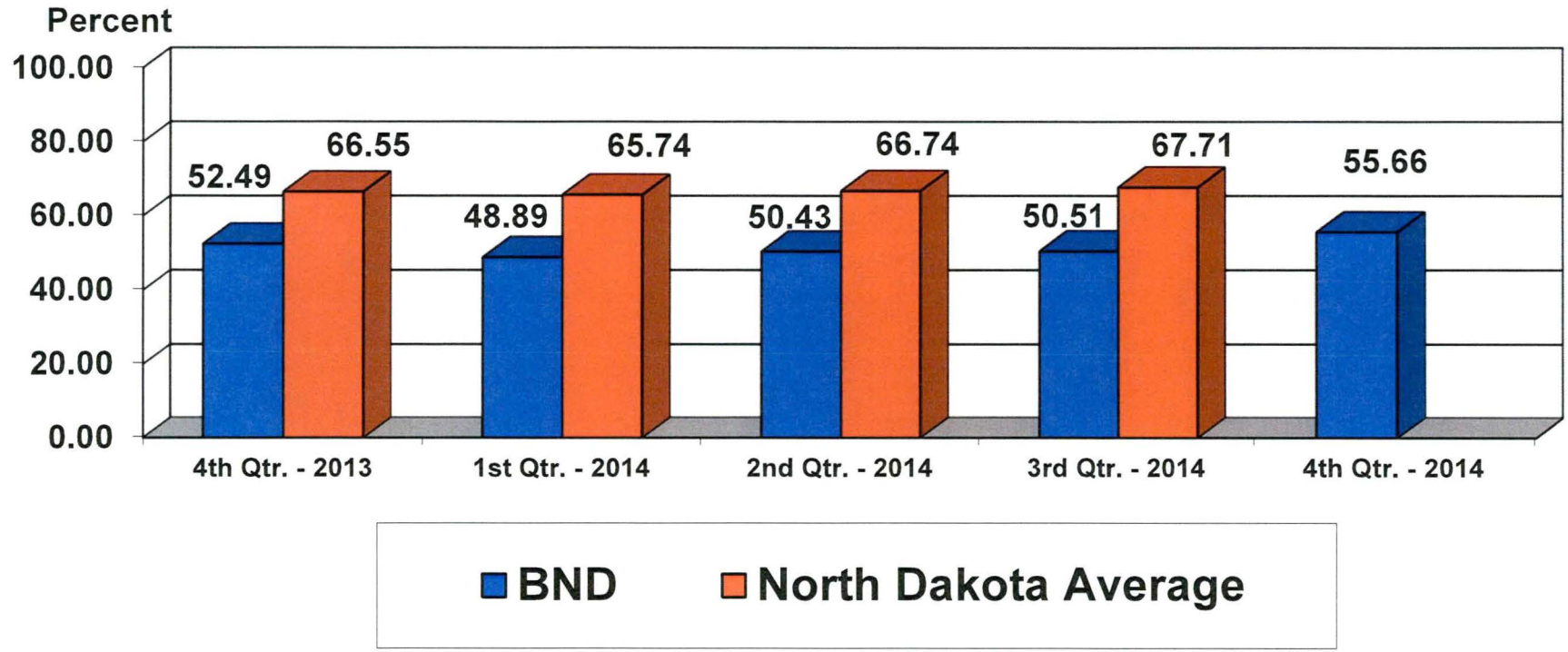
COMMENTARY: Overall, net income was $11.7 million higher than budget. Interest income was $9.3 million higher than budget due to having more investment assets than anticipated. Interest expense was $4.7 million lower than projections mostly due to less FHLB borrowings. Data processing was $1.7 million less than budget due to anticipated projects being deferred until later in the year or into 2015. Other operating expenses were $5.9 million higher than budget due to the fees associated with prepaying higher rate FHLB debt. These prepayments will help earnings in later periods.

BANK OF NORTH DAKOTA
Leverage Ratio



The leverage ratio is calculated by dividing tier one capital by average assets for the quarter. This ratio is a measure of financial strength. Well capitalized per federal regulation F is 5%. BND's benchmark is 8.5%. Average asset size has grown to $7.36 billion at the end of 2014 as compared to $6.55 billion at the end of 2013. Tier one capital has increased from $552 million at year-end 2013 to $646 million in 2014. The leverage ratio is 9.36 percent as of September 30, 2014 for all insured commercial banks in the state. The North Dakota average is obtained from the Federal Financial Institutions Examination Council (FFIEC) who tabulates input from insured commercial banks in North Dakota. Note: The December 31, 2014 North Dakota average has not yet been determined as the FFIEC publishes this data approximately 60 days after the completion of each calendar quarter.

BANK OF NORTH DAKOTA
Net Loans to Earning Assets



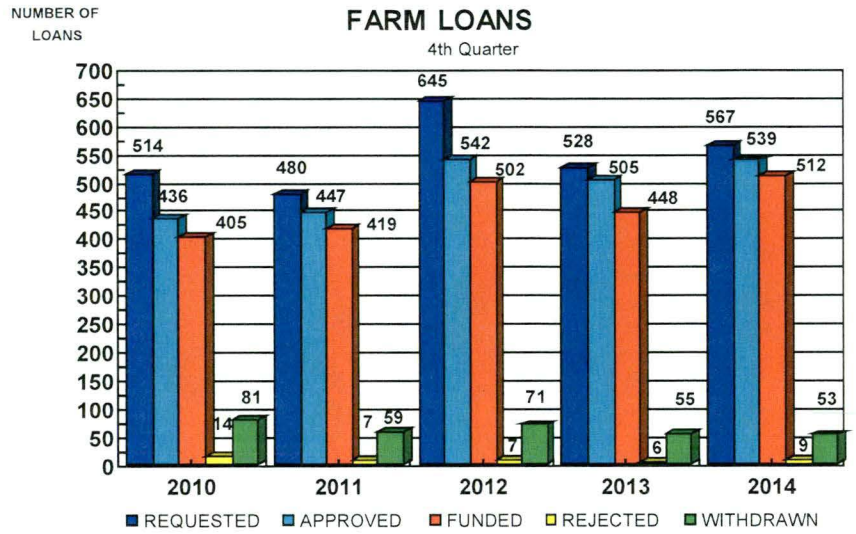
Net loans to earning assets is a ratio used to measure liquidity. BND has established a maximum net loans to earning assets of 90%. As shown above, BND is within this limit. Net loans to assets is 67.71% as of September 30, 2014 for all insured commercial banks in the state. The North Dakota average is obtained from the Federal Financial Institutions Examination Council (FFIEC) who tabulates input from insured commercial banks in North Dakota. Note: The December 31, 2014 North Dakota average has not yet been determined as the FFIEC publishes this data approximately 60 days after the completion of each calendar quarter.

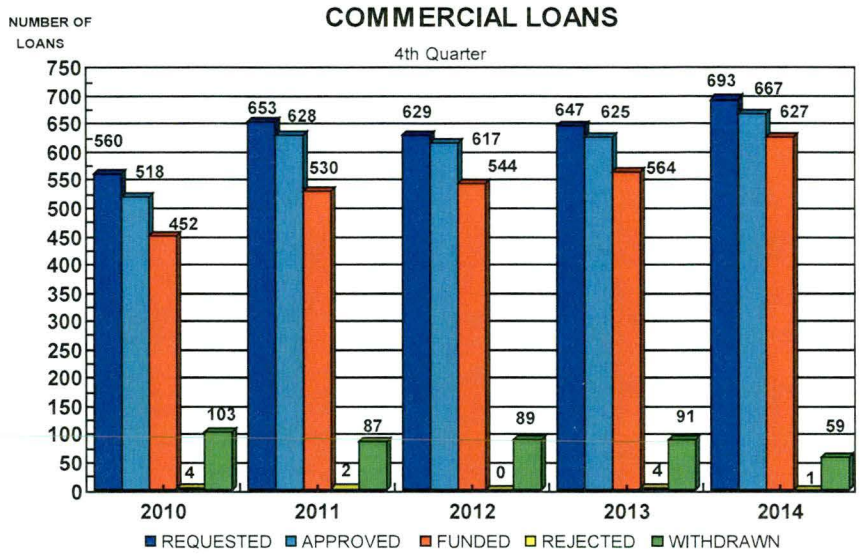
BANK OF NORTH DAKOTA
LOAN ORIGINATIONS
(Includes renewals)

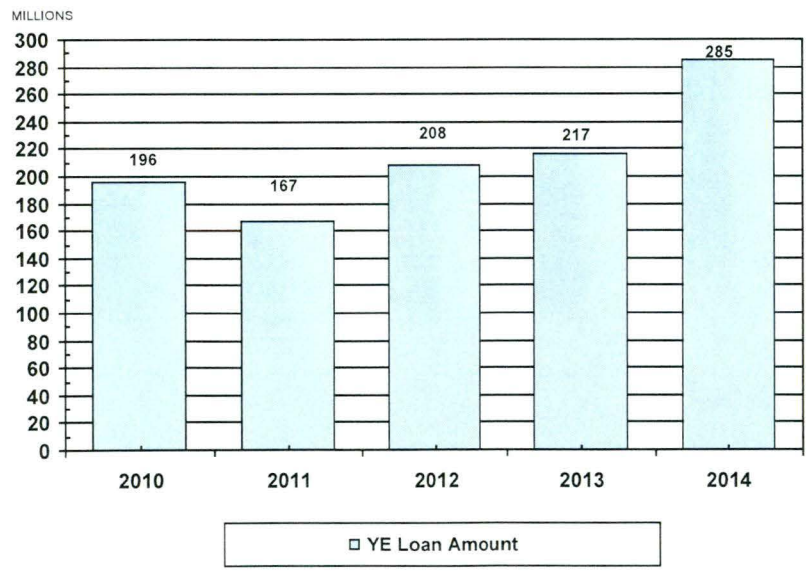
	YEAR TO DATE 31-Dec-14		YEAR TO DATE 31-Dec-13	
	###	$$$	###	$$$
BUSINESS DEVELOPMENT/SMALL BUSINESS	13	2,092,821	14	2,821,791
BANK PARTICIPATIONS - COMMERCIAL	399	641,894,530	371	811,330,837
PACE	8	7,310,000	9	5,570,994
FLEX PACE	99	30,471,311	71	32,790,799
AFFORDABLE HOUSING FLEX PACE	13	25,026,796	8	10,630,342
BIOFUELS PACE	10	1,818,350	2	145,000
MATCH	1	4,000,000	1	30,000,000
BANK STOCK	28	126,925,534	27	105,718,424
STATE INSTITUTION	5	133,270,000	13	176,311,730
POLITICAL SUBDIVISIONS	1	12,200,000	0	0
RURAL DEVELOPMENT (COMMERCIAL)	0	0	1	35,172
NEW VENTURE CAPITAL PROGRAM	4	875,000	1	150,000
TOTAL COMMERCIAL LOANS	581	985,884,342	518	1,175,505,089
FARM OPERATING	21	3,077,515	28	3,454,200
FAMILY FARM	7	854,000	6	834,873
FARM & RANCH	212	231,917,010	157	164,485,574
ENVEST	0	0	2	350,000
ESTABLISHED FARMER	30	13,784,920	49	21,834,875
BEGINNING FARMER REAL ESTATE	79	23,368,806	47	12,752,432
BEGINNING FARMER CHATTEL	78	3,759,416	72	3,002,438
AG PACE	73	4,947,609	72	5,381,213
FARM SERVICE AGENCY	12	3,602,610	7	1,600,198
LIVESTOCK WASTE MANAGEMENT	0	0	0	0
FARM DISASTER RELIEF	0	0	5	798,165
TOTAL AGRICULTURAL LOANS	512	285,311,886	445	214,493,968
FEDERAL HOUSING ADMINISTRATION	314	54,582,900	546	89,465,759
VETERANS ADMINISTRATION	144	29,832,692	273	52,168,932
USDA	67	9,493,508	55	10,547,854
CONVENTIONAL	8	1,550,940	5	884,189
BND ORIGINATION USDA	5	588,937	0	0
BND ORIGINATION CONVENTIONAL	30	5,426,389	20	2,913,920
BND FHA ORIGINATION	2	114,147	0	0
SPECIAL RURAL PROGRAM	82	15,934,107	58	9,262,764
TOTAL RESIDENTIAL LOANS	652	117,523,620	957	165,243,418
PURCHASED STUDENT LOANS	703	2,575,076	891	3,033,173
DEAL LOANS	19,187	98,300,044	22,814	113,443,926
DEAL ONE CONSOLIDATION	3,181	142,782,824		
DEAL CONSOLIDATION	321	13,267,380	1,026	35,418,828
TOTAL STUDENT LOANS	23,392	256,925,324	24,731	151,895,927
TOTAL BANK OF NORTH DAKOTA LOANS	**25,137**	**1,645,645,172**	**26,651**	**1,707,138,402**
ADMINISTERED LOAN PROGRAMS				
FANNIE MAE	50	8,253,043	68	12,014,493
REBUILDERS LOAN PROGRAM	101	4,854,502	359	6,668,240
BEGINNING ENTR. LOAN GUARANTEE	29	2,052,850	25	1,806,824
COMMUNITY WATER FACILITY LOAN PROGRAM	1	522,000	1	600,000
ST LAND DEPT LOAN POOL	0	0	3	2,434,756
HEALTH INFORMATION TECHNOLOGY	4	1,100,352	10	3,370,473
FUEL PRODUCTION FACILITY LOAN GUARANTEE	1	18,000,000	0	0
SWC RESOURCE TRUST FUND	2	20,706,302	1	10,000,000
TOTAL ADMINISTERED LOANS	188	55,489,049	467	36,894,786

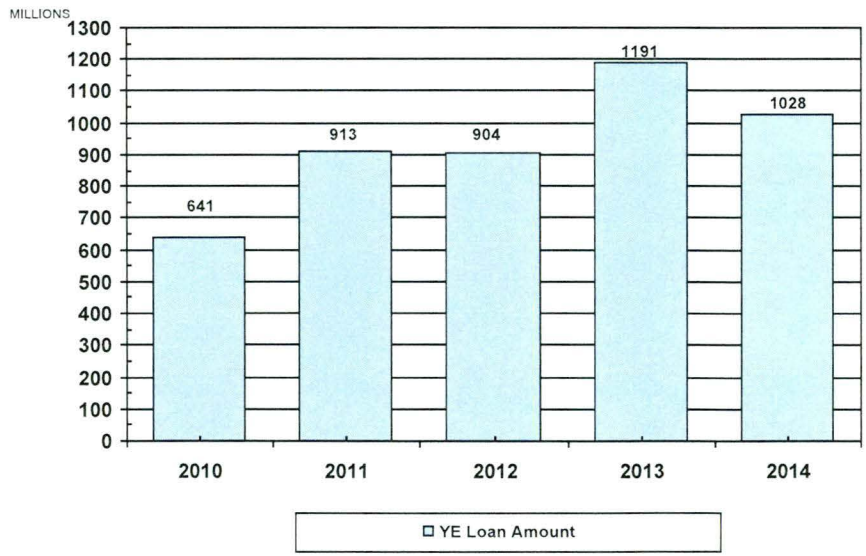
COMMERCIAL AND FARM LOAN ACTIVITY
YEAR END 2010 – 2014

The individual loan program data for this report, as contained on the Loan Originations Report (Page 5), includes data from Bank owned and Administered Loan Programs. Activity includes new loan requests and renewals.



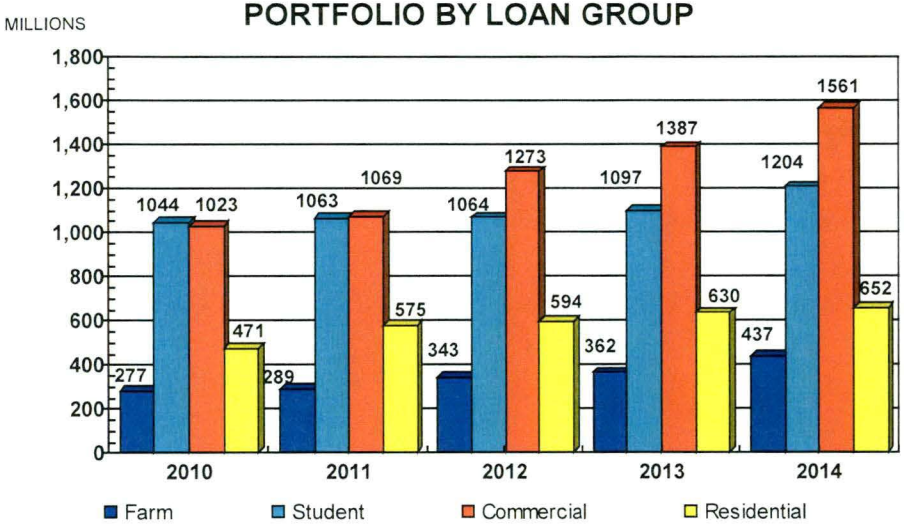




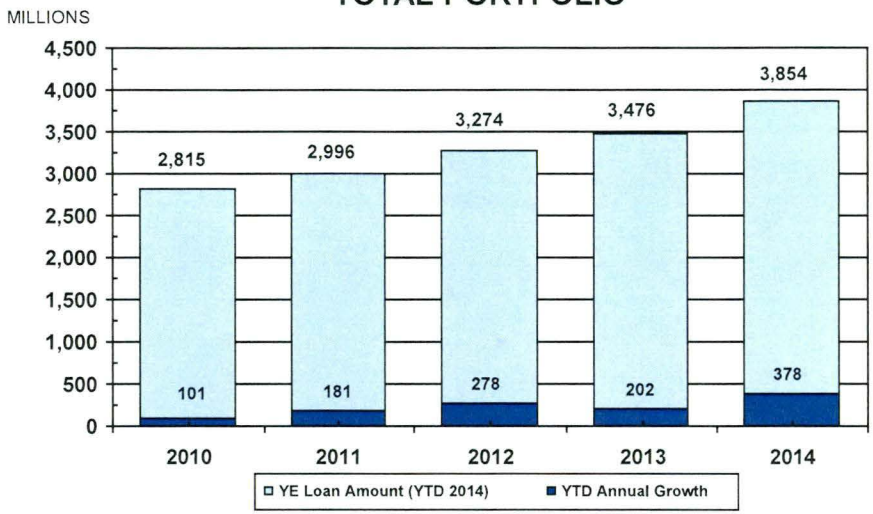


CONSOLIDATED LOAN PORTFOLIO
YEAR END 2010 – 2014

PORTFOLIO BY LOAN GROUP



TOTAL PORTFOLIO



FARM – The farm loan portfolio increased by $75 million during the year with BND funding and renewing $285 million of loans during 2014. Farm and Ranch loans led the way with $232 million in loan volume. BND also funded $23 million of Beginning Farmer Real Estate loans.

STUDENT - The student loan portfolio increased by $107 million during the year with BND disbursing over $254.3 million in our DEAL programs during 2014. The overall growth in the student loan portfolio is a direct result of the DEAL One program which began in April of 2014. Net loan growth in the portfolio is offset by the consolidation of existing DEAL and federally guaranteed loans.

COMMERCIAL - The commercial loan portfolio increased by $174 million during the year with BND funding and renewing $986 million of loans during 2014. The largest areas of growth were commercial participations with BND funding and renewing $642 million. The commercial portfolio continues to grow with a strong business climate in North Dakota.

RESIDENTIAL – The residential loan portfolio increased by $22 million with BND funding $117.5 million of home loans during 2014. The majority of recent loan growth has came from the financing of home purchases with refinancing slowing down.

FARM LOANS include: Ag PACE, Envest, Family Farm, Farm & Ranch, Farm Disaster Relief, Farm Operating, Farm Real Estate, FSA Guaranty Purchase, and Livestock Waste Management.

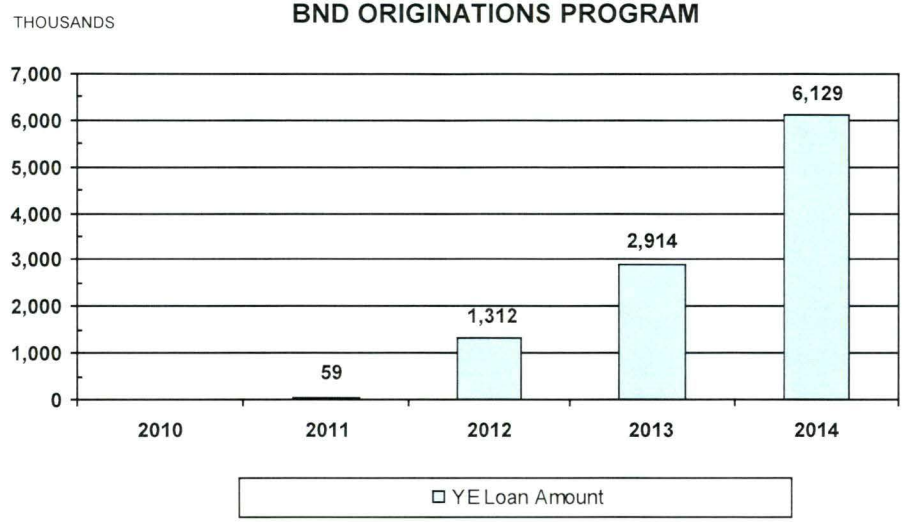
STUDENT LOANS include: Consolidation, DEAL, DEAL One, DEAL Consolidation, DESL, SLS, Stafford, PLUS and Grad PLUS.

COMMERCIAL LOANS include: Bank Participation, Bank Stock, Biofuels PACE, Business Development, Business Disaster Relief, Flex PACE, Flex PACE Affordable Housing, Match, New Venture Capital, PACE, Guarantee Purchases, and State Institutions.

RESIDENTIAL LOANS include: Conventional, Rural Conventional, USDA, FHA, and VA Loans.

RESIDENTIAL PROGRAM HIGHLIGHTS
2010 – 2014

BND ORIGINATIONS PROGRAM



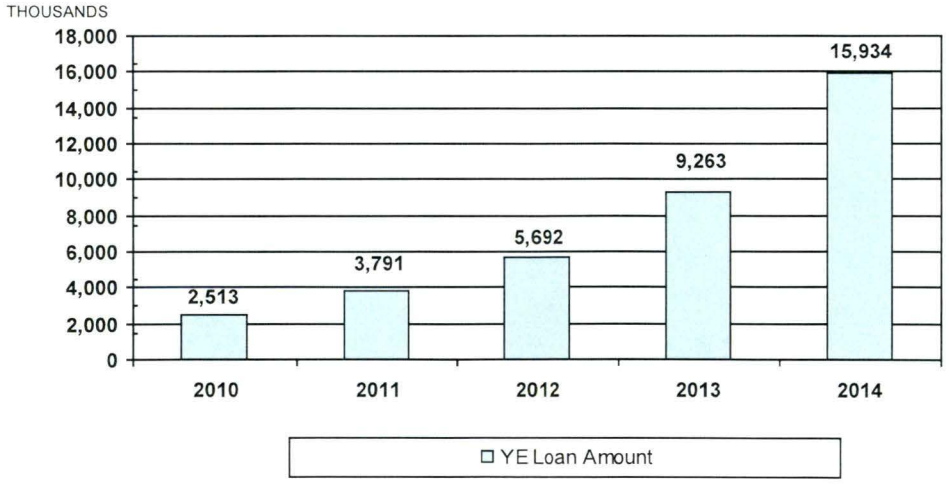
BND Originated Residential Real Estate Loan Fundings 2014 YTD*	
30 Conventional loans	$5,426,389
5 USDA loans	$588,937
2 FHA loans	$114,147
Total	$6,129,473

Pending Loans as of December 31, 2014	
6 Conventional loans	$1,191,000
2 USDA loans	$ 107,142
Total	$1,298,142

*Prior to 2013, all BND originated loans were Conventional

Originations need to be referred to BND by a North Dakota lender.

SPECIAL RURAL LOAN PROGRAM



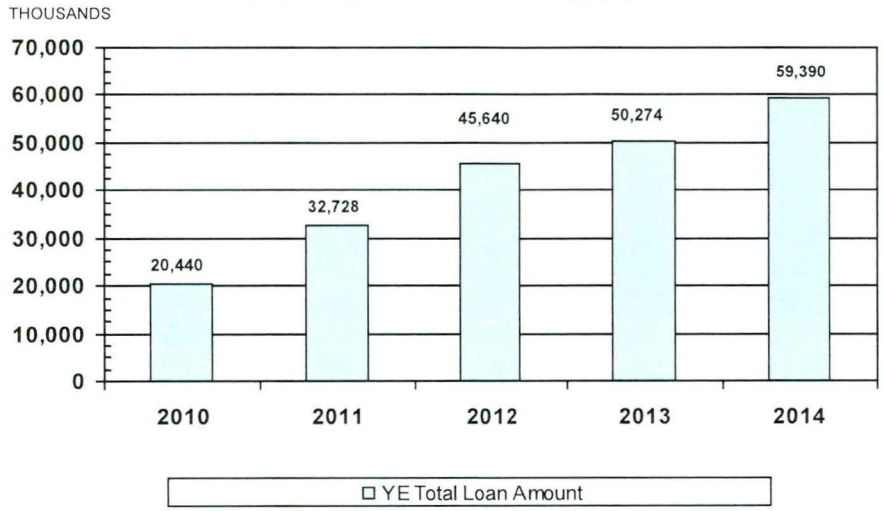
Special Rural Residential Real Estate Program Fundings 2014 YTD	
82 Conventional loans	$15,934,107

Pending Loans as of December 31, 2014	
8 Conventional loans	$1,914,948

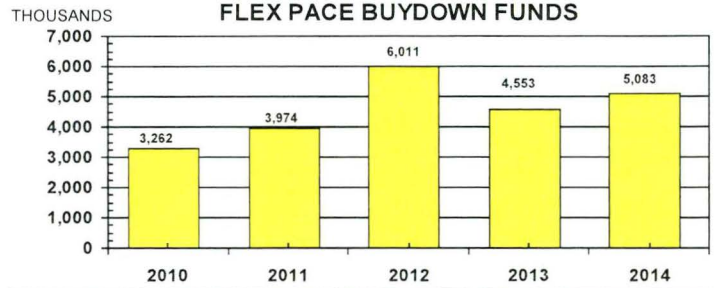
BND funded 82 rural residential loans in 2014 compared to 58 in 2013. These conventional loans are originated by North Dakota lenders but would not be eligible for sale on the secondary market, therefore the loans are purchased and serviced by BND.

PACE PROGRAM HIGHLIGHTS
2010 – 2014

FLEX PACE LOAN PROGRAM



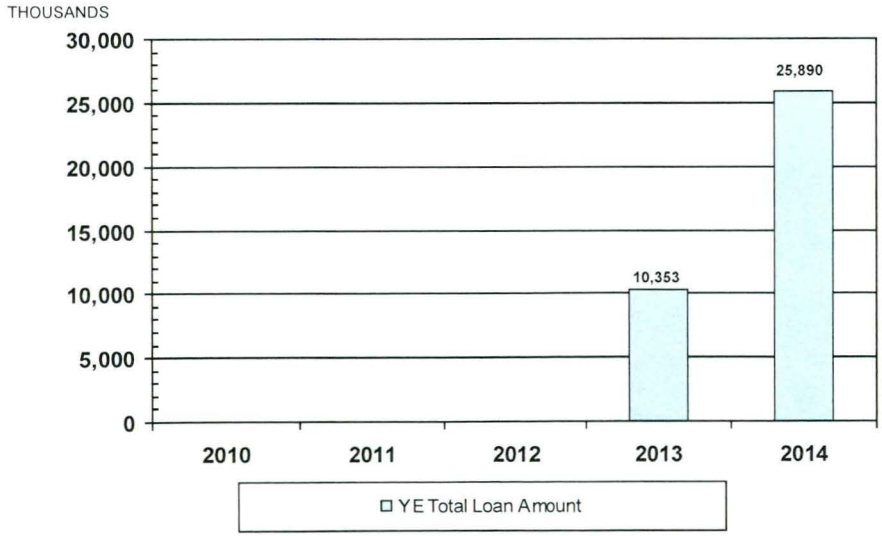
FLEX PACE BUYDOWN FUNDS



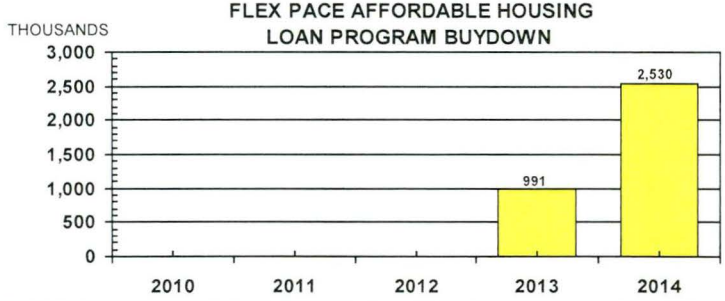
2013-2015 Biennium Flex PACE Buydown Fund	
Total Available FLEX (includes carryover from prior biennium)	$11,083,274
Flex Buydown Funds – Funded/Committed Lns	$ 8,309,757
Remaining Buydown Funds	$ 2,773,517

A total of 91 Flex PACE Loans were funded in 2014 compared to 69 in 2013. Flex PACE buydown demand continues due to the financing of essential community services and community approved businesses throughout North Dakota. After the 2011 – 2013 biennium, Flex PACE Affordable Housing loans were tracked separately below.

FLEX PACE AFFORDABLE HOUSING LOAN PROGRAM



FLEX PACE AFFORDABLE HOUSING LOAN PROGRAM BUYDOWN



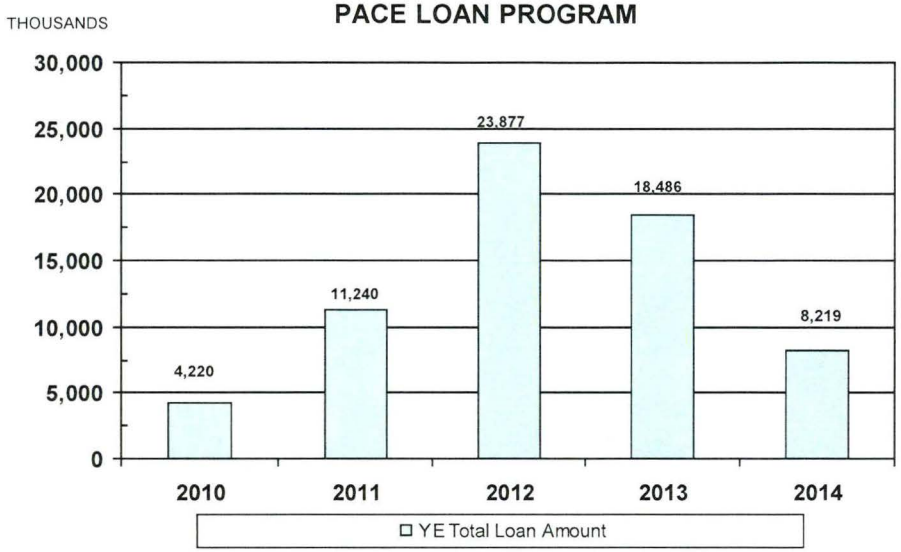
2013-2015 Biennium Flex PACE Affordable Housing Buydown Fund	
Total Available Funds	$12,000,000
Funded/Committed Loans	$ 7,115,125
Remaining Buydown Funds	$ 4,884,875

There are 16 outstanding commitments with buydown totaling $5,059,224.

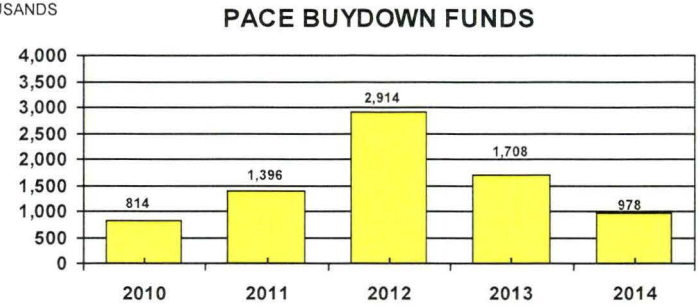
There were nine new Affordable Housing PACE loans funded in 2014 which totaled $25,890M accounting for 264 affordable rental units. Two of the loans were committed to during the 2011-2013 biennium and were a part of the Flex PACE program. There are a total of 16 loans pending accounting for 355 affordable rental units.

PACE PROGRAM HIGHLIGHTS
2010 – 2014

PACE LOAN PROGRAM



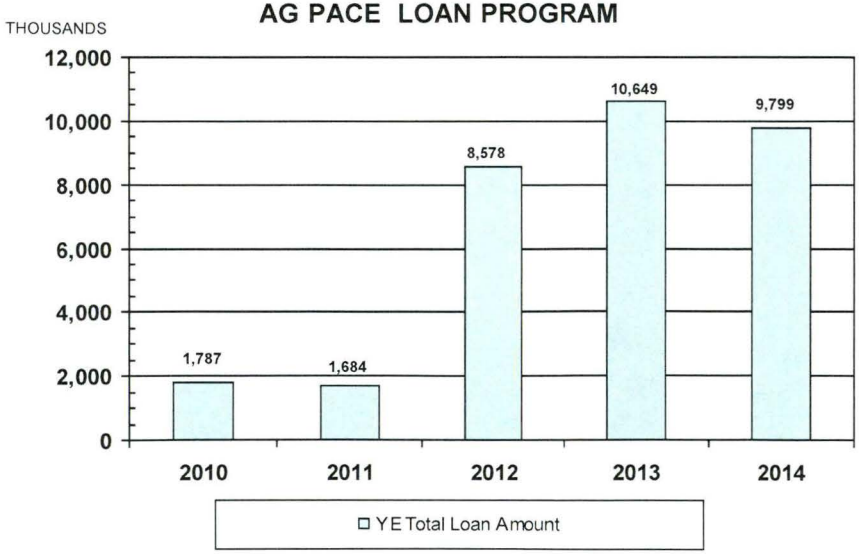
PACE BUYDOWN FUNDS



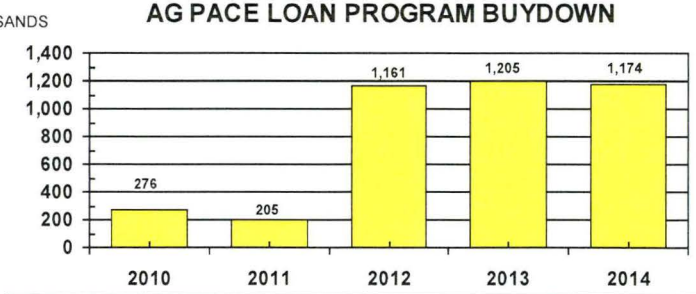
Six PACE loans were funded in 2014 compared to 11 in 2013. The demand for PACE financing has decreased due to labor conditions in ND.

2013-2015 Biennium PACE Buydown Fund	
Total Available Funds (includes carryover from prior biennium)	$ 7,105,887
PACE Buydown Funds - Funded/Committed Lns	$ 2,495,635
Remaining Buydown Funds	$ 4,610,252

AG PACE LOAN PROGRAM



AG PACE LOAN PROGRAM BUYDOWN

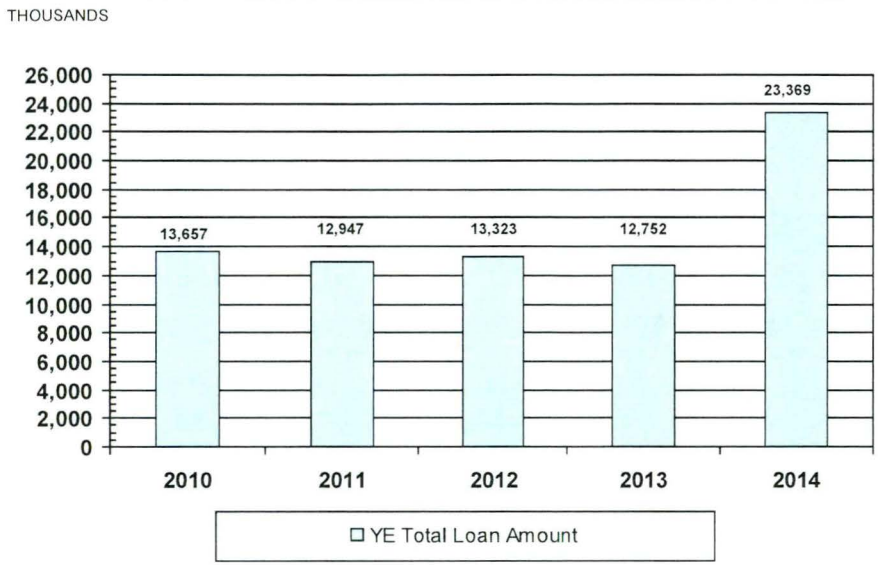


2013-2015 Biennium Ag PACE Buydown Fund	
Total Available Funds (includes carryover from prior biennium)	$2,281,189
Buydown Funds - Funded/Committed Loans	$1,994,368
Remaining Buydown Funds	$ 286,821

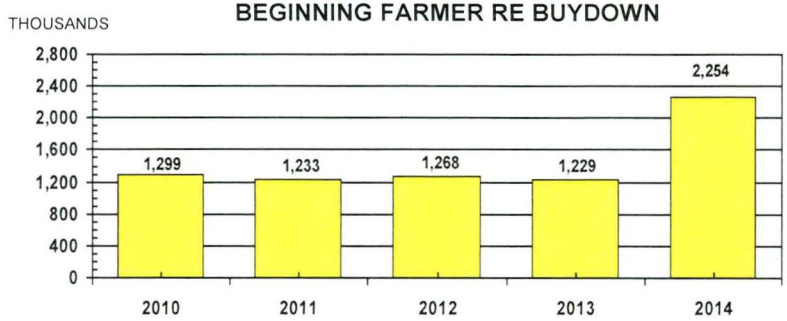
73 Ag PACE loans were funded in 2014 compared to 72 in 2013. The majority of the loans funded in the last three years were for field tiling projects.

FARM PROGRAM HIGHLIGHTS
2010 – 2014

BEGINNING FARMER REAL ESTATE LOAN PROGRAM



BEGINNING FARMER RE BUYDOWN

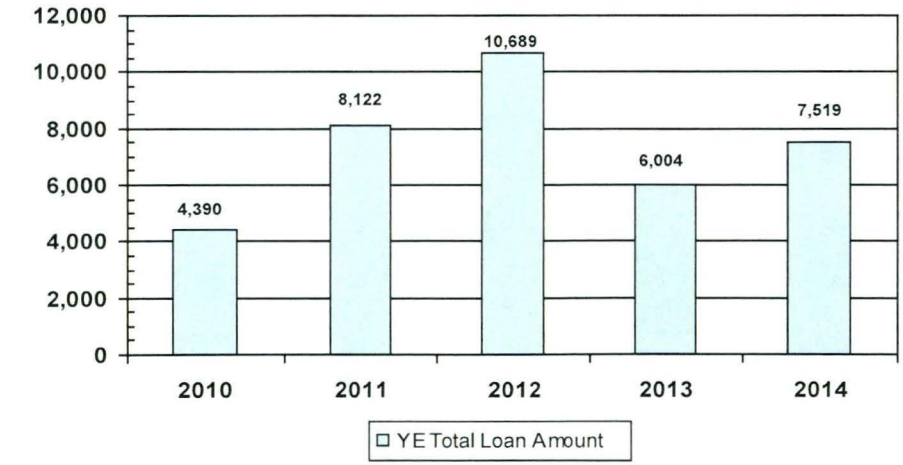


A total of 79 Beginning Farmer RE Loans were funded in 2014 compared to 47 in 2013. The large increase in loan amounts in 2014 is a result of the increase in land prices and higher loan limits.

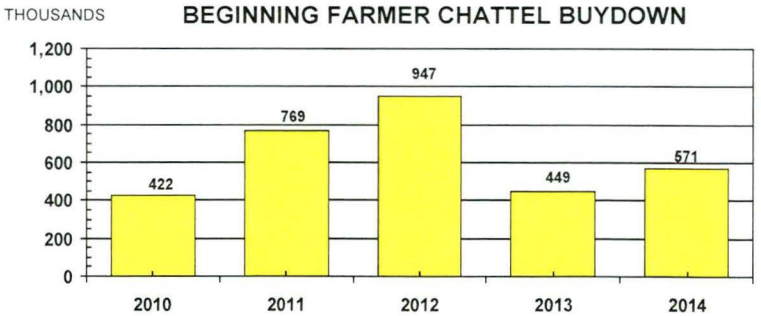
2013 – 2015 Biennium Beginning Farmer Buydown Fund	
Total Funds Available	$ 6,000,000
RE Buydown – Funded/Pending	-3,366,129
Chattel Buydown – Funded/Pending	-697,055
Remaining Funds	$ 1,936,816*

*The remaining funds are for loans committed to on or after 7/1/13. In addition, there is $2,639,607.73 remaining in the cash balance in the Beginning Farmer Revolving Loan Fund. The cash balance could be further reduced by possible draws of $1 million for Envest and $900,000 for potential PSC litigation costs.

BEGINNING FARMER CHATTEL LOAN PROGRAM



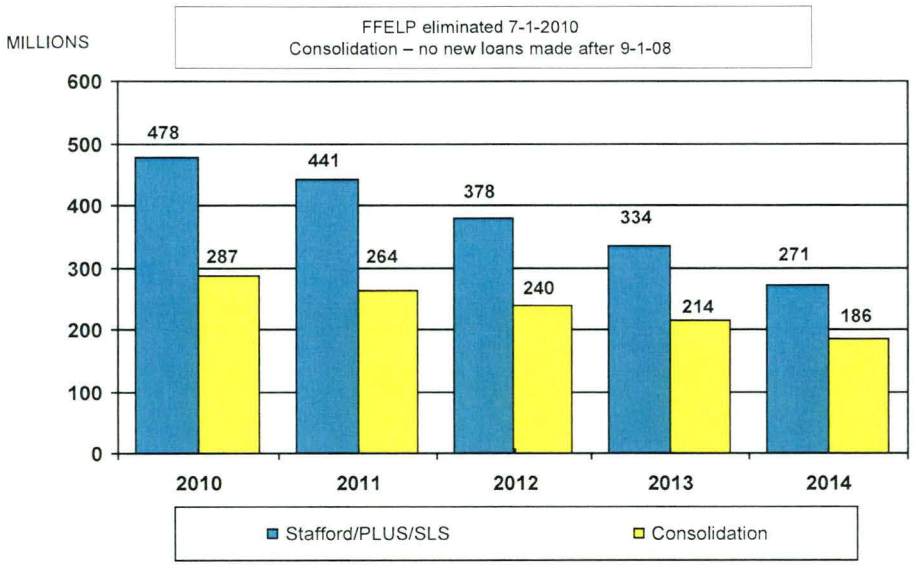
BEGINNING FARMER CHATTEL BUYDOWN



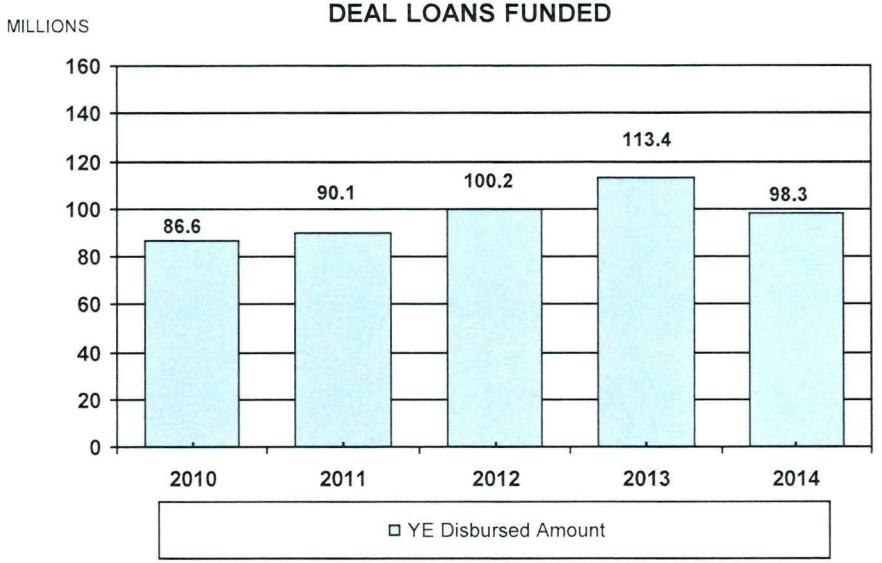
A total of 78 Beginning Farmer Chattel Loans were funded in 2014 compared to 72 in 2013.

STUDENT LOAN PROGRAM HIGHLIGHTS
2010 – 2014

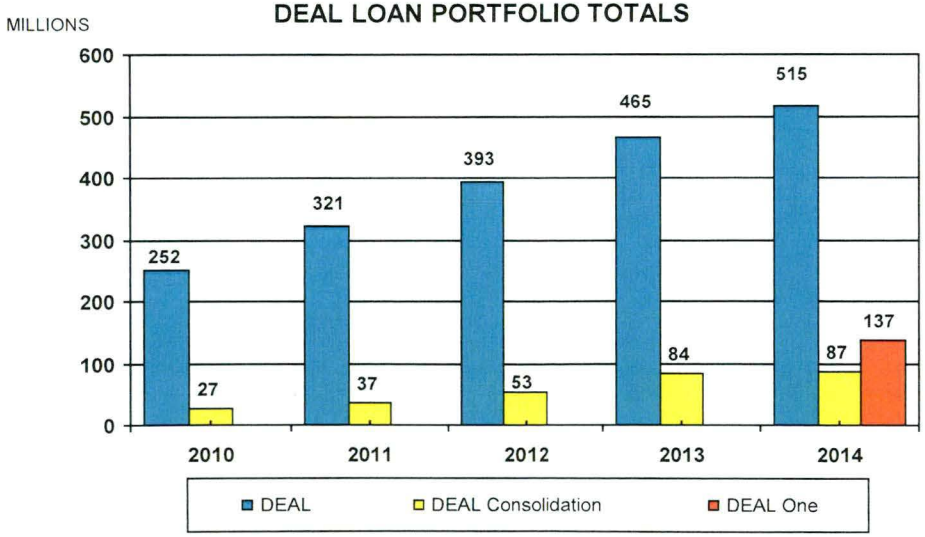
FFELP LOAN PORTFOLIO TOTALS



DEAL LOANS FUNDED

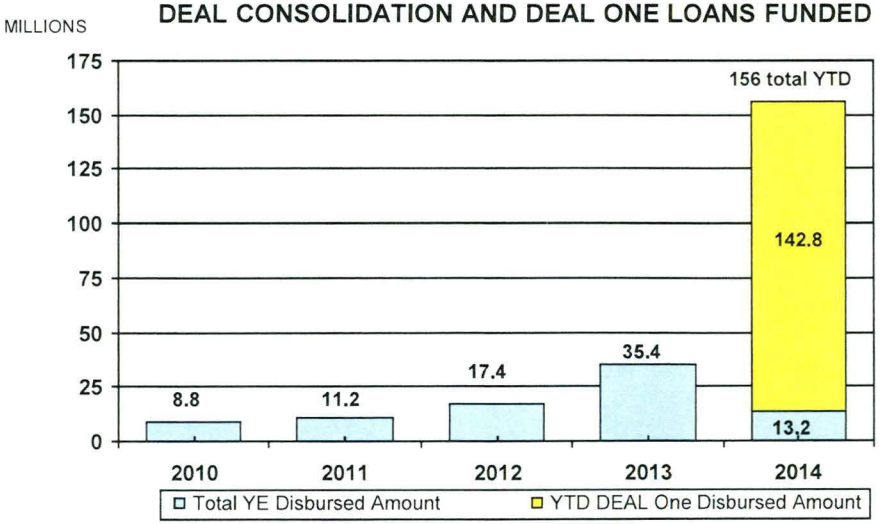


DEAL LOAN PORTFOLIO TOTALS



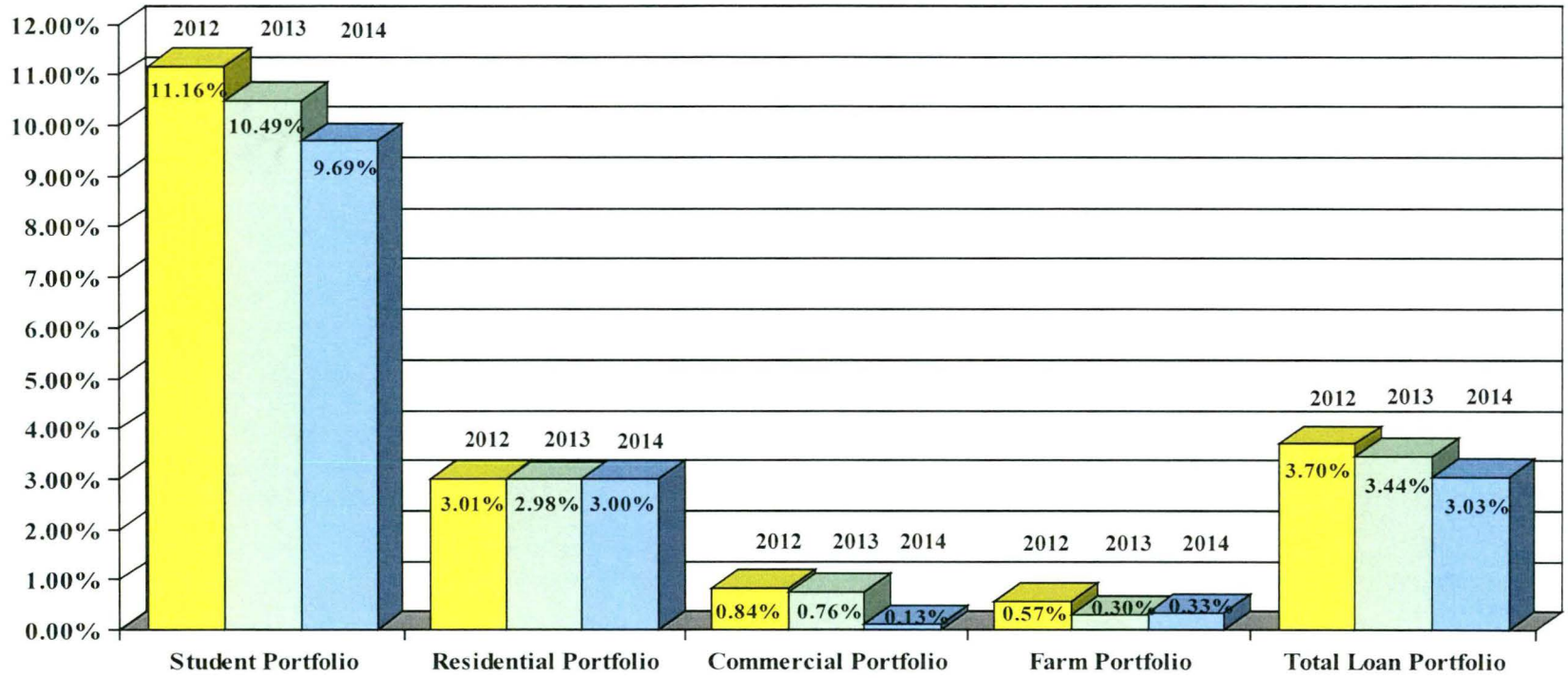
*Deal One Consolidation loan program began in 2014

DEAL CONSOLIDATION AND DEAL ONE LOANS FUNDED



BND LOAN DELINQUENCY REPORT

FOURTH QUARTER 2012-2014



Commentary

Student Loan Portfolio: The overall Student loan portfolio had a delinquency rate of 9.69% with 6.01% delinquent over 90 days. A comparison of the different loan types shows BND's state-sponsored alternative loan programs (DEAL, DEAL One and DEAL Consolidation) had a 30 day delinquency rate of 5.19% and BND's federally insured student loan portfolio had a 30 day delinquency rate of 15.19%.

Residential Portfolio: Residential delinquencies were 3.00% of which 0.40% were delinquent over 90 days. FHA delinquencies of 3.24% were lower than the North Dakota average of 4.30%. Nearly all residential delinquencies represent federally guaranteed loans.

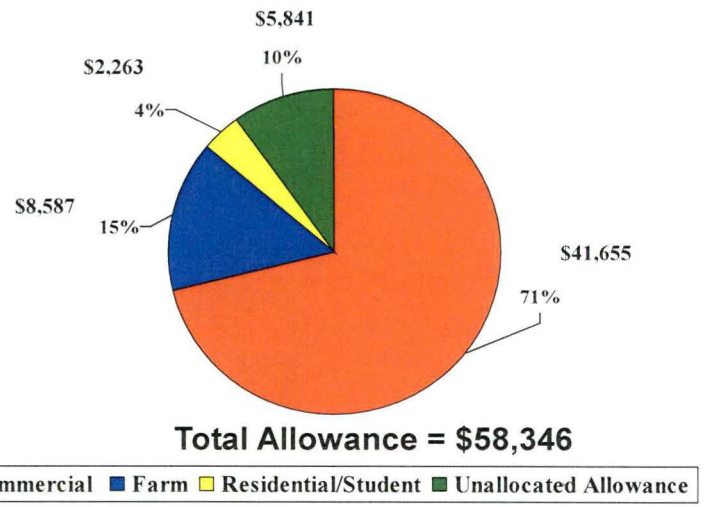
Commercial Portfolio: Commercial delinquencies were 0.13% of which 0.06% were delinquent over 90 days. Delinquencies decreased compared to a year ago and are lower than the North Dakota average of 1.30%.

Farm Portfolio: Farm delinquencies were .33% of which 0.03% were delinquent over 90 days. Delinquencies were slightly higher than the previous year but lower than the North Dakota average of 0.58%.

Total BND Owned Loan Portfolio: December 31, 2014 overall delinquencies were 3.03% of which 1.57% were delinquent over 90 days.

BND ALLOWANCE FOR CREDIT LOSSES
QUARTERLY RECAP AS OF DECEMBER 31, 2014
(IN THOUSANDS)

MONTH	YEAR	ALLOWANCE FOR CREDIT LOSSES	LOAN PORTFOLIO	% ALLOWANCE	NORTH DAKOTA AVERAGE
December	2014	$58,346	$3,852,155	1.51%	*TBD
September	2014	$51,312	$3,685,410	1.39%	1.27%
June	2014	$51,649	$3,618,298	1.43%	1.32%
March	2014	$51,686	$3,542,813	1.46%	1.39%
December	2013	$51,770	$3,476,946	1.49%	1.33%



Commentary

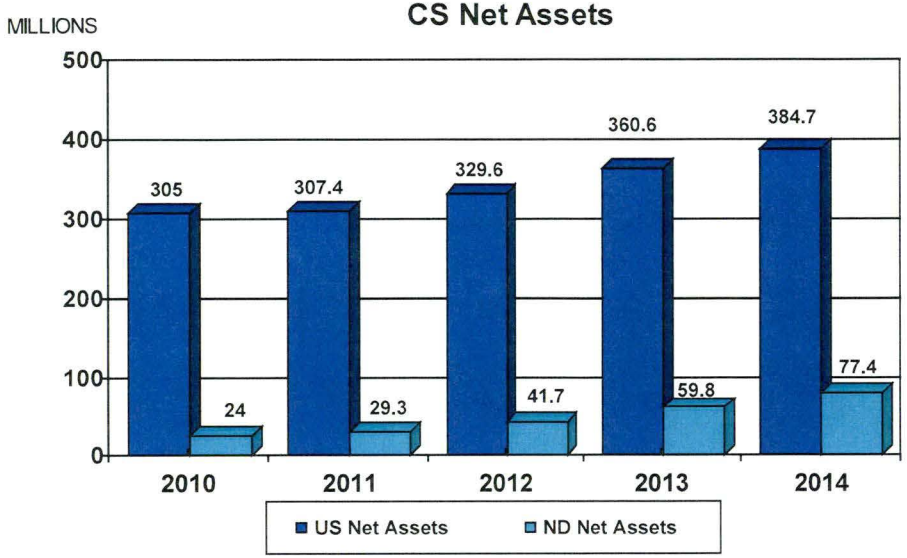
The adequacy of the allowance for credit loss is based on management's evaluation of a number of factors, including recent loan loss experience, continuous evaluation of loan portfolio quality, current and anticipated economic conditions, and other pertinent factors. As of December 31, 2014, BND's total allowance as a percentage of total loans is 1.51% which is higher than the most recently posted North Dakota average of 1.27%. BND's total allowance as a percentage of non-guaranteed loans ($2,105MM) is 2.78%; significantly higher than the North Dakota average.

Commercial loans require 71% of overall allowance needs followed by farm loans at 15%, and residential/student loans at 4%. The unallocated portion of allowance is 10% which is an increase of 3% from the prior quarter.

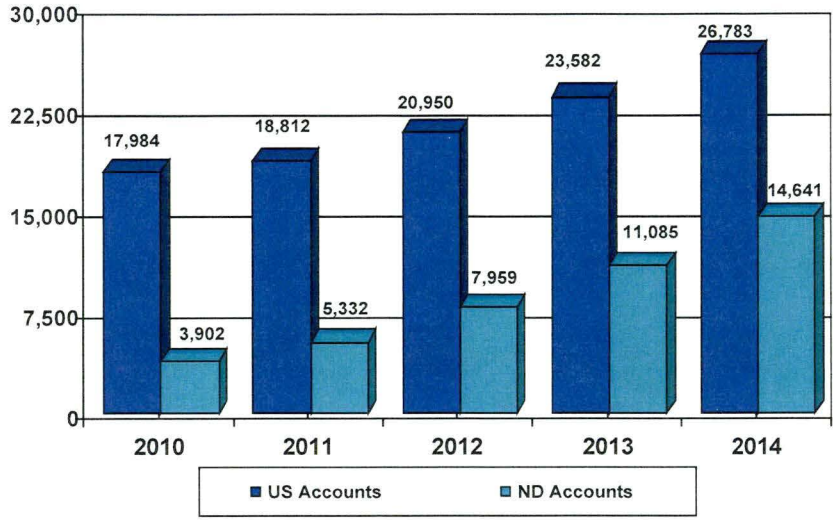
The North Dakota average is obtained from the Federal Financial Institutions Examination Council who tabulates input from insured banks in North Dakota. The December 31, 2014 average has not yet been determined as the Council tabulates and publishes this data approximately 60 days after the completion of each calendar quarter.

COLLEGE SAVE PROGRAM HIGHLIGHTS
2010 – 2014

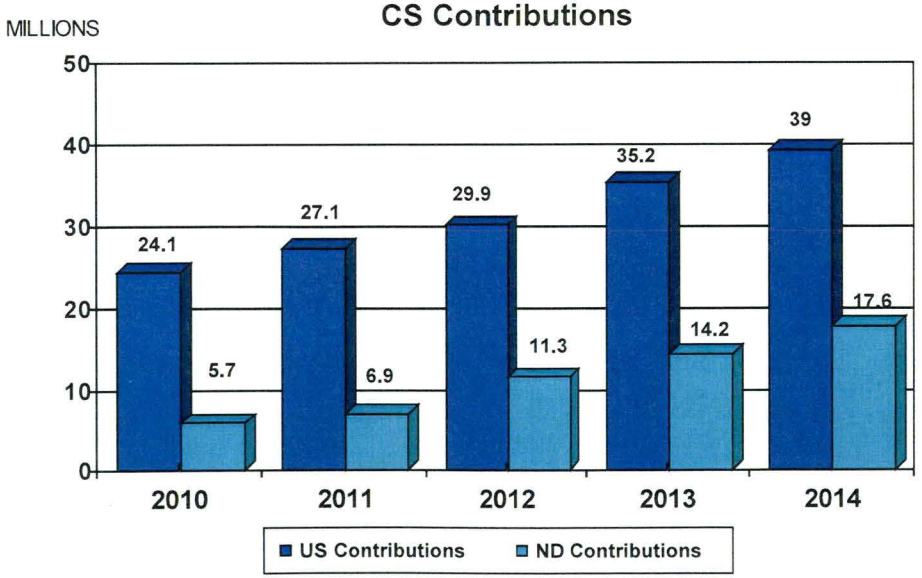
CS Net Assets



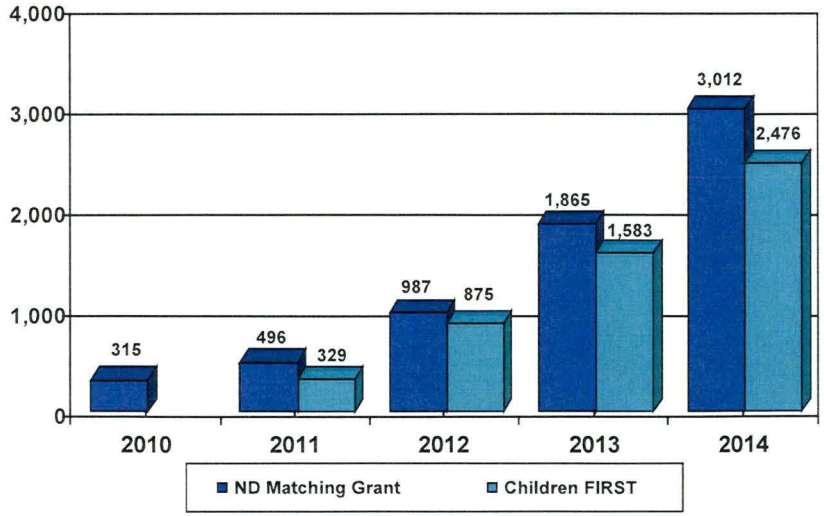
CS Accounts



CS Contributions



CS Grant Accounts



Field Trip HB1014 February 5, 2015

BND
Bank of North Dakota

2015-2017 Strategic Plan Conversation

Mission

Vision

Core Values

Developing a strategic plan

- **Input from public opinion survey:** May 2014
  - 1,000 North Dakotans surveyed by telephone
- **Input from focus groups:** June 2014
  - Economic developers
  - Financial institution representatives
  - Advisory Board
- **Input from state agency survey:** June/July 2014
  - 15 agencies responded to an email survey
- **Strategic plan meetings:** 20 hours of group meetings to develop plan draft
  - Led by Dave Klumb, EDGE Business Consulting
  - BND participants; Eric Hardmeyer, Tim Porter, Bob Humann, Joe Herslip, Wally Erhardt, Lori Leingang, Jason Johnson, Mark Hawks, Bonnie Schneider, Shirley Glass, Janel Schmitz
- **Follow up meetings:** Executive Committee meetings to develop timelines and implementation strategies
- **Approval by Advisory Board:** September 18, 2014
- **Approval by Industrial Commission:** October 27, 2014
- **Implementation:** January 1, 2015

Mission statement

To deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota.

New vision statement

BND will be an agile partner that creates financial solutions for current and emerging economic needs.

- **Agile:** The rapidly changing environment requires innovation, agility and flexibility.
- **Partner:** We seek to partner with financial institutions, state agencies, economic developers and other stakeholders.
- **Financial solutions:** We will meet a broad range of financial needs including lending, liquidity, asset management and transaction processing.
- **Current and emerging economic needs:** While meeting today's needs, we also will be forward-looking to anticipate future needs and solutions to help with those needs.

Core values

- Service
- Teamwork
- Ethics
- People-centered

Strategic goals

- Develop and strengthen partnerships
- Enhance stewardship of our public mission
- Pursue a disciplined approach to long-term business performance

These strategic goals will be accomplished through implementation of four strategies and their initiatives.

Strategies and initiatives

1. Expand expertise and relationships to structure and finance economic development in North Dakota.

a. Facilitate the financing of large, complex projects

b. Develop outreach process to economic developers

c. Align and coordinate more closely with the other economic development agencies to better deliver the capabilities and services of the state

d. Create an Economic Development Campus

2. Provide a secure, challenging and rewarding work environment.

a. Build and strengthen comprehensive employee development and leadership programs to prepare employees for future opportunities

b. Redesign compensation plans

c. Develop and integrate BND's technology plans

d. Design a new product development process

e. Implement Enterprise Risk Management (ERM)

f. Evaluate BND's/SLND's future for processing federal and DEAL student loans

3. Broaden territory and enhance capabilities to meet the correspondent banking needs of financial institutions while protecting the Bank's assets.

a. Expand to provide correspondent banking services to out-of-state branches of North Dakota financial institutions

b. Expand to provide correspondent banking services to financial institutions in states contiguous with North Dakota

c. Modify the lending organization to create more sales and relationship-focused resources

d. Develop incentives for FIs to encourage expanded use of BND services

e. Package mortgage loans or DEAL loans to sub-participate with ND financial institutions

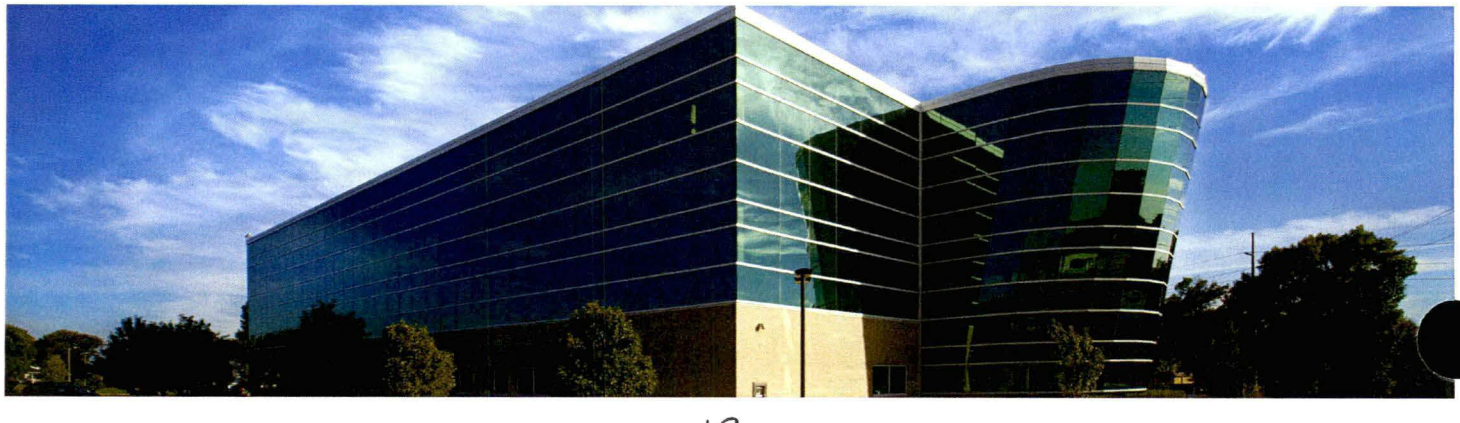
f. Implement Customer Relationship Management (CRM)

4. Improve the financial literacy and financial well-being of stakeholders.

a. Develop financing programs for consumers and students with credit challenges

b. Expand student lending

c. Develop and deploy financial literacy initiatives



2015 Legislation
BND Financial Impact

	Bill Number	Description	Capital Impact	Annual Income Impact	Funding Impact
Competing Bills	**HB 1014**	Special Loan Programs	$ (40,000,000)		$ -
	HB 1137	Infrastructure Revolving Loan Fund	$ (100,000,000) *		$ (100,000,000) *
	HB 1286	Medical Infrastucture Loan Program	$ (50,000,000) **	$ 125,000	$ (50,000,000)
	HB 1349	Essential Worker Home Ownership	$ -	$ -	$ -
	HB 1369	Zero Percent Student Loans	$ (90,000,000)	$ (45,000,000)	$ (1,000,000,000)
	HB 1443	Infrastructure Revolving Loan Fund	$ (100,000,000) *	$ -	$ (100,000,000) *
	SB 2165	$5,000 per child	$ -	??	$ -
	SB 2282	Financial Campus	$ -	??	??
	SB 2296	Broadband	**Failed Senate**	$ -	**Failed Senate**
	SB 2178	School Construction Program	$ -	$ -	$ (250,000,000) ***
		Total Current Capital Impact	$ (280,000,000)		$ (1,400,000,000)

*Only includes one of the infrastructure bills (1137 and 1443)

**Possibility this would not be included in total since current bill shows repayment to BND

***Current bill is $125mm out of SIIF, proposed bill is $250mm out of BND

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HB1014 February 12, 2015 Attachment A

Compensation
Legislative changes to Executive Recommendation

Executive Recommendation:

	Year 1 July '15 - June '16	Year 2 July '16 - June '17
Compensation Increase - **Year 1** 4% (Average 3% - 5%) First Year	4%	
Retirement Increase - **Year 1** 1% the first year (beginning January)	1%	
NET Increase Year 1 (average)	3%	
Compensation Increase - **Year 2** 4% (Average 3% - 5%) Second Year		4%
NET Increase Year 2 (average)		4%
Market Policy Point Increase - Employees in 1st Quartile - up to 2%	2%	2%
Market Policy Point Increase - Employees in 2nd Quartile - up to 1%	1%	1%
Selected Occupations - with hard-to-fill positions	***Amount specific to the agency situation***	

Legislative Compensation:

	Year 1 July '15 - June '16	Year 2 July '16 - June '17
Compensation Increase - **Year 1** 3% (Average 2% - 4%) First Year	3%	
Retirement Increase - 0%	0%	
NET Increase Year 1 (average)	3%	
Compensation Increase - **Year 2** 3% (Average 2% - 4%) Second Year		3%
NET Increase Year 2 (average)		3%
Market Policy Point Increase - Employees in 1st Quartile - 0%	0%	0%
Market Policy Point Increase - Employees in 2nd Quartile - 0%	0%	0%
Selected Occupations - with hard-to-fill positions	***$0***	

HB1014 February 12, 2015 Attachment B

Overview of Lignite Research Fund Commitments
2015-2017 Biennium

Current Balance - November 30, 2014	$17,650,000
Additional Revenues (7 months)	$2,000,000
Outstanding projects (GNPD)	-6,200,000
Non-Matching	-3,300,000
Administration	-400,000
Litigation	-500,000
Balance	$9,250,000

Projected Commitments Over 2015-2017 Biennium:

2015-2017 Appropriation	$8,500,000
Non-matching (EPP partial funding)	-1,250,000
Litigation (non-matching $'s)	-1,250,000
Administration	-900,000
Small Research*	-1,000,000
Demonstration*	-2,400,000
Marketing Projects	-900,000
New Projects (I.e., Allam Cycle)	($10,000,000)
	$50,000

*Expected commitments based on past proposals, though revised downward from previous bienniums.

As shown, the Lignite Research Fund has a number of known and anticipated commitments over the coming biennium. Two issues of priority include Allam Cycle development (or other technology vetted by the LRC) for a new, next-generation coal-fired power plant, as well as funding for carbon capture development at existing facilities. Proposals for carbon capture at existing facilities are estimated to be in the millions of dollars. If the Lignite Research Fund were to award funding for the Allam Cycle, or another next-generation power plant proposal, the fund would be left with only $50,000 for remaining proposals and/or carbon capture at existing facilities.

HB1014 February 12, 2015 Attachment C

2015-2017 Budget Requests	Included in Exec Budget	Salaries & Benefits	Running Total	Operating	Running Total	Combined Running Total
Positions needed for regulatory oversight at current activity levels:						
7 ET Field Inspections	yes	$1,070,571	$1,070,571	$442,624	$442,624	$1,513,195
1 ET GIS	yes	$152,379	$1,222,950	$9,639	$452,263	$1,675,213
3 Safety Officer, Acct/Budget Spec, HR Tech	yes	$472,698	$1,695,648	$28,918	$481,181	$2,176,829
1 PE Reclamation Specialist	yes	$167,679	$1,863,327	$63,232	$544,413	$2,407,740
1 Surface Geologist	yes	$180,451	$2,043,778	$63,741	$608,154	$2,651,932
2 ET Log & Survey Compliance	yes	$304,491	$2,348,269	$19,278	$627,432	$2,975,701
Contingency Positions Authorized when Average Price exceeds "Trigger Price":						
2 ET Field Inspection	yes	$305,877	$2,654,146	$126,464	$753,896	$3,408,042
1 PE Field Inspector- Drill Rig	yes	$168,105	$2,822,251	$54,403	$808,299	$3,630,550
1 Surface Geologist	yes	$180,451	$3,002,702	$63,741	$872,040	$3,874,742
1 PE Geology Analyst *	no	$202,281	$3,204,983	$9,639	$881,679	$4,086,662
1 ET Treating Plant Inspection *	no	$152,379	$3,357,362	$63,232	$944,911	$4,302,273
Contingency Positions Authorized if well count exceeds 20,000:						
3 ET Field Inspection	yes	$458,816	$3,816,178	$189,696	$1,134,607	$4,950,785

Original Budget Request Not Included in Executive Budget Recommendation:	Salaries & Benefits	Operating
2 ET Log & Survey Compliance	$304,491	$19,278
1 ET Treating Plant Inspection *	moved to contingency	moved to contingency
1 PE Geology Analyst *	moved to contingency	moved to contingency
2 ET APD	$304,491	$19,278
Market Equity	$800,000	$0
Energy Impact Funding	$423,743	$764,160
2 ATV & Trailer - ONE TIME FUNDING		$41,500

Original Budget Request FTEs	28
Executive Recommended Budget FTEs	22

February 12, 2015 HB1014 Attachment D

Industrial Comission - Budget No. 405
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	98.75	$21,333,325	$40,973,792	$62,307,117	98.75	$21,333,325	$40,973,792	$62,307,117
2015-17 Ongoing Funding Changes								
Base payroll changes		$44,076	$141,853	$185,929				$0
Salary increase - Performance		1,073,112	64,245	1,137,357				0
Salary increase - Market equity		17,758	4,261	22,019				0
Retirement contribution increase		110,950	6,642	117,592				0
Health insurance increase		484,795	29,023	513,818				0
Other 2013-15 salary adjustments		157,056	(150,000)	7,056				0
FTE engineering technician positions	9.00	1,945,537		1,945,537				0
FTE pipeline engineering technician position	1.00	162,018		162,018				0
FTE petroleum engineer position	1.00	222,508		222,508				0
FTE safety officer position	1.00	187,717		187,717				0
FTE human resources specialist position	1.00	139,380		139,380				0
FTE budget specialist position	1.00	174,519		174,519				0
FTE reclamation specialist position	1.00	230,911		230,911				0
FTE surface geologist positions	2.00	488,384		488,384				0
FTE survey engineering technician positions	2.00	323,769		323,769				0
FTE engineering technician contingency positions	3.00	648,512		648,512				0
FTE industrial water sales position	1.00		150,000	150,000				0
Decreases funding for bond payments		0	(4,769,140)	(4,769,140)				0
Removes funding for lignite grants			(19,500,000)	(19,500,000)				0
Changes to operating expenses		233,125	76,646	309,771				0
Other change				0				0
Other change				0				0
Other change				0				0
Total ongoing funding changes	23.00	$6,644,127	($23,946,470)	($17,302,343)	0.00	$0	$0	$0
One-time funding items								
Possible litigation		$3,000,000		$3,000,000				$0
Core library		16,033,942		16,033,942				0
Aerial photography		104,143		104,143				0
Core analyses		125,000		125,000				0
Seismic profile digital conversion		100,000		100,000				0
Information technology costs		250,000		250,000				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Total one-time funding changes	0.00	$19,613,085	$0	$19,613,085	0.00	$0	$0	$0
Total Changes to Base Level Funding	23.00	$26,257,212	($23,946,470)	$2,310,742	0.00	$0	$0	$0
2015-17 Total Funding	121.75	$47,590,537	$17,027,322	$64,617,859	98.75	$21,333,325	$40,973,792	$62,307,117

Other Sections in House Bill No. 1014

	Executive Budget Recommendation	House Version
Bond payments	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to emergency commission approval, for bond issuances during the 2015-17 biennium.	
Transfer	Section 6 allows the Industrial Commission to transfer up to $930,000 from special funds from the entities under the control of the Industrial Commission for administrative services.	
Lignite research	Section 12 designates $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation.	
Contingency funding - Department of Mineral Resources	Section 13 provides that $458,816 included in the salaries and wages line item and $189,696 in the operating line item in Section 1 of the bill may be used by the oil and gas division to hire three full-time equivalent positions upon certification to the Office of Management and Budget that the total number of wells in the state capable of production or injection exceeds 20,000.	
North Dakota outdoor heritage fund	Section 18 allows the Office of Management and Budget to increase the appropriation authority of state agencies that receive grant awards from the North Dakota outdoor heritage fund.	

February 12, 2015 HB1014 Attachment E

Bank of North Dakota - Budget No. 471
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	179.50	$0	$53,150,147	$53,150,147	179.50	$0	$53,150,147	$53,150,147
2015-17 Ongoing Funding Changes								
Base payroll changes			($23,196)	($23,196)				$0
Salary increase - Performance			1,536,370	1,536,370				0
Salary increase - Market equity			191,239	191,239				0
Retirement contribution increase			158,886	158,886				0
Health insurance increase			794,479	794,479				0
FTE credit analyst position	1.00		177,836	177,836				0
FTE information security position	1.00		209,809	209,809				0
Changes to operating expenses			3,968,123	3,968,123				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Total ongoing funding changes	2.00	$0	$7,013,546	$7,013,546	0.00	$0	$0	$0
One-time funding items								
No executive budget one-time funding items				$0				$0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	2.00	$0	$7,013,546	$7,013,546	0.00	$0	$0	$0
2015-17 Total Funding	181.50	$0	$60,163,693	$60,163,693	179.50	$0	$53,150,147	$53,150,147

Other Sections in House Bill No. 1014

	Executive Budget Recommendation	House Version
Transfer to PACE	Section 7 provides for a transfer of $28 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2015-17 biennium.	
Transfer to Ag PACE	Section 8 provides for a transfer of $3 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2015-17 biennium.	

	Executive Budget Recommendation	House Version
Transfer to biofuels PACE	Section 9 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2015-17 biennium.	
Transfer to beginning farmer revolving loan fund	Section 10 provides for a transfer of $7 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2015-17 biennium.	
Short line railroad revolving loan fund	Section 14 provides a transfer of $10 million from the strategic investment and improvements fund to the short line railroad fund for the 2015-17 biennium. Section 15 creates a new section to Chapter 6-09 to establish a short line railroad revolving loan fund administered by the Bank of North Dakota and to provide a continuing appropriation.	
Flex PACE program	Section 20 amends Section 22 of Chapter 579 of the 2011 Session Laws to expand the Flex PACE program from areas impacted by oil and gas development to the entire state and to extend the program until the end of the 2017-19 biennium.	

February 12, 2015 HB1014 Attachment 7

Housing Finance Agency - Budget No. 473
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	46.00	$0	$41,007,491	$41,007,491	46.00	$0	$41,007,491	$41,007,491
2015-17 Ongoing Funding Changes								
Base payroll changes			($273,502)	($273,502)				$0
Salary increase - Performance			370,808	370,808				0
Salary increase - Market equity			56,560	56,560				0
Retirement contribution increase			38,779	38,779				0
Health insurance increase			192,144	192,144				0
Funding for housing and urban development grants			(2,214,445)	(2,214,445)				0
Funding for housing development programs			(1,287,825)	(1,287,825)				0
Funding for operations			(147,483)	(147,483)				0
Total ongoing funding changes	0.00	$0	($3,264,964)	($3,264,964)	0.00	$0	$0	$0
One-time funding items								
No executive budget one-time funding items				$0				$0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	($3,264,964)	($3,264,964)	0.00	$0	$0	$0
2015-17 Total Funding	46.00	$0	$37,742,527	$37,742,527	46.00	$0	$41,007,491	$41,007,491

Other Sections in House Bill No. 1014

	Executive Budget Recommendation	House Version
Housing incentive fund	Sections 16, 17, and 19 continue the housing incentive fund into the 2015-17 biennium. Section 19 increases the funding available to the housing incentive fund from income tax credits from $20 million to $30 million.	

February 12, 2015 HB1014 Attachment G

Mill and Elevator Association - Budget No. 475
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	135.00	$0	$52,123,557	$52,123,557	135.00	$0	$52,123,557	$52,123,557
2015-17 Ongoing Funding Changes								
Base payroll changes			$4,628,147	$4,628,147				$0
Salary increase - Performance				0				0
Salary increase - Market equity				0				0
Retirement contribution increase			164,421	164,421				0
Health insurance increase			634,719	634,719				0
Mill operator positions	3.00		426,278	426,278				0
Rail car loader positions	3.00		390,138	390,138				0
Flour packer positions	2.00		251,313	251,313				0
Utility worker positions	2.00		249,916	249,916				0
Electrician position	1.00		176,636	176,636				0
Maintenance worker position	1.00		149,625	149,625				0
Funding for operating expenses			5,531,000	5,531,000				0
Funding for contingencies			100,000	100,000				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Total ongoing funding changes	12.00	$0	$12,702,193	$12,702,193	0.00	$0	$0	$0
One-time funding items								
No executive budget one-time funding items				$0				$0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	12.00	$0	$12,702,193	$12,702,193	0.00	$0	$0	$0
2015-17 Total Funding	147.00	$0	$64,825,750	$64,825,750	135.00	$0	$52,123,557	$52,123,557

Other Sections in House Bill No. 1014

	Executive Budget Recommendation	House Version
Transfer to general fund	Section 11 provides for a transfer of 50 percent of the Mill and Elevator's annual profits up to $6,817,200 per biennium to the general fund.	

HB 1014 February 13, 2015 Attachment A

House Appropriations Committee
House Bill No. 1014 Budget No. 475
North Dakota Mill & Elevator Association
February 13, 2015

All operating funds are generated internally at the Mill. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The proposed budget includes a wages and benefits increase of $7,647,000 over the current budget. That amount includes the funding of the twelve new FTE positions. These twelve positions add $1,643,906 million to the budget request.

The twelve (12) positions added for the next biennium are as follows:

Three (3) FTE mill operators for the new mill. The new mill will require one additional hourly employee per shift to insure proper operation of all equipment and maintain product quality. This is in addition to the 17 current employees in the milling department.

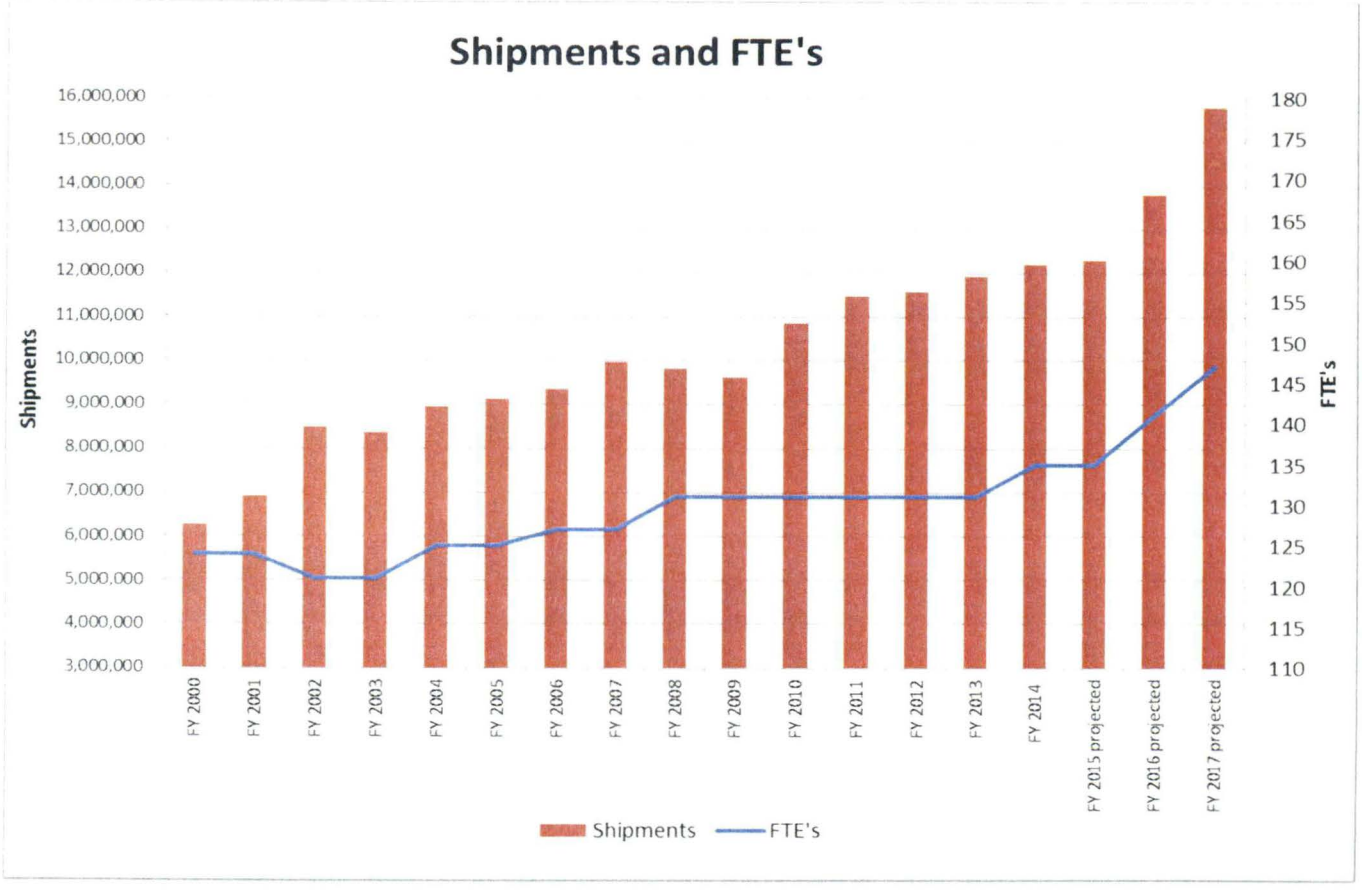
Three (3) FTEs to clean, check and load rail cars in the new mill. The new mill will provide additional capacity to load 4 – 5 additional rail cars per day. This will require 3 additional hourly employees, working on the third shift to prepare and load the rail cars. This is in addition to the 18 current employees in the bulk handling department.

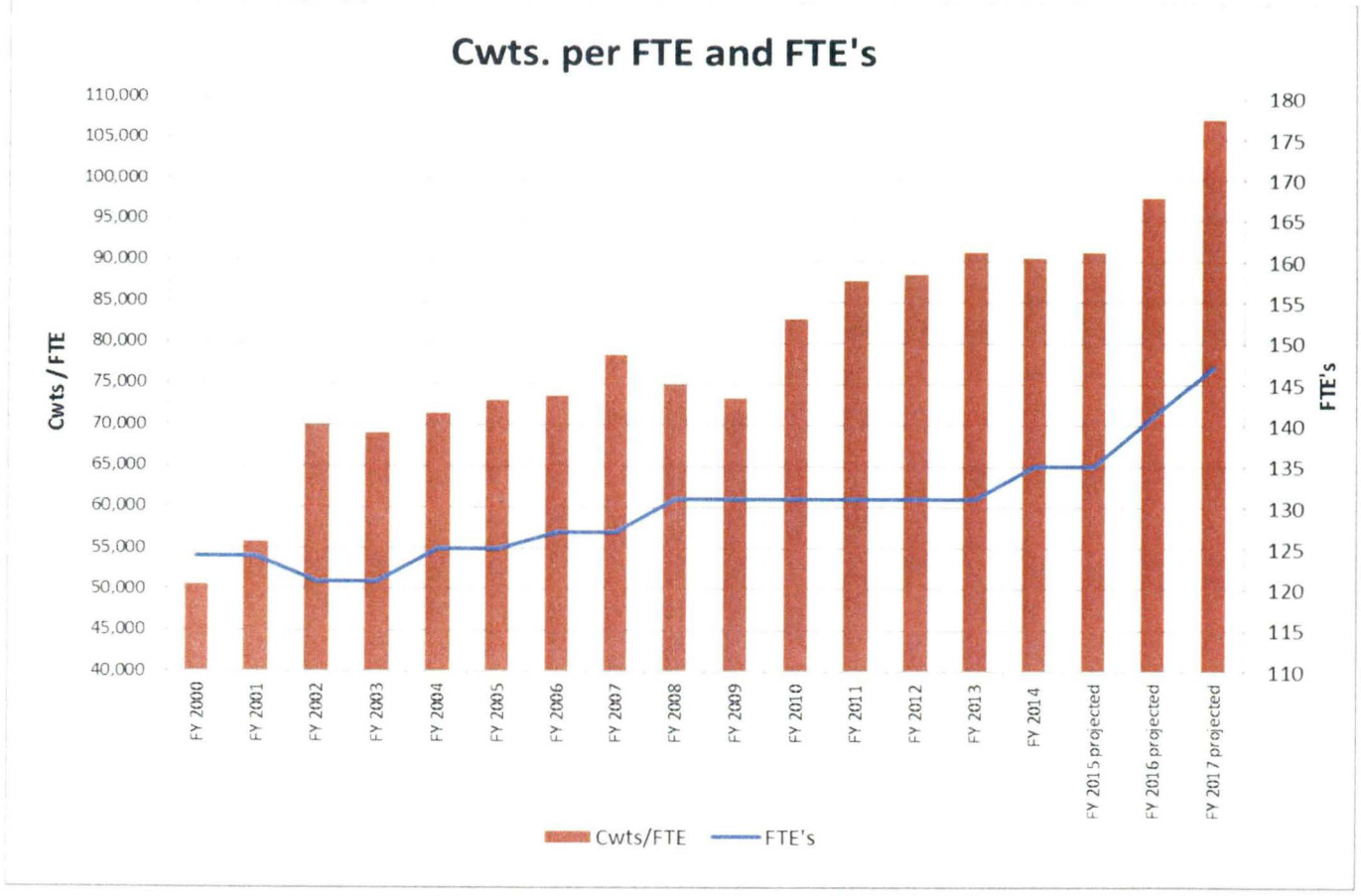
Two (2) FTE flour packing positions to meet the increased demand for bag product. The new mill will provide additional capacity to increase pack production. This will require 2 additional hourly employees to staff our B-2 packing line on second and third shifts. This is in addition to the 26 current employees in the packing/warehouse department.

Two (2) FTE utility workers to assist in keeping the mills (including the new mill) clean. Two additional hourly utility workers will be required to clean the additional 75,000 square feet of production area. This is in addition to the 15 current utility workers at the mill.

One (1) FTE electrician position required to keep the electrical infrastructure in working condition. The new mill will have 203 additional electric motors a totaling over 3000 horse power and related electrical controls that will require periodic troubleshooting and maintenance. This is in addition to the 5 electricians currently on staff.

One (1) FTE maintenance worker to keep the milling equipment in operational condition. The new mill will have approximately 180 new pieces of equipment that will run 24/7. One additional hourly maintenance worker will be required to complete scheduled maintenance to assure reliable operation of the mill. This is in addition to the 12 current maintenance workers on staff.




Cwts. per FTE and FTE's
Cwts / FTE
FTE's
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FY 2014
FY 2015 projected
FY 2016 projected
FY 2017 projected
Cwts/FTE
FTE's

HB 1014 February 13, 2015 Attachment B

North Dakota Mill
Summary of Mill Profits, Transfers, and Capital Projects

Period	Mill Profits	Transfer to Gen. Fund & APUC	Annual Avg Transfers	% of Profits Transferred
FY 1971-2009 (39 years)	$ 93,094,553	$ 57,500,000	$ 1,474,359	61.8%
FY 2010-2014 (5 years)	$ 62,574,902	$ 29,948,536	$ 5,989,707	47.9%

Capital Expenditures:	
FY 2000	$ 16,868,085
FY 2001	$ 3,006,380
FY 2002	$ 684,195
FY 2003	$ 1,392,377
FY 2004	$ 1,094,471
FY 2005	$ 2,262,589
FY 2006	$ 8,556,280
FY 2007	$ 9,386,032
FY 2008	$ 3,424,961
FY 2009	$ 6,274,747
FY 2010	$ 4,733,900
FY 2011	$ 2,351,295
FY 2012	$ 6,244,759
FY 2013	$ 7,703,480
FY 2014	$ 6,733,222
Average	$ 5,381,118

Major Capital Projects Completed:	Budget Amount
FY 2000 Renovation and Expansion Project	$ 19,500,000
FY 2003 Plant Electrical Generator	$ 540,000
FY 2005 Whole Wheat Mill Project	$ 1,700,000
FY 2005 C Mill Expansion Project	$ 6,300,000
FY 2006 Buhler Packing Line	$ 850,000
FY 2007 E Mill Expansion Project	$ 400,000
FY 2008 Warehouse Addition	$ 1,900,000
FY 2008 Whole Wheat Mill Cleaning House Upgrade	$ 1,325,000
FY 2009 D Mill Debranning and Expansion Project	$ 1,365,000
FY 2011 K Mill Expansion Phase 1	$ 1,770,000
FY 2012 Plant Heat Treatment and System Upgrade	$ 1,950,000
FY 2012 Bulk Flour Storage	$ 2,330,000
FY 2013 K Mill Capacity Increase Phase 2	$ 3,550,000
FY 2014 K Mill Capacity Increase Phase 3	$ 3,100,000

Major Capital Projects Currently in Process:	Budget Amount
Electrical Infrastructure Upgrade	$ 2,755,000
G Mill Addition Project	$ 27,800,000
Retail Bag Packaging System Upgrade	$ 750,000

HB 1014 February 13, 2015 Attachment C

15.0453.05002
Title.

Prepared by the Legislative Council staff for
Representative Porter
February 10, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1409

Page 3, line 4, after "funds" insert "unless the legislative assembly authorizes the use of state general fund money as matching funds"

Page 3, line 7, after "grantee" insert "if the grant exceeds two hundred fifty thousand dollars and expenditures may not exceed ten percent of the grant to a grantee if the grant is two hundred fifty thousand dollars or less"

Page 4, line 1, after "~~four~~" insert "eight"

Page 4, line 1, remove the overstrike over "~~percent of the amount available under this subsection~~"

Page 4, line 1, remove "revenues"

Page 4, line 3, replace "twenty-five" with "twenty"

Page 4, line 4, replace "fifty" with "forty"

Page 8, line 3, after "~~four~~" insert "eight"

Page 8, line 3, remove the overstrike over "~~percent of the amount available under this subsection~~"

Page 8, line 3, remove "revenues"

Page 8, line 5, replace "twenty-five" with "twenty"

Page 8, line 6, replace "fifty" with "forty"

Renumber accordingly

HB1014 February 13, 2015 Attachment D

House Bill 1014 - Information on Salaries and Wages Line Item in State Mill Budget Request

Salaries – Permanent.
We used 5% salary increases for nonunion employees each year of the biennium. For union employees, we used the union contract increases – 3.00% for the first year and then a 3.25% increase in the second year. The amount budgeted in the next biennium is $15,174,118. This is an annual average per employee of $51,613.

Health Increase.
This was budgeted by OMB and is $634,719.

Retirement Increase.
This was budgeted by OMB and is $164,521.

Salaries – Other.
In this category, we have budgeted for our gainsharing/bonus program, retention, recruitment, and market adjustments, and shift differential pay.

The gainsharing/bonus program is the largest amount. The amount paid out is based on achieving various goals which are set at the beginning of each year and approved by the Industrial Commission and on profitability. We budget the maximum amount that may result (not the most likely) to ensure that if the mill does experience a higher than projected profit that we have the funds available to make the payment to the employees. For the biennium this maximum total cost is budgeted at $6,307,690.

Also included in salaries–other is an amount which could be used to bring employee salaries up to market rates as needed (market adjustment) and funds for retention and recruitment. In the next biennium the mill will have four (4) department heads and several supervisors in the mill that will be at or above the Rule of 85. These positions are specialized and it may be difficult to fill. We have budgeted $410,000 for the market adjustments, retention, and recruitment.

Differential Shift Pay - $30,510.

The total amount budgeted in Salaries – Other is $6,748,200.

Temporary Salaries.
Temporary salaries are for our seasonal temporary workers. They are not Full Time Equivalents (FTE's) employees. We bring in temporary workers May through December to assist in cleanup, painting, and miscellaneous odd jobs during this time period. We budget for 1,000 hours for these workers. The amount budgeted is $516,600.

Overtime.
The mill is a 24 hours a day 7 days a week operation. This type of operation does involve large amounts of overtime. Keeping the mills running is crucial to our operations and our making the profits we have achieved in the past and will make in the future. In FY 2014, we had 58,557 hours of overtime and would have been higher except last winter and spring, the mill was shut down several times due to lack of rail cars. With the high demand for our product, we anticipate we will continue to have significant amounts of overtime. We have budgeted $5,207,000 for overtime in the next biennium.

Fringe Benefits.
This was budgeted by OMB and is $8,342,992. This is an annual average per employee of $28,378.

HB 1014 February 13, 2015

Handout #1

HOUSE BILL 1014

Wilson M. Laird Core and Sample Library

Ed Murphy
North Dakota Department of Mineral Resources
North Dakota Industrial Commission

Reduced Expansion Plan

18,630 additional square feet warehouse area
13,500 square feet lab and office area

Total nonphased construction costs	=	**$12,417,606.40**
Two-phased construction costs		
Phase 1 – warehouse expansion	=	$ 8,356,270.50
Phase 2 – lab and office area	=	$ 4,904,004.35
Total two-phased construction costs	=	**$13,260,274.85**
Est construction cost increases due to phasing	=	$ 842,668.45

HB 1014 February 17, 2015 Attachment A

Mill and Elevator Association - Budget No. 475
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	135.00	$0	$52,123,557	$52,123,557	135.00	$0	$52,123,557	$52,123,557
2015-17 Ongoing Funding Changes								
Base payroll changes			$4,628,147	$4,628,147			$3,983,389	$3,983,389
Salary increase - Performance				0				0
Salary increase - Market equity				0				0
Retirement contribution increase			164,421	164,421				0
Health insurance increase			634,719	634,719			634,719	634,719
Mill operator positions	3.00		426,278	426,278	3.00		426,278	426,278
Rail car loader positions	3.00		390,138	390,138	3.00		390,138	390,138
Flour packer positions	2.00		251,313	251,313	2.00		251,313	251,313
Utility worker positions	2.00		249,916	249,916	2.00		249,916	249,916
Electrician position	1.00		176,636	176,636	1.00		176,636	176,636
Maintenance worker position	1.00		149,625	149,625	1.00		149,625	149,625
Funding for operating expenses			5,531,000	5,531,000			5,531,000	5,531,000
Funding for contingencies			100,000	100,000			100,000	100,000
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Total ongoing funding changes	12.00	$0	$12,702,193	$12,702,193	12.00	$0	$11,893,014	$11,893,014
One-time funding items								
No executive budget one-time funding items				$0				$0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	12.00	$0	$12,702,193	$12,702,193	12.00	$0	$11,893,014	$11,893,014
2015-17 Total Funding	147.00	$0	$64,825,750	$64,825,750	147.00	$0	$64,016,571	$64,016,571

Other Sections in House Bill No. 1014

	Executive Budget Recommendation	House Version
Transfer to general fund	Section 11 provides for a transfer of 50 percent of the Mill and Elevator's annual profits up to $6,817,200 per biennium to the general fund.	Section 11 provides for a transfer of 50 percent of the Mill and Elevator's annual profits up to $6,817,200 per biennium to the general fund.

HB1014 Feb. 17, 2015 Attachment B

Bank of North Dakota - Budget No. 471
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	179.50	$0	$53,150,147	$53,150,147	179.50	$0	$53,150,147	$53,150,147
2015-17 Ongoing Funding Changes								
Base payroll changes			($23,196)	($23,196)			($23,196)	($23,196)
Salary increase - Performance			1,536,370	1,536,370			1,148,633	1,148,633
Salary increase - Market equity			191,239	191,239				0
Retirement contribution increase			158,886	158,886				0
Health insurance increase			794,479	794,479			794,479	794,479
FTE credit analyst position	1.00		177,836	177,836	1.00		177,836	177,836
FTE information security position	1.00		209,809	209,809	1.00		209,809	209,809
Changes to operating expenses			3,968,123	3,968,123			3,968,123	3,968,123
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Total ongoing funding changes	2.00	$0	$7,013,546	$7,013,546	2.00	$0	$6,275,684	$6,275,684
One-time funding items								
No executive budget one-time funding items				$0				$0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	2.00	$0	$7,013,546	$7,013,546	2.00	$0	$6,275,684	$6,275,684
2015-17 Total Funding	181.50	$0	$60,163,693	$60,163,693	181.50	$0	$59,425,831	$59,425,831

Other Sections in House Bill No. 1014

	Executive Budget Recommendation	House Version
Transfer to PACE	Section 7 provides for a transfer of $28 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2015-17 biennium.	Section 7 provides for a transfer of $28 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2015-17 biennium.
Transfer to Ag PACE	Section 8 provides for a transfer of $3 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2015-17 biennium.	Section 8 provides for a transfer of $3 million from the Bank of North Dakota's current earnings and undivided profits to the Ag PACE fund for the 2015-17 biennium.

	Executive Budget Recommendation	House Version
Transfer to biofuels PACE	Section 9 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2015-17 biennium.	Section 9 provides for a transfer of $2 million from the Bank of North Dakota's current earnings and undivided profits to the biofuels PACE fund for the 2015-17 biennium.
Transfer to beginning farmer revolving loan fund	Section 10 provides for a transfer of $7 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2015-17 biennium.	Section 10 provides for a transfer of $7 million from the Bank of North Dakota's current earnings and undivided profits to the PACE fund for the 2015-17 biennium.
Short line railroad revolving loan fund	Section 14 provides a transfer of $10 million from the strategic investment and improvements fund to the short line railroad fund for the 2015-17 biennium. Section 15 creates a new section to Chapter 6-09 to establish a short line railroad revolving loan fund administered by the Bank of North Dakota and to provide a continuing appropriation.	
Flex PACE program	Section 20 amends Section 22 of Chapter 579 of the 2011 Session Laws to expand the Flex PACE program from areas impacted by oil and gas development to the entire state and to extend the program until the end of the 2017-19 biennium.	Section 20 amends Section 22 of Chapter 579 of the 2011 Session Laws to expand the Flex PACE program from areas impacted by oil and gas development to the entire state and to extend the program until the end of the 2017-19 biennium.

HB1014 Feb. 17, 2015 Attachment C

Industrial Comission - Budget No. 405
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	98.75	$21,333,325	$40,973,792	$62,307,117	98.75	$21,333,325	$40,973,792	$62,307,117
2015-17 Ongoing Funding Changes								
Base payroll changes		$44,076	$141,853	$185,929		$44,076	$141,853	$185,929
Salary increase - Performance		1,073,112	64,245	1,137,357		765,984	47,233	813,217
Salary increase - Market equity		17,758	4,261	22,019				0
Retirement contribution increase		110,950	6,642	117,592				0
Health insurance increase		484,795	29,023	513,818		458,888	29,023	487,911
Other 2013-15 salary adjustments		157,056	(150,000)	7,056		157,056	(150,000)	7,056
FTE engineering technician positions	9.00	1,945,537		1,945,537	7.00	1,513,195		1,513,195
FTE pipeline engineering technician position	1.00	162,018		162,018	1.00	162,018		162,018
FTE petroleum engineer position	1.00	222,508		222,508				0
FTE safety officer position	1.00	187,717		187,717	1.00	187,717		187,717
FTE human resources specialist position	1.00	139,380		139,380	1.00	139,380		139,380
FTE budget specialist position	1.00	174,519		174,519	1.00	174,519		174,519
FTE reclamation specialist position	1.00	230,911		230,911	1.00	230,911		230,911
FTE surface geologist positions	2.00	488,384		488,384	1.00	244,192		244,192
FTE survey engineering technician positions	2.00	323,769		323,769	2.00	323,769		323,769
FTE engineering technician contingency positions	3.00	648,512		648,512				0
FTE industrial water sales position	1.00		150,000	150,000	1.00		150,000	150,000
Decreases funding for bond payments			(4,769,140)	(4,769,140)			(4,769,140)	(4,769,140)
Removes funding for lignite grants			(19,500,000)	(19,500,000)			(19,500,000)	(19,500,000)
Changes to operating expenses		233,125	76,646	309,771		233,125	76,646	309,771
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Total ongoing funding changes	23.00	$6,644,127	($23,946,470)	($17,302,343)	16.00	$4,634,830	($23,974,385)	($19,339,555)
One-time funding items								
Possible litigation		$3,000,000		$3,000,000				$0
Core library		16,033,942		16,033,942				0
Aerial photography		104,143		104,143		104,143		104,143
Core analyses		125,000		125,000		125,000		125,000
Seismic profile digital conversion		100,000		100,000		100,000		100,000
Information technology costs		250,000		250,000		250,000		250,000
ATV's and trailers				0		41,500		41,500
Lignite research council grants				0		7,000,000		7,000,000
Other one-time funding item				0				0

Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Total one-time funding changes	0.00	$19,613,085	$0	$19,613,085	0.00	$7,620,643	$0	$7,620,643
Total Changes to Base Level Funding	23.00	$26,257,212	($23,946,470)	$2,310,742	16.00	$12,255,473	($23,974,385)	($11,718,912)
2015-17 Total Funding	121.75	$47,590,537	$17,027,322	$64,617,859	114.75	$33,588,798	$16,999,407	$50,588,205

Other Sections in House Bill No. 1014

	Executive Budget Recommendation	House Version
Bond payments	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to emergency commission approval, for bond issuances during the 2015-17 biennium.	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to emergency commission approval, for bond issuances during the 2015-17 biennium.
Transfer	Section 6 allows the Industrial Commission to transfer up to $930,000 from special funds from the entities under the control of the Industrial Commission for administrative services.	Section 6 allows the Industrial Commission to transfer up to $930,000 from special funds from the entities under the control of the Industrial Commission for administrative services.
Lignite research	Section 12 designates $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation.	Section 12 designates $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation. Section 16 amends NDCC Section 54-17.5-02 to allow the governor to appoint out-of-state residents to the lignite research council.
Contingency funding - Department of Mineral Resources	Section 13 provides that $458,816 included in the salaries and wages line item and $189,696 in the operating line item in Section 1 of the bill may be used by the oil and gas division to hire three full-time equivalent positions upon certification to the Office of Management and Budget that the total number of wells in the state capable of production or injection exceeds 20,000.	
North Dakota outdoor heritage fund	Section 18 allows the Office of Management and Budget to increase the appropriation authority of state agencies that receive grant awards from the North Dakota outdoor heritage fund.	

HB 1014

Feb. 17, 2015

Attachment 8

Housing Finance Agency - Budget No. 473
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	46.00	$0	$41,007,491	$41,007,491	46.00	$0	$41,007,491	$41,007,491
2015-17 Ongoing Funding Changes								
Base payroll changes			($273,502)	($273,502)			($273,502)	($273,502)
Salary increase - Performance			370,808	370,808			277,212	277,212
Salary increase - Market equity			56,560	56,560				0
Retirement contribution increase			38,779	38,779				0
Health insurance increase			192,144	192,144			192,144	192,144
Funding for housing and urban development grants			(2,214,445)	(2,214,445)			(2,214,445)	(2,214,445)
Funding for housing development programs			(1,287,825)	(1,287,825)			(1,287,825)	(1,287,825)
Funding for operations			(147,483)	(147,483)			(147,483)	(147,483)
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Total ongoing funding changes	0.00	$0	($3,264,964)	($3,264,964)	0.00	$0	($3,453,899)	($3,453,899)
One-time funding items								
No executive budget one-time funding items				$0				$0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Total one-time funding changes	0.00	$0	$0	$0	0.00	$0	$0	$0
Total Changes to Base Level Funding	0.00	$0	($3,264,964)	($3,264,964)	0.00	$0	($3,453,899)	($3,453,899)
2015-17 Total Funding	46.00	$0	$37,742,527	$37,742,527	46.00	$0	$37,553,592	$37,553,592

Other Sections in House Bill No. 1014

	Executive Budget Recommendation	House Version
Housing incentive fund	Sections 16, 17, and 19 continue the housing incentive fund into the 2015-17 biennium. Section 19 increases the funding available to the housing incentive fund from income tax credits from $20 million to $30 million.	Sections 16, 17, and 19 continue the housing incentive fund into the 2015-17 biennium. Section 19 increases the funding available to the housing incentive fund from income tax credits from $20 million to $30 million.

15.8122.01003
Title.

Fiscal No. 1

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations Division Committee
February 17, 2015

Attachment #1 2/19/15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, remove lines 21 through 24

Page 2, replace lines 1 through 6 with:

"Salaries and wages	$17,873,876	$4,345,078	$22,218,954
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	1,552,846	6,328,422
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	($13,718,912)	$48,588,205
Less estimated income	40,973,792	(23,974,385)	16,999,407
Total general fund	$21,333,325	$10,255,473	$31,588,798
Full-time equivalent positions	98.75	16.00	114.75"

Page 2, replace lines 11 through 14 with:

"Bank of North Dakota operations	$51,523,916	$7,156,915	$58,680,831
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	0	745,000
Total special funds	$53,150,147	$6,275,684	$59,425,831"

Page 2, replace lines 20 through 25 with:

"Salaries and wages	$29,141,750	$6,837,821	$35,979,571
Accrued leave payments	575,807	(575,807)	0
Operating expenses	21,796,000	5,531,000	27,327,000
Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$52,123,557	$11,893,014	$64,016,571"

Page 2, remove line 31

Page 3, replace lines 1 through 5 with:

"Salaries and wages	$7,434,877	$343,660	$7,778,537
Accrued leave payments	147,806	(147,806)	0
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780
Housing finance agency contingencies	100,000	0	100,000
Total special funds	$41,007,491	($3,453,899)	$37,553,592"

Page 3, replace lines 11 through 13 with:

"Grand total general fund	$21,333,325	$10,255,473	$31,588,798
Grand total special funds	187,254,987	(9,259,586)	177,995,401
Grand total all funds	$208,588,312	$995,887	$209,584,199"

Page 3, replace line 20 with:

"Possible litigation		1,000,000	0"

Page 3, replace line 24 with:

"Lignite research council grants	0	5,000,000
All-terrain vehicles	0	41,500"

Page 4, replace lines 1 through 3 with:

"Total all funds	$68,060,800	$5,620,643
Total special fund	51,500,000	0
Total general fund	$16,560,800	$5,620,643"

Page 6, remove lines 22 through 31

Page 7, remove lines 1 through 24

Page 9, replace lines 19 through 25 with:

"**SECTION 15. AMENDMENT.** Section 54-17.5-02 of the North Dakota Century Code is amended and reenacted as follows:

54-17.5-02. Lignite research council - Compensation - Appointment of members.

The industrial commission shall consult with the lignite research council established by executive order in matters of policy affecting the administration of the lignite research fund. Section 44-03-04 does not apply to members of the council appointed by the governor."

Page 11, after line 9, insert:

"**SECTION 18. LEGISLATIVE INTENT - CONTINGENT FUNDING PRIORITY LIST.** It is the intent of the sixty-fourth legislative assembly that a list of funding priorities be developed for contingent funding if the actual general fund revenues exceed the legislative forecast during the 2015-17 biennium. The priorities may include a core library project, additional full-time equivalent positions for the industrial commission, transfers to the housing incentive fund, and grants for the lignite research council."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of House Action

	Base Budget	House Changes	House Version
Industrial Commission			
Total all funds	$62,307,117	($13,718,912)	$48,588,205
Less estimated income	40,973,792	(23,974,385)	16,999,407
General fund	$21,333,325	$10,255,473	$31,588,798
Bank of North Dakota			
Total all funds	$53,150,147	$6,275,684	$59,425,831
Less estimated income	53,150,147	6,275,684	59,425,831
General fund	$0	$0	$0
Housing Finance Agency			
Total all funds	$41,007,491	($3,453,899)	$37,553,592
Less estimated income	41,007,491	(3,453,899)	37,553,592
General fund	$0	$0	$0
Mill and Elevator			

Total all funds	$52,123,557	$11,893,014	$64,016,571
Less estimated income	52,123,557	11,893,014	64,016,571
General fund	$0	$0	$0
Bill total			
Total all funds	$208,588,312	$995,887	$209,584,199
Less estimated income	187,254,987	(9,259,586)	177,995,401
General fund	$21,333,325	$10,255,473	$31,588,798

House Bill No. 1014 - Industrial Commission - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$17,873,876	$4,345,078	$22,218,954
Operating expenses	4,775,576	1,552,846	6,328,422
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Accrued leave payments	347,696	(347,696)	
Total all funds	$62,307,117	($13,718,912)	$48,588,205
Less estimated income	40,973,792	(23,974,385)	16,999,407
General fund	$21,333,325	$10,255,473	$31,588,798
FTE	98.75	16.00	114.75

Department No. 405 - Industrial Commission - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Adds Funding for Other 2013-15 Salary Adjustments[3]	Adds Funding for FTE positions[4]	Decreases Funding for Bond Payments[5]	Adds Funding for Operating Expenses[6]
Salaries and wages	$533,625	$1,301,128	$7,056	$2,498,269		$5,000
Operating expenses				627,432		304,771
Grants						
Grants - bond payments					(4,769,140)	
Accrued leave payments	(347,696)					
Total all funds	$185,929	$1,301,128	$7,056	$3,125,701	($4,769,140)	$309,771
Less estimated income	141,853	76,256	(150,000)	150,000	(4,769,140)	76,646
General fund	$44,076	$1,224,872	$157,056	$2,975,701	$0	$233,125
FTE	0.00	0.00	0.00	16.00	0.00	0.00

	Adjusts Funding for Lignite Grants[7]	Adds One-Time Funding[8]	Total House Changes
Salaries and wages			$4,345,078
Operating expenses		620,643	1,552,846
Grants	(14,500,000)		(14,500,000)
Grants - bond payments			(4,769,140)
Accrued leave payments			(347,696)
Total all funds	($14,500,000)	$620,643	($13,718,912)
Less estimated income	(19,500,000)	0	(23,974,385)
General fund	$5,000,000	$620,643	$10,255,473
FTE	0.00	0.00	16.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$765,984	$47,233	$813,217

Health insurance increase	458,888	29,023	487,911
Total	$1,224,872	$76,256	$1,301,128

[3] Funding is added for other 2013-15 salary adjustments.

[4] The following funding and FTE positions are added:

	FTE Positions	General Fund	Other Funds	Total
Engineering technicians	7.00	$1,513,195	$0	$1,513,195
Pipeline engineering technician	1.00	162,018	0	162,018
Safety officer	1.00	187,717	0	187,717
Human resources specialist	1.00	139,380	0	139,380
Budget specialist	1.00	174,519	0	174,519
Reclamation specialist	1.00	230,911	0	230,911
Surface geologist	1.00	244,192	0	244,192
Survey engineering technicians	2.00	323,769	0	323,769
Industrial water sales position	1.00	0	150,000	150,000
Total	16.00	$2,975,701	$150,000	$3,125,701

[5] Decreases funding for bond payments by $4,769,140, from $19,809,969 to $15,040,829.

[6] Adds funding for increase operating costs primarily related to increased travel expenses.

[7] Appropriation authority of $19.5 million from special funds for lignite grants is removed. The grants will be distributed pursuant to a continuing appropriation from the lignite research fund. One-time funding of $5 million from the general fund is added for lignite research council grants for commercializing the capture, utilization, and storage of carbon dioxide and for next generation electric generation technology, including the Allam Cycle.

[8] One-time funding is added for the following:

	General Fund
Aerial photography	$104,143
Core analyses	125,000
Seismic profile digital conversion	100,000
Information technology costs	250,000
ATV's and trailers	41,500
Total	$620,643

This amendment removes a section to allow the Office of Management and Budget to increase the appropriation authority of state agencies that receive grant awards from the North Dakota outdoor heritage fund.

This amendment removes a section related to contingency funding for FTE positions available when the total number of oil wells capable of production exceeds 20,000.

This amendment also includes:

- Legislative intent for bond payments;
- Appropriation authority, subject to emergency commission approval, for bond issuances;
- Transfer authority of $930,000 for administrative services;
- Designation of $4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.
- Statutory changes relating to Lignite Research Council membership.
- Legislative intent for a contingent funding priority list.

House Bill No. 1014 - Bank of North Dakota - House Action

	Base Budget	House Changes	House Version
Capital assets	$745,000		$745,000

Bank of North Dakota operations	51,523,916	7,156,915	58,680,831
Accrued leave payments	881,231	(881,231)	
	$53,150,147	$6,275,684	$59,425,831
Total all funds			
Less estimated income	53,150,147	6,275,684	59,425,831
	$0	$0	$0
General fund			
	179.50	2.00	181.50
FTE			

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Adds Funding for FTE Credit Analyst Position[3]	Adds Funding for FTE Information Security Position[4]	Adds Funding for Operating Expenses[5]	Total House Changes
Capital assets						
Bank of North Dakota operations	858,035	1,943,112	177,836	209,809	3,968,123	7,156,915
Accrued leave payments	(881,231)					(881,231)
Total all funds	($23,196)	$1,943,112	$177,836	$209,809	$3,968,123	$6,275,684
Less estimated income	(23,196)	1,943,112	177,836	209,809	3,968,123	6,275,684
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	1.00	1.00	0.00	2.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$0	$1,148,633	$1,148,633
Health insurance increase	0	794,479	794,479
Total	$0	$1,943,112	$1,943,112

[3] Adds funding of $177,479 from special funds for 1.00 FTE credit analyst position.

[4] Adds funding of $209,809 from special funds for 1.00 FTE information security position.

[5] Adds funding for operating expenses including $2.5 million for information technology costs and $800,000 for audit fees.

This amendment removes two sections related to a $10 million transfer from the strategic investment and improvements fund to a new short line railroad revolving loan fund to be administered by the Bank of North Dakota.

This amendment also includes a section to continue the Flex PACE program for affordable housing until the end of the 2017-19 biennium and includes four sections to provide transfers from the Bank of North Dakota profits as follows:

- $28 million to PACE;
- $3 million to Ag PACE;
- $2 million to biofuels PACE; and
- $7 million to the beginning farmer revolving loan program.

House Bill No. 1014 - Housing Finance Agency - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$7,434,877	$343,660	$7,778,537
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780
HFA contingencies	100,000		100,000
Accrued leave payments	147,806	(147,806)	
Total all funds	$41,007,491	($3,453,899)	$37,553,592
Less estimated income	41,007,491	(3,453,899)	37,553,592
General fund	$0	$0	$0
FTE	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts Funding for Base Payroll Changes[1]	Adds Funding for Salary and Benefit Increases[2]	Decreases Funding for Housing and Urban Development Grants[3]	Decreases Funding for Housing Development Programs[4]	Decreases Funding for Operations[5]	Total House Changes
Salaries and wages	($125,696)	$469,356				$343,660
Operating expenses				100,000	(147,483)	(47,483)
Grants			(2,214,445)	(1,387,825)		(3,602,270)
HFA contingencies						
Accrued leave payments	(147,806)					(147,806)
Total all funds	($273,502)	$469,356	($2,214,445)	($1,287,825)	($147,483)	($3,453,899)
Less estimated income	(273,502)	469,356	(2,214,445)	(1,287,825)	(147,483)	(3,453,899)
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

[1] Funding is adjusted for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

[2] The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	$0	$277,212	$277,212
Health insurance increase	0	192,144	192,144
Total	$0	$469,356	$469,356

[3] Federal funding for housing and urban development grants is reduced by $2,214,445.

[4] Funding from special funds for housing development programs is reduced by $1,287,825.

[5] Funding for operating expenses is reduced by $147,483.

This amendment also includes three sections to continue the housing incentive fund in the 2015-17 biennium and allow up to $30 million of income tax credits for contributions to the fund.

House Bill No. 1014 - Mill and Elevator - House Action

	Base Budget	House Changes	House Version
Salaries and wages	$29,141,750	$6,837,821	$35,979,571
Operating expenses	21,796,000	5,531,000	27,327,000

Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000		210,000
Accrued leave payments	575,807	(575,807)	
Total all funds	$52,123,557	$11,893,014	$64,016,571
Less estimated income	52,123,557	11,893,014	64,016,571
General fund	$0	$0	$0
FTE	135.00	12.00	147.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adds Funding for Base Payroll Changes[1]	Adds Funding for Health Insurance Increases[2]	Adds Funding for FTE Positions[3]	Adds Funding for Operating Expenses[4]	Adds Funding for Contingencies[5]	Total House Changes
Salaries and wages	$4,559,196	$634,719	$1,643,906			$6,837,821
Operating expenses				5,531,000		5,531,000
Contingencies					100,000	100,000
Agriculture promotion						
Accrued leave payments	(575,807)					(575,807)
Total all funds	$3,983,389	$634,719	$1,643,906	$5,531,000	$100,000	$11,893,014
Less estimated income	3,983,389	634,719	1,643,906	5,531,000	100,000	11,893,014
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	12.00	0.00	0.00	12.00

[1] Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes, including 2015-17 biennium performance salary adjustments of 2 to 4 percent per year for certain employees.

[2] Funding is added for 2015-17 biennium increases in monthly health insurance premiums.

[3] The following funding is added for FTE positions:

	FTE Positions	General Fund	Other Funds	Total
Mill operator positions	3.00	$0	$426,278	$426,278
Rail car loader positions	3.00	0	390,138	390,138
Flour packer positions	2.00	0	251,313	251,313
Utility worker positions	2.00	0	249,916	249,916
Electrician position	1.00	0	176,636	176,636
Maintenance worker position	1.00	0	149,625	149,625
Total	12.00	$0	$1,643,906	$1,643,906

[4] Funding is added for increased operating costs primarily related to the operation of the new K mill.

[5] Increases funding for contingencies by $100,000, from $400,000 to $500,000.

This amendment also includes a section to provide for a transfer of 50 percent of the Mill and Elevator's annual profits up to $6,817,200 per biennium to the general fund.

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INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Schedule
Engrossed House Bill 1014
Senate Appropriations Committee
Harvest Room
Monday, March 16, 2015

8:30 a.m. Administration Office – **Karlene Fine**, Executive Director and Secretary
Section 1, Subdivision 1, Sections 3, 5, 6, Section 12, Spend-down information for IC agencies

8:40 a.m. Department of Mineral Resources – **Lynn Helms**, Director
Section 1, Subdivision 1, Sections 2, 18; proposed amendment

9:40 a.m. Bank of North Dakota – **Eric Hardmeyer**, President
Section 1, Subdivision 2, Sections 2, 7, 8, 9, 10, 17; proposed amendment

(Break)

10:40 a.m. Housing Finance Agency – **Jolene Kline**, Executive Director
Section 1, Subdivision 4, Sections 2, 4, 13, 14, 16, 18

11:00 a.m. North Dakota State Mill – **Vance Taylor**, President and General Manager
Section 1, Subdivision 3, Section 11; proposed amendment

11:25 a.m. Public Finance Authority – **DeAnn Ament**, Executive Director
Section 1, Subdivision 1

(Break for lunch and Floor Session)

2:00 p.m. Lignite Research, Development & Marketing Program – **Jason Bohrer**, Chairman, Lignite Research Council & **Mike Jones**, Director of the Lignite Research, Development and Marketing Program
Section 1, Subdivision 1, Section 2, Section 12, Section 15, Section 18

2:30 p.m. Administration/Continuing Appropriations Information regarding the Outdoor Heritage Fund, Renewable Energy Program, Oil and Gas Research Program, Pipeline Authority, Transmission Authority- **Karlene Fine**, Executive Director and Secretary

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Transmission Authority – Andrea Stomberg
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INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Testimony for Engrossed House Bill No. 1014
Senate Appropriations Committee
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
March 16, 2015

Mr. Chairman and members of the Senate Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Engrossed House Bill 1014 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Agriculture Commissioner. The Industrial Commission is responsible for overseeing the State's industries—the Bank of North Dakota and State Mill. In the area of finance the Commission also oversees the Public Finance Authority, the Student Loan Trust, the North Dakota Building Authority and the Housing Finance Agency. In the area of natural resources and regulation the Commission oversees the Department of Mineral Resources which includes the oil and gas, geophysical exploration, subsurface mineral regulation and CO_2 Geological Storage in addition to other programs through its Oil and Gas Division and the Geological Survey. The Commission is also involved in research through the Lignite Research, Development and Marketing Program (Lignite Research Program), the Oil and Gas Research Program and the Renewable Energy Program. In addition the Industrial Commission is the North Dakota Transmission Authority and the North Dakota Pipeline Authority. Last legislative session the Industrial Commission was given two new responsibilities -- oversight of the Outdoor Heritage Fund and Western Area Water Supply Authority industrial sales.

Subdivision 1 of **Section 1**, includes the appropriations for the administrative office of the Industrial Commission as well as the Department of Mineral Resources (Oil and Gas Division and Geological Survey), Public Finance Authority, and the lease (bond) payments for projects financed by the Building Authority. In previous sessions we had included a line item for the Lignite Research Program. Because that Program is funded through a continuing appropriation we removed that line item and we will be providing information on the Lignite Research Program this afternoon.

Administration. The Administration budget is part of Subdivision 1 of Section 1 and is also referenced in Sections 3, 5, and 6 of Engrossed House Bill 1014 or Budget No. 405. **Subdivision 1**

The proposed funding for the administrative office of the Industrial Commission provides for 4 full-time employees. Two positions are currently vacant--one position is vacant because the Western Area Water Supply Authority funding was not appropriated last session. The other position was held vacant until the most recent election and I anticipate filling that position in the next few months. The

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administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission. This Commission is a multi-state organization which speaks on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry. The dues for this organization went up by nearly $40,000 in the proposed budget as dues are based on the level of oil production in each member's state.

The administrative office budget does not include any General Fund dollars. The administrative office budget request was for $949,135 for office operations and then a total of $15,989,964 when you include the lease (bond) payments. With full funding for the staff, the administrative office request reflected an increase of $295,806 from the prior biennium. This amount was reduced by the House by the standard salary adjustments. The administrative budget is funded by the agencies that report to the Industrial Commission and the funding directed by the Legislature to be paid by the Western Area Water Supply Authority (WASWS) industrial sales. You will see this funding source noted in **Section 6** where authority is granted for these agencies and WAWS to transfer funds to the Industrial Commission.

Section 5 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 of Section 1 includes the lease payments (bond payments) for the North Dakota Building Authority in the amount of $15,040,829 – see line 23 on page 1. This is a decrease from the prior biennium of $4,769,140. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located across the state.

Attached for your information is the Debt Service Schedules for all the outstanding bond issues. The proposed Executive Budget does not include any bonding by the North Dakota Building Authority. If there was bonding proposed this attachment shows that there is available debt service under the 10% of 1¢ statutory limitation in the amount of approximately $65 million. (December forecast) This level of debt service would allow for bonding of between $350 and $400 million of projects.

Section 3 provides the breakdown on the source of funding for the $15+ million of lease (bond) payments for the upcoming biennium. The following non-General Fund sources or energy conservation savings* will be utilized to pay a portion of these payments:

*University System – UND (05A)	$ 491,161
*Missouri River Correctional Center (03B)	$ 16,206
Job Service North Dakota (02A/10B)	$ 427,131
Historical Society (05A)	$ 33,333
Veterans Home (10A/B)	$ 353,210
Dept. of Health (02A) (federal funds)	$ 181,605
	$1,502,646

This afternoon we will be going over in more detail the following programs overseen by the Industrial Commission and the programs that have continuing appropriations. They are:

Lignite Research Program. As I noted earlier in prior sessions we had a line item for the Lignite Research Program. Because this Program has a continuing appropriation we did not include that line item this session. The House has included $5 million from the General Fund for this Fund so the continuing appropriation would be increased by that amount. That would be a one-time adjustment. There is one provision in Engrossed House Bill 1014 regarding the Lignite Research Program which deals with funds being made available under the Lignite Research Program on a non-matching basis. The majority of the funds under the Lignite Research Program must have match funding. For many years there has been a certain portion of their funding that has not required a match. Section 12 continues that authority for a non-matching component of the Lignite Research Program funding. Information about the Lignite Research Program is behind the tab LRP.

Transmission Authority. In 2005 the Legislature established the North Dakota Transmission Authority. Andrea Stomberg currently serves as the Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund. More information about the Transmission Authority is available under the tab titled Transmission Authority.

Oil and Gas Research Program. Within this bill there is no appropriation for the Oil and Gas Research Program. This Program is funded from oil and gas gross production and oil extraction tax revenues up to $10 million a biennium. Additional information about the Oil and Gas Research Fund/Program is behind the tab titled OGRP.

Pipeline Authority. A portion of the Oil and Gas Research Fund is utilized to fund the North Dakota Pipeline Authority. Justin Kringstad, a consultant, is the Director of the Pipeline Authority. The Commission transferred $200,400 from the Oil and Gas Research Fund for the Pipeline Authority during the 2013-2015 biennium. These funds are utilized to compensate the Director of the Pipeline Authority and for studies conducted by the Pipeline Authority. More information about the Pipeline Authority is available under the tab titled Pipeline Authority.

Renewable Energy Program. Last session the Legislature authorized a continuing appropriation from the Resources Trust Fund for the Renewable Energy Program at the level of $3 million per biennium. Additional information about the Renewable Energy Program is behind the tab titled Renewable Energy Program.

Outdoor Heritage Fund. In 2013 the Outdoor Heritage Fund was established as a continuing appropriation at the level of up to $30 million per biennium. (Based on the January forecast it is anticipated that the amount that will be received during the current biennium is $19.8 million.) The Executive Budget proposed that the funding level be increased to $50 million per biennium. The House has passed House Bill 1409 which increases the amount from up to $30 million to up to $40 million. (Based on the January forecast it is anticipated that the amount that would be received is approximately $33 million.)

Thank you for the opportunity to present testimony on the Industrial Commission Administrative Office budget.

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

Biennium	2006B 2001A	2010B 2002A	2005A	2006A 1998A 2000A	2010A/B	2012A	Totals	Other Source	Energy Conser.	Total Gen. Fund	10% of $.01 Sales Tax*	Available Debt Ser
2015-17	2,110,340	917,956	6,570,669	2,004,003	460,544	3,084,650	15,148,162	1,102,614	507,367	13,538,181	73,565,700	60,027,519
2017-19	2,126,363	917,144	6,575,206	1,377,800	504,531	1,809,463	13,310,507	1,146,911	507,785	11,655,811	76,508,328	64,852,517
2019-21	1,865,172	928,088	6,574,469	0	490,888	1,797,750	11,656,367	1,140,293	507,625	10,008,449	79,568,661	69,560,212
2021-23	812,924	492,700	6,573,256	0	481,056	909,000	9,268,936	840,392	499,535	7,929,009	82,751,408	74,822,399
2023-25	0	0	3,285,650	0	465,981	0	3,751,631	499,317	245,604	3,006,710	86,061,464	83,054,754
2025-27	0	0	0	0	448,181	0	448,181	448,182	0	0	89,503,922	89,503,922
2027-29	0	0	0	0	425,469	0	425,469	425,468	0	0	93,084,079	93,084,079
2029-31	0	0	0	0	174,031	0	174,031	174,031	0	0	96,807,442	96,807,442
Totals	6,914,799	3,255,888	29,579,250	3,381,803	3,450,681	7,600,863	54,183,284	5,777,208	2,267,916	46,138,160		
	4.24%	3.24%	4.23%	4.13%	3.33%	1.41%						

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*The December 2014 forecast is used with a 4% increase each subsequent biennium.

House Bi[redacted]4

Industrial Commission Agencies 20[redacted]-2015 Biennium Spending

	Line Item	Total Appropriation	Biennium-to-Date Expenditures December 31, 2014	To-Date Unexpended	Anticipated Turnback
Bank of North Dakota					
	Operating	$51,523,916	$34,284,297	$17,239,619	$0
	Accrued Leave Payments	$881,231	$126,312	$754,919	$0
	Cap. Assets	$745,000	$439,277	$305,723	$0
Bank of North Dakota Fund		$53,150,147	$34,849,886	$18,300,261	$0
Mill and Elevator					
	Salaries & Wages	$29,141,750	$19,868,535	$9,273,215	$0
	Accrued Leave Payments	$575,807	$33,477	$542,330	$0
	Operating Expenses	$21,796,000	$13,664,659	$8,131,341	$0
	Contingencies	$400,000	$0	$400,000	$0
	Agriculture Promotion	$210,000	$55,099	$154,901	$0
Mill and Elevator Fund		$52,123,557	$33,621,770	$18,501,787	$0
Housing Finance Agency					
	Salaries & Wages	$7,434,877	$4,746,052	$2,688,825	$0
	Accrued Leave Payments	$147,806	$8,189	$139,617	$0
	Operating Expenses	$3,791,758	$2,450,946	$1,340,812	$0
	Grants	$29,533,050	$21,808,695	$7,724,355	$0
	Contingencies	$100,000	$0	$100,000	$0
Housing Finance Agency Funds		$41,007,491	$29,013,882	$11,993,609	$0
Department of Mineral Resources					
	Salaries & Wages	$17,177,006	$11,629,640	$5,547,366	$0
	Accrued Leave Payments	$329,963	$23,688	$306,275	$0
	Operating Expenses	$5,675,532	$3,144,465	$1,531,067	$1,000,000
	Capital Assets	$5,800	0	$5,800	$0
Dept. of Mineral Resources General Fund		$22,894,125	$14,678,131	$7,215,994	$1,000,000
Dept. of Mineral Resources Special Funds		$294,176	$119,662	$174,514	$0
		$23,188,301	$14,797,793	$7,390,508	$1,000,000

Pu[redacted]Finance Authority					
	Salaries & Wages	[redacted]$472,985	$309,076	$163,909	$0
	Accrued Leave Payments	$8,345	$0	$8,345	$0
	Operating Expenses	$225,600	$69,305	$156,295	$0
Public Finance Authority Special Funds		$706,930	$378,381	$328,549	$0
Industrial Commission Administration					
	Salaries & Wages	$517,734	$290,625	$227,109	$0
	Accrued Leave Payments	$9,388	$0	$9,388	$0
	Operating Expenses	$135,595	$113,115	$22,480	$0
	Grants	$19,500,000	$4,589,032	$14,910,968	$0
	Grants-Bond Payments	$19,809,969	$18,831,237	$978,732	$0
Industrial Commission Adm. Special Funds		$39,972,686	$23,824,009	$16,148,677	$0

State Bonding

General Obligation Bonds

General obligation bonds are secured by the full faith and credit and the general taxing power of the state.

Article X, Section 13 of the North Dakota Constitution provides for the issuance of general obligation bonds of the State as follows:

- The State may not incur general obligation debt unless evidenced by a bond issue authorized by law for clearly defined purposes.
- Every law authorizing a general obligation bond issue must:
  - Provide for a levying of an annual tax, or make some other provision, sufficient to pay the interest semiannually and the principal within 30 years from the date of issuance.
  - Specifically appropriate the proceeds of the tax levy, or such other provision, to the repayment of the principal of and interest on the bonds.
- The appropriation referred to above may not be repealed, or the tax or other provision discontinued, until both the principal of and interest on the bonds have been paid.
- General obligations bonds in excess of $2,000,000 must be secured by a first mortgage upon either of the following:
  A. A first mortgage on real estate for no more than 65% of the value of the real estate.
  B. A first mortgage on real or personal property of State-owned utilities, enterprises or industries for no more than the value of the utilities, enterprises or industries. The State may not issue or guarantee bonds secured by property of State-owned utilities, enterprises or industries in excess of $10,000,000.
- The State may not issue debt in excess of the limit set out in this section except for one of the following purposes:
  A. Repelling invasion.
  B. Suppressing insurrection.
  C. Defending the State in time of war.
  D. Providing for the public defense in case of threatened hostilities.

Currently, there are no outstanding General Obligation Bonds of the State.

Appropriation Bonds

Appropriation bonds do not carry a moral obligation as defined below nor are they general obligations of the state; they are payable solely from biennial appropriations of a specific source or from pooled revenues from various sources. For example, the Water Commission was given authority to issue bonds for water development projects with the primary source of payment being appropriations from the Water Development Trust Fund. N.D.C.C. §61-02.1--04 [The Water Development Trust Fund has as its source of funding the monies received from the Tobacco Settlement Trust Fund. If there are insufficient funds available in the Water Development Trust Fund from tobacco settlement payments, then funds are to be drawn from a) the Resources Trust Fund, b) other available current revenues, c) other revenues of the Water Commission and d) certain biennial earnings of the Bank of North Dakota.]

The North Dakota Building Authority issues revenue bonds which are a form of appropriation bonds. The Authority looks to a financing agreement (either a loan agreement or a lease agreement which provide for a financing payment every six months) entered into between the Authority and the State Agency to repay the outstanding bonds. The financing agreements are structured for successive two-year terms. In the case of the Building Authority the majority of the financing payments from the State Agency come from the General Fund that is appropriated each biennium by the Legislature,

(although some payments originate from federal or other funds available to a State Agency). These bonds are sold with the understanding that the lease rentals or loan payments are repayable (primarily) from biennial appropriations and that the Legislature is not required to appropriate funds for the financing payments in future biennia.

Moral Obligation Bonds

A moral obligation pledge will generally require that the state agency issuing the bonds must notify the Governor or other executive branch office by a certain date in the fiscal year that a bond reserve fund deficiency exists or is expected to occur. The Governor or other executive officer is then required to submit in the executive budget a request for an appropriation that will be sufficient to restore or cover the reserve fund deficiency. The State Legislature then has a moral (but not legal) obligation to provide the requested appropriation to replenish the reserve fund.

For example, bonds issued by the Public Finance Authority (previously known as the Municipal Bond Bank) may be issued as moral obligation bonds. (However, the Public Finance Authority's State Revolving Fund bond issues sold in 2011 and 2012 without the need for the moral obligation pledge and only the 2012 taxable bonds required reserves. The State Revolving Fund program is rated on its own at Aaa by Moody's.) Subsection 1 of NDCC §6-09.4-10 generally requires the Public Finance Authority to establish and maintain a reserve fund equal to the maximum annual debt service on all outstanding Public Finance Authority bonds. (Rating agencies sometimes require a two-year annual debt service reserve since North Dakota operates on a biennial basis.) Subsection 4 of NDCC §6-09.4-10 provides that if the Public Finance Authority issues moral obligation bonds the legislative assembly is morally (but not legally) obligated to appropriate and pay to the Public Finance Authority for deposit in its reserve fund such sum as is certified to the Legislature by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve.

Revenue Bonds

Revenue bonds are not general obligations of the State; they are payable solely from revenues from a specific source or from pooled revenues from various sources. There are different sources for repaying revenue bonds. State issued revenue bonds are as follows:

Mortgage Revenue Bonds

The North Dakota Housing Finance Agency issues mortgage revenue bonds. The proceeds from these bonds are used to buy certain first-time home loans from lenders and the repayment of these loans provides funds for the primary debt service on the bonds. HFA bonds are not debt of the State, but are full faith and credit obligations of the HFA (to the extent of legally available funds).

Other Revenue Bonds

- There are several other types of revenue bonds issued by the state. First, the Industrial Commission has issued student loan revenue bonds (which are similar to mortgage revenue bonds). The proceeds from the student loan revenue bonds are used to purchase student loans primarily from the Bank of North Dakota. The payments made by students on the loans (the revenues) are then utilized to repay the bonds.
- The University System has issued several different types of revenue bonds. Parking lots are often financed by revenue bonds with the parking fees (revenues) used to repay the debt. The same applies for student housing, student unions and technology bonds.
- The Water Commission has issued revenue bonds for part of the Southwest Pipeline Project and for a small portion of the NAWS Project. The main source of repayment is water user fees.

- The Department of Transportation issued one issue of revenue bonds in 2005. The proceeds from the Transportation bonds were used for specified transportation projects. The repayment sources for these bonds are anticipated Federal highway grant and revenue funds and the appropriated State's Highway Fund revenues.
- Both the Transmission Authority and the Pipeline Authority have been given authority to issue revenue bonds. As of January 1, 2015 neither Authority has issued any bonds. During the 2009 Legislative Session a bill was passed to allow up to $240 million of Transmission Authority bonds to be backed by the State's moral obligation.

Payment Sources

Each type of issue reflects a different source of repayment should there be a default. The only bonds that require that a tax be levied to pay for debt service are the general obligation bonds. The State has no general obligation bonds outstanding at this time.

All the other bonds must clearly state in the legal documents and official statements that the bonds are not a general obligation of the State of North Dakota and the bondholder can only rely on the revenue or other sources that are pledged. Typically an official statement for the bond issue will include a paragraph that states something similar to the following:

> "The Bonds do not constitute debt of the State or any agency or political subdivision thereof, neither the faith or credit nor the taxing powers of the State or political subdivision thereof are pledged to the payment of the principal or interest on the bonds."

Bonding Authority

Attached is a chart which shows what entities have authority to issue bonds, the security and repayment sources for each type of bonds, any limitations, amounts outstanding and the statutory reference.

Karlene Fine
328-3722

01/29/15

Issuer	Type of Bond	Security Source*	Source of Repayment	Various Limitations**	Amount Outstanding	Statutory Reference
Ind. Commission/ Agricultural Bonds	Revenue Bonds	Agricultural loans	Loan Repayments	***	$0	4-36
North Dakota Building Authority	Lease Revenue/ Appropriation Bonds	Deed/lease held on the facilities either constructed or rehabilitated; and more recently, funds derived from biennial appropriations provided under agreement.	Biennial appropriations (including General Fund, Local Match Funds, Federal Funds & Fee income)	**General Fund** appropriation cannot exceed 10% of 1% of the sales use, motor vehicle tax ****	$50,425,000 (as of 12-31-14)	54-17.2
State Fair Association	Revenue Bonds	Revenues and earnings	Revenues	***	$0	4-02.1
Housing Finance Agency	Mortgage Revenue Bonds	Revenues from Mortgages held on homes and multi-family facilities	Mortgage loan repayments and reserve/ investment income	***	$553,110,000 (as of 12-31-14)	54-17
Industrial Commission/ Lignite Research Program	Revenue Bonds	Lignite tax revenues	Biennial appropriations from the Lignite Research Fund	No limitations except to the extent of funds available in the Lignite Research Fund for debt service payments	$0	54-17.5
Pipeline Authority	Revenue Bonds	Revenues and earnings/Lease Agreements	Revenues	$800,000,000	$0	54-17.7
Public Finance Authority	Moral Obligation Revenue Bonds	Political Subdivision bonds; and for certain bonds, the moral obligation pledge of the state	Loan repayments from political subdivisions	Capital Financing Program ***; Industrial Development Revenue Bonds (small manufacturers) limitation of $2 million per project;. SRF Program ***	$284,155,000 (as of 12-31-14)	6-09.4
Governor & Treasurer – Real Estate Bonds	General Obligation	Real Estate mortgages & a commitment to levy a statewide mill levy	Payments from Real Estate Loans and Statewide Mill levy	$150,000,000/65% of the value of real estate mortgages	$0	54-30
Industrial Commission/ Student Loan Program	Revenue Bonds Residual Bonds	Student Loans guaranteed by Guarantee Agency and Federal Government	Student Loan payments	***	$1,000,000 (as of 6-30-14)	54-17
Transmission Authority	Moral Obligation Revenue Bonds	Revenues and earnings / Lease agreements	Revenues	$800,000,000 (Moral obligation is limited to $240 million of the $800 million)	$0	17-05

Department of Transportation	Grant Anticipation Revenue Bonds	Anticipated Federal Highway Grant & Revenue Funds & appropriated State Highway Fund Revenue	Anticipated Federal Highway Grants & Revenue Funds & appropriated State Highway Fund revenue	Limited to financing for two specific projects	$27,025,000 (as of 12-31-14)	24-02-40.1
University System	Revenue Bonds	Revenues from the fees	Parking Fees, Housing Fees, Student Fees	Each project must be approved by the Legislature. No overall limitation	$246.568,500 (as of 6-30-14)	15-55
Water Commission	Revenue Bonds Appropriation Bonds	Revenues and earnings	Collection of User Fees; Water Development Trust Fund appropriation	Statutory limitation of an aggregate of $2 million unless Legislature authorizes a higher amount for a specific project (SW pipeline has a limitation of $25,000,000; Red River Valley Water Supply project has a limitation of $40,000,000; Northwest Area Water Supply project does not have such a limitation.)	$58,220,000 (as of 6-30-14) These bonds are scheduled to be defeased prior to 6-30-15.	61-24.3, 61-24.6, 61-02, 61-02.1

*Security Sources also include reserve funds and other invested funds and accounts that are provided for in each bond issue. Generally these reserve funds represent up to one year's debt service or 10% of the bond issue. The Public Finance Authority's CFP bonds have a two years maximum annual debt service requirement. Balances in the reserve funds are generally used to make the final debt service payment.

**The Federal Government has established an overall volume cap for Private Activity Bonds that is $301,515,000 for calendar year 2015. The Student Loan Revenue Bonds and the Housing Finance Agency Revenue Bonds fall within the Private Activity Bond Volume Cap.

***The issuance of bonds is subject to adherence to bond document requirements and satisfactory program cash flows.

****North Dakota Building Authority Bonds issued for Energy Conservation Projects, by law, are not under the 10% of 1% sales tax limitation. ***Revised 01/29/15***

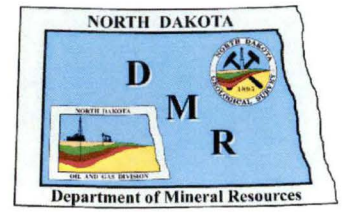
Senate Appropriations Committee

HB-1014

March 16, 2015

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission

HB 1014
3-16-15
#2



EXPLANATION OF PROGRAM COSTS

The DMR budget is 99% general funds and <1% federal funds. Budget costs are primarily salary and benefits (69%). The federal funds are expected to decrease slightly over the current biennium.

The operating budget consists primarily of Lease/Rent/Facilities costs (13-14%) for the Bismarck office, warehouse, and three field offices. Other items of significant costs include travel (32%), primarily for fieldwork, and IT costs (8%) including Data Processing, Telephone, and Contractual Services.

SALARIES AND BENEFITS

During the 2013-2015 biennium we experienced a significant increase in workload due to a record setting rig count and oil production. This increased workload resulted in a drilling permit back log of approximately 650 permits and an order back log of approximately 1000 administrative orders. Current staffing levels are adequate to keep up with about 17,000 wells. We anticipate exceeding the well number by the end of the current biennium. Even with the additional staffing being requested in this budget, some seasonal temporary staffing will be crucial to meeting our mission both in the field and in the central office and flexibility is needed so that the personnel can be assigned to meet the most critical need. Increased interest in surface geology as it relates to infrastructure needs and geologic hazard potential impacts on infrastructure and other minerals found in North Dakota is also resulting in an increased workload with the Geological Survey staff. The Department also continues to face difficulties in hiring experienced oil and gas and geological staff, therefore housing allowances and market salaries may be needed to find qualified personnel.

The executive budget recommendation funds 100% of the requested increase.

OPERATING

Travel

DOT motor pool rates have decreased from the 2013-2015 biennium although total mileage driven has significantly risen, resulting in an increase in travel expenses of $120,449 for the Oil and Gas Division. Additional inflationary increases are hitting In-State Lodging. To offset the necessary reductions, the number of field inspections will have to be reduced at a time when industry has a large number of inexperienced personnel who need guidance and supervision. This may result in inadequate protection of potable waters and correlative rights.

Lease/Rent Bldg/Land

Geological Survey rent is increasing $11,400 in our Bismarck office building, and Oil and Gas Division rent is increasing $396,277 in our Bismarck ($25,027 DMR E. + $190,776 DMR W. = $215,803), Dickinson ($59,920), Minot ($19,018), and Williston ($100,976) office buildings. The field offices currently provide a location for efficient synchronization of inspector data to our main database, contact between the general public and local Oil and Gas Division employees, and for inspectors to complete written correspondence.

The executive budget recommendation funds 100% of the requested increase.

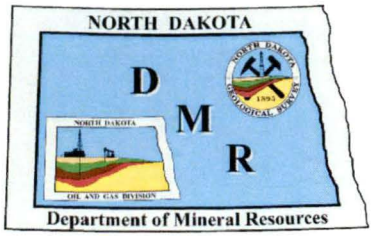
2011 – 2013 Financial Audit Findings

Recommendation: We recommend the Industrial Commission perform an annual physical inventory of fixed assets in accordance with NDCC section 44-04-07.

Industrial Commission Response:

The Industrial Commission agrees with the finding and recommendation. At the time, the Industrial Commission did not have enough personnel assigned to the physical inventory to complete the inventory according to State requirements. The inventory process was initiated, but our ability to affect a timely inventory process was hindered by personnel turnover coupled with the growth of the Department and the rapidly expanding oil and gas industry in the state. For example, during this time period, we relocated our Dickinson District field office and also expanded the DMR Bismarck offices. With these required office expansions and personnel resource turnover, the inventory took longer than normal to complete. The 2013 inventory was completed, although well after the deadline for completion. A full reconciliation of fixed assets was achieved once the inventory was completed. In order to meet this requirement in the future the Industrial Commission will be requesting an Accounting /Budget Specialist (25% time allocation) to assist with the physical inventory and reconciliation process.

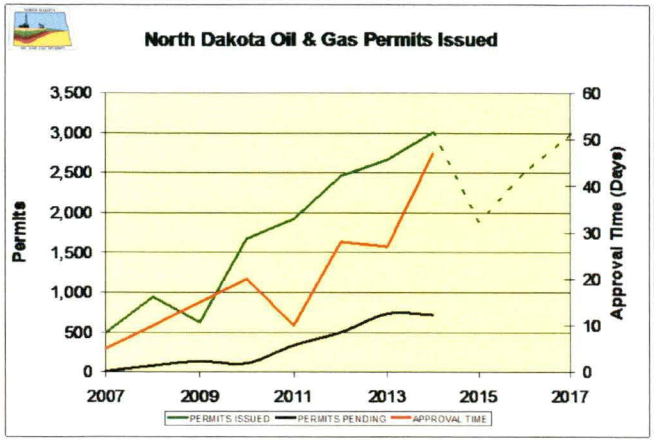
Oil and Gas Division

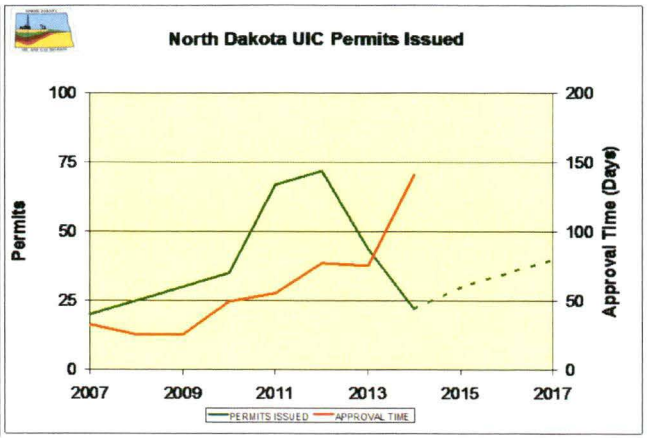


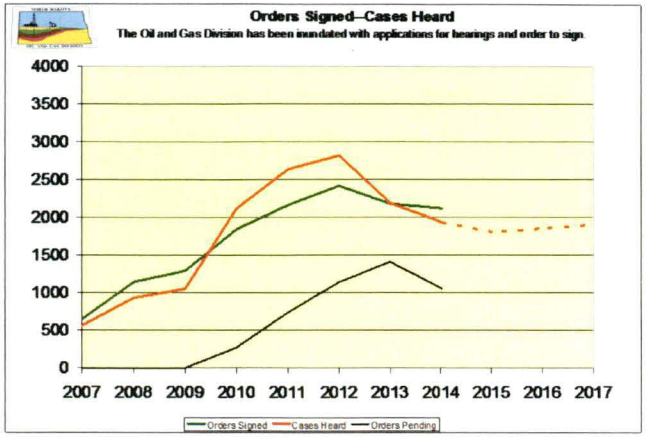
Oil and Gas Exploration and Production (NDCC 38-08-01)
It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

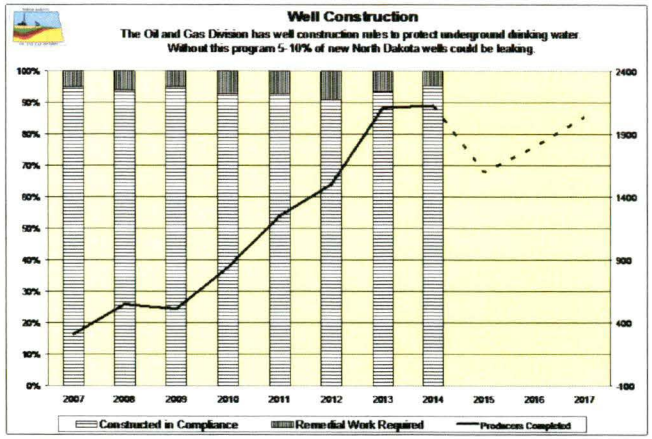
Geophysical Exploration (NDCC 38-08.1-02)
Notwithstanding any other provision of this chapter, the commission is the primary enforcement agency governing geophysical exploration in this state. Any person in this state engaged in geophysical exploration or engaged as a subcontractor of a person engaged in geophysical exploration shall comply with this chapter; provided, however, that compliance with this chapter by a crew or its employer constitutes compliance herewith by that person who has engaged the service of the crew, or its employer, as an independent contractor.

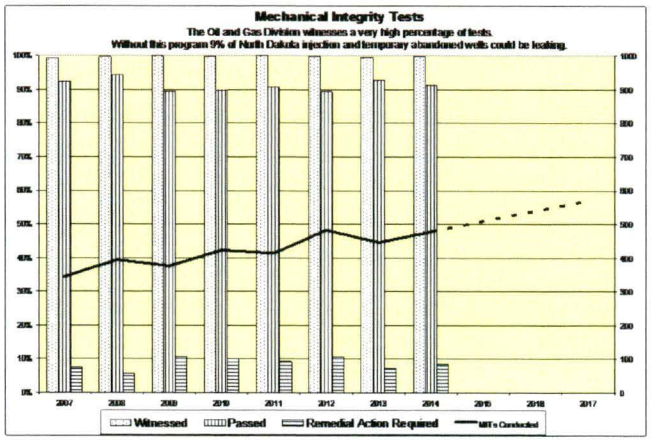
Carbon Dioxide Geological Storage (NDCC 38-22-01)
It is in the public interest to promote the geologic storage of carbon dioxide. Doing so will benefit the state and the global environment by reducing greenhouse gas emissions. Doing so will help ensure the viability of the state's coal and power industries, to the economic benefit of North Dakota and its citizens. Further, geologic storage of carbon dioxide, a potentially valuable commodity, may allow for its ready availability if needed for commercial, industrial, or other uses, including enhanced recovery of oil, gas, and other minerals. Geologic storage, however, to be practical and effective requires cooperative use of surface and subsurface property interests and the collaboration of property owners. Obtaining consent from all owners may not be feasible, requiring procedures that promote, in a manner fair to all interests, cooperative management, thereby ensuring the maximum use of natural resources.

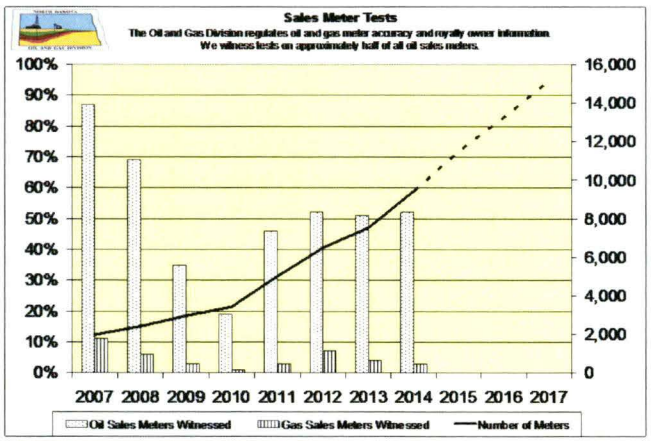

North Dakota Oil & Gas Permits Issued
Permits
Approval Time (Days)
3,500
3,000
2,500
2,000
1,500
1,000
500
0
60
50
40
30
20
10
0
2007
2009
2011
2013
2015
2017
PERMITS ISSUED
PERMITS PENDING
APPROVAL TIME


North Dakota UIC Permits Issued
Permits
Approval Time (Days)
100
75
50
25
0
200
150
100
50
0
2007
2009
2011
2013
2015
2017
PERMITS ISSUED
APPROVAL TIME


Orders Signed--Cases Heard
The Oil and Gas Division has been inundated with applications for hearings and order to sign
4000
3500
3000
2500
2000
1500
1000
500
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Orders Signed
Cases Heard
Orders Pending


Well Construction
The Oil and Gas Division has well construction rules to protect underground drinking water.
Without this program 5-10% of new North Dakota wells could be leaking.
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2400
1900
1400
900
400
-100
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Constructed in Compliance
Remedial Work Required
Producers Completed


Mechanical Integrity Tests
The Oil and Gas Division witnesses a very high percentage of tests.
Without this program 9% of North Dakota injection and temporary abandoned wells could be leaking.
Witnessed
Passed
Remedial Action Required
MIT's Conducted

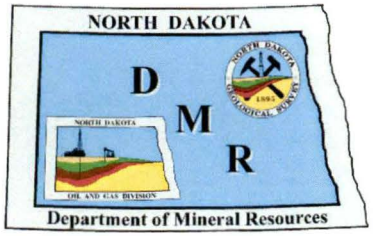

Sales Meter Tests
The Oil and Gas Division regulates oil and gas meter accuracy and royalty owner information.
We witness tests on approximately half of all oil sales meters.
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Oil Sales Meters Witnessed
Gas Sales Meters Witnessed
Number of Meters

Vern Whitten Photography

Vern Whitten Photography

3/16/2015

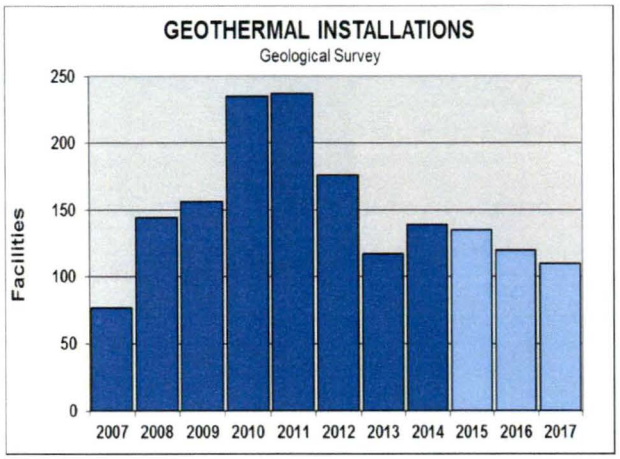
Geological Survey Division

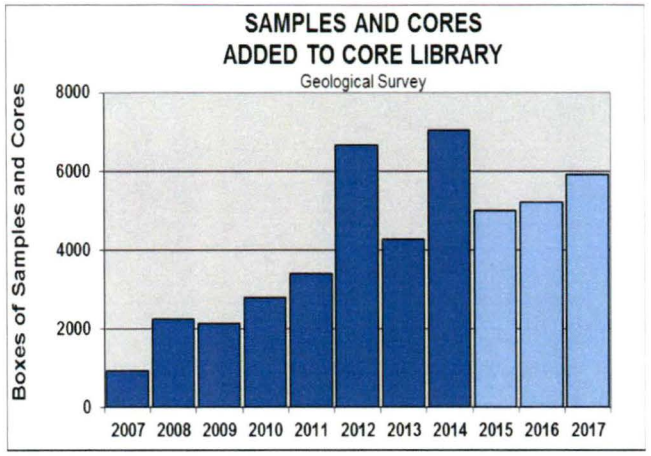


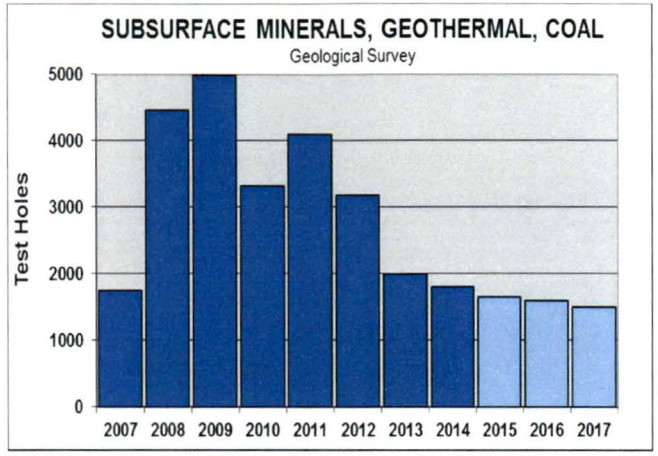
The North Dakota Geological Survey was created by an act of the North Dakota Legislature in 1895. After more than 115 years, the Survey still serves as the primary source of geological information in the state. Its mission over the years has grown and is now three-fold: to investigate the geology of North Dakota; to administer regulatory programs and act in an advisory capacity to other state agencies; and to provide public service to the people of North Dakota.

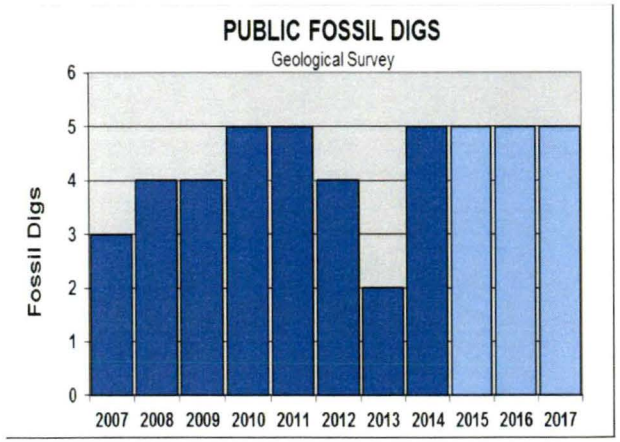
The Geological Survey publishes maps and reports on the mineralogical, paleontological, and geochemical resources of North Dakota, including oil and gas, coal, uranium, clay, sand and gravel, volcanic ash, potash and other salts, etc. In addition to the mapping of subsurface resources, the Survey is actively mapping the surface geology throughout the state with an emphasis on urban areas and the identification of geohazards such as landslides. Survey publications support the regulatory programs of the Industrial Commission, as well as other state and federal agencies, and assist mineral companies, geotechnical consulting firms, city and county governments, landowners, and citizens of the state. The North Dakota Geological Survey regulates coal exploration, subsurface mineral exploration and development (this includes all elements, minerals, and compounds other than oil and gas, sand and gravel, and coal), geothermal facilities (both commercial and residential), the Class III Underground Injection Control Program, and paleontological resources on state-owned lands.

The Geological Survey and the Oil and Gas Division are in the Department of Mineral Resources and under the North Dakota Industrial Commission. The main office of the Department of Mineral Resources is located at 1016 East Calgary Avenue in Bismarck. The paleontology program of the Geological Survey is housed in the Clarence Johnsrud Paleontology Laboratory in the North Dakota Heritage Center (state museum) on the State Capitol grounds in Bismarck. The North Dakota State Fossil Collection, as well as the State Rock and Mineral Collection, are also housed in the Heritage Center. The North Dakota Geological Survey's Wilson M. Laird Core and Sample Library is located on the University of North Dakota campus in Grand Forks. The facility currently houses 400,000 feet of core and 35,000 boxes of drill cuttings obtained from oil and gas wells.


GEOTHERMAL INSTALLATIONS
Geological Survey
Facilities
250
200
150
100
50
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017


SAMPLES AND CORES
ADDED TO CORE LIBRARY
Geological Survey
Boxes of Samples and Cores
8000
6000
4000
2000
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017


SUBSURFACE MINERALS, GEOTHERMAL, COAL
Geological Survey
Test Holes
5000
4000
3000
2000
1000
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017


PUBLIC FOSSIL DIGS
Geological Survey
Fossil Digs
6
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3
2
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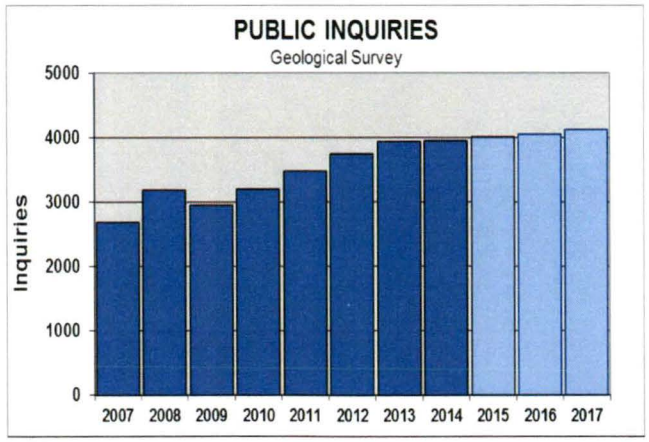
PUBLIC INQUIRIES
Geological Survey
Inquiries
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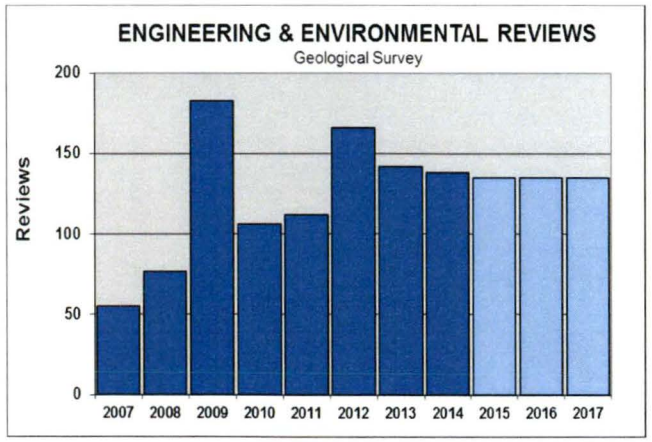
3000
2000
1000
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017


ENGINEERING & ENVIRONMENTAL REVIEWS
Geological Survey
Reviews
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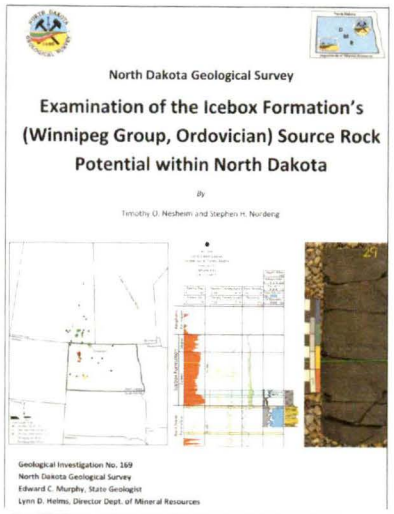
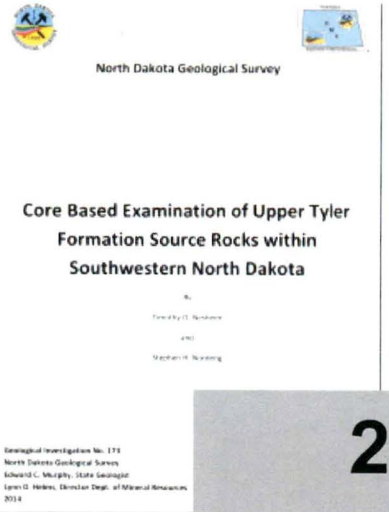
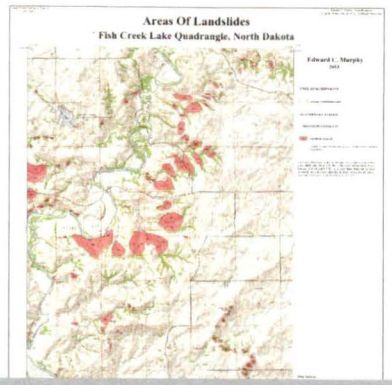
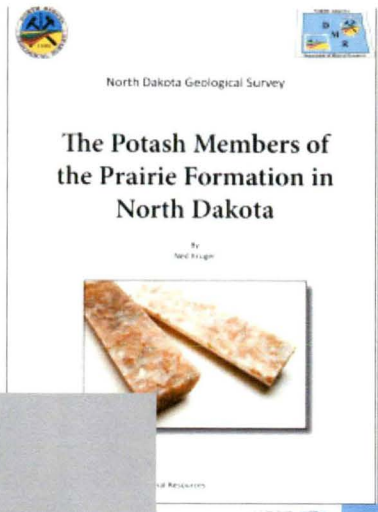
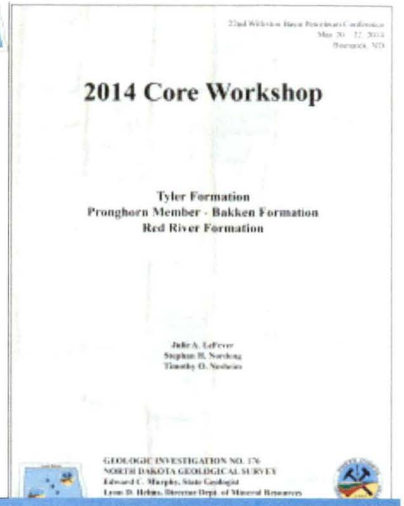
150
100
50
0
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017







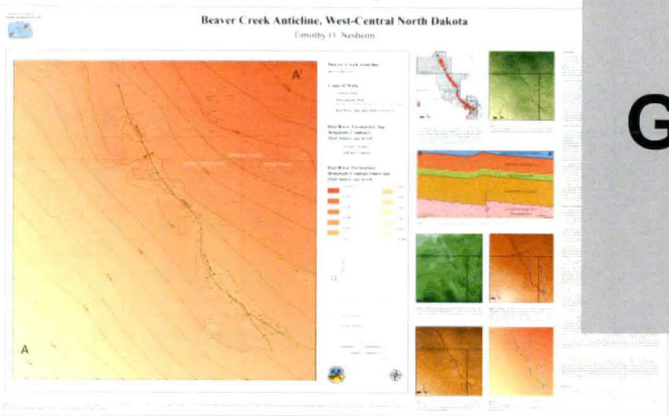


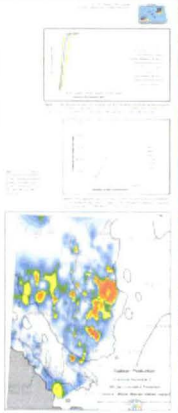


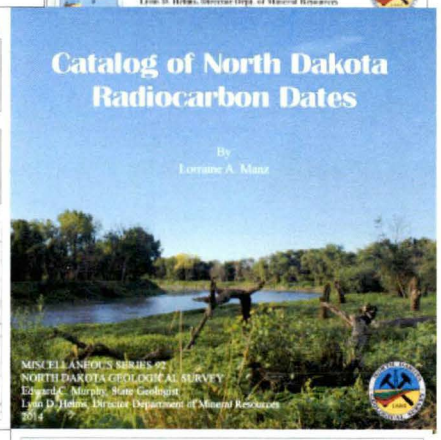
2013 -- 2015 Biennium Geological Survey

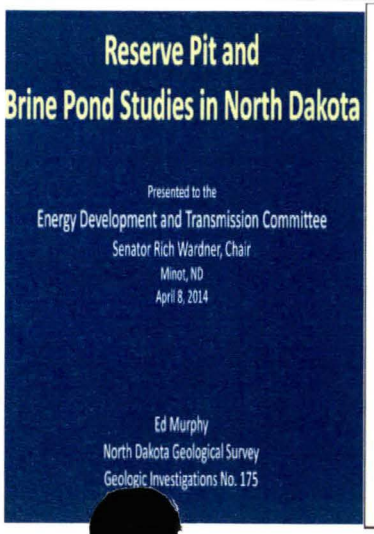
45 Publications

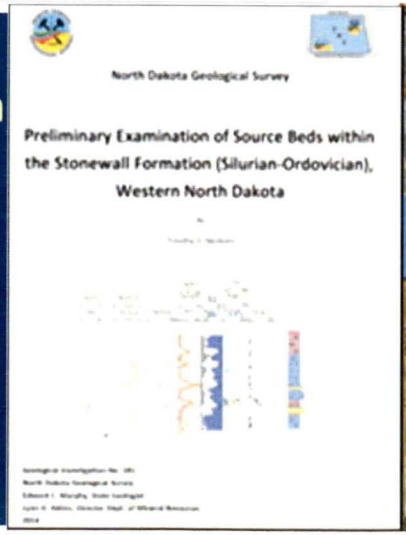
82 Presentations

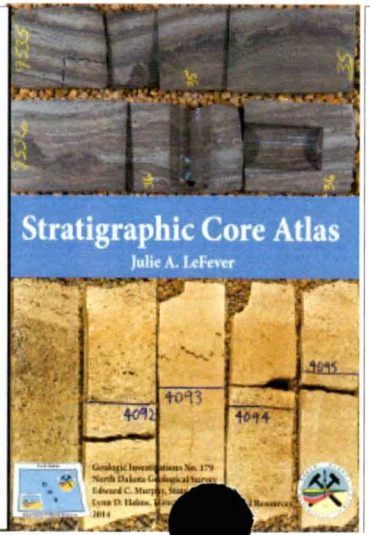


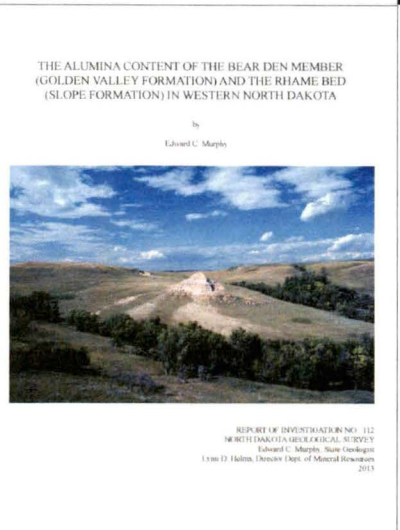


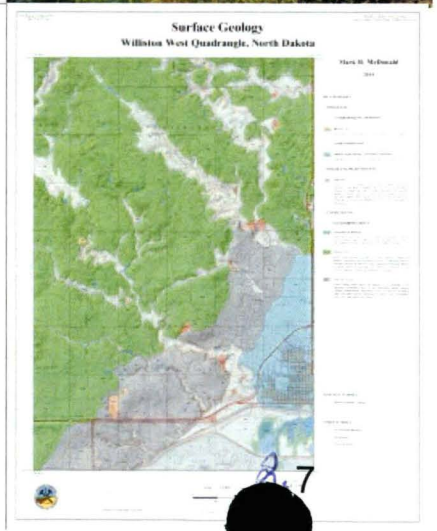






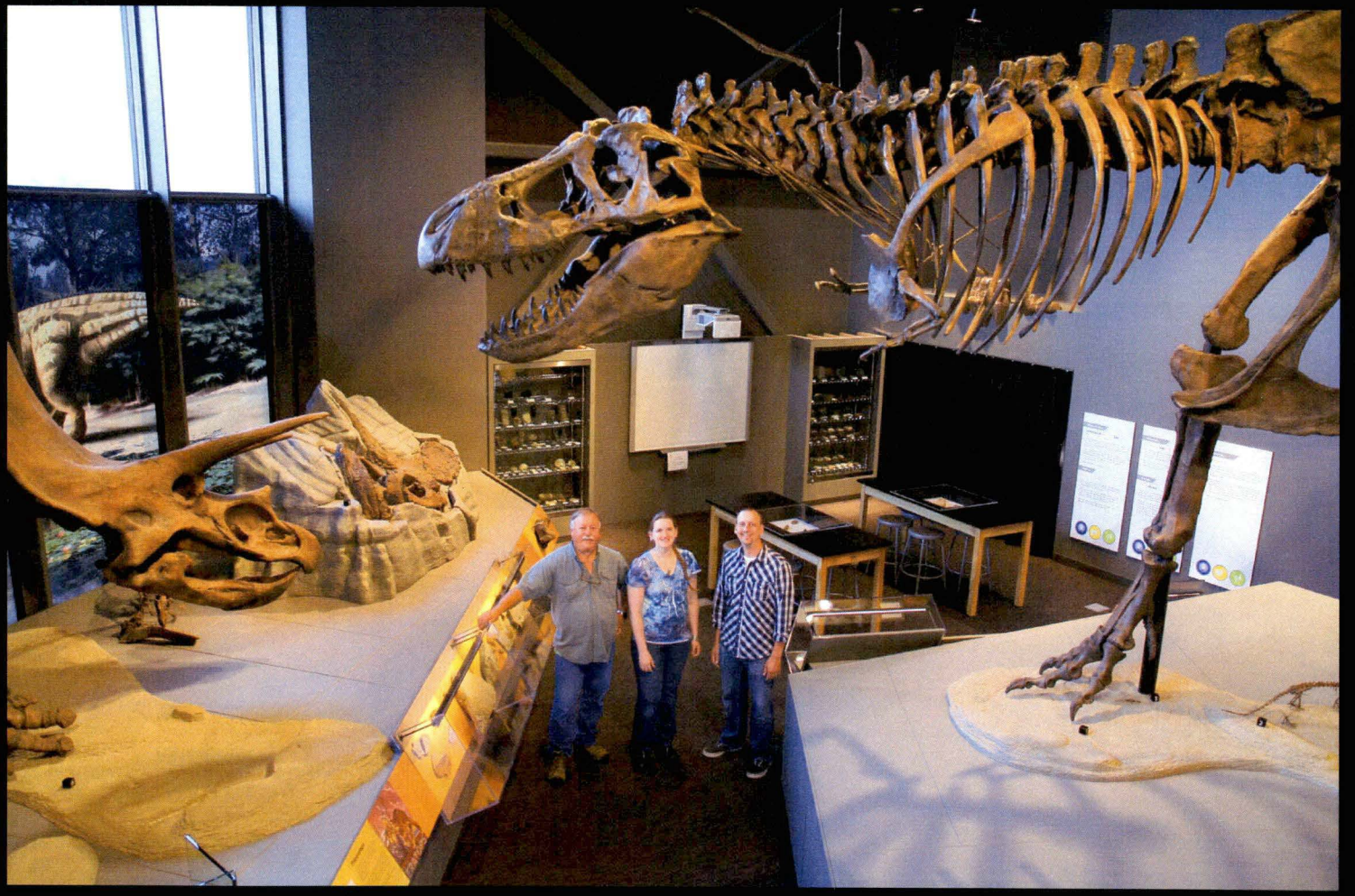






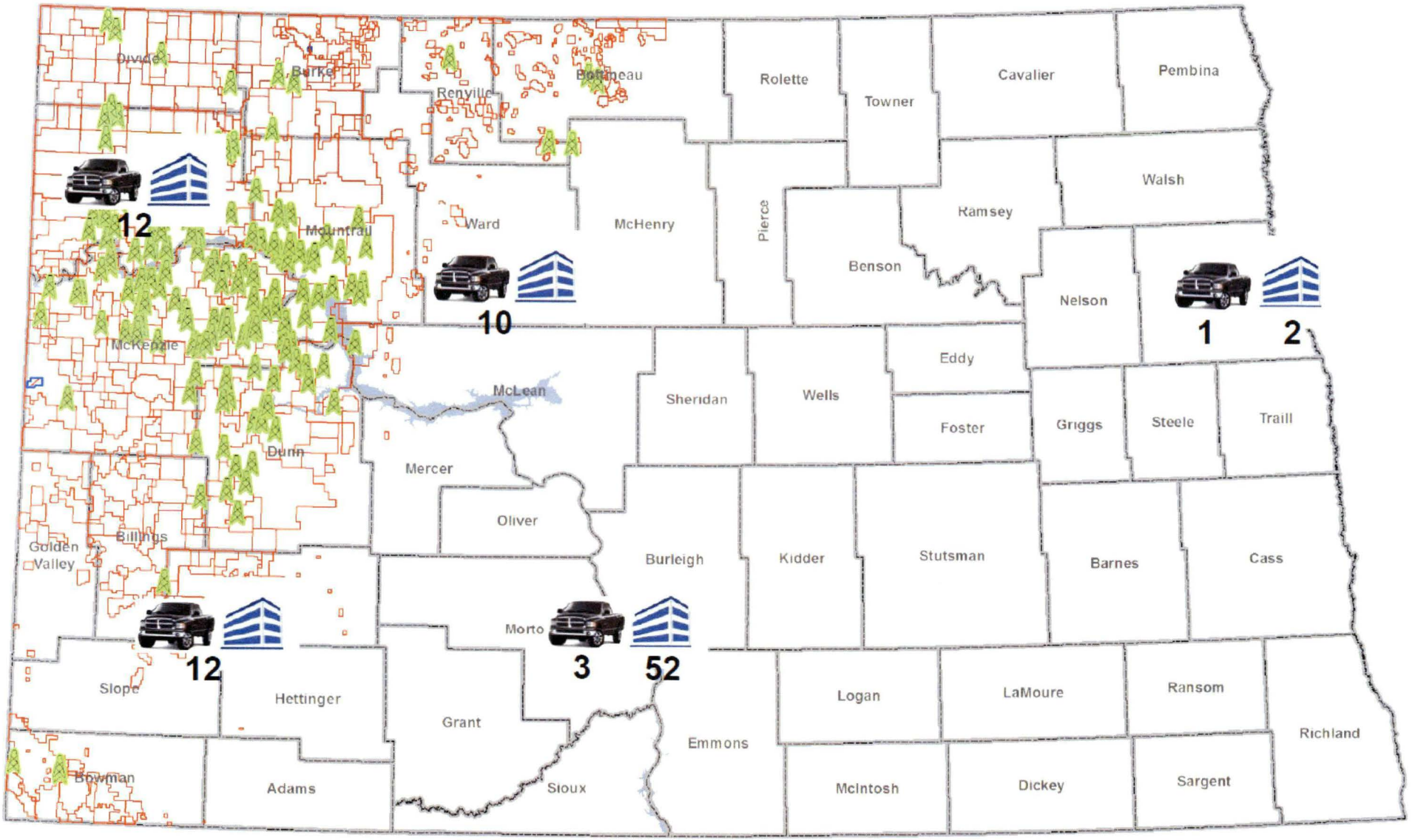
GEOLOGIC TIME GALLERY

April 28, 2014 Public Opening



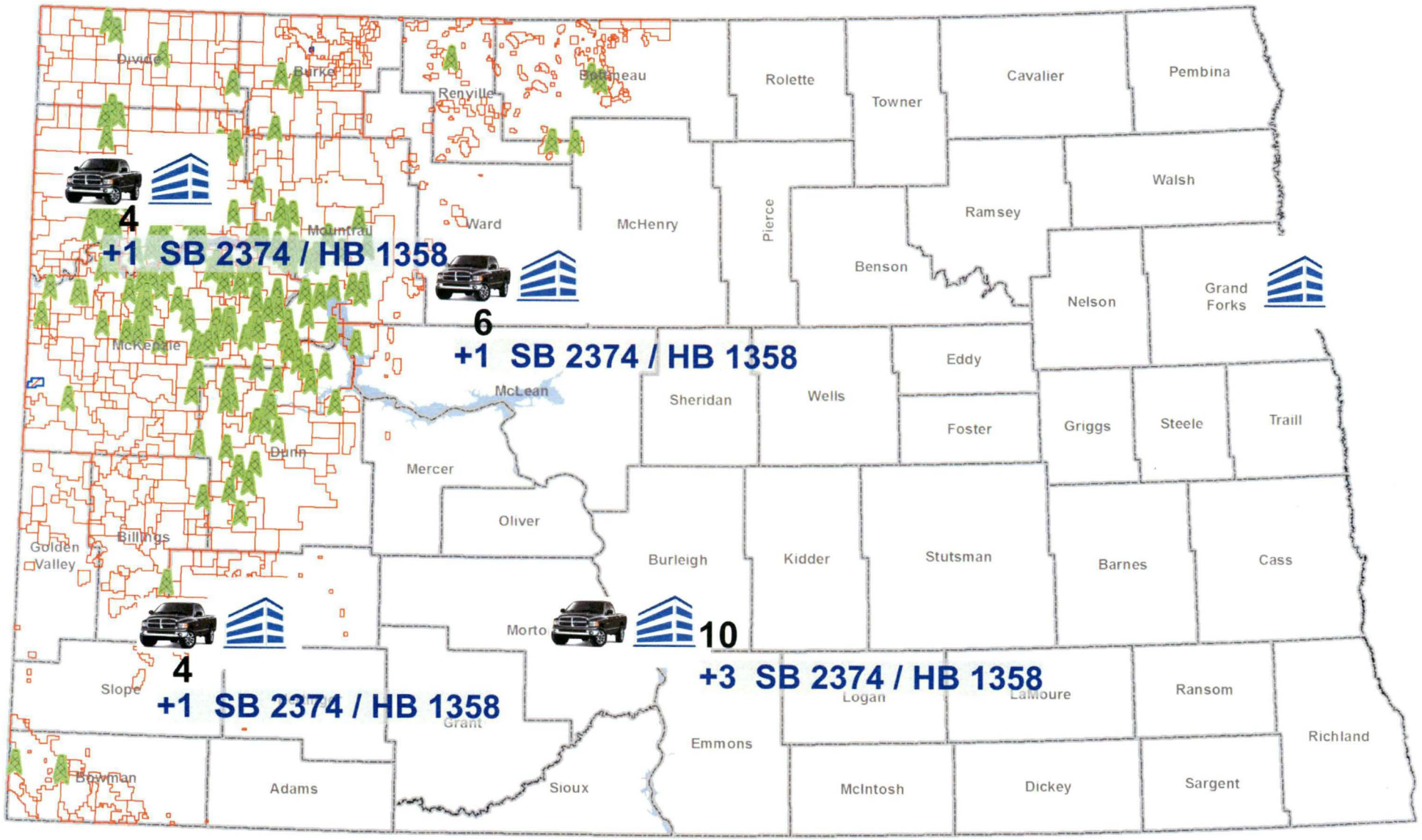
2.8

2013 - 2015



3/16/2015

2015 – 2017 FTE Request



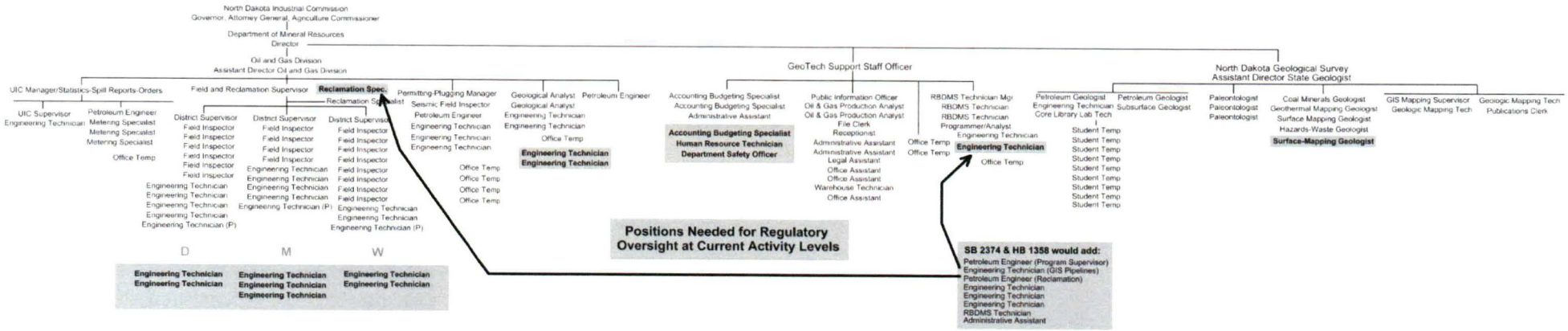
3/16/2015

2013 - 2015

North Dakota Industrial Commission
Governor, Attorney General, Agriculture Commissioner
Department of Mineral Resources
Director
Oil and Gas Division
Assistant Director Oil and Gas Division
UIC Manager/Statistics-Spill Reports-Orders
UIC Supervisor
Engineering Technician
Petroleum Engineer
Metering Specialist
Metering Specialist
Metering Specialist
Office Temp
Field and Reclamation Supervisor
Reclamation Specialist
District Supervisor
Field Inspector
Field Inspector
Field Inspector
Field Inspector
Field Inspector
Field Inspector
Engineering Technician
Engineering Technician
Engineering Technician
Engineering Technician
Engineering Technician (P)
District Supervisor
Field Inspector
Field Inspector
Field Inspector
Field Inspector
Field Inspector
Engineering Technician
Engineering Technician
Engineering Technician
Engineering Technician (P)
District Supervisor
Field Inspector
Field Inspector
Field Inspector
Field Inspector
Field Inspector
Field Inspector
Engineering Technician
Engineering Technician
Engineering Technician (P)
Permitting-Plugging Manager
Seismic Field Inspector
Petroleum Engineer
Engineering Technician
Engineering Technician
Engineering Technician
Office Temp
Office Temp
Office Temp
Office Temp
Office Temp
Office Temp
Geological Analyst
Geological Analyst
Engineering Technician
Engineering Technician
Office Temp
Petroleum Engineer
GeoTech Support Staff Officer
Accounting Budgeting Specialist
Accounting Budgeting Specialist
Administrative Assistant
Public Information Officer
Oil & Gas Production Analyst
Oil & Gas Production Analyst
File Clerk
Receptionist
Administrative Assistant
Administrative Assistant
Legal Assistant
Office Assistant
Office Assistant
Warehouse Technician
RBDMS Technician Mgr
RBDMS Technician
RBDMS Technician
Programmer/Analyst
Engineering Technician
Office Temp
Office Temp
Office Temp
Office Temp
Office Temp
Office Temp
North Dakota Geological Survey
Assistant Director State Geologist
Petroleum Geologist
Engineering Technician
Core Library Lab Tech
Student Temp
Student Temp
Student Temp
Student Temp
Student Temp
Student Temp
Student Temp
Student Temp
Student Temp
Petroleum Geologist
Subsurface Geologist
Paleontologist
Paleontologist
Paleontologist
Coal Minerals Geologist
Geothermal Mapping Geologist
Surface Mapping Geologist
Hazards-Waste Geologist
GIS Mapping Supervisor
Geologic Mapping Tech
Geologic Mapping Tech
Publications Clerk
D
M
W

2015 - 2017

NORTH DAKOTA
D M R
Department of Mineral Resources



Engineering Technician (TP)	Engineering Technician	Field Inspector	Engineering Technician	Petroleum Engineer (Geology Analyst)	Contingency Positions Authorized when Average Price exceeds "Trigger Price"
					Surface-Mapping Geologist

Engineering Technician (C)	Engineering Technician (C)	Engineering Technician (C)	Contingency Positions Authorized when well count exceeds 20,000

3/16/2015

2.12

2013-2015 Appropriations Update

New 1-FTE engineering technician for OGD Bismarck office – for well log and directional survey inventory - **Implemented**
New 1-FTE engineering technician for OGD Bismarck office – for prepping O&G permits **- Implemented**
New 1-FTE engineering technician for OGD Bismarck office – for prepping UIC permits **- Implemented**
New 1-FTE engineering technician for OGD Bismarck office – for GIS/Database/IT **- Implemented**
New 3-FTE petroleum engineers for OGD field inspection-focusing on drilling rigs **- Implemented**
New 3-FTE engineering technicians OGD field inspection-in Dickinson, Minot, and Williston – **Implemented**
New 1-FTE petroleum engineer for OGD Bismarck office-supervise oil and gas production audit and measurement department **- Implemented**
New 1-FTE engineering technician for OGD Bismarck office-for oil and gas measurement – **Implemented**
New 1-FTE petroleum geology analyst for OGD Bismarck office-regulation of top of cement review plus core and sample submission **- Implemented**
New 1-FTE administrative assistant DMR-assist Accounting Budget Specialist with payroll **- Implemented**
New 1-Office assistant for OGD Bismarck-Production auditing and legal **- Implemented**
New 1-Office assistant for OGD Bismarck-general office filing and reception **- Implemented**
New 1-FTE surface geologist for Geological Survey Division Bismarck office **- Implemented**
New 1-FTE core library technician and geothermal facility inspector-GSD Grand Forks – **Implemented**
New 3-FTE ET's contingency triggered when well count exceeded 15,000-OGD field inspection – **Implemented**

2013-2015 Appropriations Update

Inflationary Increases **- Implemented**

Additional leased space for additional staff **– Implemented**

ONE TIME

Litigation (State vs. Federal Agencies) - $1,000,000 – turn back, no litigation.

Market salary funds (included in agency salaries and benefits) - $450,000 **- Implemented**

Housing Allowance - $400,000 **- Implemented via four 6-mo. OMB funding pool requests**

Architectural - $25,000 **– Implemented** (Page 15)

Analysis of oil bearing rocks - $80,000 **– Implemented** (Page 16)

Geothermal Temperature Profiles – $50,000 **– Implemented** (Page 17)

Wide Bed Plotter - $5,800 – **In Progress**

EXPANSION PLANS FOR THE WILSON M. LAIRD CORE AND SAMPLE LIBRARY (2013 – 2015)

Oil companies are required by law to archive cores and samples (small pieces of rock ground up by the drill bit) in the Wilson M. Laird Core and Sample Library located on the University of North Dakota Campus in Grand Forks. The core library was constructed in 1980 and is quickly filling to capacity due to record-setting drilling activity in North Dakota. Current estimates are that the core library will be completely filled in 2017. The core library warehouse (13,200 square feet) will need to be tripled in size in order to accommodate future cores and samples.

EAPC was chosen as the architectural firm to draw plans and estimate costs for a core library expansion. The expansion costs were included in the Governor's Executive Budget for the 2015-2017 biennium.

The Wilson M. Laird Core and Sample Library on the campus of the University of North Dakota. The core library houses over 75 miles of core (132,000 boxes of core) and 30,000 boxes of samples.

One of eight aisles in the Wilson M. Laird Core and Sample Library. Roughly 90% of the core in the core library have been reboxed in recent years resulting in a 30% space savings.

3/16/2015

2.15

DEPARTMENT OF MINERAL RESOURCES – GEOLOGICAL SURVEY
OIL-BEARING ROCK ANALYSIS PROJECT (2013-2015)

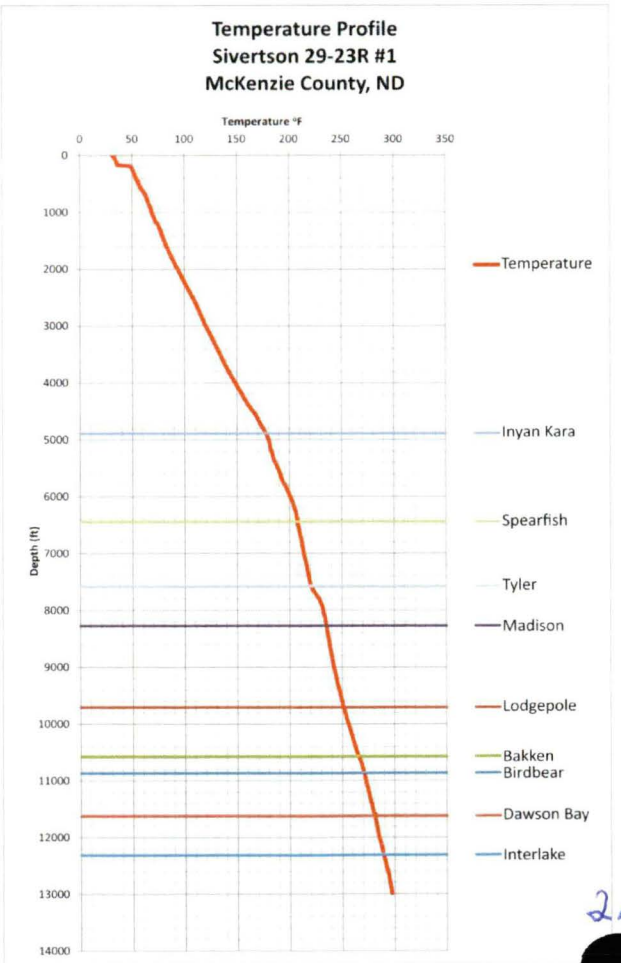
In the 2013-2015 biennium, the Geological Survey shifted emphasis from rocks above the Bakken to rocks below the Bakken and Three Forks Formations. This biennium, the Geological Survey has obtained 1,088 rock samples from core in the Icebox, Red River, Stonewall, Winnipegosis, Duperow, Birdbear, and Madison Formations for total organic carbon and RockEval analysis. So far, the results indicate several more potential source beds within these rocks than previously known. In some of these formations the oil-generating potential of the source beds is very localized and in other formations they appear to have consistent oil-generating potential over larger areas. We are continuing to sample these rocks to enable us to identify regional patterns.

Thirty-six feet of Red River core (10,149 – 10,187 feet) from the Urlacher State Unit #1 in Hettinger County. The base of the Red River "C" is much more organic rich than the underlying limestone.

DEPARTMENT OF MINERAL RESOURCES – GEOLOGICAL SURVEY
WILLISTON BASIN TEMPERATURE PROFILE PROJECT (2013-2015)

The burial history and temperature profile of the Williston Basin are important components when calculating areas within the basin where rocks are hot enough or were hot enough at one time in geologic history to generate oil. Temperature profiles can be obtained by temperature logging oil wells that have sat idle for several months thus allowing the fluid in the well to come to the same temperature as the surrounding rock.

This biennium we purchased a temperature probe and contracted with a wireline company and ran the probe in 11 temporarily abandoned oil wells in western North Dakota. We plan on purchasing a wire line unit so that we can log a hundred or so wells in the next several years. These temperature profiles, scattered across the basin, will enable more accurate estimates of where rocks in the Williston Basin were hot enough to generate oil (mature areas).



Photograph above: Temperature logging a 10,000 foot well in Mountrail County.
Graph on the right: Temperature profile of the Sivertson 29-23R1 in McKenzie County.

Estimated 2013 – 2015 Spending compared to 2013 – 2015 Appropriation

DEPT. OF MINERAL RESOURCES

	DMR 2013-15 Approp	2013-15 Actual Spent as of 12/31/14	2013-15 Estimated Spending Jan 1st-Jun 30th	Major Variances
40510 Salaries & Wages	$17,177,006.00	$11,653,327.47	$5,523,678.53	$0.00
40512 Accrued Leave Pmts	$329,963.00	$23,687.90	$306,275.10	$0.00
40530 Operating Exp.	$5,675,532.00	$3,130,239.98	$1,545,292.02	$1,000,000.00 *
40550 Capital Assets	$5,800.00	$0.00	$5,800.00	$0.00
Total Expenditures	$23,188,301.00	$14,807,255.35	$7,381,045.65	$1,000,000.00

* SB 2014 allowed one-time funding for possible environmental protection agency litigation. Legal proceedings could occur at any time, but currently no legal disputes are anticipated.

2015 – 2017 Budget Requests

FTE Requests included in the Executive Budget

9 FTE Engineering Techs Field Inspection - focusing on wells and facilities.
1 FTE Engineering Tech GIS Pipelines – Increased gas capture GIS requirements.
1 FTE Petroleum Engineer Field Inspector – Increasing field activity in the Spearfish play in Bottineau Co.
3 FTE Safety Officer, Acct\Budget Specialist, Human Resources Tech. – Increased Department office support functions (safety, fiscal fraud risk assessment, recruiting and retention increases).
1 FTE Petroleum Engineer Reclamation Specialist – Increased spill response and reclamation requirements.
2 FTE Surface Geologists – Increased mapping needs in northwestern and eastern North Dakota.
2 FTE Engineering Technicians – well log and directional survey compliance and QC.
3 FTE Engineering Technicians if well count exceeds 20,000 OGD field inspection-focusing on wells and facilities.

Non-FTE Requests included in the Executive Budget

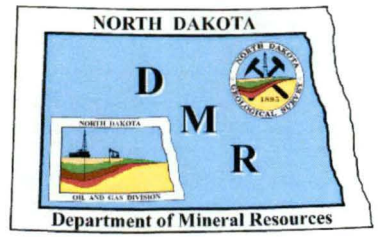
Inflationary Increases

ONE TIME
Potential Litigation EPA\BLM\TAT HF - $3,000,000 (Moved to HB 1432)
W.M.L. Core & Sample Library Expansion - $16,013,442 (Page 21)
Historical Aerial Photography - $104,143 (Page 22)
Contract Drilling and Coring - $125,000 (Page 23)
2D Seismic Profiles Digital Conversion - $100,000 (Page 24)
Federal Funding Reduction Contingency - $30,000

Prioritized Listing of Requests not included in the Executive Budget

1. DMR Market Equity Compensation – $800,000
2. Energy Impact Funding – ONE TIME $1,187,903 SB 2015
3. 1 FTE Engineering Technician Treating Plant Inspection - $215,611
4. 1 FTE Petroleum Engineer Geology Analyst - $211,920
5. Two ATVs & Trailers for Pipeline Inspection – ONE TIME $41,500
6. 2 FTE Engineering Technicians APDs - $323,769
7. 4 down to 2 FTE Engineering Technicians (Logs, Surveys,) - $323,769

HB 1014 First Engrossment



Needed (15) for regulatory oversight at current activity levels:

7 FTE Engineering Techs Field Inspection - focusing on wells and facilities.

1 FTE Petroleum Engineer Reclamation Specialist – Increased spill response and reclamation requirements.

3 FTE Safety Officer, Acct\Budget Specialist, Human Resources Tech. – Increased Department office support functions (safety, fiscal fraud risk assessment, recruiting and retention increases).

1 FTE Engineering Tech GIS Pipelines – Increased gas capture GIS requirements.

1 FTE Surface Geologist – Increased mapping needs in northwestern and eastern North Dakota.

2 FTE Engineering Technicians – Well log and directional survey compliance and QC.

2 ATV's w/Trailers – ONE TIME FUNDING

SB 2374 and HB 1358 also requires:

1 FTE Petroleum Engineer (Program Supervisor)
1 FTE Petroleum Engineer (Reclamation)
3 FTE Engineering Technician
1 FTE Engineering Technician (GIS Pipelines)
1 FTE ET RBDMS Technician
1 FTE Administrative Assistant

Contingent Funding Priority List:

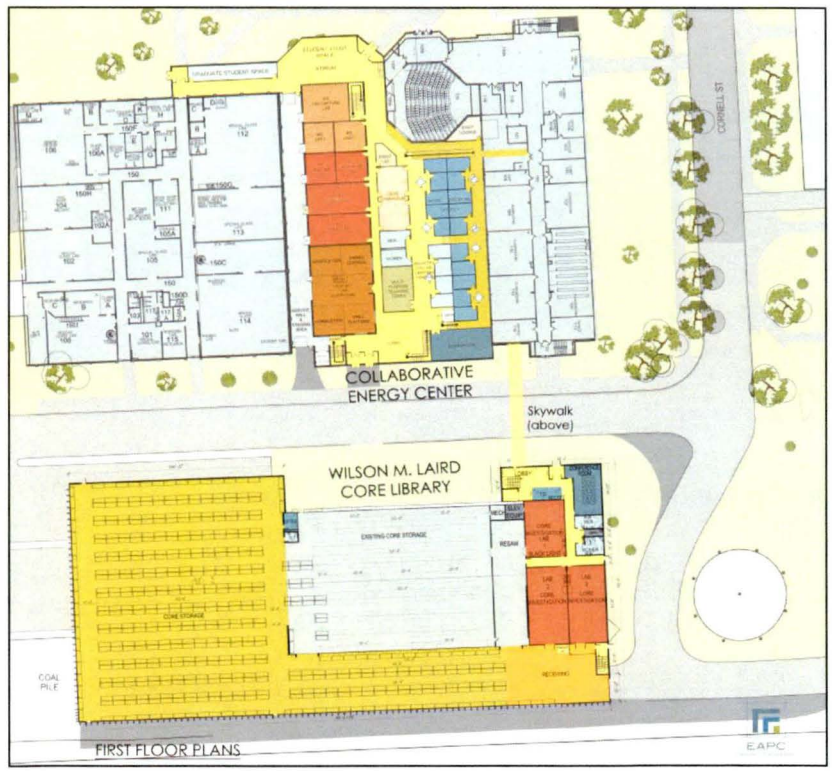
Expansion of the Wilson M. Laird Core and Sample Library (Emergency Clause Requested)
2 FTE Engineering Techs Field Inspection - focusing on wells and facilities
1 FTE Petroleum Engineer Field Inspector – Increasing field activity in the Spearfish play in Bottineau Co.
1 FTE Surface Geologist – Increased mapping needs in northwestern and eastern North Dakota.
1 FTE PE Geology Analyst – focusing on well construction compliance and QC and geophysical well log reviews.
1 FTE Engineering Technician – Treating Plant Inspection
3 FTE Engineering Technicians if well count exceeds 20,000 OGD field inspection –focusing on wells and facilities.

EXPANSION OF THE
WILSON M. LAIRD CORE AND SAMPLE LIBRARY (2015-2017)

EAPC determined it would cost $15,495,822 to triple the size of the existing core library warehouse, increase from one laboratory to five (the original core library had two labs, but one had to be used for office space), increase office space, and add a conference room. We believe that will give us more than 65 years of storage space and provide much needed research space. University of North Dakota personnel were shown these plans as they developed and were asked for input. In addition, the Department of Mineral Resources and the University of North Dakota signed an MOA in 2014 regarding expansion of the core library on the UND campus and acknowledging the mutual benefit of locating it on the campus. The core library is located across the street from Leonard Hall (dept. of geology and geological engineering), Upson Hall (School of Engineering and Mines), and the proposed Collaborative Energy Center (CEC).

In order for construction to begin this summer, an emergency clause will need to be attached to this portion of the HB1014. Doing so, will enable demolition to be completed before classes begin for the fall semester.

EAPC's drawing of the proposed expansion of the Wilson M. Laird Core and Sample Library. The skywalk leads from the core library to Leonard Hall.

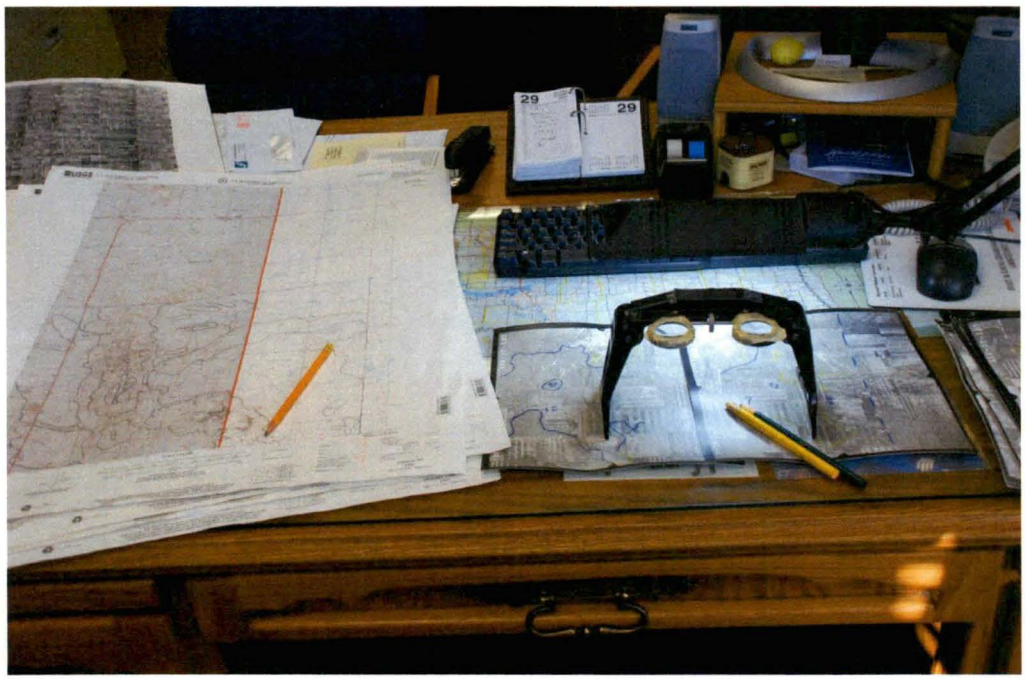


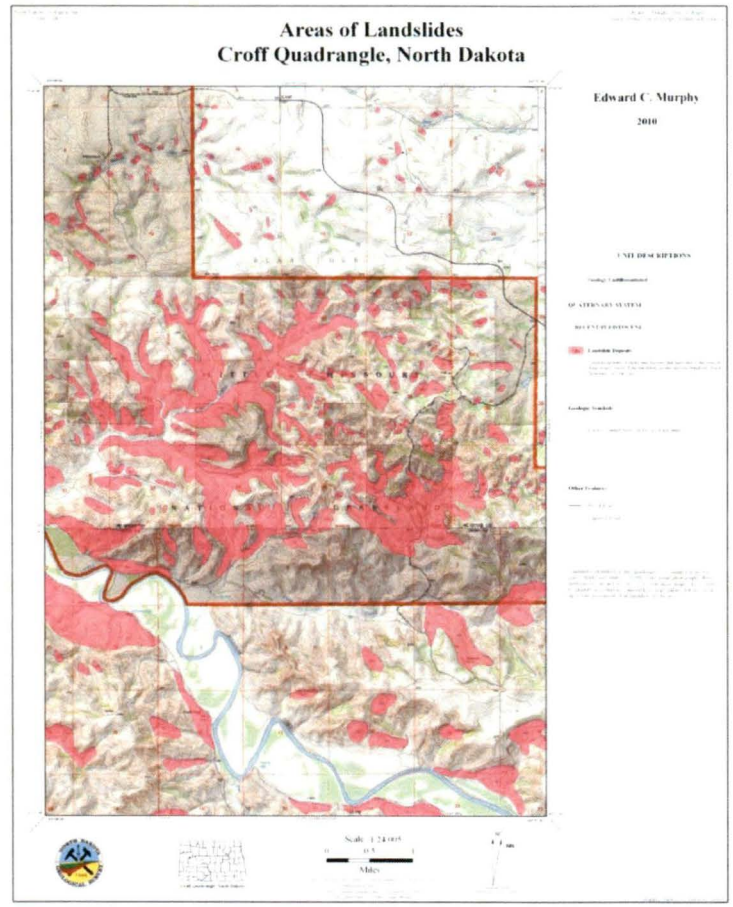
EAPC's core library expansion plans. Existing buildings (the core library, Leonard Hall, and Upson Hall) are shown in gray. Areas and rooms within the expanded core library and the CEC are shown in a variety of colors.

3/16/2015

AERIAL PHOTOGRAPHY
GEOLOGICAL SURVEY (2015-2017)

Aerial photographs are an important source of geologic information, the patterns observable in photographs often provide insight into the sediments or rocks that can be found at or near the surface. The Geological Survey has 50,000 aerial photographs flown between 1957 and 1962. This includes flight lines for all but two counties. In addition, almost every set in the remaining counties are missing photos. If we can purchase the 8,000 missing photographs, we will have a complete set of older photos to work from. We prefer older photographs because there are fewer buildings and infrastructure to obscure the surface geology. All of our aerial photographs are in stereo pairs which enable us to look at them through stereoscopes and see things in three dimensions.

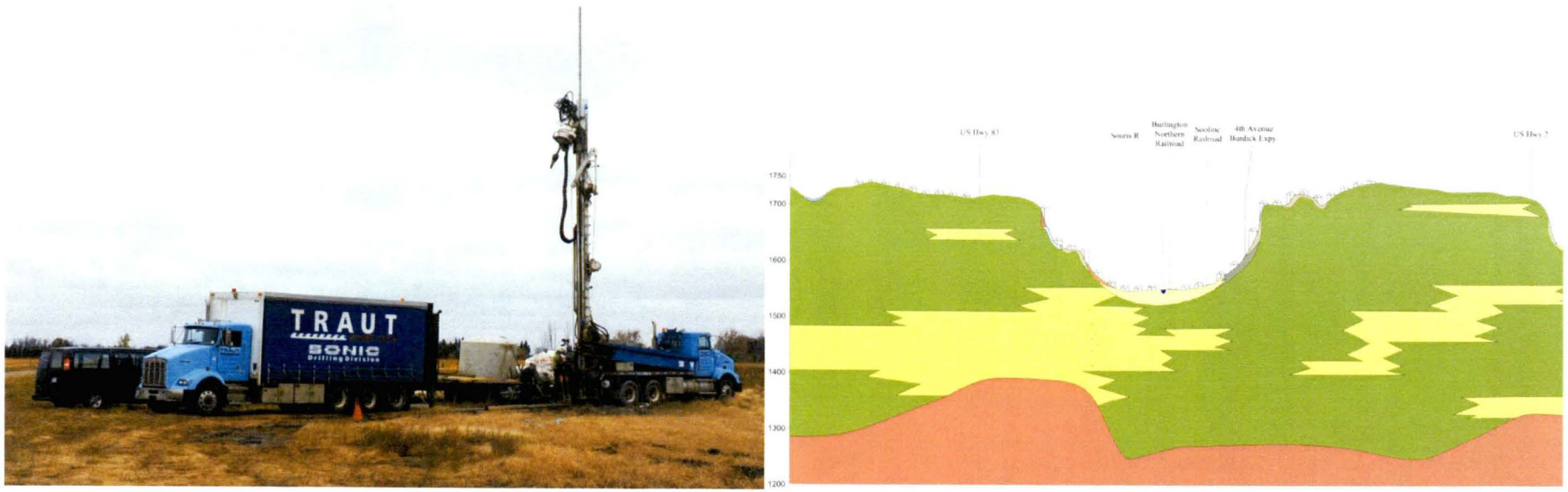




Photograph above: Geologic contacts are identified through the stereoscopes, traced on the photos with grease pencil, the lines are transferred to the quadrangles, and the contacts are checked for accuracy in the field. On the right: Landslide map of the Croff Quadrangle. The landslides are mapped in pink.

SHALLOW DRILLING AND SAMPLING PROGRAM
GEOLOGICAL SURVEY (2015-2017)

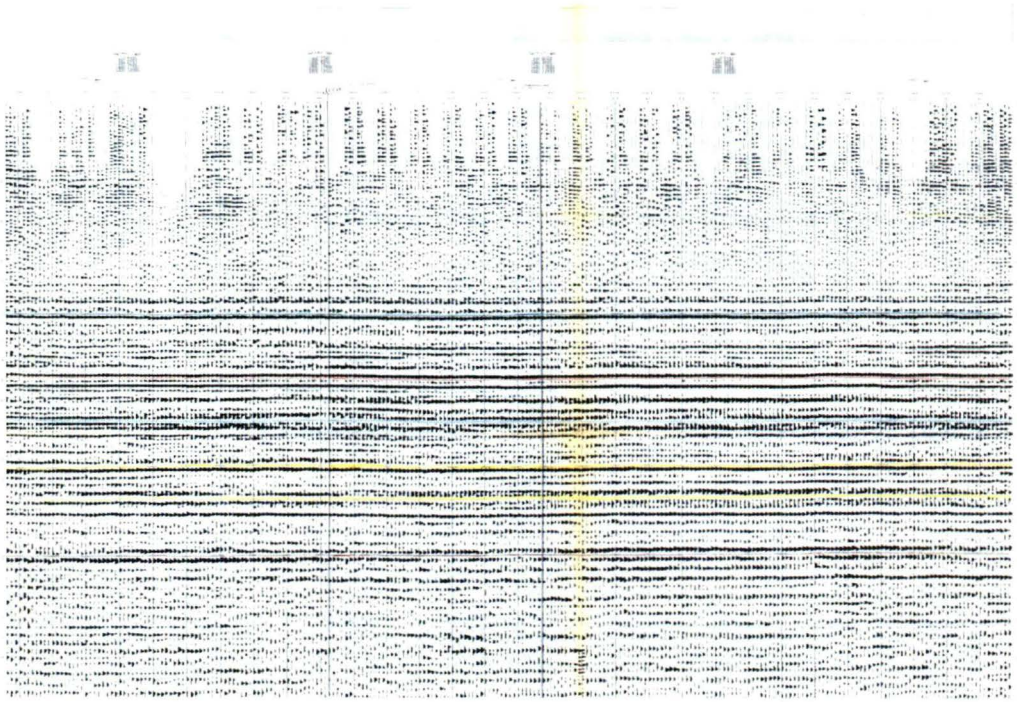
Shallow drilling is an important tool when surface mapping. It provides insight into the elevation of contacts and the changing lithologies in the top 50 or 100 feet of sediment and rock beneath the surface. Drilling enables a three-dimensional assessment of the resources (such as sand and gravel) or the potential hazards (such as swelling clays) beneath an area. Shallow coring costs are variable and can range from $15.00 to $75.00 per foot. We anticipate coring 1,500 or more feet and analyzing 500 sediment samples in the Red River Valley and eastern North Dakota. In addition to characterizing the lithology of the rocks and sediments, we are also going to determine the rare earth content of approximately 50 lignite samples from western North Dakota.

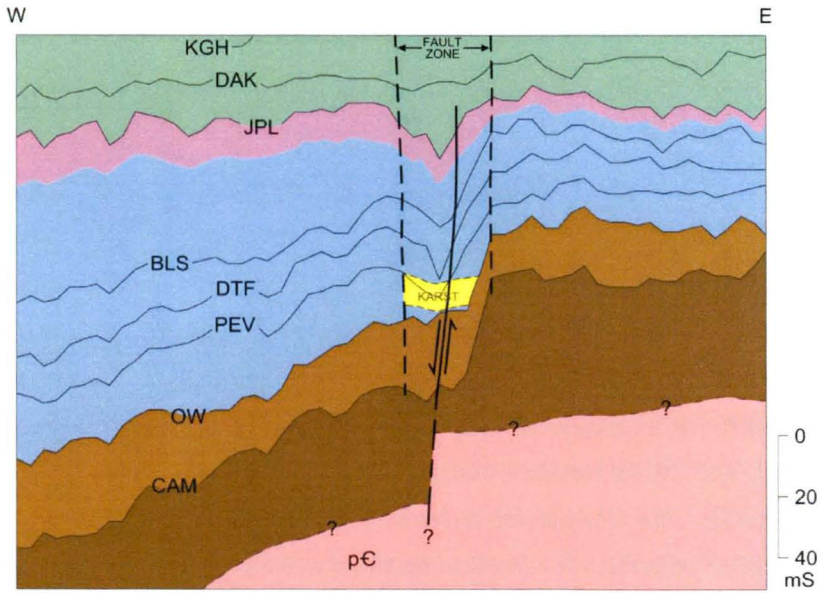


Left: This rotosonic truck-mounted rig is capable of coring depths in excess of 500 feet. *Right:* A shallow geologic cross section beneath Minot. Green is till, yellow bodies are sand, and pink is the Fort Union Group (alternating beds of mudstone, claystone, siltstone, sandstone, and lignite).

DIGITAL CONVERSION OF 2D SEISMIC LINE GEOLOGICAL SURVEY (2015-2017)

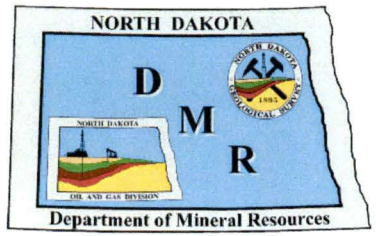
Seismic profiles provide important insight into the rocks in the Williston Basin. Companies are not required to provide copies of seismic lines to the State of North Dakota. As a result, we seldom see seismic information. However, a number of years ago Chevron Oil donated fifty seismic lines that had been run in western and northwestern North Dakota. We digitally converted the data and hired a geophysicist to interpret the data. The remaining lines are to be converted to a digital format and interpreted by an independent contractor (geophysicist). This data will provide valuable insight into the character of the rock in these areas.





Left: One of the 2D seismic lines donated to the Geologic Survey. *Right:* A geophysicist's interpretation of one of the gifted seismic lines (KGH – Greenhorn Formation, DAK – Dakota Group, JPL – Piper Formation, BLS – Base of last salt, DTF – Three Forks Formation, PEV – Prairie Formation, OW – Winnipeg Group, CAM – Deadwood Formation, PC – Precambrian.

3/16/2015



2015-2017 Possible Changes in Federal Funding

Federal Funding Program	Anticipated Award	Anticipated Change
UIC Oil & Gas (EPA)	$210,000	$0
PSC Coal (OSM-DOI)	$18,000	-$4,000
NCRDS-Coal (USGS-DOI)	$10,000	-$20,000
Other Sources (USGS-DOI)	$0	-$14,000

Anticipated Reductions 2015-2017 = -$30,000

Plan to Address Changes: Geological Survey requests a federal line item decrease from $58,000 to $28,000.

*Permanent Staff Model

21	Petroleum Engineer - Field Inspectors Current			13	Engineering Technician - Field Inspectors Current		
22	Petroleum Engineer - Field Inspectors Needed			**22**	Engineering Technician - Field Inspectors Needed		
	45	hours per week			45	hours per week	
	5	hours office time			5	hours office time	
	15	hours Spills, Pluggings, other Engineering			10	hours Spills and Pipelines	
18,247	producing wells	0	visits per year	18,247	producing wells	4	visits per year
1,408	injection wells	0	visits per year	1,408	injection wells	12	visits per year
	0	hours for well inspections			29	hours for well inspections	
	25	hours for rig inspection			0	hours for rig inspection	
	544	hours per week for rig inspection					
	3	hours per week per rig average (1 visit/week vert and 2 visits/week horiz)					

	Rigs	Petroleum Engineer - Field Inspectors	6/30/2017 Wells	Engineering Technician - Field Inspectors	
Min	100	13	18,132	20	
	110	14	18,350	20	
	120	15	18,567	20	HB1014 1st Engrossment
	130	17	18,784	20	
	140	18	19,002	21	
	150	19	19,220	21	
	160	20	19,437	22	
YE 2016	170	22	19,655	22	WTI Trigger Contingency
	180	23	19,872	24	
	190	24	20,089	25	>20,000 well Contingency
Max	200	26	20,307	26	

*Permanent staff model Incorporates FTEs required for current activity and "trigger" positions.

HB 1014

FINANCIAL IMPACT OF THE CORE AND SAMPLE LIBRARY

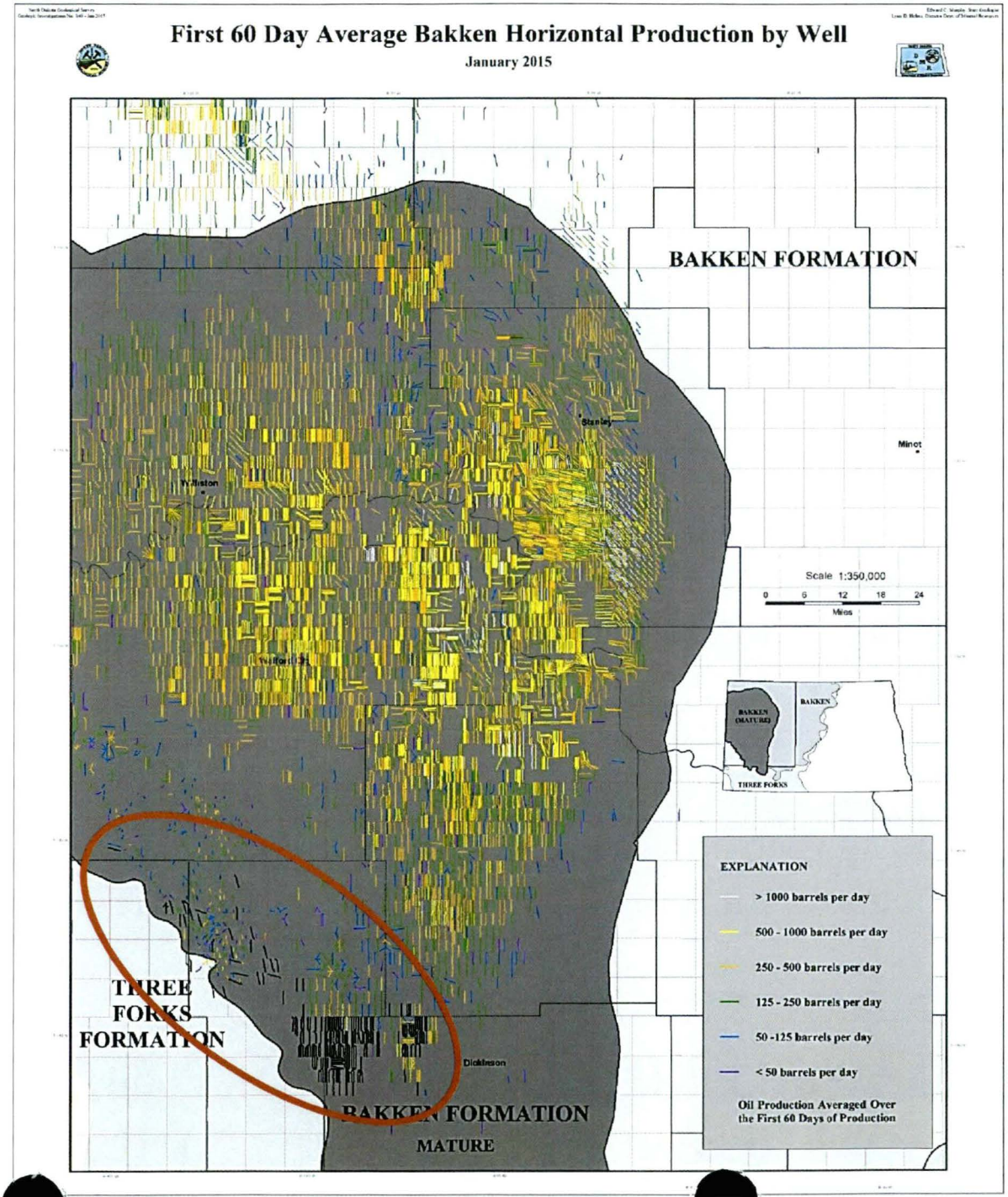
Whiting Petroleum's Pronghorn Oil Play

It could be argued that a significant number of the oil wells that have been drilled in the state of North Dakota can be directly or indirectly linked back to the core and sample library. All to often these connections are difficult to quantify and to document.

Fortunately, geologists with **Whiting Petroleum Corporation** were interviewed for an article that was published in the **American Association of Petroleum Geologists Explorer Magazine in April of 2012**. The article points to the importance of core studies in the exploration of oil, specifically to Whiting's Pronghorn oil play in Billings and Stark counties in North Dakota.

As Whiting Petroleum geologist Lynn Cantor noted **"We go to the North Dakota Geological Survey in Grand Forks twice a year deliberately to see newly released cores**," she said. **"We had evaluated more than 150 cores when we came across this new information**, so we were able to recognize that it was different, because we had the context to put it into and to understand what it meant in terms of a new play."

2.27



Whiting Petroleum's Pronghorn Laterals in Black

2,28

Financial Impact of the Core and Sample Library
2010-2014

Whiting Petroleum's 217 Pronghorn oil wells in Billings and Stark cos.

These wells have produced 19,542,147 barrels of oil

558,412 barrels for the month of November 2014

18,613 barrels per day (November 2014)

$48,400 extraction tax per day at $40 per barrel (Nov. 2014)

At that rate, pays off the $15,500,000 proposed expansion of the Wilson M. Laird Core and Sample Library in 320 days.

3 2.29

HB 1014
WILSON M. LAIRD CORE AND SAMPLE LIBRARY
REQUEST FOR EMERGENCY CLAUSE

Section 8 of the Core Library Memorandum of Agreement between the University of North Dakota and the North Dakota Department of Mineral Resources (signed in 2014) reads in *part "The Department and University agree that construction will take place in the quickest manner possible while taking steps necessary to minimize impact on University activities."*

Demolition activities and the trucking of demolition debris will negatively impact the University if it is done during the fall semester. To avoid this disruption, we are seeking permission to request that the North Dakota legislature attach an emergency clause to the core library portion of HB 1014.

Doing so should enable us to complete demolition prior to August 25, 2015, the first day of class.

4/ 2.30

HB 1014
3-16-15
#3

TESTIMONY TO THE SENATE APPROPRIATIONS COMMITTEE

MARCH 16, 2015

ENGROSSED HOUSE BILL 1014

ERIC HARDMEYER – PRESIDENT & CEO
BANK OF NORTH DAKOTA

The Bank of North Dakota (BND) is the only state-owned bank in the nation. Its mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota. In this role, BND acts as a funding resource in partnership with other financial institutions, economic development groups, state, and guaranty agencies. BND originates student loans through the Dakota Education Alternative Loan Program (DEAL). It also originates residential mortgages in areas where those services are not readily available. BND acts as a secondary market for residential loans for ND banks that choose to sell their residential loans. BND provides cash management services to other state agencies and North Dakota financial institutions. We provide check clearing services and liquidity programs for over 100 ND financial institutions.

12-31 Year-End BND Financial Highlights (millions)

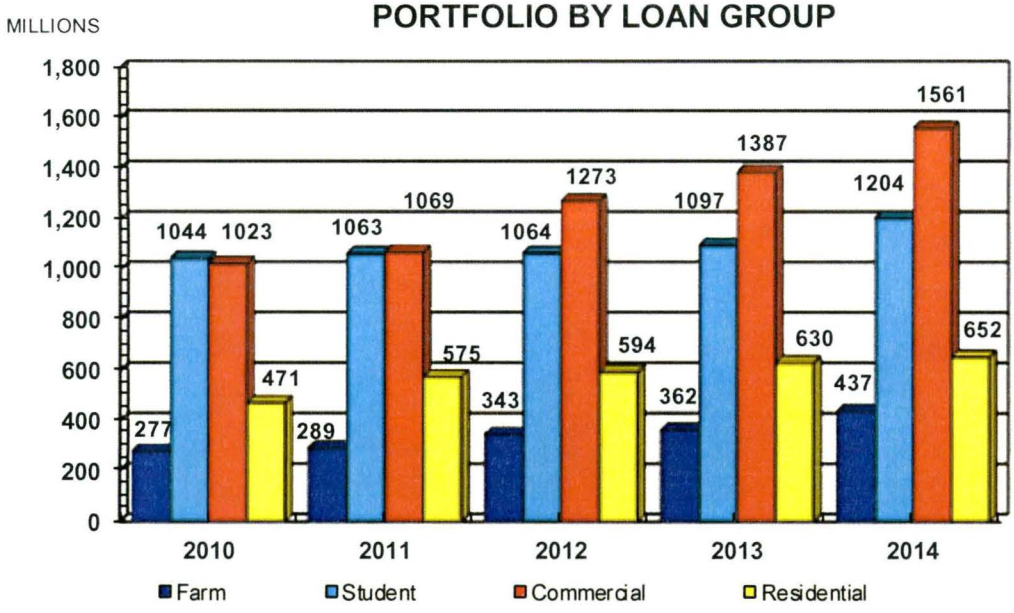
	2011	2012	2013	Unaudited 2014	Projected 2015
Assets	$5,375	$6,155	$6,873	$7,216	$7,506
Loans	$2,995	$3,280	$3,477	$3,794	$4,027
Deposits	$4,179	$5,004	$5,601	$5,731	$6,001
Capital	$ 400	$ 464	$ 552	$ 645	$ 690
C/A Ratio	7.70%	7.59%	8.42%	8.76%	9.20%
Income	$70.3	$81.6	$94.2	$111.2	$115.2
Transfer	$ 2.8	$29.0	$19.4	$17.3	$70.0*
% transfer	4.0%	35.5%	20.6%	15.6%	60.7%
ROE	19.3%	19.2%	18.4%	18.3%	17.3%

Assets have grown 34% since year-end 2011. This growth generally can be attributed to the overall strength of North Dakota's economy. As tax and fee incomes grow, they are deposited at BND. Those deposits are then deployed into various asset types: loans, investments, or short term securities.

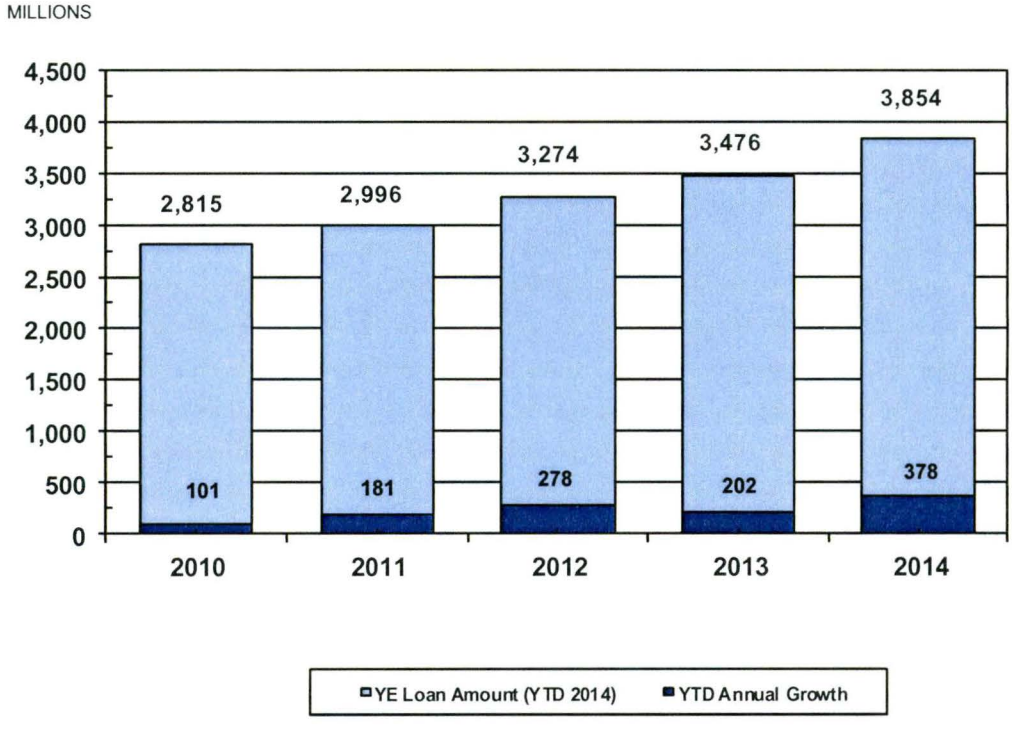
Total loan volume has increased each year with over a 27% increase in net loans since 2011. The $3.8 billion loan portfolio is diversified and breaks into four main categories as shown below.

*Includes projected portion of buy-down transferred to programs and HB 1443

PORTFOLIO BY LOAN GROUP



TOTAL PORTFOLIO



The Bank of North Dakota is adequately capitalized with equity of $645 million or 8.76% of average assets. According to Federal Reserve regulations, to qualify as "Well-capitalized", a financial institution must have at least 5% capital. A nationwide average for banks of similar size is 10.47%, while the North Dakota average for all banks is 9.36%. Our internal goal has been to have equity of 8.50%.

While BND is not federally regulated, we are, however, examined by state regulators and hold an independent rating from Standards & Poor's of AA-.

Earnings have been strong with BND achieving record profits the last eleven years. For 2014, we had budgeted earnings to be $99.5 million; however, as a result of a growing deposit base and stable loan demand, earnings were approximately $111 million. For the 2015-17 biennium, we project earnings to be approximately $233 million.

The return on equity ratio, which averages 18.8% for the last four years, represents the state's return on its investment in the Bank.

Student Loans

As many of you know, effective July 1, 2010 the Federal Family Education Loan Program (FFELP) was eliminated and now is delivered by the US Department of Education through the Direct Loan program. The FFEL program had been the hallmark of the Bank of North Dakota's student loan program for over 40 years.

Additionally, we continue to provide the Dakota Education Alternative Loan (DEAL) Program. This is a Bank of North Dakota program that is designed to fill in gaps around the federal student loan program. As detailed in the graphs provided, this program has experienced significant growth for BND and we believe that trend will continue. In fact in 2013, DEAL loans exceeded the federal guaranteed loans.

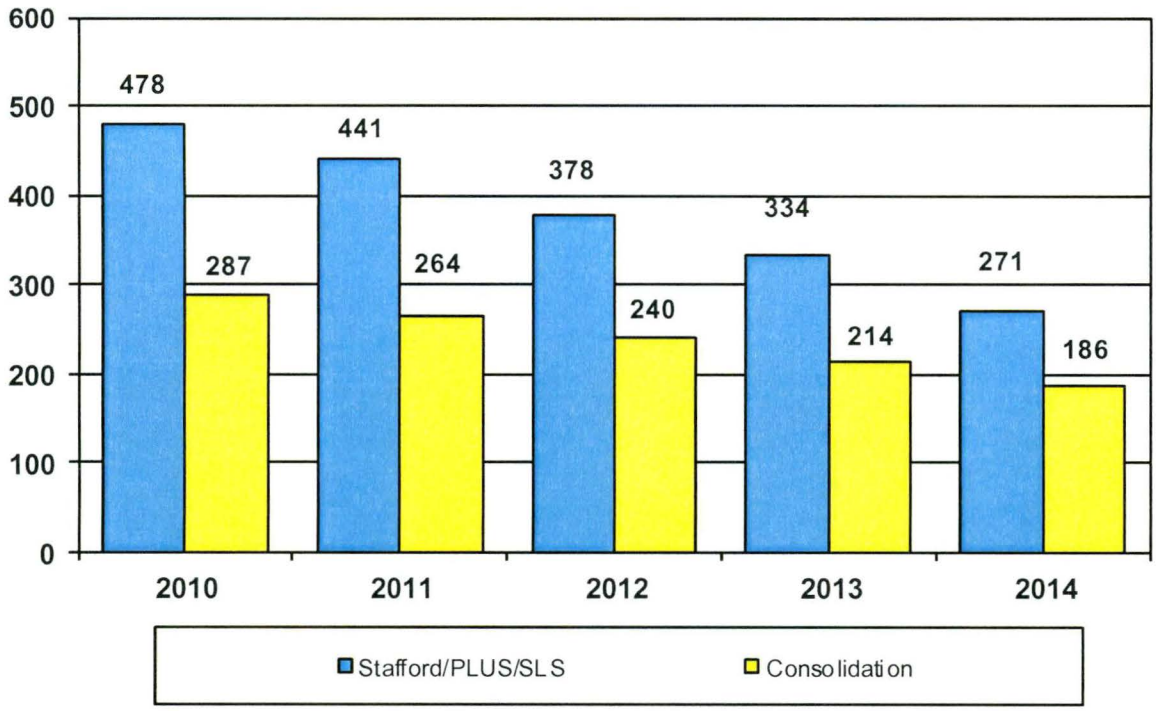
In 2014, BND launched a new student loan program called DEAL One. This program is a result of legislation passed in the 2013-15 session. Deal One is the first student loan program in the nation which allows an individual to consolidate all of their student loans into a single loan. The program was officially opened for all state residents in April 2014. Through the end of February 2015, BND originated nearly 4,000 Deal One loans totaling almost $176 million.

Housed within BND is the College Planning Center. Activities include the coordination of the College Access Challenge Grant, administration of the College Save Program (529 Plan), and acts as the state coordinator for the Dollars for Scholars program. We also do extensive work with educational and financial outreach to all areas of the state.

We will continue to seek new ways to engage the College Planning Center to further our educational mission.

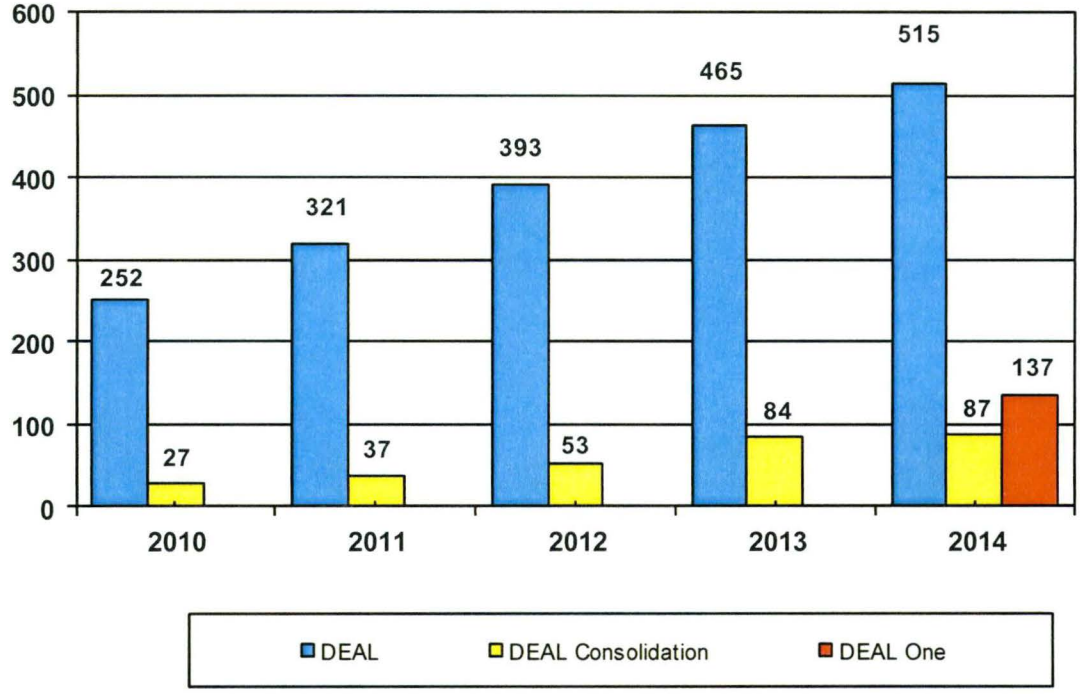
FFELP LOAN PORTFOLIO TOTALS

MILIIONS



DEAL LOAN PORTFOLIO TOTALS

MILLIONS



BANK OF NORTH DAKOTA
ENGROSSED HOUSE BILL 1014, SECTION 1
OPERATIONS

As you know, BND is a special fund agency, consequently; **all appropriated expenses are funded by revenues generated through operations.** Profits are available to increase capital or make transfers to the General Fund or other state programs.

The Bank of North Dakota's 2015-17 proposed operations budget is comprised of two major line items: operations and capital assets. Included in the operations line item are salaries & benefits, operating expense, and contingency.

MAJOR LINE ITEM EXPENSE CATEGORIES:

OPERATIONS

Budget 2015-2017	$59,418,693	Appropriation
House Revisions	($737,862)	
Revised 2015-2017	$58,680,831	
Budget 2013-2015	$51,523,916	Base level
Original Enhancement	$7,894,777	Enhancement
House Revisions	($737,862)	
Revised Enhancement	$7,156,915	

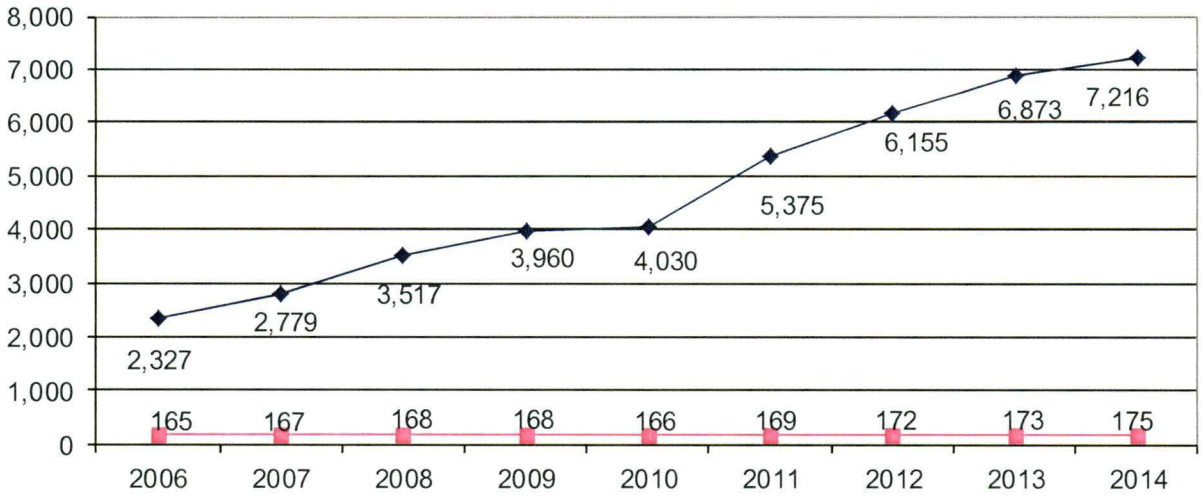
SALARIES AND BENEFITS

Budget 2015-2017	$33,648,813	Appropriation
House Revisions	($737,862)	
Revised 2015-2017	$32,910,952	
Budget 2013-2015	$29,722,160	Base level
Original Enhancement	$3,926,653	Enhancement
House Revisions	($737,862)	
Revised Enhancement	$3,188,791	

The salaries and wages line item increase represents the salary increases as proposed in the Governor's budget, and subsequently revised by the House of Representatives. This also reflects the increase in medical insurance and other benefits as proposed in the Governor's executive budget, and revised by the House of Representatives.

Bank of North Dakota's total assets have grown from just over $2.3 billion in 2006 to over $7.2 billion for 2014, more than tripling our asset size over the past 10 years. This growth has been managed with essentially the same number of employees in 2014 as in 2006 as represented in the graph below:

Asset Size (in millions) compared to # of FTE's



Our efficient use of staff resources has enabled us to grow the Bank substantially while maintaining the number of employees, and our business practice includes a diligent requisition process to evaluate every vacancy that occurs. We have gained efficiencies in some areas of the Bank by the implementation of computer processes or streamlining efforts, and have been able to deploy affected employees to other areas of need. This practice has served us well and has allowed us to become an efficient business partner. We have a proven track record of efficiently and effectively managing our staffing level and our request for 2 additional FTE's is included in the Governor's budget proposal, as well as in the Engrossed House Bill, so that we are able to continue to do so.

BND currently holds 4 vacant FTE's with plans to fill them in the following capacities:

- Loan officer – Lending
- Calling officer – Business Development
- Industrial loan specialist – Lending
- Accelerated development program (ADP) – Service area placement to be determined

The 2 additional FTE's that were included in the Governor's budget and Engrossed House Bill are being requested to meet the goals identified in our 2015-2017 strategic plan. Our plan to fill them is noted below:

- Lending (+1 FTE) – In order to meet our initiative to expand our correspondent services through the addition of a loan officer and calling officer, support staff will be a necessity. This will be critical so that we can continue to provide great customer service to our financial institutions and state agencies.
- Business and Technology (+1 FTE) – The risk of cyber security threats continues to rise creating additional resource needs to ensure the safety and security of the Bank's assets.

All of these areas point to our need for flexibility in managing staffing levels and we appreciate the recognition of BND's efforts.

OPERATING EXPENSES

Budget 2015-2017	$25,769,880	Appropriation
Budget 2013-2015	$21,801,756	Base level
	$ 3,968,124	Enhancement

Operating expenses include items like data processing, training and development, supplies, postage, etc. The major increase, nearly $3,200,000 pertains to new and ongoing information technology maintenance and enhancements, as well as the authorization to spend funds associated with servicing Federal Student Loans, authorized by N.D.C.C 6-09-48.

A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as percentage of income. Anything below 50% is considered to be excellent. BND is operating with a 16.7% efficiency ratio, which is over three times better than the industry average of 60.8%.

CONTINGENCY

Budget 2015-2017	$ 4,000,000	Appropriation
Budget 2013-2015	$ 3,244,356	Base level
	$ 755,644	Enhancement (Included in Op. Exp.)

The financial industry is going through dramatic changes with system application requirements, cybersecurity requirements, compliance and regulatory needs. Since we are dealing with a two year budgetary window, it is important that BND has a significant amount in contingency to deal with unforeseen events.

CAPITAL ASSETS

Budget 2015-2017	$ 745,000	Appropriation
BND Proposed Amend.	$ 17,000,000	
Revised 2015-2017	$ 17,745,000	
Budget 2013-2015	$ 745,000	Base level
Original Enhancement	$ 0	Enhancement
BND Proposed Amend.	$ 17,000,000	
Revised Enhancement	$ 17,000,000	

Moneys appropriated for capital assets consist of funds for replacement servers for core banking systems, software upgrades, and hardware replacement. In addition, as discussed in the proposed amendment to Proposed Section 11 below, the above noted enhancement pertains to the construction of the North Dakota Financial Center.

ENGROSSED HOUSE BILL 1014, SECTION 2

This section identifies a medical loan program; $50 million was authorized in the 2013-15 legislative session for medical facilities construction. To date the entire $50 million has been committed to facilities in the energy impact areas of North Dakota. Funding for this came from the Strategic Improvement and Investment Fund. House Bill 1286, which failed in the House, would have required funding from BND in the amount of $50 million for additional medical facility loans in the 2015-2017 biennium. However, included in House Bill 1443 is a provision which addresses the needs of medical facilities. This Bill, which relates to the creation of a $150 million infrastructure revolving loan fund to be administered by BND, provides a total allocation limit available to critical access hospitals in the amount of $35 million. **Discuss a proposed new addition to the buydown programs-Medical Pace**

ENGROSSED HOUSE BILL 1014, SECTION 6
Transfer to the Industrial Commission

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs.

ENGROSSED HOUSE BILL 1014, SECTIONS 7-10
Appropriation Transfer

These sections allow the Bank of North Dakota to transfer from its undivided profits up to or so much of the sum for: $28 million for PACE/Flex PACE, $3 million for Ag PACE, $2 million for Biofuels PACE, and $7 million for Beginning Farmer Revolving Loan Funds, totaling $40 million a $2 million increase from the 2013-15 biennium.

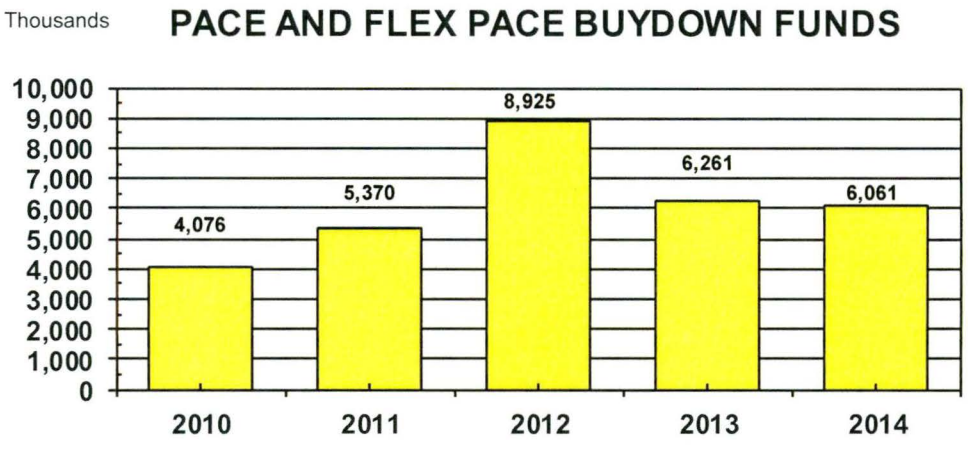
BANK OF NORTH DAKOTA
ENGROSSED HOUSE BILL 1014, SECTION 7

PACE FUND

The PACE Fund was established to buy-down the interest rate on loans to assist North Dakota communities in expanding their economic base by providing local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries. In 2005, the PACE program was expanded to include a special limited provision called Flex PACE. This special program allows local communities to set their own standards for use of the program including business retention or essential services.

The PACE Fund began in 1991. Money provided to the PACE Fund by biennium is as follows and include funds for PACE, Flex PACE and Affordable Housing Flex PACE:

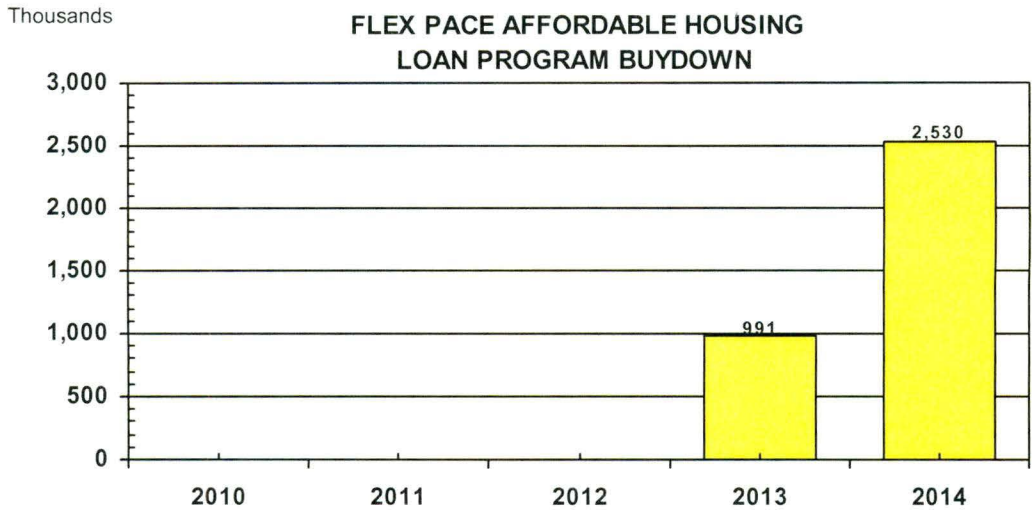
1991-1993	$5,700,000	General Fund
1993-1995	4,700,000	
1995-1997	4,500,000	
1997-1999	4,600,000	
1999-2001	6,000,000	
2001-2003	6,000,000	
2003-2005	5,700,000	
2005-2007	5,700,000	
2007-2009	8,000,000	
2009-2011	8,000,000	
2011-2013	6,000,000	
2013-2015	28,000,000	BND Capital
2015-2017	28,000,000	BND Capital proposed
Total	$120,900,000	



A total of 6 PACE loans and 91 Flex PACE loans were funded in 2014 in comparison to 11 and 69 respectively for 2013.

2013-2015 Biennium Buy-down Fund

Total Available Appropriated Funds	$18,189,161
PACE Buy-down Funds - Funded/Committed Loans	$ 2,495,635
Flex PACE Buy-down Funds - Funded/Committed Loans	$ 8,309,757
Remaining Buy-down Funds	$ 7,383,769



There were nine new Affordable Housing PACE loans funded in 2014 which totaled $25.9 million with 264 affordable housing units built. There are a total of 16 loans pending with 365 affordable housing units proposed to be built.

2013-2015 Biennium Flex PACE Affordable Housing Buy-down Fund

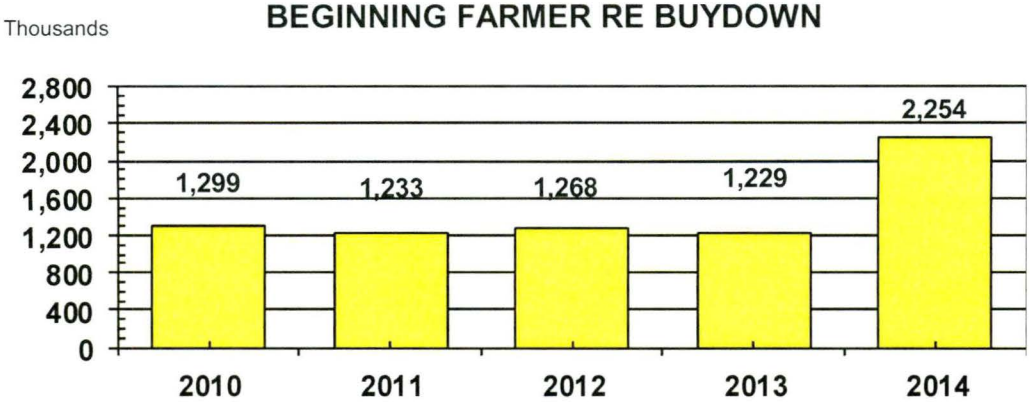
Total Available Appropriated Funds	$12,000,000
Flex PACE Buy-down Funds - Funded/Committed Loans	$ 7,115,125
Remaining Buy-down Funds	$ 4,884,875

BEGINNING FARMER REVOLVING LOAN FUND

During the 2005-11 biennium, buydown funds for the Beginning Farmer Program were taken directly from the Beginning Farmer Revolving Loan Fund; consequently, no general fund appropriation has been needed or requested.

General Fund/Bank of North Dakota dollars appropriated for buying down the interest rate on these loans by biennium are as follows:

1991-1993	$1,000,000	
1993-1995	1,000,000	
1995-1997	950,000	
1997-1999	921,500	
1999-2001	1,000,000	
2001-2003	1,000,000	
2003-2005	950,000	
2005-2007	0	
2007-2009	0	
2009-2011	0	
2011-2013	1,400,000	
2013-2015	6,000,000	BND Capital
2015-2017	7,000,000	BND Capital Proposed
Total	$21,221,500	

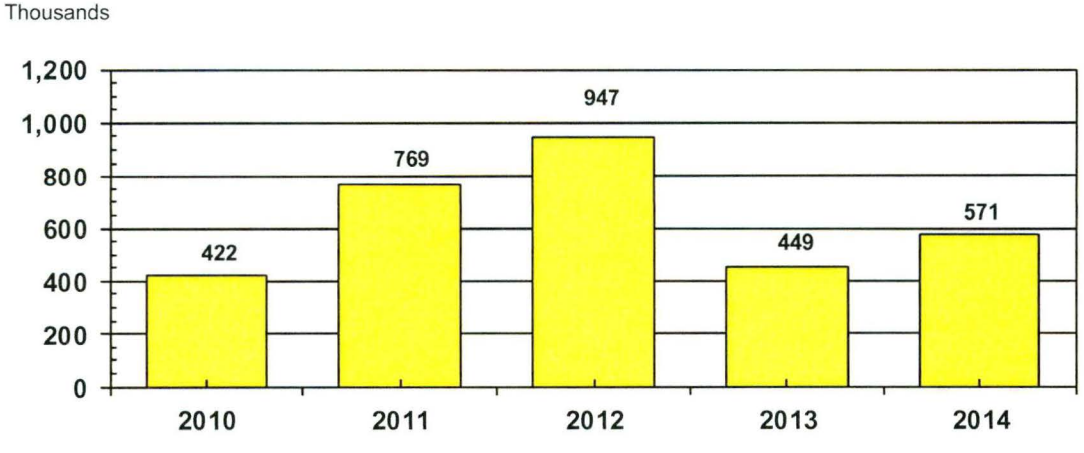


A total of 79 Beginning Farmer Real Estate Loans were funded in 2014 in comparison to 47 in 2013. The large increase in loan amounts in 2014 is a result of the increase in land prices and higher loan limits.

2013-2015 Biennium Beginning Farmer Buy-down Fund

Total Available Appropriated Funds	$6,000,000*
Buy-down - Funded/RE Committed Loans	$ 3,366,129
Buy-down - Funded/Chattel Committed Loans	$ 697,055
	$1,936,816

*In addition, there is $2,639,607.73 remaining in the cash balance in the Beginning Farmer Revolving Loan Fund.



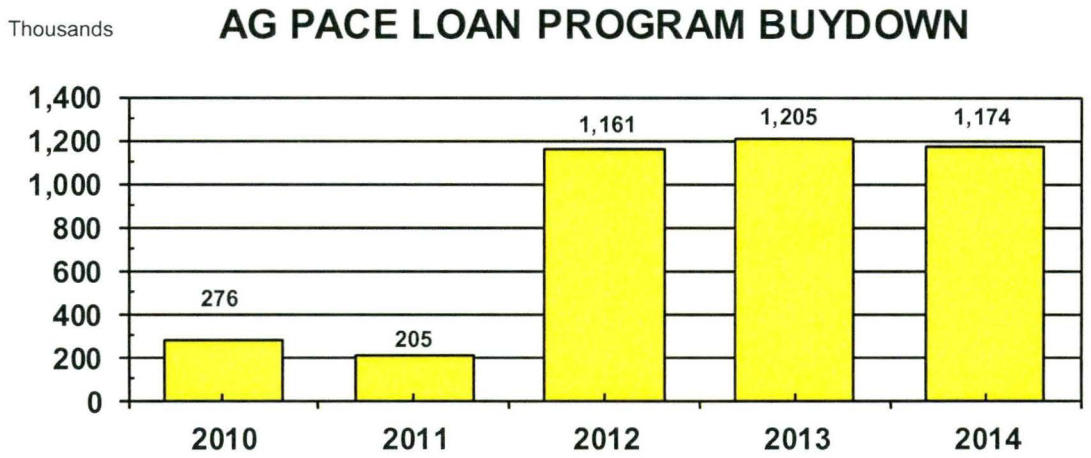
A total of 78 Beginning Farmer Chattel Loans were funded in 2014 compared to 72 in 2013.

AG PACE FUND

The AG PACE Fund was established to buy-down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income.

The AG PACE Fund began in 1991. Money provided to the AG PACE Fund by biennium is as follows:

1991-1993	$ 996,000	
1993-1995	400,000	
1995-1997	380,000	
1997-1999	397,100	
1999-2001	1,500,000	
2001-2003	1,500,000	
2003-2005	1,425,000	
2005-2007	0	
2007-2009	1,400,000	
2009-2011	1,400,000	
2011-2013	1,000,000	
2013-2015	2,000,000	BND Capital
2015-2017	3,000,000	BND Capital Proposed
Total	$15,398,100	



A total of 73 Ag PACE loans were funded in 2014 compared to 72 in 2013. The majority of the loans funded in the last three years were for field tiling projects.

2013-2015 Biennium Buy-down Fund

Total Available Appropriated Funds	$2,281,189
Buy-down Funds - Funded/Committed Loans	$1,994,368
Remaining Buy-down Funds	$ 286,821

BIO-FUELS PACE FUND

This program may be used for livestock operations located in North Dakota that feed, handle, milk, or hold livestock with part of its operation using a byproduct produced at a biodiesel or an ethanol facility.

2005-2007	$1,200,000	
2007-2009	4,200,000	
2009-2011	700,000	
2011-2013	1,000,000	
2013-2015	1,000,000	BND Capital
2015-2017	2,000,000	BND Capital Proposed
Total	$10,100,000	

2013-2015 Biennium Buy-down Fund

Total Available Appropriated Funds	$2,266,180
Buy-down Funds - Funded/Committed Loans	$2,070,826
Remaining Buy-down Funds	$ 195,354

There were 10 loans funded during 2014 for the expansion of livestock operations and no loans are currently pending.

ENGROSSED HOUSE BILL 1014, PROPOSED SECTION 11

Proposed Appropriation – Bank of North Dakota – North Dakota Financial Center

For the Committee's consideration, the second attachment to this testimony describes the proposed amendment to House Bill 1014. An excerpt is also included below:

> "The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of The Bank of North Dakota which the Bank shall use for the purpose of the construction of the North Dakota financial center on a site adjacent to the existing Bank of North Dakota location. The Bank shall lease space for the purpose of housing financially related state agencies. "

In 2009 and 2011 the North Dakota legislative assemblies passed legislative intent language as follows; Land Purchase: It is the intent of the legislative assembly that to the best of its ability the Bank of North Dakota ensure that properties adjacent to BND are developed for uses that are consistent with the mission and purpose of the Bank of North Dakota.

Two parcels of land were purchased in 2011 by BND to fulfill the legislative intent. The idea was (and is) to develop an economic development campus housing other state agencies that provide economic development or financial services.

BND under John Hoeven's leadership developed the One Stop Capital center concept. Housed within BND are several other agencies involved in economic development. The Small Business Administration (SBA), Small Business Development Center, SCORE, and the Public Finance Authority all have space within the BND.

Additional agencies that could move into lease space in the ND Financial Center are partners that work with BND. They include the Department of Commerce (DOC), North Dakota Housing Finance Agency, and the Department of Financial institutions. BND works closely with DOC today in providing economic development programs throughout the state. In fact the Development Fund, housed in DOC administers a Bank of North Dakota program called the New Venture Capital program.

These agencies are in leased space in areas around Bismarck. This structure would enable those agencies to be co-located on the same campus providing efficiency within state government.

I know we are all concerned with the growth of state government, this does not do that. It allows for an efficient use of space for state agencies on state owned property. The land was purchased several years ago for the express purpose of this development.

Bank of North Dakota will construct and own this facility and it will not require general fund money. BND will treat this as an investment as part of its asset base and will receive a modest return on its investment while at the same time providing an attractive lease rate to the tenant.

This doesn't "COST" it "PAYS"!

HOUSE BILL 1014, SECTION 22

This section extends the utilization of flex pace for affordable housing from June 30, 2015 to June 30, 2019.

FINANCIAL AUDIT FINDINGS

In the 2013 annual audit, the auditor noted a significant finding with respect to core access to the IT System. The specific finding stated that there were 5 employees with an unlimited administrator access to all application in BND's core IT system. Since that time, unlimited administrator access has been removed from Application Support and transitioned to two individuals in IT Security. Additionally, controls were put into place to monitor daily activity within the administrator access designation.

Major Ongoing Funding Increases

BND requested authority to spend a federal grant for the ND College Access Network (NDCAN) beginning in 2011. The total amount of the NDCAN grant is $1.5 million per year. We anticipate that the grant will be removed from the federal budget beginning in 2015. In 2013, BND also requested authority to spend the servicing fees it receives from the Missouri Higher Education Loan Authority (MOHELA). Within the 2015-2017 biennial budget, BND included $2,530,000 of additional expenditures to account for the additional revenue received from MOHELA as authorized by N.D.C.C 6-09-48.

Biennium-to-Date Actual Spending versus Budget

Bank of North Dakota
Biennium Appropriation Report
Twenty Months Ended February 28, 2015

Line Item	Total Approp.	Biennium-to-Date Expenditures	To-Date Budget	To-Date Variance	To-Date Unexpended
Operating	$51,523,916	$38,130,925	$40,273,673	($2,142,748)	$13,350,782
Cap. Assets	$ 745,000	$ 533,303	$ 605,700	($72,397)	$ 211,697
Total	$52,268,916	$38,664,228	$40,879,373	($2,215,145)	$13,562,479

2015-2017 Requested Budget Changes from Base Level

The adjustment from BND's base budget to the Governor's recommendation totals $7,013,546. The line item adjustments in priority order are as follows:

1. Salary/Benefit Recommended Increase – $2,680,974
2. Salary/Benefit for 2 additional FTE's - $387,645
3. Adjustment to Contingency – $755,644
4. Adjustment to Operations - $3,189,283

The above noted adjustment of $7,013,546 has been revised by the House of Representatives to $6,275,684; a change of $737,862, all of which pertains to Salary and Benefit changes. This change is further detailed in the following attachment provided by OMB. This change has also been incorporated into the previous pages of this document.

The House of Representatives' revised number of $6,275,684 is proposed to be amended and adjusted to $23,275,684 as a result of the inclusion of Proposed Section 11 of the Bill. Please refer to the second attachment for further discussion. If amended as proposed, total special fund appropriations would change from $59,425,831 to $76,425,831.

471 Bank of North Dakota
HB 1014

	Executive Recommendation	House Changes	House Version
BND operations	$59,418,693	(737,862)	58,680,831
Accrued Leave Payments	$0	-	0
Capital assets	745,000	-	745,000
Total all funds	60,163,693	(737,862)	59,425,831
Less estimated income	60,163,693	(737,862)	59,425,831
Total general fund	$0	-	$0
Full-time equivalent positions	181.50	-	181.50

	Executive Recommendation				House Version				Change			
	FTE	General Fund	Other Funds	Total Funds	FTE	General Fund	Other Funds	Total Funds	FTE	General Fund	Other Funds	Total Funds
Ongoing												
Information security analyst fte	1.00		209,809	209,809	1.00		209,809	209,809	-	-	-	-
credit analyst fte	1.00		177,836	177,836	1.00		177,836	177,836	-	-	-	-
change in operating expenses			3,968,124	3,968,124	-		3,968,124	3,968,124	-	-	-	-
purchase or replace capital assets			250,000	250,000			250,000	250,000	-	-	-	-
purchase or replace IT equipment			495,000	495,000			495,000	495,000	-	-	-	-
remove prior biennium cap assets			(745,000)	(745,000)			(745,000)	(745,000)	-	-	-	-
base payroll changes			(23,197)	(23,197)			(23,197)	(23,197)	-	-	-	-
Performance increase			1,536,370	1,536,370			1,148,633	1,148,633		-	(387,737)	(387,737)
Market Increase			191,239	191,239				-	-	-	(191,239)	(191,239)
Retirement Increase			158,886	158,886				-	-	-	(158,886)	(158,886)
Health Increase			794,479	794,479			794,479	794,479	-	-	-	-
Total Ongoing	**2.00**	**-**	**7,013,546**	**7,013,546**	**2.00**	**-**	**6,275,684**	**6,275,684**	**-**	**-**	**(737,862)**	**(737,862)**
One-Time												
			-	-		-	-	-		-	-	-
			-	-		-	-	-		-	-	-
Total One-Time		-	-	-		-	-	-		-	-	-
Total Budget Changes		**-**	**7,013,546**	**7,013,546**		**-**	**6,275,684**	**6,275,684**		**-**	**(737,862)**	**(737,862)**

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 2, line 10, replace the "0" with "17,000,000"

Page 2, line 10, replace the second "745,000" with "17,745,000"

Page 2, line 11, replace "$6,275,684" with "$23,275,684"

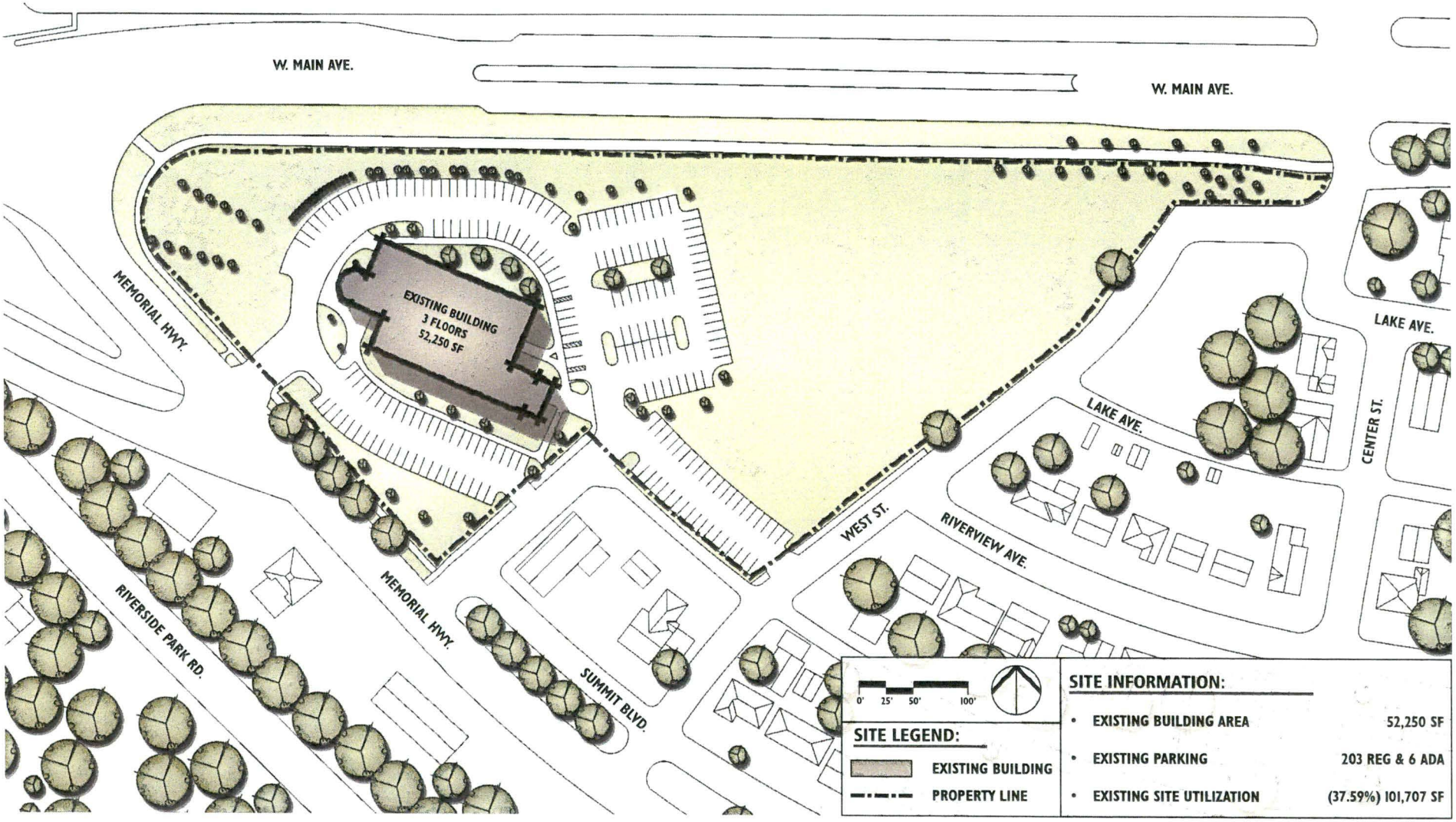
Page 2, line 11, replace "$59,425,831" with "$76,425,831"

Page 5, after line 2, insert:

"SECTION 11. APPROPRIATION – BANK OF NORTH DAKOTA – NORTH DAKOTA FINANCIAL CENTER. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of The Bank of North Dakota which the Bank shall use for the purpose of the construction of the North Dakota financial center on a site adjacent to the existing Bank of North Dakota location. The Bank shall lease space for the purpose of housing financially related state agencies."

Renumber accordingly

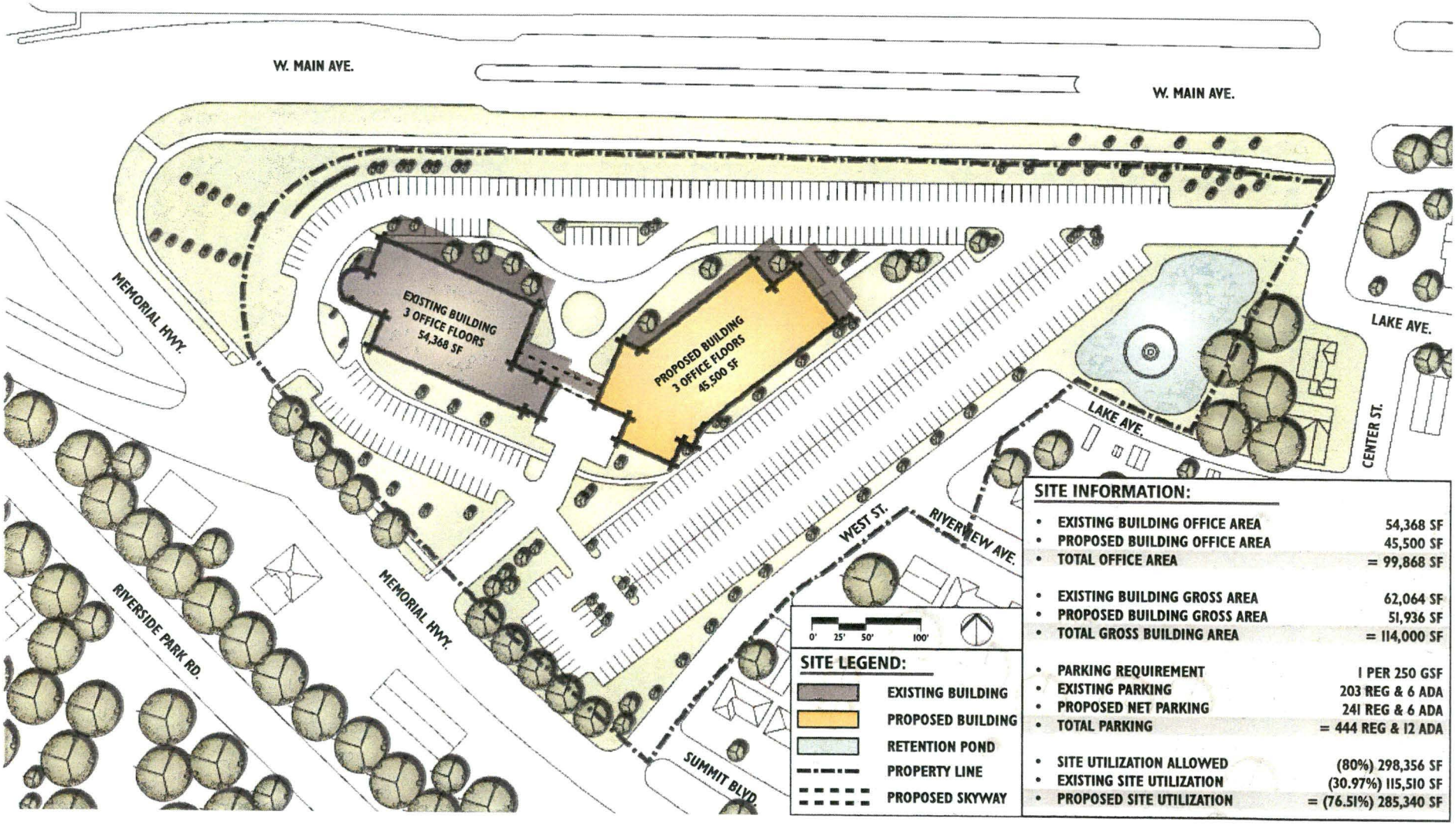
3.17



BANK OF NORTH DAKOTA | EXISTING SITE PLAN

NOVEMBER 2014

3.18

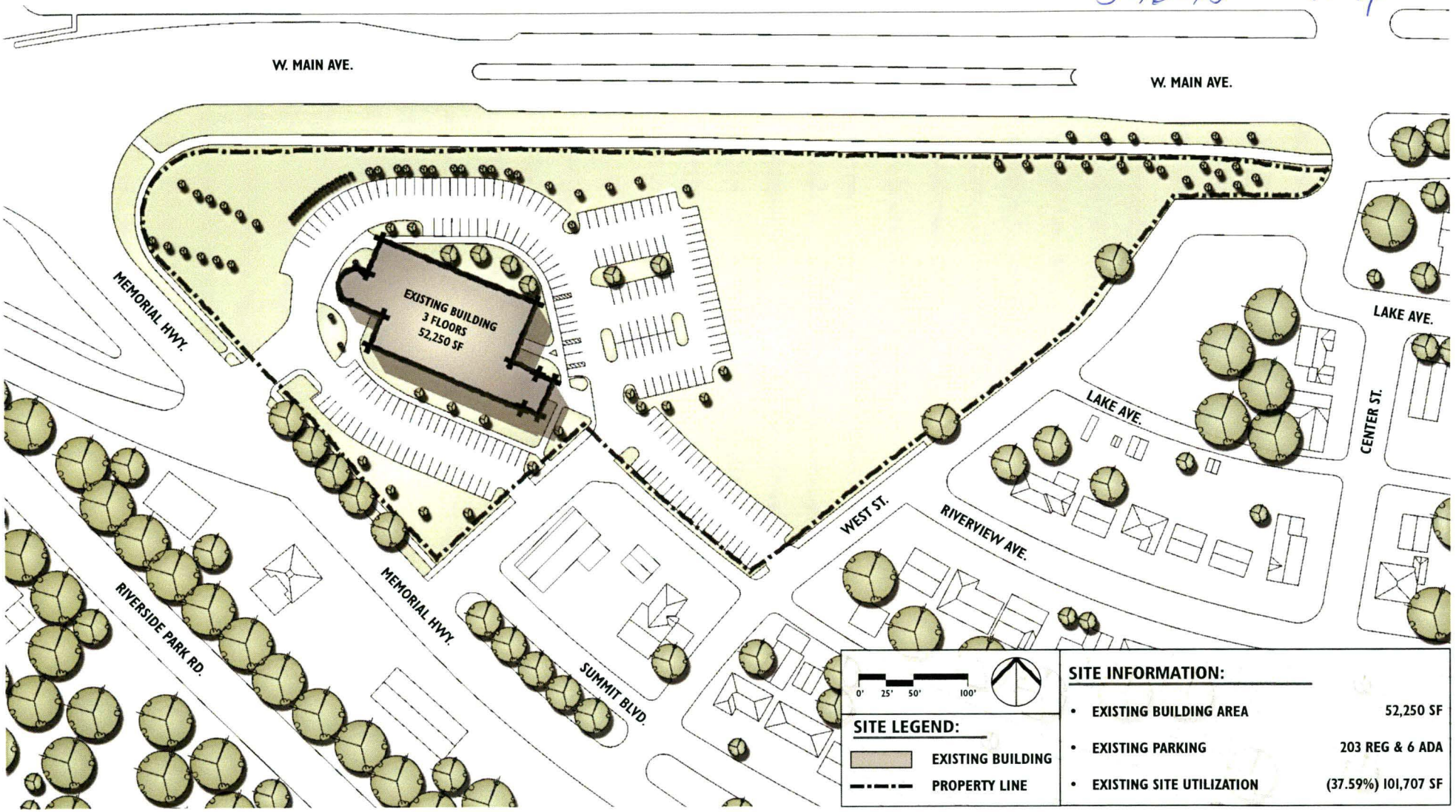


BANK OF NORTH DAKOTA | PROPOSED SITE PLAN

DECEMBER 2014

3.19

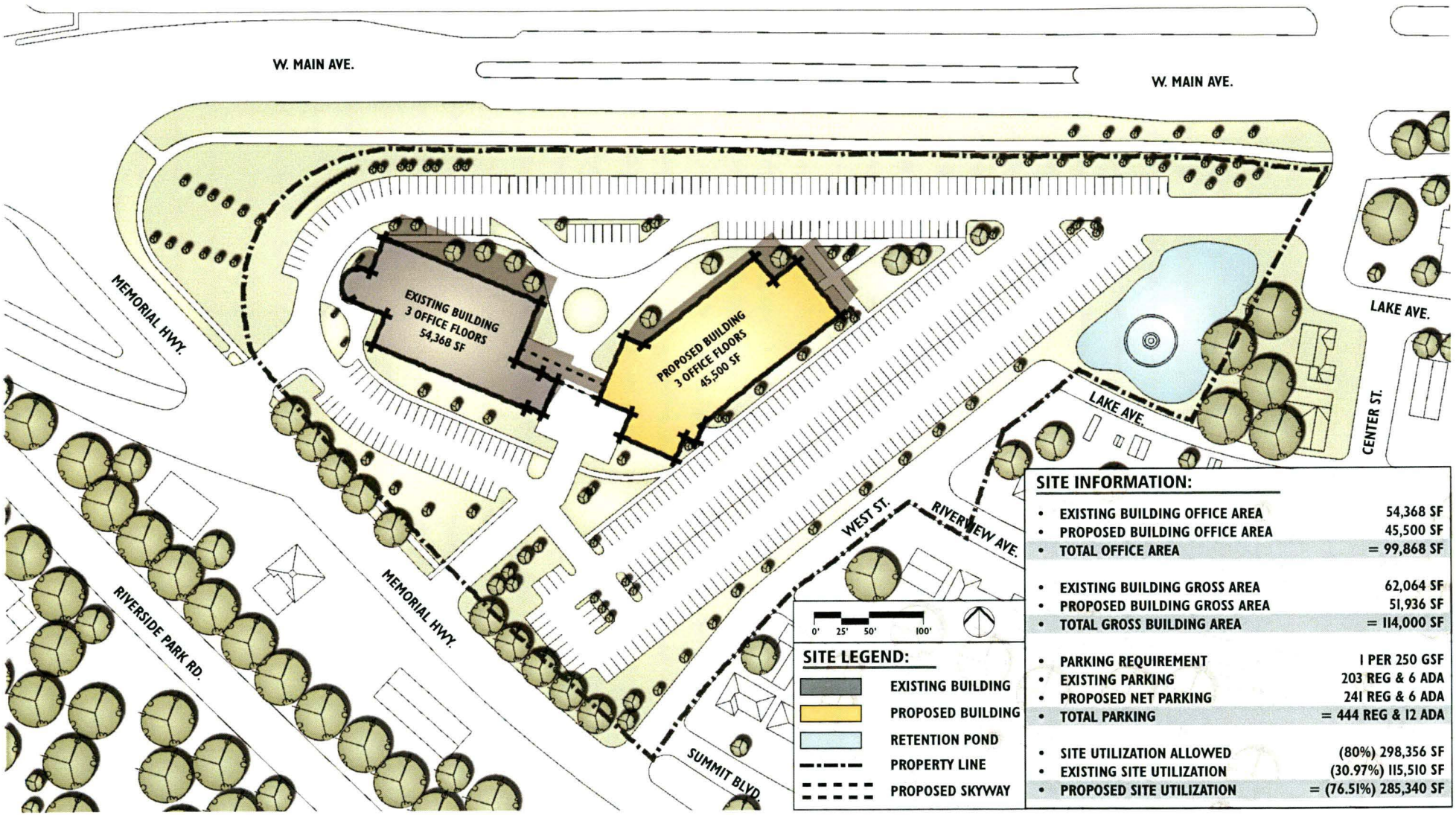
HB 1014
3-16-15 #4



BANK OF NORTH DAKOTA | EXISTING SITE PLAN

NOVEMBER 2014

4.1



BANK OF NORTH DAKOTA | PROPOSED SITE PLAN

DECEMBER 2014

4.2

BUDGET SUMMARY

Issued: 3/13/2015

CONSTRUCTION COST		
New Construction	**Area (SF)**	
Building Construction Costs	51,936	**$12,464,640**
Site		
Parking Lot		$1,400,000
Misc Site Improvements		$300,000
	SUBTOTAL	**$1,700,000**
TOTAL CONSTRUCTION COSTS		**$14,164,640**
SOFT COST		
Professional Fees		$850,000
Skyway		$800,000
Site Survey		$15,000
Geotechnical Report		$6,000
Tapping Fee		$45,000
Legal, Admin or Miscellaneous Cost		$8,000
Furniture, fixtures and equipment (FFE)		$800,000
Technology Security and Equipment		$250,000
Moving Cost		$75,000
TOTAL SOFT COSTS		**$2,849,000**
TOTAL PROJECT COST		**$17,013,640**

NORTH DAKOTA housing FINANCE AGENCY

Jolene Kline Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

HB 1014

March 16, 2015

5

HB 1014
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0
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.

The Agency's budget is in Section 1, subdivision 4 of HB 1014 (Page 2, Line 25). The $37,553,592 advanced by the House of Representatives reflects a decrease of $188,935 from the Executive Recommendation of $37,742,527. The decrease is wholly contained in salaries and wages with performance increases declining by $93,596 and the elimination of the market and retirement increases accounting for $95,339.

The House budget represents an approximate 8.4 percent decrease from the base level. The majority of this decrease is accounted for with grants decreasing by 12.2 percent. That decrease is attributed to the elimination of the federal Neighborhood Stabilization Program grants. Of the total $25.9 million grant expenditures in the budget, $25.2 million are from federal grants, with the majority of federal funds being comprised of HUD Section 8 rental assistance programs.

The proposed budget is seeking appropriation from Agency special funds including bond trust indentures, federal grant programs, and Agency reserves.

This budget, as with past budgets, includes a provision which appropriates any additional or unanticipated funds that may become available to the Agency during the biennium (see Section 4). Previously, we have relied on this provision to apply for federal funds for new programs that became available following the Legislative Session. Continuing this provision during the upcoming biennium will provide the Agency with the flexibility to react to new housing challenges and the resources necessary to meet those challenges as both arise.

There is no request for additional FTE authority which currently stands at 46.

5.1

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There are no one-time spending items in the proposed budget. The $1.5 million in flood housing grants was for additional flood recovery efforts in the Minot area and that funding has been fully committed to the City of Minot. It is my understanding that a legislator may request an amendment to allow expenditure of those unspent funds into the next biennium. Without an amendment any unspent funds after June 30, 2015, will remain in the general fund.

The Housing Incentive Fund (HIF) appropriation of $15.4 million was included in this budget last biennium. There is no general fund appropriation request in this bill for the Housing Incentive Fund.

Sections 13, 14 and 16 of HB 1014 reauthorize the Housing Incentive Fund for the coming biennium and provide for $30 million in income tax credit authority for the HIF program.

For background on the HIF proposal this session, the Governor recommended a total of $50 million and put the reauthorization and tax credit language in HB 1014. He also included a general fund transfer of $20 million to HIF with an emergency clause in Senate Bill 2126 (his Jump Start bill), which failed in the Senate. Separately, Senator Bekkedahl introduced SB 2257 to include mobile home park development as an eligible use of HIF, but pulled that provision out and this committee added the $20 million general fund transfer and emergency clause for the general fund transfer to SB 2257 which passed the Senate unanimously.

Because both 1014 and 2257 amend the same sections of current Century Code identically, the only difference is the general fund transfer. Both bills are also identical to the HIF language passed by the Legislative Assembly in 2013, except for updated dates and dollar figures.

I have testified before you twice regarding the need for the Housing Incentive Fund so I won't repeat what you've already heard, but I do want to highlight a few items regarding affordable housing and the role HIF is playing today and can play in the coming biennium. I'm also attaching my testimony from both Senate Bills 2126 and 2257 regarding HIF for your reference.

There have been news reports of market rate rents declining in the oil patch and I can appreciate that this may raise some questions about the needs for affordable housing resources like HIF. As the state's housing experts, we feel strongly that HIF is as important as ever and the rental market adjustment in some oil development communities does not negate the need for continued investment into affordable housing statewide.

The housing units created under the Housing Incentive Fund are limited to extremely low-, low- and moderate-income households – those with incomes below 30, 80, and 140 percent of the Area Median Income respectively. Rents are restricted to be affordable for those various levels, which generally equals 30 percent of monthly income.

The drop in market rate rents that were reported are a positive thing for the communities where it is happening. The changes are a natural response of the market as much-needed supply comes online. The rapid population increases overwhelmed the housing stock which had a combined effect of increasing housing costs while also forcing people into temporary or non-traditional living situations like recreational vehicles, crew quarters, doubled up or unsheltered homelessness. As new inventory is made available, market prices ease and those squeezed out will have more permanent housing options.

However, it is important to understand that while the upper end of the market is coming down, the rent numbers are still significantly higher than what is affordable for Main Street and essential service workers, seniors, the disabled and others on fixed and limited incomes.

According to the most recently available American Community Survey data from 2013, North Dakota is short 16,459 units of housing that is both affordable and available for extremely low-income households. That number is up by more than 5,000 from the previous year.

Renter households in the state that were cost burdened – putting more than 30 percent of their income toward housing costs – stood at 42.6 percent. That is up 7.4 percent from the year before.

These are both staggering statistics that demonstrate a large unmet housing need in our state. We have households who are struggling to afford housing costs and it isn't just in oil impact areas, but is spread across North Dakota.

Coupled with that is the demographic shift we will see over the next number of years as the Baby Boom generation moves into retirement. The Statewide Housing Needs Assessment projected a 60 percent increase in the number of senior households from 2010 to 2025. As these fixed income households age, they will require affordable housing that is appropriate to their situation.

The market alone will not accommodate the needs I've outlined above. It is the reality of housing development that land, site infrastructure, labor and materials cost the same for an affordable project as for a market rate one. What brings down the rents in an affordable housing

project is an infusion of equity and that's the extremely valuable resource HIF contributes. By putting that upfront funding into a project, it allows the developer to take out less debt which, in turn, means the rents required to service that debt can be at a lower level that is affordable to our target populations. Under the current HIF program's Allocation Plan, the developer/owner can qualify for a zero percent forgivable loan for up to 30 percent of the total project's cost in return for having those units income and rent restricted for a minimum of 15 years.

In the current biennium's HIF program, the Agency had requests for twice the HIF dollars available. This is a true reflection of pent up need for affordable units. Those unfunded projects would have created an additional 508 housing units for seniors, families and essential service workers. We continue to respond to inquiries about accessing HIF for new development today.

In the 2011-13 biennium, we committed 90 percent of the HIF funds to the oil patch and in the 2013-15 biennium, 73 percent went out west. But as I said earlier, there are communities across the state that have significant unmet affordable housing needs. The Housing Incentive Fund will be a critical tool in helping to address those statewide needs.

Using our experience from the current program, the $50 million the Governor 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. The need for this number of affordable units is supported by the conclusions included in the 2012 Statewide Housing Needs Assessment which showed an average of 5,562 housing units would be needed each year between 2010 and 2025 to keep pace with household growth projections. The assessment further showed more than 50 percent of these, or 3,035 units annually, must be affordable to low-income households. From 2010 to 2014, the state of North Dakota was able to assist in the creation of 555 affordable housing units per year, less than 20 percent of the projected need.

To conclude, I'd like to give you an overview of the other work NDHFA does. The Agency has three main divisions which provide a number of programs.

The homeownership division programs, including the FirstHome mortgage purchase program and down payment assistance, are primarily funded by issuing revenue bonds and, more recently, the issuance of mortgage backed securities through the Government National Mortgage Association. The assets, liabilities and revenues resulting from the bond issues are accounted for under the bond indentures and are held in trust by the indenture trustee. The Agency's costs of

administering these bond financed programs are accrued on a monthly basis and drawn from the trust indentures as needed. The assets of the bond indentures were $704 million and the liabilities were $569 million as of November 30, 2014. These amounts are unaudited.

The Agency's FirstHome loan program has funded 38,953 loans totaling $2.9 billion history to date. In 2014, purchases were 708 loans totaling $99.9 million or 54 percent of the ten year annual average for the program. Seventy-six percent of these loans received down payment assistance. Under the North Dakota Roots program, the Agency has purchased 342 loans totaling $48.2 million history to date. In 2014, 39 Roots loans were purchased totaling $7.2 million.

The Property Management Division performs the compliance monitoring activities under HUD Section 8 contracts and federal Low Income Housing Tax Credit (LIHTC) projects as they are placed into service. Total biennium grant disbursements under HUD Section 8 for rental assistance are projected at $24,389,780, assisting 3,220 units in 127 projects. LIHTC compliance monitoring is currently being performed on 169 properties containing 5,250 units across the state. There are no ongoing subsidies provided to LIHTC projects.

The Agency's Planning and Housing Development division administers our multifamily development programs and Agency-funded initiatives targeted to housing rehab and technical assistance for rural communities. The two main multifamily development programs are the LIHTC and HIF programs. These programs provide an incentive for investment in the development of affordable housing for lower-income tenants. The LIHTC program provides equity for the project developer, thus reducing the required debt which results in the need for less rental income to support the project. Through a competitive application process, the Agency allocates the tax credits to project applicants and monitors the construction project through it being placed into service. History to date since 1986, the LIHTC program has supported the new construction or rehabilitation of 220 projects containing 6,545 units and resulting in a total private investment of more than $562 million in affordable rental housing in North Dakota.

I'll finish by referring to Attachment 3 which consists of a number of charts regarding the Agency's financial statement and loan portfolio performance. The financial information is broken down by bond indenture and Agency totals. You will see that the Agency's assets and mortgage portfolio have continued to decline. This decline has moderated from the previous biennium when higher loan prepayments were coupled with fewer new loans being purchased. While prepayments have slowed, eligible borrowers under program rules have a limited inventory of affordable homes

available for sale. They also continue to face stricter lending standards, higher loan costs, and higher costs of ownership.

The last page charts delinquency and foreclosure statistics of the Agency loan portfolio compared to United States, North Central Region, and North Dakota statistics from the Mortgage Bankers Association National Delinquency quarterly survey.

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

Attachment 1

NORTH DAKOTA housing FINANCE AGENCY

Jolene Kline Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

SB 2126
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony of Jolene Kline, Executive Director
Senate Appropriations Committee

January 16, 2015

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 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

5.7

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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	76	20
First Responder*	90	16	45	38
Medical**	170	37	80	53
School Districts	253	40	102	111
Totals	771	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

5.10

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.

5.11

Attachment 2

NORTH DAKOTA housing FINANCE AGENCY

Jolene Kline Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

SB 2257
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony of Jolene Kline, Executive Director
Senate Appropriations Committee

February 17, 2015

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Jolene Kline, executive director of the North Dakota Housing Finance Agency.

I am here in support of Senate Bill 2257 which will reauthorize the Housing Incentive Fund (HIF) for the coming biennium and provide $30 million in income tax credit authority for the HIF program. The language of SB 2257, as it stands today, is the same as proposed by the Governor in House Bill 1014 (the Industrial Commission budget). I believe this bill also presents an opportunity to bring all of the pieces of the fund together and move it out quickly so that our development partners may take full advantage of the 2015 construction season.

As you may recall, the Governor included a general fund transfer of $20 million to HIF with an emergency clause in Senate Bill 2126 (his Jump Start bill), which failed in the Senate. That proposal was to be complementary to HB 1014 to bring HIF to $50 million total.

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.

During the hearing for SB 2126, I provided you the background on HIF and statistics regarding unmet needs for affordable housing so I won't repeat that information, but I do want to remind you of why the funds are important. I am also attaching a copy of my testimony for SB 2126 for your reference.

5.12

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info@ndhfa.org

Many communities across North Dakota have experienced incredible amounts of growth over the past five years and several have been among the fastest growing micropolitan areas in the country. The housing stock in many communities, not just in the oil patch but statewide, was quickly overwhelmed and prices have risen dramatically. We have seen low- and moderate-income individuals and families priced out of the market and struggling to afford the increased housing costs. According to the 2013 American Community Survey data, 42.6 percent of renter households in the state were cost burdened – putting more than 30 percent of their income toward housing costs. That is up 7.4 percent from the 35.2 percent of cost-burdened renter households the year before.

We have been diligently watching the projections being made about growth in the coming years. The modeling developed for our Statewide Housing Needs Assessment has been the basis for other projections including the Oil and Gas Industry Impacts Study by KLJ and the Western North Dakota Energy Project done in conjunction with Vision West research. Those projections show continued growth in the oil regions along with consistent population gains in all regions of the state.

While oil development plays a part in those projections, we are not focused on the short-term. All of our projections have been for permanent population.

Because of the extremely low vacancy rates in most communities, new population equates to the need for additional housing units. There has been significant construction of market rate apartments in western North Dakota during the past few years. Market rate rents are not affordable to lower income wage earners or people on fixed income. The construction costs are the same whether developing market rate or affordable housing. In order to bring the rents down to an affordable level, there needs to be a reduction in costs through lower cost of land; infrastructure or an infusion of equity to reduce debt service. The Housing Incentive Fund has been highly successful in lowering rents by significantly reducing debt service payments. Without those dollars, the projects we have funded would not be possible or, in the very least, would not be affordable for lower-income households.

In the 2011-13 biennium, 90 percent of HIF was committed to the oil patch and, in the 2013-15 biennium, 73 percent went to the oil patch. We have made progress in helping to produce affordable units for essential service workers and other lower income households in energy

5.13

impacted areas but a recent survey of ESW employers shows we still have a long way to go. To date we have funded 238 units for ESWs and the October 2014 survey of ESW employers shows 774 additional units are still needed for their employees

With the strong focus in the oil patch, production of affordable housing units in the rest of the state has been flat or declined between 2010 and 2013 despite the growing needs. These growing needs are attributable to economic growth, people aging out of the workforce and a loss of existing affordable housing stock from projects opting out of their Section 8 contracts in favor of higher market rates. To keep North Dakota's diversified economy growing, it will be very important that we have adequate affordable housing options in our communities throughout the state. As the Baby Boom generation ages, we will also see a markedly increased need for senior-friendly housing options that are affordable for those fixed-income households.

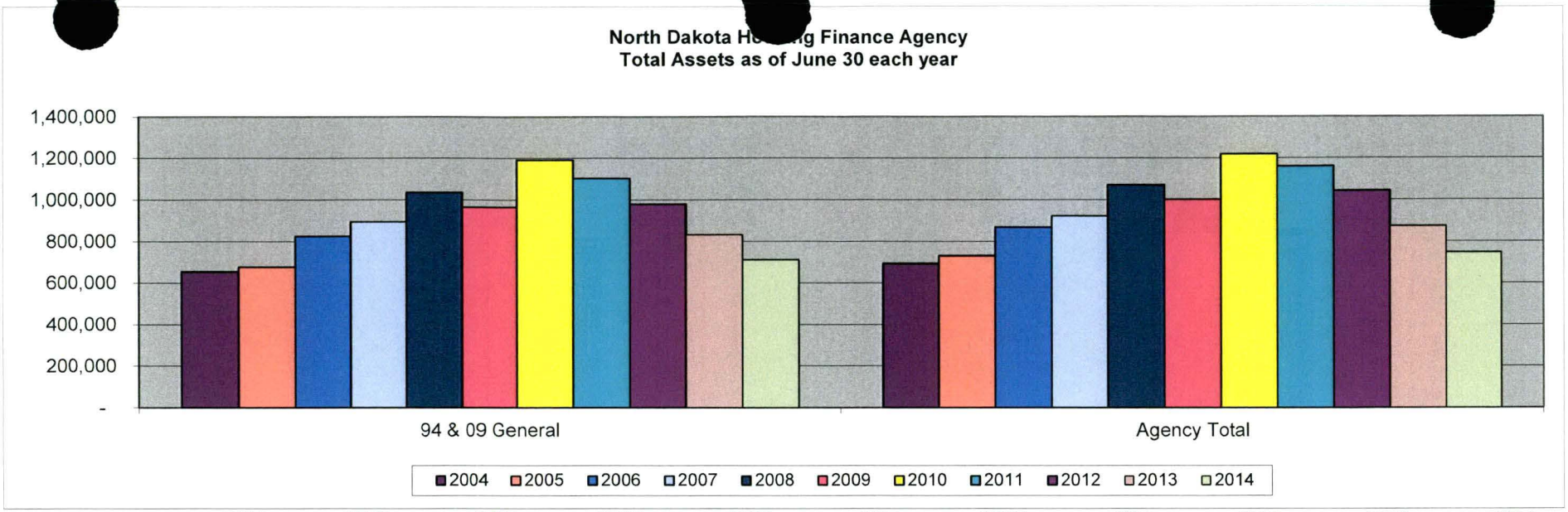
Prior to the Housing Incentive Fund, the federal Low Income Housing Tax Credit (LIHTC) was the only major affordable housing development program. North Dakota receives the small state minimum which can fund four to five projects or approximately 150-175 units per year. The number of affordable housing units receiving assistance from NDHFA has more than tripled since 2010 due to the implementation of HIF, but certainly there is more that needs to be done.

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.

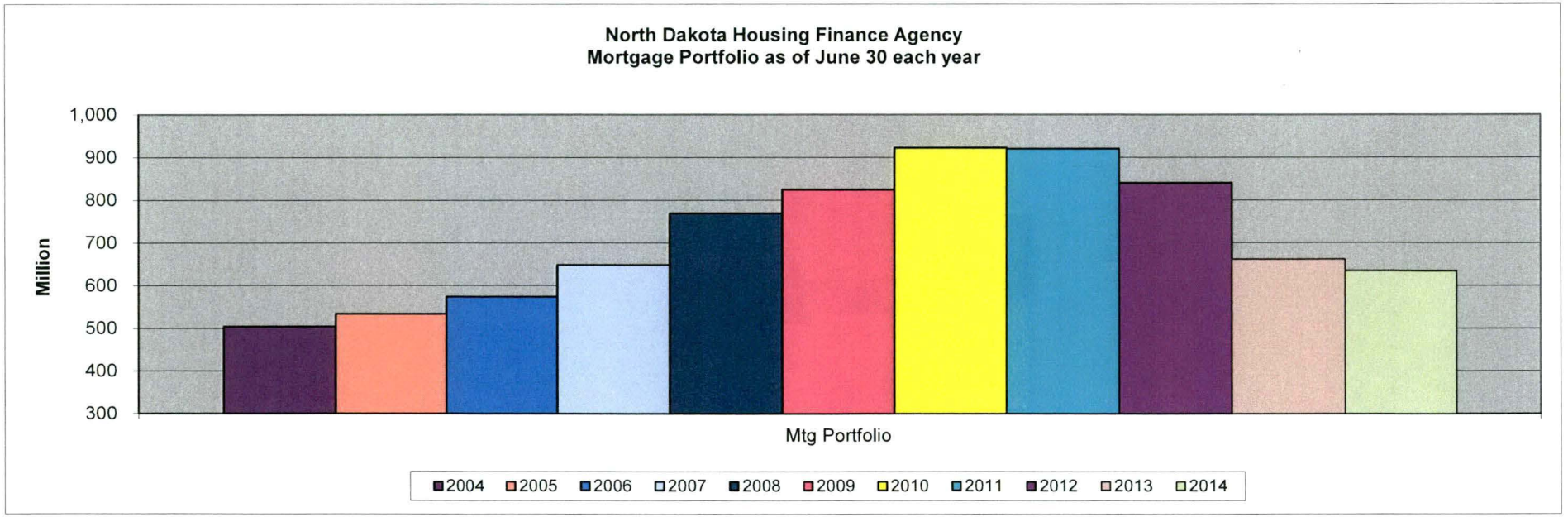
In order for HIF to continue to have a positive impact on North Dakota's affordable housing needs, it is essential that we not lose the 2015 construction season. By including the $20 million appropriation which was lost from SB 2126 and including an emergency clause, we would be able to hold a funding round much sooner. That will be helpful in getting projects moving much quicker this year.

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

5.14

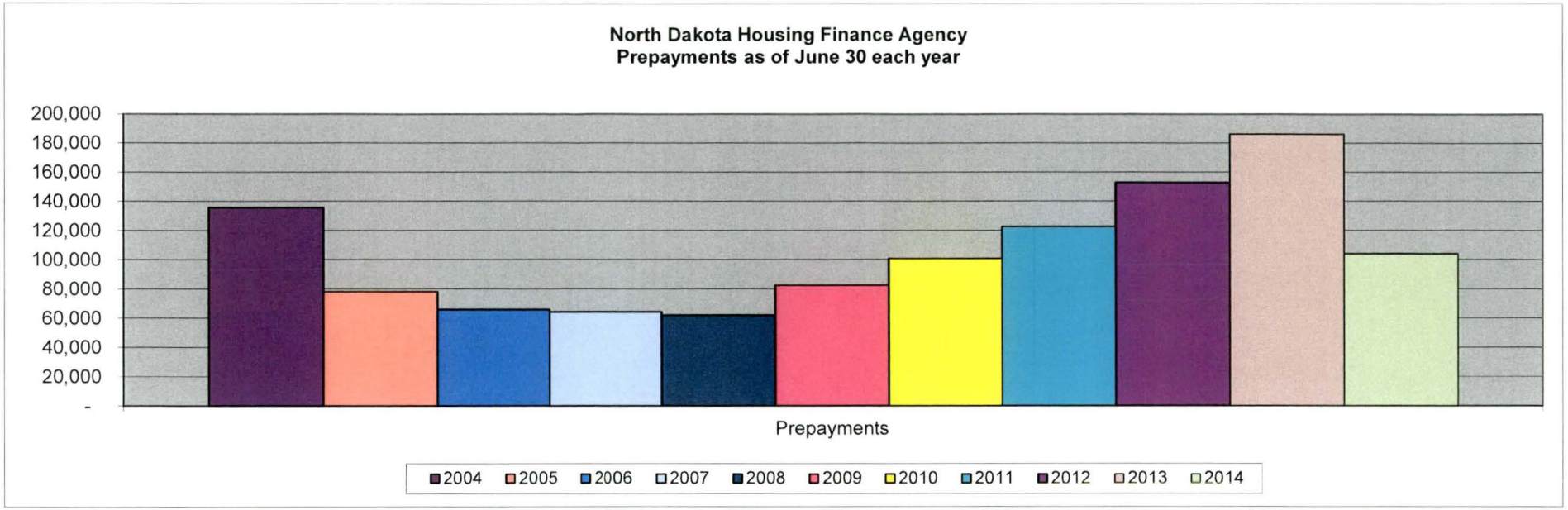


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 & 09 General	654,166	676,271	824,914	893,931	1,035,021	965,149	1,191,886	1,103,671	979,637	831,497	711,880
Agency Total	693,278	729,693	869,126	922,577	1,071,474	1,002,849	1,219,856	1,160,436	1,043,013	872,723	745,581

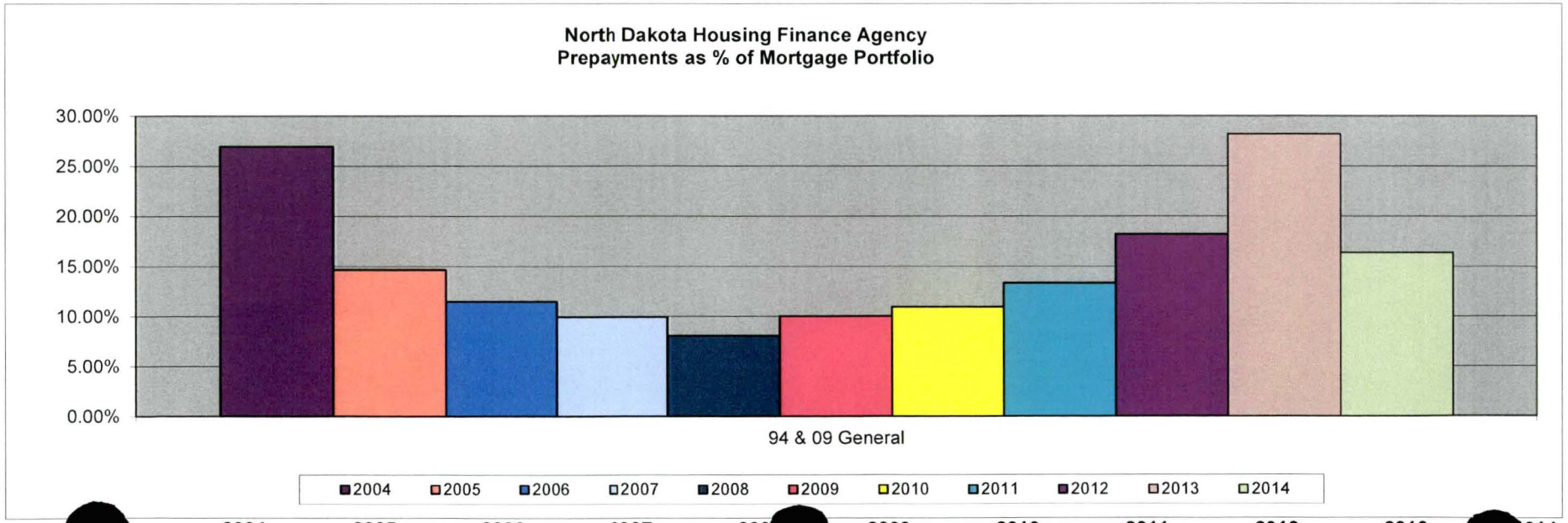


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mtg Portfolio	503	533	574	648	769	824	922	920	840	661	634

5,15



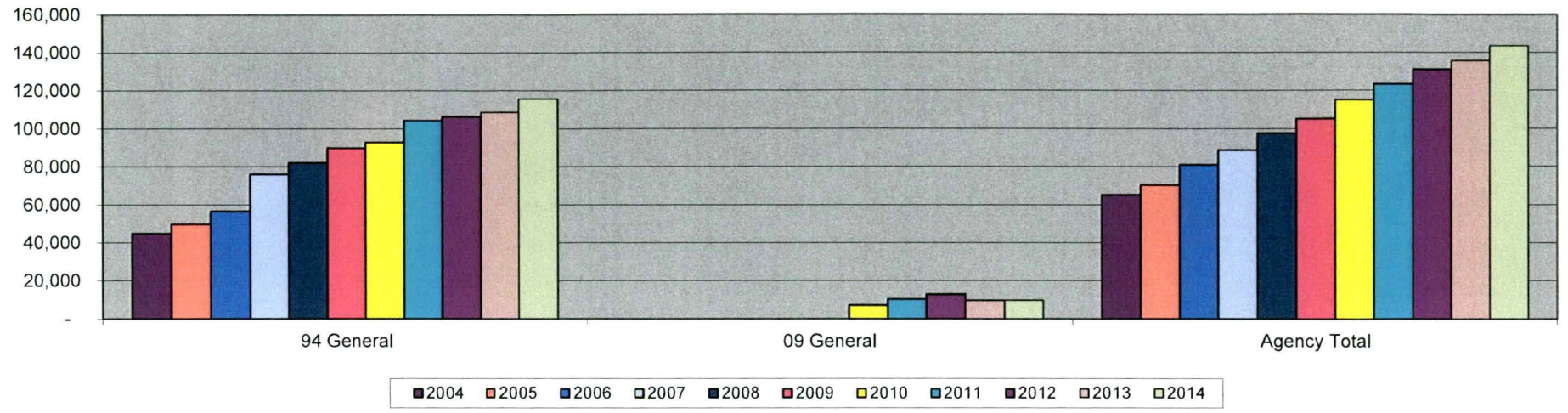
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Prepayments	135,660	78,094	65,795	64,270	62,041	82,434	100,783	122,624	152,897	186,368	103,807



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 & 09	26.96%	14.65%	11.47%	9.92%	[illegible]	10.00%	10.93%	13.33%	18.21%	28.20%	16.37%

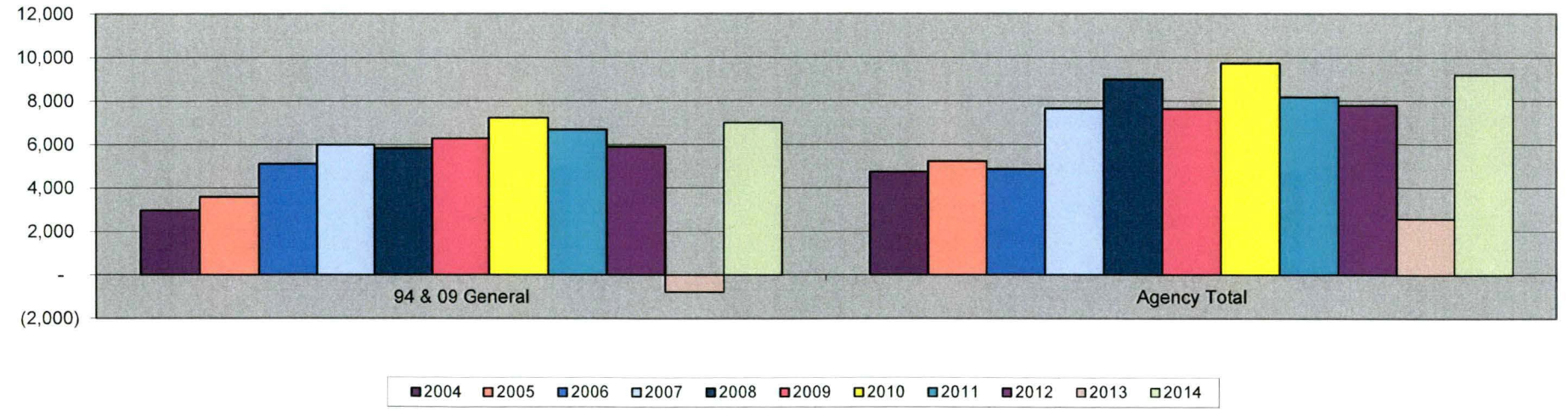
5.16

North Dakota Housing Finance Agency
Fund Balance as of June 30 each year



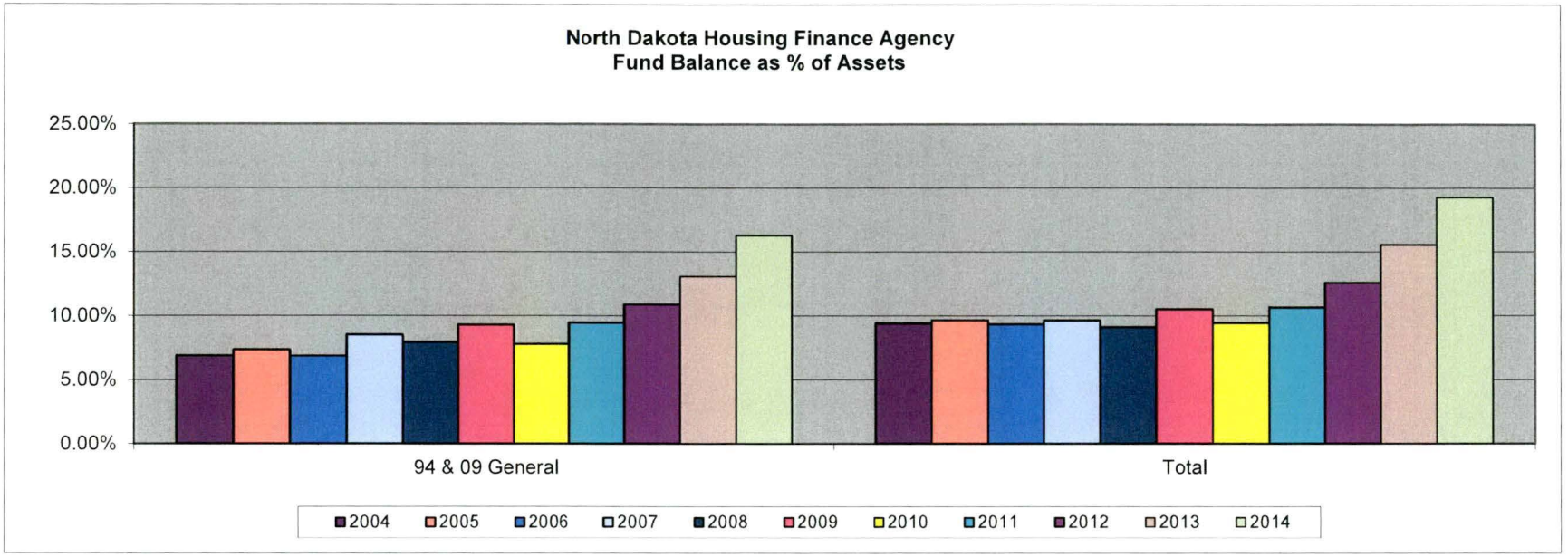
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 General	45,010	49,730	56,636	76,037	82,081	89,748	92,825	104,316	106,436	108,705	115,760
09 General	-	-	-	-	-	-	7,112	10,351	12,784	9,634	9,737
Agency Total	65,136	70,355	81,135	88,789	97,769	105,398	115,131	123,298	131,089	135,590	143,490

North Dakota Housing Finance Agency
Net Income as of June 30 each year

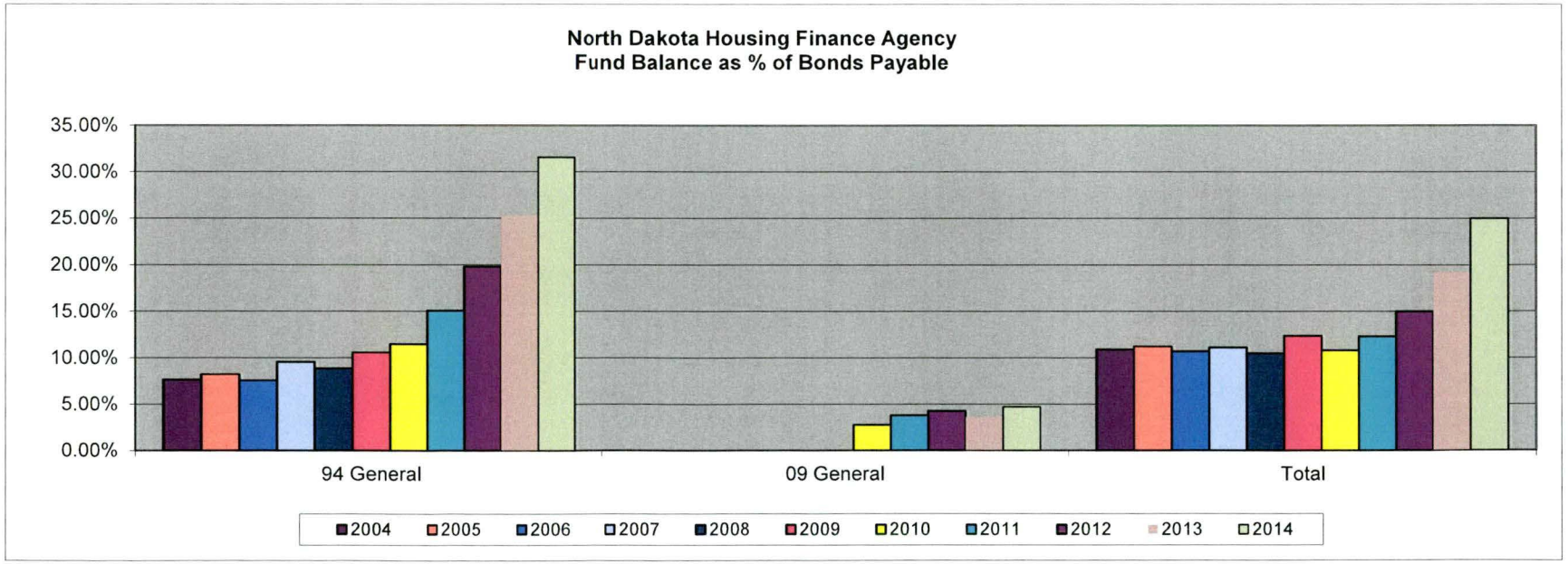


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 & 09 General	2,976	3,592	5,111	5,985	5,836	6,278	7,221	6,681	5,894	(786)	7,000
Agency Total	4,749	5,219	4,870	7,655	8,980	7,630	9,732	8,167	7,791	2,561	9,183

5.17

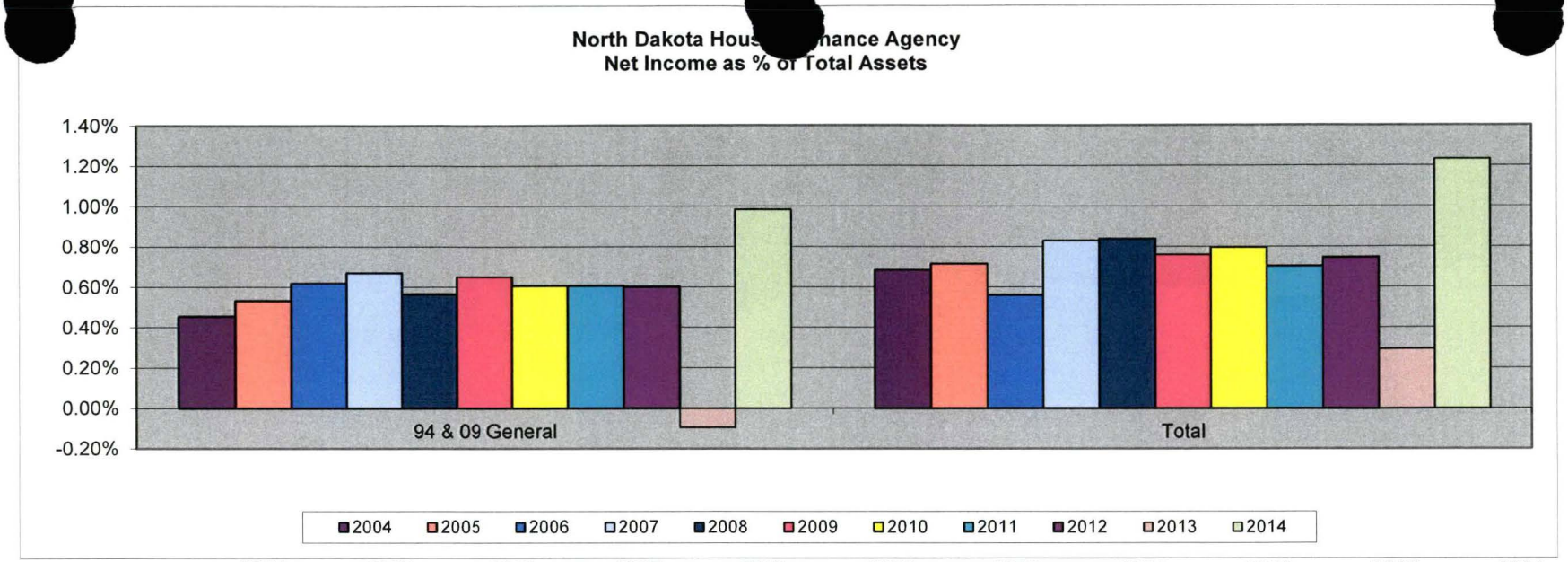


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 & 09 General	6.88%	7.35%	6.87%	8.51%	7.93%	9.30%	7.79%	9.45%	10.86%	13.07%	16.26%
Total	9.40%	9.64%	9.34%	9.62%	9.12%	10.51%	9.44%	10.63%	12.57%	15.54%	19.25%

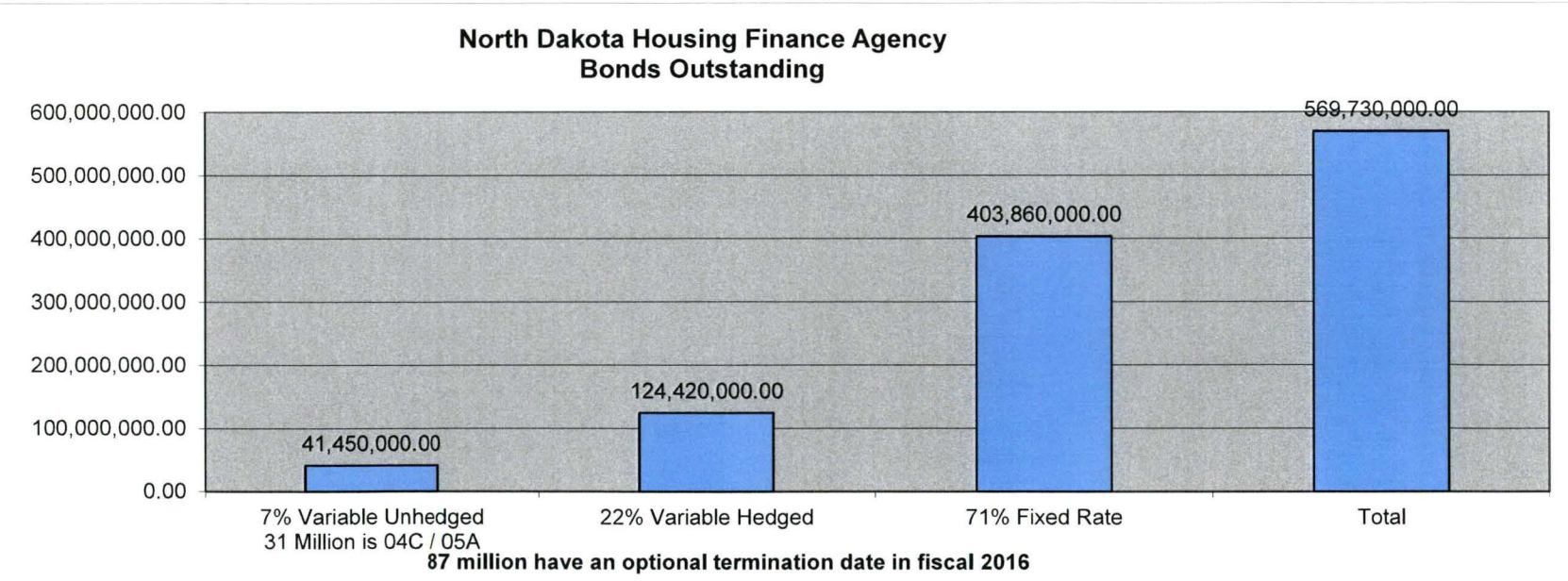


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
[redacted]ral	7.65%	8.22%	7.55%	9.53%	[redacted]	10.56%	11.47%	15.03%	19.77%	25.28%	[redacted]
[redacted]eral							2.75%	3.80%	4.23%	3.62%	[redacted]
Total	10.88%	11.22%	10.70%	11.10%	10.50%	12.37%	10.78%	12.30%	14.97%	19.24%	24.98%

5.18

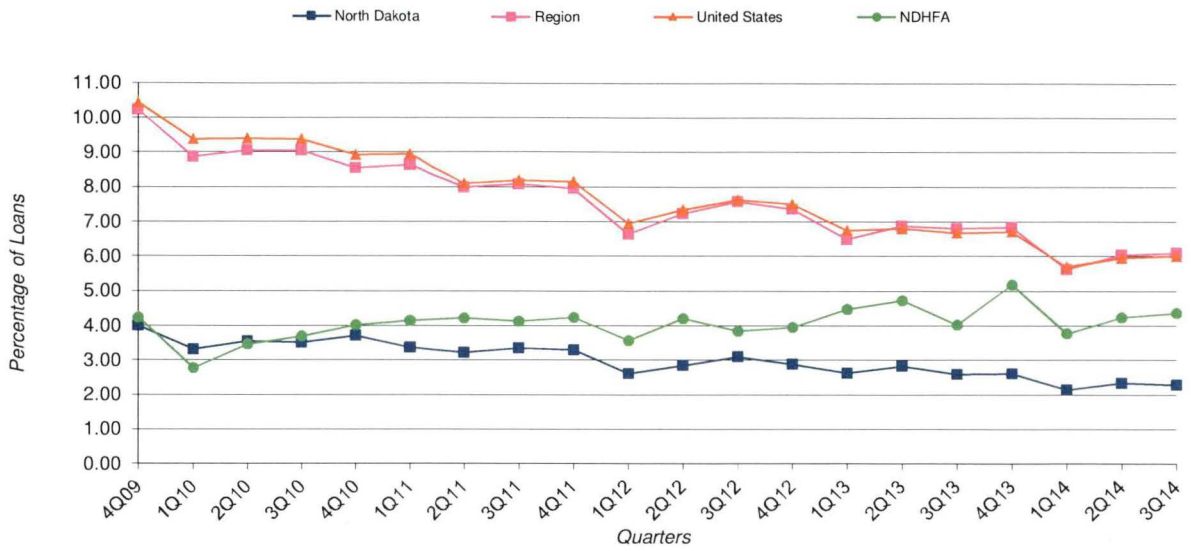


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
94 & 09 General	0.45%	0.53%	0.62%	0.67%	0.56%	0.65%	0.61%	0.61%	0.60%	-0.09%	0.98%
Total	0.69%	0.72%	0.56%	0.83%	0.84%	0.76%	0.80%	0.70%	0.75%	0.29%	1.23%

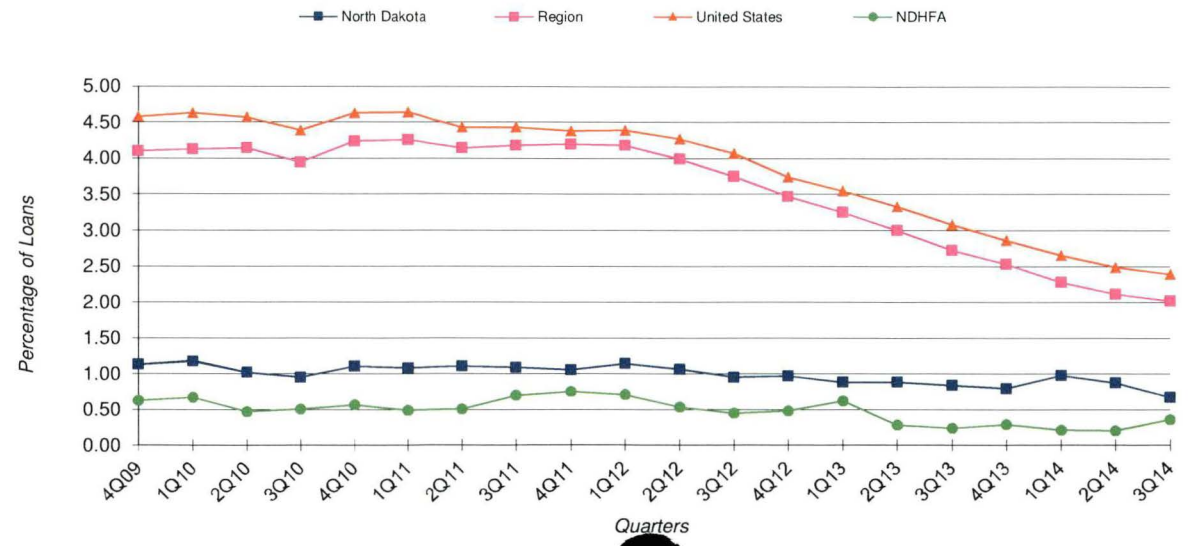


G.19

Delinquency - All Loans - NDHFA Serviced



Foreclosure - All Loans - NDHFA Serviced



5.30

Attachment 4

473 Housing Finance Agency
HB 1014

	Executive Recommendation	House Changes	House Version
Salaries and wages	$7,967,472	(188,935)	7,778,537
Accrued Leave Payments	0	-	0
Operating expenses	3,744,275	-	3,744,275
Grants	25,930,780	-	25,930,780
Housing Finance Contingency	100,000	-	100,000
Total all funds	37,742,527	(188,935)	$37,553,592
Less estimated income	37,742,527	(188,935)	37,553,592
Total general fund	$0	-	$0
Full-time equivalent positions	46.00	-	46.00

	Executive Recommendation				House Version				Change			
	FTE	General Fund	Other Funds	Total Funds	FTE	General Fund	Other Funds	Total Funds	FTE	General Fund	Other Funds	Total Funds
Ongoing												
rates and useage			(683)	(683)			(683)	(683)	-	-	-	-
HUD grants			(2,214,445)	(2,214,445)			(2,214,445)	(2,214,445)	-	-	-	-
program outreach			(1,287,825)	(1,287,825)			(1,287,825)	(1,287,825)	-	-	-	-
agency loans			(146,800)	(146,800)			(146,800)	(146,800)	-	-	-	-
Base payroll change			(273,502)	(273,502)			(273,502)	(273,502)				
Performance Increase			370,808	370,808			277,212	277,212	-	-	(93,596)	(93,596)
Market Increase			56,560	56,560			-	-	-	-	(56,560)	(56,560)
Retirement Increase			38,779	38,779			-	-	-	-	(38,779)	(38,779)
Health Increase			192,144	192,144			192,144	192,144	-	-	-	-
Total Ongoing	**-**	**-**	**(3,264,964)**	**(3,264,964)**	**-**	**-**	**(3,453,899)**	**(3,453,899)**	**-**	**-**	**(188,935)**	**(188,935)**
One-Time												
			-	-		-	-	-		-	-	-
			-	-		-	-	-		-	-	-
Total One-Time		**-**	**-**	**-**		**-**	**-**	**-**		**-**	**-**	**-**
Total Budget Changes		**-**	**(3,264,964)**	**(3,264,964)**		**-**	**(3,453,899)**	**(3,453,899)**		**-**	**(188,935)**	**(188,935)**

5.21

Attachment 5

North Dakota Housing Incentive Fund II
Maximum Income and Rent Limits at 30% of Median Income
Limits as of: 12/18/2013 (For Projects Approved After 1/1/13)

	Maximum Income Limits								Maximum Rent Limits				
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person	0 BR	1 BR	2 BR	3 BR	4 BR
Adams	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Barnes	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Benson	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Billings	14,220	16,260	18,300	20,310	21,960	23,580	25,200	26,820	355	381	457	528	589
Bottineau	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Bowman	14,220	16,260	18,300	20,310	21,960	23,580	25,200	26,820	355	381	457	528	589
Burke	14,220	16,260	18,300	20,310	21,960	23,580	25,200	26,820	355	381	457	528	589
Burleigh	16,110	18,420	20,730	23,010	24,870	26,700	28,560	30,390	402	431	518	598	667
Cass	15,150	17,310	19,470	21,630	23,370	25,110	26,850	28,560	378	405	486	562	627
Cavalier	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Dickey	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Divide	14,220	16,260	18,300	20,310	21,960	23,580	25,200	26,820	355	381	457	528	589
Dunn	14,220	16,260	18,300	20,310	21,960	23,580	25,200	26,820	355	381	457	528	589
Eddy	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Emmons	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Foster	14,280	16,320	18,360	20,400	22,050	23,670	25,320	26,940	357	382	459	530	591
Golden Valley	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Grand Forks	14,670	16,770	18,870	20,940	22,620	24,300	25,980	27,660	366	393	471	544	607
Grant	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Griggs	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Hettinger	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Kidder	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
LaMoure	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Logan	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
McHenry	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
[redacted]Intosh	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
[redacted]cKenzie	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
McLean	14,040	16,050	18,060	20,040	21,660	23,250	24,870	26,460	351	376	451	521	581
Mercer	16,170	18,480	20,790	23,100	24,960	26,820	28,650	30,510	404	433	519	600	670
Morton	16,110	18,420	20,730	23,010	24,870	26,700	28,560	30,390	402	431	518	598	667
Mountrail	14,220	16,260	18,300	20,310	21,960	23,580	25,200	26,820	355	381	457	528	589
Nelson	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Oliver	16,170	18,480	20,790	23,100	24,960	26,820	28,650	30,510	404	433	519	600	670
Pembina	14,010	16,020	18,030	20,010	21,630	23,220	24,840	26,430	350	375	450	520	580
Pierce	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Ramsey	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Ransom	14,040	16,050	18,060	20,040	21,660	23,250	24,870	26,460	351	376	451	521	581
Renville	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Richland	14,850	16,980	19,110	21,210	22,920	24,630	26,310	28,020	371	397	477	551	615
Rolette	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Sargent	14,220	16,230	18,270	20,280	21,930	23,550	25,170	26,790	355	380	456	527	588
Sheridan	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Sioux	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Slope	14,220	16,260	18,300	20,310	21,960	23,580	25,200	26,820	355	381	457	528	589
Stark	14,670	16,770	18,870	20,940	22,620	24,300	25,980	27,660	366	393	471	544	607
Steele	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Stutsman	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Towner	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Traill	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Walsh	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Ward	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Wells	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Williams	14,220	16,260	18,300	20,310	21,960	23,580	25,200	26,820	355	381	457	528	589

[redacted] any utilities are paid directly by the tenant, the maximum rent must be reduced by the applicable utility allowance amount.

Effective 12/18/2013

Printed 01/13/2014

5.22

North Dakota Housing Incentive Fund II
Maximum Income and Rent Limits at 80% of Median Income
Limits as of: 12/18/2013 (For Projects Approved After 1/1/13)

	Maximum Income Limits								Maximum Rent Limits				
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person	0 BR	1 BR	2 BR	3 BR	4 BR
Adams	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Barnes	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Benson	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Billings	37,920	43,360	48,800	54,160	58,560	62,880	67,200	71,520	592	635	762	880	982
Bottineau	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Bowman	37,920	43,360	48,800	54,160	58,560	62,880	67,200	71,520	592	635	762	880	982
Burke	37,920	43,360	48,800	54,160	58,560	62,880	67,200	71,520	592	635	762	880	982
Burleigh	42,960	49,120	55,280	61,360	66,320	71,200	76,160	81,040	671	719	863	997	1,112
Cass	40,400	46,160	51,920	57,680	62,320	66,960	71,600	76,160	631	676	811	937	1,046
Cavalier	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Dickey	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Divide	37,920	43,360	48,800	54,160	58,560	62,880	67,200	71,520	592	635	762	880	982
Dunn	37,920	43,360	48,800	54,160	58,560	62,880	67,200	71,520	592	635	762	880	982
Eddy	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Emmons	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Foster	38,080	43,520	48,960	54,400	58,800	63,120	67,520	71,840	595	637	765	884	986
Golden Valley	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Grand Forks	39,120	44,720	50,320	55,840	60,320	64,800	69,280	73,760	611	655	786	907	1,012
Grant	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Griggs	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Hettinger	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Kidder	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
LaMoure	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Logan	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
McHenry	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
McIntosh	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	96[redacted]
McKenzie	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	96[redacted]
McLean	37,440	42,800	48,160	53,440	57,760	62,000	66,320	70,560	585	626	752	868	968
Mercer	43,120	49,280	55,440	61,600	66,560	71,520	76,400	81,360	673	721	866	1,001	1,117
Morton	42,960	49,120	55,280	61,360	66,320	71,200	76,160	81,040	671	719	863	997	1,112
Mountrail	37,920	43,360	48,800	54,160	58,560	62,880	67,200	71,520	592	635	762	880	982
Nelson	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Oliver	43,120	49,280	55,440	61,600	66,560	71,520	76,400	81,360	673	721	866	1,001	1,117
Pembina	37,360	42,720	48,080	53,360	57,680	61,920	66,240	70,480	583	625	751	867	967
Pierce	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Ramsey	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Ransom	37,440	42,800	48,160	53,440	57,760	62,000	66,320	70,560	585	626	752	868	968
Renville	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Richland	39,600	45,280	50,960	56,560	61,120	65,680	70,160	74,720	618	663	796	919	1,026
Rolette	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Sargent	37,920	43,280	48,720	54,080	58,480	62,800	67,120	71,440	592	634	761	879	981
Sheridan	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Sioux	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Slope	37,920	43,360	48,800	54,160	58,560	62,880	67,200	71,520	592	635	762	880	982
Stark	39,120	44,720	50,320	55,840	60,320	64,800	69,280	73,760	611	655	786	907	1,012
Steele	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Stutsman	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Towner	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Traill	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Walsh	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Ward	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Wells	37,280	42,560	47,920	53,200	57,520	61,760	66,000	70,240	582	623	748	865	965
Williams	37,920	43,360	48,800	54,160	58,560	62,880	67,200	71,520	592	635	762	880	982

If any utilities are paid directly by the tenant, the maximum rent must be reduced by the applicable utility allowance amount.

Effective 12/18/2013

Printed 01/13/201[redacted]

5.23

North Dakota Housing Incentive Fund II

Maximum Income and Rent Limits at 140% of Median Income

Limits as of: 12/18/2013 (For Projects Approved After 1/1/13)

	Maximum Income Limits								Maximum Rent Limits				
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person	0 BR	1 BR	2 BR	3 BR	4 BR
Adams	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Barnes	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Benson	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Billings	66,360	75,880	85,400	94,780	102,480	110,040	117,600	125,160	948	1,016	1,220	1,409	1,572
Bottineau	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Bowman	66,360	75,880	85,400	94,780	102,480	110,040	117,600	125,160	948	1,016	1,220	1,409	1,572
Burke	66,360	75,880	85,400	94,780	102,480	110,040	117,600	125,160	948	1,016	1,220	1,409	1,572
Burleigh	75,180	85,960	96,740	107,380	116,060	124,600	133,280	141,820	1,074	1,151	1,382	1,596	1,780
Cass	70,700	80,780	90,860	100,940	109,060	117,180	125,300	133,280	1,010	1,082	1,298	1,500	1,674
Cavalier	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Dickey	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Divide	66,360	75,880	85,400	94,780	102,480	110,040	117,600	125,160	948	1,016	1,220	1,409	1,572
Dunn	66,360	75,880	85,400	94,780	102,480	110,040	117,600	125,160	948	1,016	1,220	1,409	1,572
Eddy	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Emmons	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Foster	66,640	76,160	85,680	95,200	102,900	110,460	118,160	125,720	952	1,020	1,224	1,415	1,578
Golden Valley	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Grand Forks	68,460	78,260	88,060	97,720	105,560	113,400	121,240	129,080	978	1,048	1,258	1,452	1,620
Grant	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Griggs	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Hettinger	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Kidder	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
LaMoure	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Logan	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
McHenry	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
McIntosh	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
McKenzie	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
McLean	65,520	74,900	84,280	93,520	101,080	108,500	116,060	123,480	936	1,003	1,204	1,390	1,550
Mercer	75,460	86,240	97,020	107,800	116,480	125,160	133,700	142,380	1,078	1,155	1,386	1,602	1,788
Morton	75,180	85,960	96,740	107,380	116,060	124,600	133,280	141,820	1,074	1,151	1,382	1,596	1,780
Mountrail	66,360	75,880	85,400	94,780	102,480	110,040	117,600	125,160	948	1,016	1,220	1,409	1,572
Nelson	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Oliver	75,460	86,240	97,020	107,800	116,480	125,160	133,700	142,380	1,078	1,155	1,386	1,602	1,788
Pembina	65,380	74,760	84,140	93,380	100,940	108,360	115,920	123,340	934	1,001	1,202	1,388	1,548
Pierce	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Ramsey	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Ransom	65,520	74,900	84,280	93,520	101,080	108,500	116,060	123,480	936	1,003	1,204	1,390	1,550
Renville	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Richland	69,300	79,240	89,180	98,980	106,960	114,940	122,780	130,760	990	1,061	1,274	1,471	1,642
Rolette	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Sargent	66,360	75,740	85,260	94,640	102,340	109,900	117,460	125,020	948	1,015	1,218	1,407	1,570
Sheridan	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Sioux	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Slope	66,360	75,880	85,400	94,780	102,480	110,040	117,600	125,160	948	1,016	1,220	1,409	1,572
Stark	68,460	78,260	88,060	97,720	105,560	113,400	121,240	129,080	978	1,048	1,258	1,452	1,620
Steele	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Stutsman	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Towner	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Traill	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Walsh	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Ward	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Wells	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	932	998	1,198	1,384	1,544
Williams	66,360	75,880	85,400	94,780	102,480	110,040	117,600	125,160	948	1,016	1,220	1,409	1,572

If any utilities are paid directly by the tenant, the maximum rent must be reduced by the applicable utility allowance amount.

Effective 12/18/2013

Printed 01/13/2014

5.24

15.8122.02001
Title.

Prepared by the Legislative Council staff for
Representative Streyle
March 11, 2015

HB 1014
3-16-15
#6

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 6, after the semicolon insert "to provide an exemption;"

Page 10, after line 13, insert:

"**SECTION 19. EXEMPTION.** The amount appropriated for flood-impacted housing assistance in section 4 of chapter 16 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this appropriation are available and may be spent during the biennium beginning July 1, 2015, and ending June 30, 2017."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment allows any unexpended 2013-15 biennium funds appropriated to the Housing Finance Agency as part of the $1.5 million state disaster relief fund appropriation for flood-impacted housing assistance in Section 4 of 2013 House Bill No. 1016, to continue and be spent during the 2015-17 biennium.

6.1

HB 1014
3-16-15
7

Senate Appropriations Committee

House Bill No. 1014 Budget No. 475
North Dakota Mill & Elevator Association
March 16, 2015

Mr. Chairman and Senators:

I am Vance Taylor, President and General Manager of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our Controller and Finance Manager.

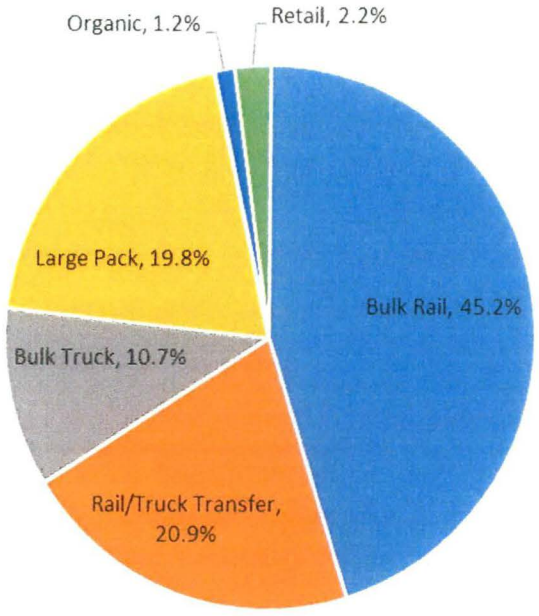
The North Dakota Mill and Elevator Association, located in Grand Forks, is presently the largest single site wheat flour Mill and the 9th largest wheat milling company in the United States with sales of over $300 million per year.

Our milling complex includes 7 milling units with the capacity to produce 3,800,000 lbs. of finished product per day, a terminal elevator with total available storage of over 4,000,000 bu. of grain and a packaging center and warehouse capable of producing, storing and shipping large quantities of various sized bags of milled products. We process over 85,000 bu. of top quality North Dakota spring wheat and durum per day, adding value to approximately 26,000,000 bu. per year. All facilities are located in Grand Forks.

The Mill normally operates 24 hours per day, 5 to 7 days per week. Our total current staffing is 135 full time employees.

Our milling units process about 90% spring wheat and 10% durum. Approximately 80% of our products are shipped in bulk trucks or railcars and 20% is shipped in bags or totes. The Mill produces conventional and organic products. At present organic products make up about 1% of our total shipments.

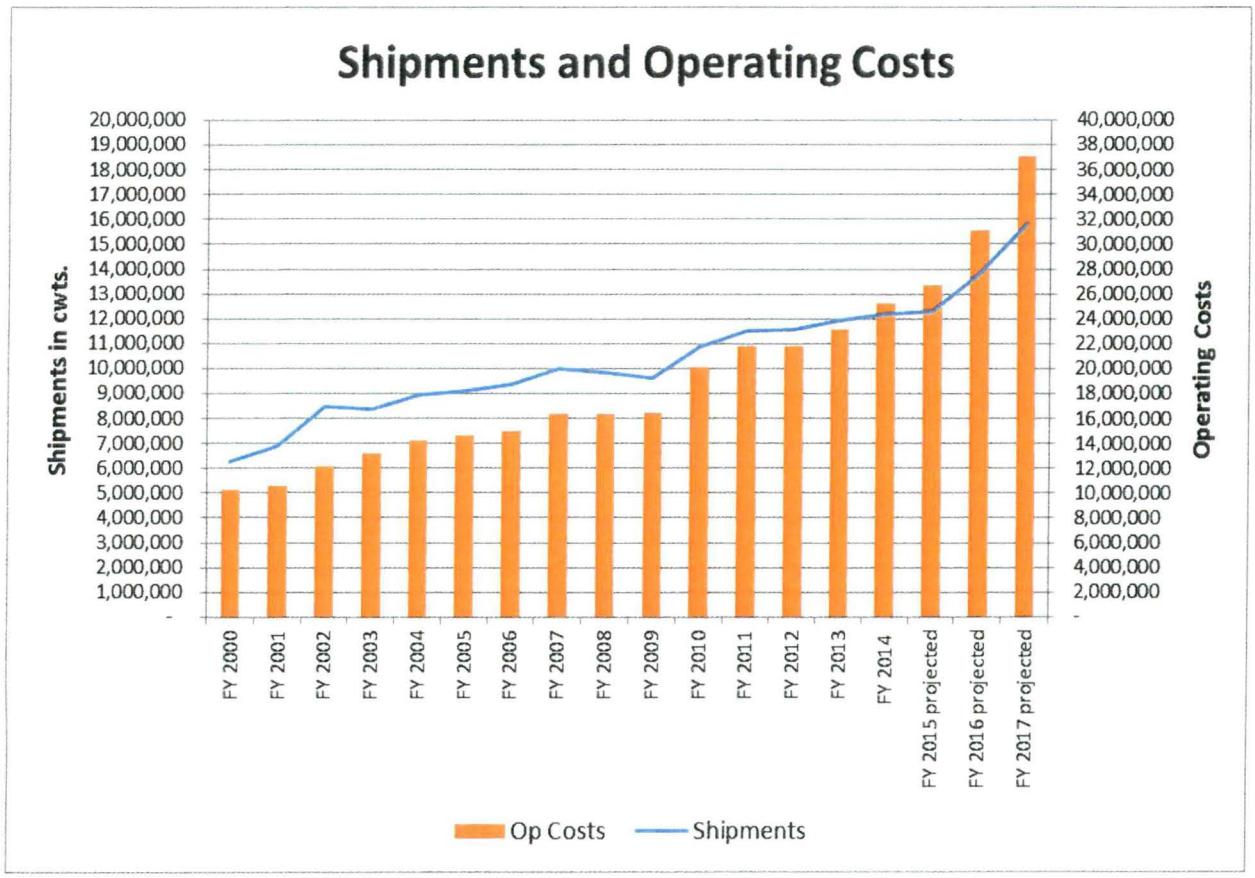
Flour Shipments FY 2014

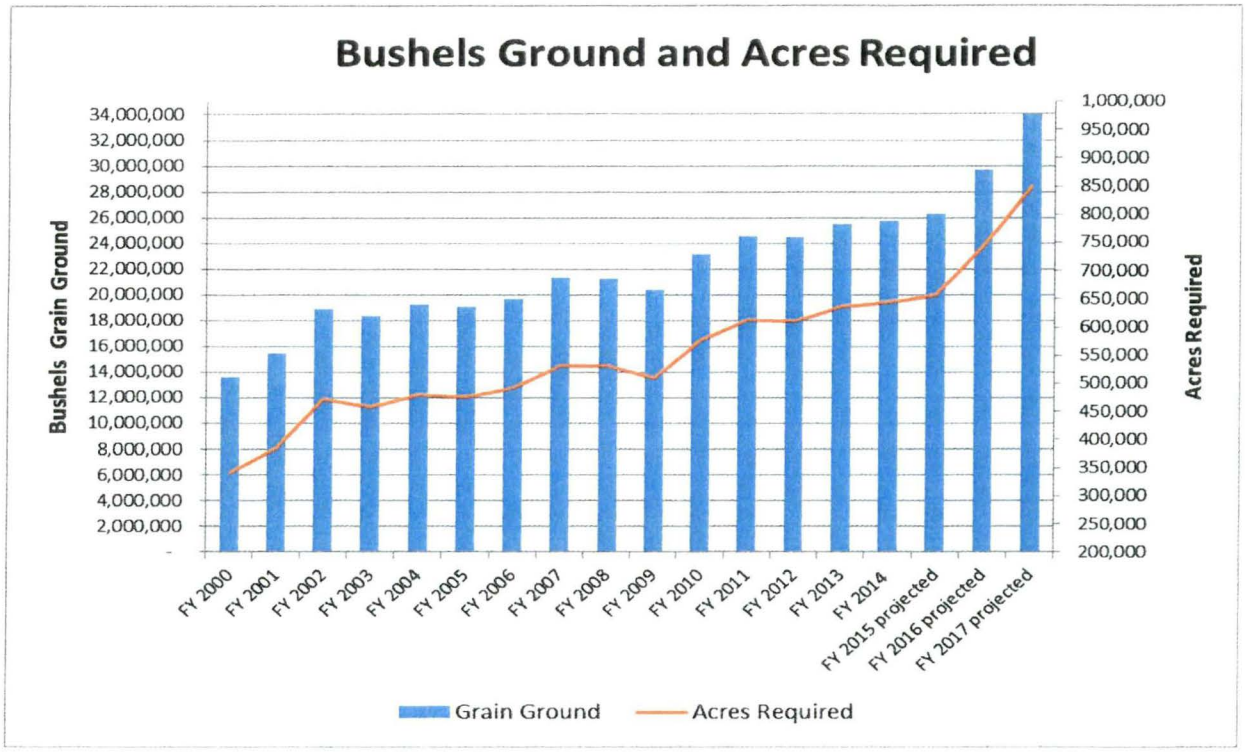


Projects and Business Growth

Our Renovation and Expansion Project was completed during fiscal year 2002, at a cost of $19.5 million. This project provided for various upgrades resulting in a production capacity increase of 4,000 cwts. per day and an increase in average milling yields. In fiscal year 2005 we replaced our whole-wheat Mill with a larger, more automated milling unit, at a cost of $1.7 million. During fiscal year 2007 a new C Mill was completed further increasing spring wheat milling capacity and yields, at a cost of $6.3 million. In fiscal year 2009 our new E Mill was completed adding 1,000 cwts. per day of spring wheat capacity and in fiscal year 2010 the D Mill was expanded adding 1,000 cwts. per day of durum capacity, at a total cost of $2.4 million. In fiscal year 2013 a three phase expansion of the K Mill was completed increasing the daily capacity of the milling complex to 38,000 cwts. of flour a day, at a total cost of $8.4 million. Our need to expand has been driven by increasing demand from our current customers and the addition of new customers. The completion of these major projects has been vitally important for the North Dakota Mill to continue to compete effectively and provide a more significant economic impact to the State.

Currently a project is underway to add an 8th milling unit to our manufacturing complex in Grand Forks. This new unit will provide 11,500 cwts. per day which is a 30% increase in milling capacity and is expected to be completed by early spring of 2016. This project will allow us to service additional demand from current and new customers.




Bushels Ground and Acres Required
Bushels Grain Ground
Acres Required
34,000,000
32,000,000
30,000,000
28,000,000
26,000,000
24,000,000
22,000,000
20,000,000
18,000,000
16,000,000
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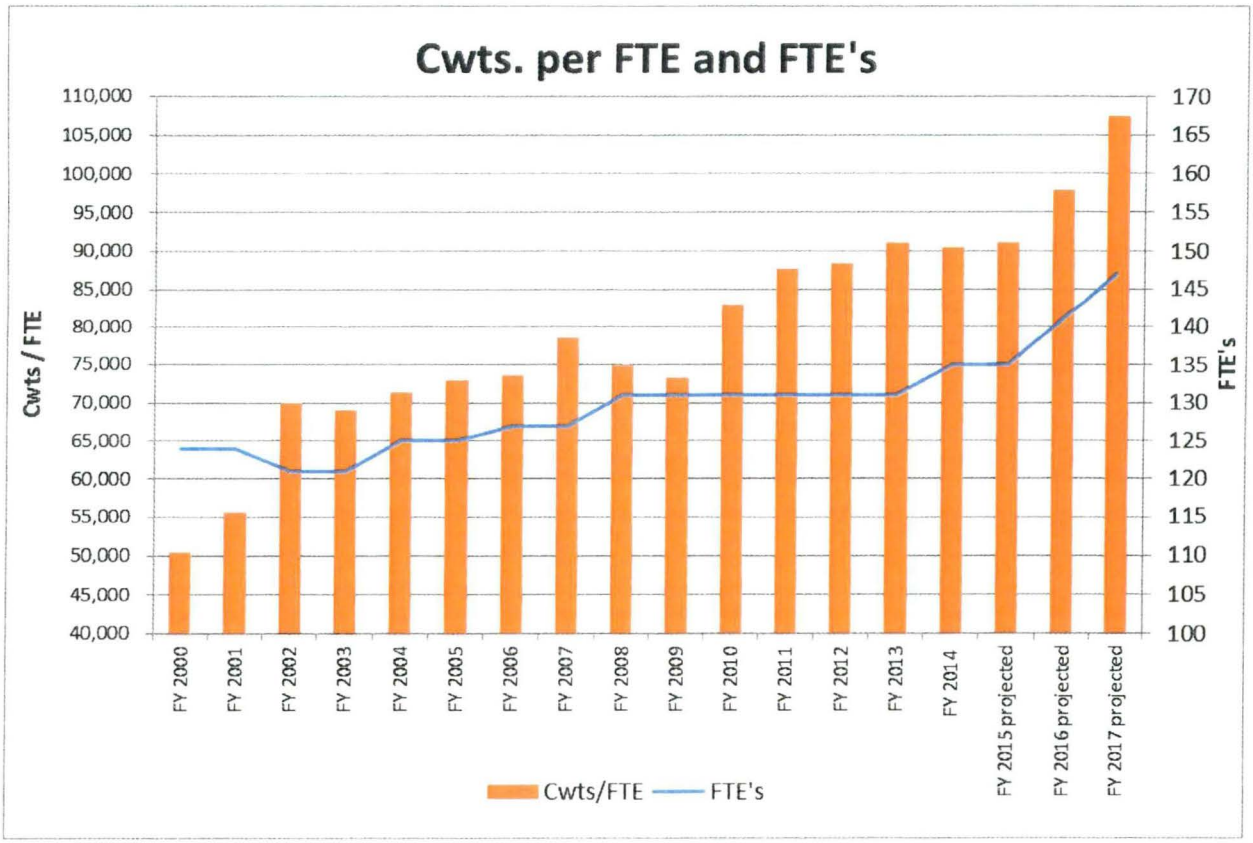
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
FY 2014
FY 2015 projected
FY 2016 projected
FY 2017 projected
Grain Ground
Acres Required


Cwts. per FTE and FTE's
Cwts / FTE
FTE's
110,000
105,000
100,000
95,000
90,000
85,000
80,000
75,000
70,000
65,000
60,000
55,000
50,000
45,000
40,000
170
165
160
155
150
145
140
135
130
125
120
115
110
105
100
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
FY 2014
FY 2015 projected
FY 2016 projected
FY 2017 projected
Cwts/FTE
FTE's

Profits
17,000,000
16,000,000
15,000,000
14,000,000
13,000,000
12,000,000
11,000,000
10,000,000
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
(1,000,000)
(2,000,000)
(3,000,000)
(4,000,000)
(5,000,000)
(6,000,000)
(7,000,000)
(8,000,000)
(9,000,000)
(10,000,000)
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004
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FY 2007
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FY 2009
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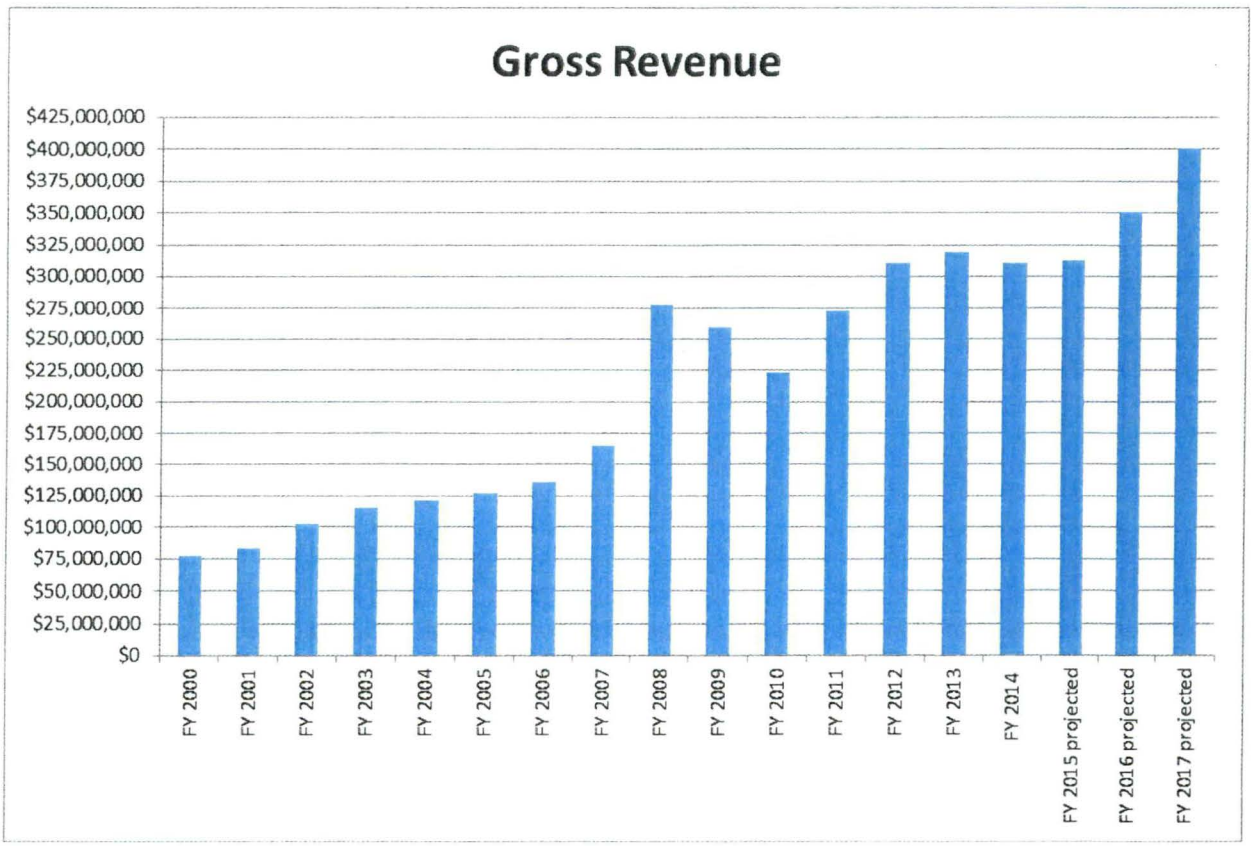
FY 2011
FY 2012
FY 2013
FY 2014
FY 2015 projected
FY 2016 projected
FY 2017 projected


Gross Revenue
$425,000,000
$400,000,000
$375,000,000
$350,000,000
$325,000,000
$300,000,000
$275,000,000
$250,000,000
$225,000,000
$200,000,000
$175,000,000
$150,000,000
$125,000,000
$100,000,000
$75,000,000
$50,000,000
$25,000,000
$0
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
FY 2014
FY 2015 projected
FY 2016 projected
FY 2017 projected

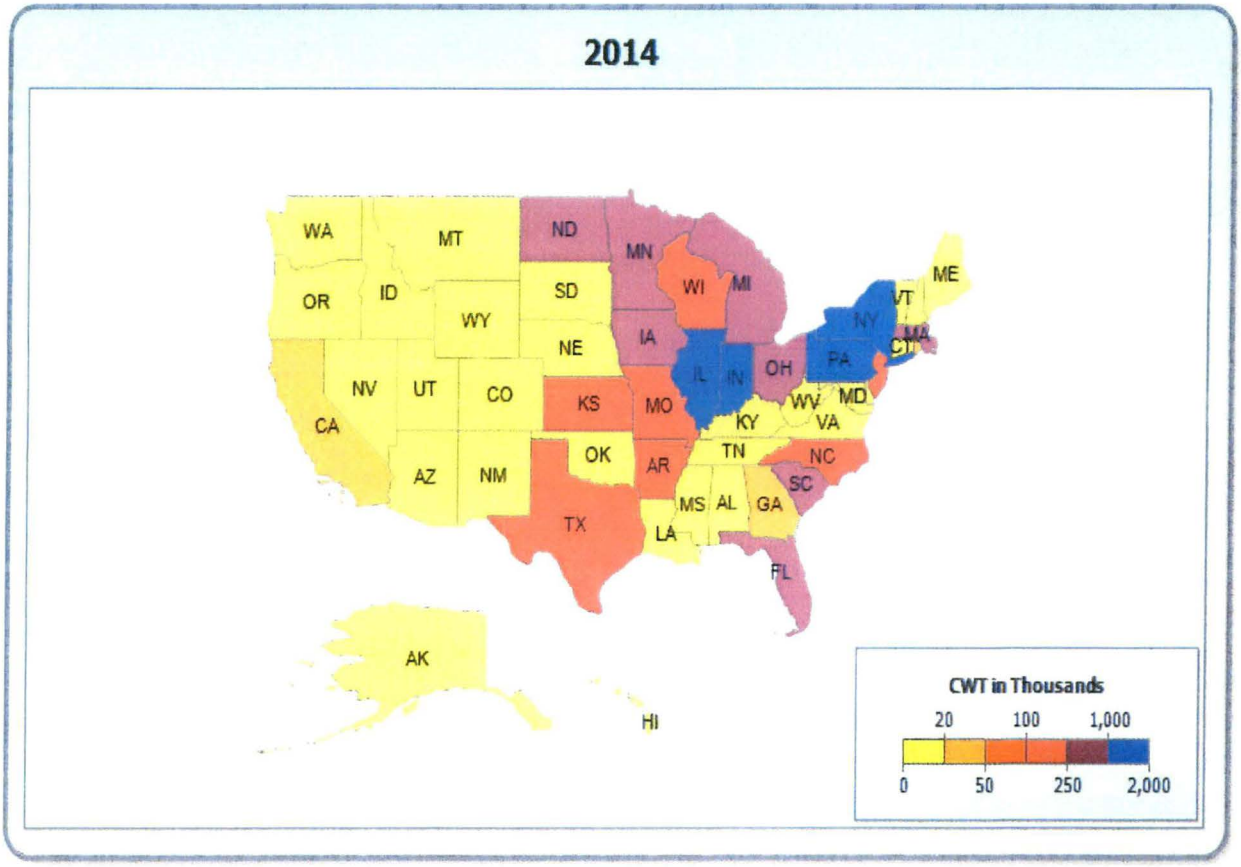
Markets and Competition

Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast. We also export product to the Caribbean Islands, and the Pacific Rim. Our customers include bakery flour distributors, retail distributors, large bakeries and pasta companies. Sales are made by our in-house sales staff and food brokers.

We compete with large milling companies such as Ardent Mills, ADM, Grain Craft, General Mills and others. The outstanding quality of our products is verified by our ISO 22000, ISO/TS 22002-1 & ISO 9000 certifications.

Going forward, we intend to continue to increase production volume with the addition of our new milling unit; increase the percentage of bagged products sold; continue to aggressively market family flour and retail mixes; grow our organic flour business and investigate new markets, new products and extensions of current product lines.

We will continue to leverage our greatest strength – our employees, whose efforts have given us an excellent reputation for product quality and customer service in the market place.



Economic Impact

A North Dakota State University study stated that for every dollar in direct economic activity from wheat processing, another $2.32 was generated in secondary economic activity. During Fiscal Year 2014, the Mill generated $229,420,000 in direct economic activity resulting in an additional $532,254,000 in secondary economic activity. This results in a total economic impact to the region of more than $761,674,000 during the last fiscal year.

Strategic Plan 2015

Working with the UND Office of Work Force Development, the State Mill management team has developed the following strategic objectives for fiscal year 2015:

- Promote and Support ND Agriculture, Commerce and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Increase Profitability
- Grow our Customer Base
- Invest in our Employees

Budget Request

All operating funds are generated internally at the Mill. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The executive recommendation is for $64,825,750. This is a $12,702,193 increase over the last biennium budget. This increase represents increases in both wages and benefits and other operating expenses. The House Version reduces this amount by $809,179. This reduction comes from a reduction in office workers salaries of $234,758, the elimination of the market adjustments, recruitment, and retention bonuses of $410,000 and the elimination of the retirement increase of $164,421. We request that you reinstate the market adjustments, recruitment, and retention bonus amount of $410,000.

475 Mill and Elevator Association
HB 1014

	Executive Recommendation	House Changes	House Version
Salaries and wages	$36,788,750	(809,179)	$35,979,571
Accrued Leave Payments	0	-	0
Operating expenses	27,327,000	-	27,327,000
Contingencies	500,000	-	500,000
Agriculture promotion	210,000	-	210,000
Total all funds	64,825,750	(809,179)	64,016,571
Less estimated income	64,825,750	(809,179)	64,016,571
Total general fund	$0	-	$0
Full-time equivalent positions	147.00	-	147.00

	Executive Recommendation				House Version				Change			
	FTE	General Fund	Other Funds	Total Funds	FTE	General Fund	Other Funds	Total Funds	FTE	General Fund	Other Funds	Total Funds
Ongoing												
inflationary and capacity increase changes			5,631,000	5,631,000			5,631,000	5,631,000	-	-	-	-
new fte for expansion	6.00		812,026	812,026	6.00		812,026	812,026	-	-	-	-
new fte for workload increase	6.00		831,880	831,880	6.00		831,880	831,880	-	-	-	-
Base payroll changes			4,628,147	4,628,147			3,983,389	3,983,389	-	-	(644,758)	(644,758)
Performance Increase			-	-			-	-	-	-	-	-
Market Increase			-	-			-	-	-	-	-	-
Retirement Increase			164,421	164,421			-	-	-	-	(164,421)	(164,421)
Health Increase			634,719	634,719			634,719	634,719	-	-	-	-
Total Ongoing	**12.00**	**-**	**12,702,193**	**12,702,193**	**12.00**	**-**	**11,893,014**	**11,893,014**	**-**	**-**	**(809,179)**	**(809,179)**
One-Time												
			-	-		-	-	-		-	-	-
			-	-		-	-	-		-	-	-
Total One-Time		-	-	-		-	-	-		-	-	-
Total Budget Changes		-	12,702,193	12,702,193		-	11,893,014	11,893,014		-	(809,179)	(809,179)

The House Version includes a wages and benefits increase of $6,837,821 over the current budget. This is a reduction from the Executive recommendation which would have resulted in an increase of $7,647,000. That amount includes funding of $1,643,906 for the twelve new FTE positions. In the first year of the current biennium, the Mill spent $12,820,524 on wages and benefits. This leaves a balance of $16,321,226 for the current fiscal year. The Mill delayed hiring the additional FTEs authorized in the current biennium until necessary resulting in a savings. In addition, while the Mill had a significant amount of overtime, it was less than budgeted and subsequently the gainsharing expense was also less than budgeted. Benefits are also running less than anticipated.

The twelve (12) positions added for the next biennium are as follows:

Three (3) FTE mill operators for the new Mill. The new Mill will require one additional hourly employee per shift to insure proper operation of all equipment and maintain product quality. This is in addition to the 17 current employees in the milling department.

Three (3) FTEs to clean, check and load rail cars in the new Mill. The new Mill will provide additional capacity to load 4 – 5 additional rail cars per day. This will require 3 additional hourly employees, working on the third shift to prepare and load the rail cars. This is in addition to the 18 current employees in the bulk handling department.

Two (2) FTE flour packing positions to meet the increased demand for bag product. The new Mill will provide additional capacity to increase pack production. This will require 2 additional hourly employees to staff our B-2 packing line on second and third shifts. This is in addition to the 26 current employees in the packing/warehouse department.

Two (2) FTE utility workers to assist in keeping the Mills (including the new Mill) clean. Two additional hourly utility workers will be required to clean the additional 75,000 square feet of production area. This is in addition to the 15 current utility workers at the Mill.

One (1) FTE electrician position required to keep the electrical infrastructure in working condition. The new Mill will have 203 additional electric motors a totaling over 3,000 horse power and related electrical controls that will require periodic troubleshooting and maintenance. This is in addition to the 5 electricians currently on staff.

One (1) FTE maintenance worker to keep the milling equipment in operational condition. The new Mill will have approximately 180 new pieces of equipment that will run 24/7. One additional hourly maintenance worker will be required to complete scheduled maintenance to assure reliable operation of the Mill. This is in addition to the 12 current maintenance workers on staff.

The Executive recommendation and House Version both includes an increase in the operating expenses of $5,531,000. Utilities expense increased $3,675,400 over the current budget. In the first year of the current biennium, the Mill spent $3,726,691 on utilities leaving $4,898,309 for the current fiscal year. The largest portion of our utility bill is the electrical expense. The Western Area Power Administration (WAPA) supplies a significant portion of our electrical power. We budgeted part of the electrical expense increase based on the historical increases received from WAPA; however, WAPA did not increase the rates as they had in the past. The remaining portion of our electrical power comes from Nodak Electric. In the 2015-2017 biennium, the Mill will have a new milling unit which adds over 30% capacity with all the power coming from Nodak Electric. This will require an increase in the utility costs.

Repairs expense increased $900,000 over the current budget. In the first year of the current biennium, the Mill spent $2,513,932 on repairs leaving $3,551,068 for the current fiscal year. As the milling equipment purchased in fiscal year 2001 begins to get older higher maintenance costs will drive this expense higher as well as rail car repairs.

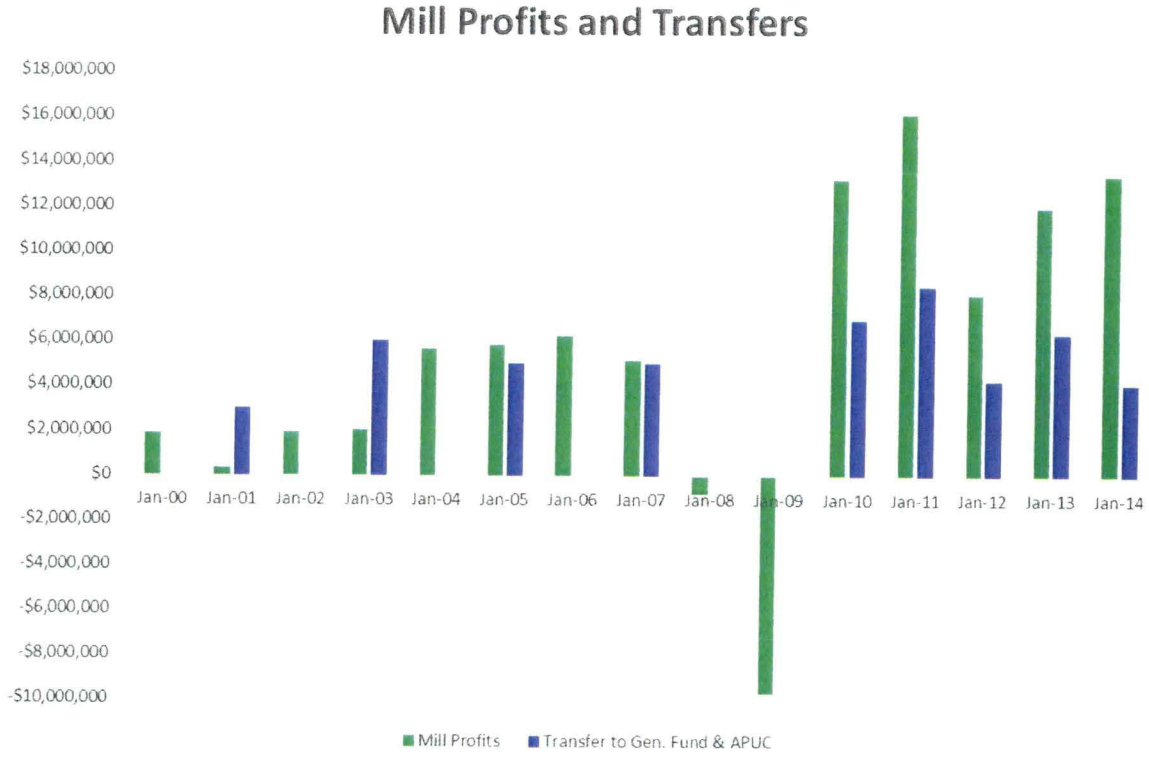
Insurance expense increased by $200,000. In the first year of the current biennium, the Mill spent $839,870 on insurance which leaves $1,485,130 for the current fiscal year. The insurance market has been soft and we have been able to obtain better than expected rates. This may

not continue into the future and insurance rates are expected to climb. In addition to insurance rates increasing, the high wheat prices have driven up our grain and flour inventory values. In addition, as we have increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values. We will also have additional rail cars and the new Mill building to insure for the biennium.

Four items, wages and benefits, utility expense, repair and demurrage expense, and insurance expense reflect the increase of $10,813,681 in the House Version or 92% of the request. The Executive recommendation had an increase in these four items of $11,622,860 or 92% of the request. A large share of these expenses is driven by the volume of production and sales at the Mill. The Mill set a new record of sales in cwts. of flour sold in fiscal year 2014 reaching 12,217,773 cwts., a 2.3% increase over the previous fiscal year. In the first six months of fiscal year 2015 we have achieved sales of 6,214,541 cwts.

The Mill currently transfers 5% of profits to the Agricultural Fuel Tax Fund and a portion of the remaining profits to the General Fund. In fiscal year 2014, the Mill transferred $667,567 to the Agricultural Products Utilization Fund and $3,408,000 to the General Fund.

In the 2015-2017 biennium, 5% of estimated Mill profits is budgeted to be transferred to the Agricultural Products Utilization Fund. In the House Bill No. 1014, Section 11, the House revised the amount of transfer to the General Fund to 75% of the remaining Mill profits with no maximum transfer amount from the Executive recommendation of 50% of estimated remaining Mill profits up to a maximum transfer of $6,817,200 for the biennium. Maintaining the transfers to the General Fund at the level found in the original House Bill No. 1014 is necessary to allow for the completion of several capital projects needed to improve Mill infrastructure at a lower cost. Keeping the transfer at 75% of the remaining Mill profits to the General Fund would lead to higher debt levels resulting in a reduction of capital projects necessary to service our customers and would reduce profits and future transfers. We are requesting that you change the amount of the General Fund transfer back to 50% of the remaining profits and increase the maximum transfer amount to $8,000,000 from $6,817,200.



Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

Industrial Commission
of North Dakota

[redacted] Dalrymple
[redacted]RNOR

Wayne Stenehjem
ATTORNEY GENERAL

Doug Goehring
AGRICULTURE COMMISSIONER

North Dakota
Public Finance Authority

HB 1014
3-16-15
#8

House Bill 1014
Senate Appropriations Committee
Testimony of DeAnn Ament
North Dakota Public Finance Authority
March 16, 2015

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority (PFA). I am providing this testimony in support of the Industrial Commission's requested appropriation for the Public Finance Authority for the 2015-2017 biennium in the amount of $817,182. The requested biennial appropriation is $110,252 or 16% more than the current biennial appropriation of $706,930. The 2015-2017 budget includes the recommended salary and benefit adjustments outlined in the Executive Budget. The overall budget increase is due to salary and benefit adjustments.

Expenditures for the first 18 months of the biennium total approximately $378,381 or 54% of the 2013-2015 appropriation. It is anticipated that total 2013-2015 biennium expenditures will be approximately $503,000 or 71% of the appropriation.

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.** In September of 2013, the Executive Director went from .75 full-time state employee (FTE) to full time due to the increased workload. The staff of the Public Finance Authority currently consists of 2 FTE's -- an Executive Director and a Business Manager.

The Public Finance Authority continues to develop programs as needs arise for financing municipal, economic development, agriculture, disaster and energy projects in North Dakota. At this point, we are uncertain how the development of any other programs will affect the Public Finance Authority's staffing needs. The budget for the 2013-2015 biennium includes salaries for 2.75 FTE's. The vacant .75 FTE within the current budget is for a loan officer position that would help analyze the loan applications and financial statements of potential borrowers under all of the Public Finance Authority's programs. Therefore, I ask that you appropriate funding for this vacant position for the 2015-2017 biennium while we assess the demand for our services under existing programs as well as any potential new programs.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

8.1

1200 Memorial Highway, PO Box 5509 – Bismarck, North Dakota 58506-5509
(701) 328-7100 – 1-800-526-3509 – Fax: 701-328-7130
ndpfa@nd.gov – www.nd.gov/pfa

The Public Finance Authority administers the Capital Financing Program, the financial portion of the State Revolving Fund and the Industrial Development Bond Program. Detailed activity of all programs is contained in our annual report which is attached.

This past calendar year has been one of the busiest and largest on record for the State Revolving Fund programs. There were loan approvals of $189,743,931 and funded draws of $71,405,415 for the Clean Water State Revolving Loan Fund; the largest amounts in the history of the program. Clean Water projects financed recently include $125,600,000 for the Williston wastewater treatment plant, $11,350,000 for Jamestown's sewer improvements, $3,455,000 to Casselton for sanitary and storm sewer improvements as well as $219,482 for a new lift station and lagoon cell in Lehr. The Drinking Water State Revolving Loan Fund had approvals of $27,062,622 and funded loan draws of $14,491,621. Projects financed under the Drinking Water program include $4,646,000 to Valley City for their water treatment plant and $66,352,000 to Fargo for a membrane water treatment plant.

These State Revolving Fund programs continue to require many changes for documenting, funding and reporting purposes. In June of 2014, Congress passed substantial amendments to the Clean Water State Revolving Loan Fund which has resulted in an increased workload as we work to implement fiscal sustainability plans, new fee guidance, affordability criteria and 30 year loan terms. These new requirements in addition to administering the many other recent changes such as Davis Bacon, additional subsidization (loan forgiveness) and green project reserve have increased the workload and will continue to do so into the foreseeable future.

Under the Capital Financing Program, the City of Fargo has issued a total of $83,887,000 of sales tax revenue bonds in 2013 and 2014 to finance flood mitigation projects. By utilizing the Capital Financing Program, Fargo has been able to save approximately $3,000,000 and increase their sales tax revenue bond debt capacity as required coverage is 120% rather than the approximately 190% coverage which would be required if Fargo sold these sales tax revenue bonds on their own. On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events. In short order, the PFA was able to establish loan parameters, construct a loan application and offer disaster assistance to political subdivisions until federal and state money was available and/or to assist in cash flowing local match requirements. The PFA has assisted 40 political subdivisions with loan approvals totaling $71,531,546. Approximately 30 of the loan applications were processed in a six month time period.

The written testimony below describes the Public Finance Authority and its financing programs. Also, a copy of the 2014 Annual Report for the Public Finance Authority has been included in the binder for your review. This Report describes in more detail the Public Finance Authority's programs and provides a complete history of all the Public Finance Authority's loans and bond issues.

The Public Finance Authority was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Public Finance Authority through the purchase of municipal securities issued by the political subdivisions in accordance with state and federal law. Loans are primarily made with the proceeds of bonds issued by the Public Finance Authority under the programs described below. In certain instances, a direct loan may be made to a political subdivision from the Public Finance Authority's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Public Finance Authority may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation and adoption of its bond resolution and other necessary documents. The Public Finance Authority may purchase municipal securities only if the Attorney General issues an opinion that states the municipal securities are properly eligible for purchase under the North Dakota Century Code (N.D.C.C.) chapter 6-09.4, the Public Finance Authority Act.

Required Debt Service Reserve

Subsection 1 of §6-09.4-10 of the N.D.C.C. requires the Public Finance Authority to establish a debt service reserve in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding calendar year for the payment of the principal of and interest on its outstanding bonds.

Subsection 4 of §6-09.4-10 of the N.D.C.C. of the N.D.C.C. provides as follows:

> "In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the Legislative Assembly and paid to the Public Finance Authority for deposit in the reserve fund, such sum, if any, as shall be certified by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve."

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the Public Finance Authority's bond counsel, there is no applicable provision of state law that would prohibit a future Legislative Assembly from appropriating any sum that is certified by the Industrial Commission as necessary to restore the reserve fund in an amount sufficient to meet the required debt service reserve amount. The legislative obligation imposed by the Legislative Assembly in subsection 4 of §6-09.4-10 is referred to as a moral obligation because the obligation to provide an appropriation for the Public Finance Authority's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Public Finance Authority under any of its programs prior to 2011 are moral obligation bonds unless the Industrial Commission approves a resolution to allow the Public Finance Authority to issue bonds under section 40-57 as a conduit issuer. The State Revolving Fund Program bonds issued in 2011 and 2012 do not contain the moral obligation provision. Under any of the Public Finance Authority programs, there has never been the need to request an appropriation to cover a shortfall in a reserve fund.

Advisory Committee

The Industrial Commission, by policy, has established a Public Finance Authority Advisory Committee. The Committee is made up of three members appointed by the Commission. The Committee reviews each loan application for the purpose of making a recommendation concerning the loan to the Industrial Commission, which must give its approval before a loan may be made under each Program. However, if the loan is for $500,000 or less for the Capital Financing Program and $1,000,000 or less for the State Revolving Fund Program, the Committee may authorize the approval of the loan, and then submit a report describing the loan and the action taken to the Commission at its next meeting.

At the present time, the Public Finance Authority has four loan programs: the Capital Financing Program, the State Revolving Fund Program, the School Construction Financing Loan Program, and the Industrial Development Bond Program.

Capital Financing Program

The Capital Financing Program, established in 1990, makes loans to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements.

Through December 31, 2014, the Public Finance Authority has made $193,243,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is $106,625,000. Recognizing the strength of the State's moral obligation pledge, Standard and Poor's (S&P) has assigned a rating of "AA" to the Capital Financing Program Bonds.

The Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by the weather related events. Under its Capital Financing Disaster Loan Program, the PFA made loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money was available or to assist in cash flowing local match requirements.

During times of crisis, the PFA was able to assist 40 political subdivisions. Loans approved under this program total $71,531,546 and $7,111,418 were outstanding as of December 31, 2014.

State Revolving Fund Program

Under the State Revolving Fund (SRF) Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency (EPA), and are deposited and held under the Program's Master Trust Indenture for the purpose of making below-market interest rate loans to political subdivisions for qualified projects and for other authorized purposes. The projects are subject to the approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act. The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. A portion of the SRF Program bonds issued by the Public Finance Authority provides the 20% state match. The federal capitalization grants must be held by the state in a revolving loan fund and are available only for purposes authorized under the Federal Clean Water Act and the Federal Safe Drinking Water Act.

The SRF Program consists of a Clean Water SRF Program and a Drinking Water SRF Program. Federal capitalization grants for the Clean Water SRF Program were first appropriated to the State in 1989. Since that time, $192,572,688 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2014. Through December 31, 2014, 255 loans totaling $580,709,702 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2015 includes over $482,658,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, $171,083,767 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2014. Through December 31, 2014, 182 loans totaling $431,508,003 have been approved under the Drinking Water

SRF Program. The Health Department's Drinking Water Intended Use Plan for 2015 includes approximately $723,668,000 of potential projects.

A project must be on the appropriate Intended Use Plan to be able to apply for a loan under the SRF Program. The current interest rate for most loans under the SRF Program is 2% with a 0.5% annual administrative fee on the outstanding balance. Bonds issued by the Public Finance Authority under the SRF program are rated "Aaa" by Moody's Investors Service, Inc. (Moody's), which is Moody's highest possible rating.

State School Construction Financing Program

The Public Finance Authority's State School Construction Financing Program provides loans to North Dakota school districts. This program has been assigned an "AA" rating by S&P, which allows the school districts, which generally do not have a credit rating, to borrow at lower interest rates. Bonds issued under this Program will be moral obligation bonds of the State and will also be supported by the state school aid intercept provision adopted by the Legislature in 1999. The state aid intercept provision is found in §6-09.4-23 of the N.D.C.C. A school district will be required to authorize the withholding of state school aid payments which are due and payable to the district under N.D.C.C. chapter 15-40.1 in order to participate in the Program. If a school district defaults on its loans under this Program, the Department of Public Instruction is notified by the Public Finance Authority to withhold aid payments to the defaulting school district until such time that principal and interest have been paid or satisfactory arrangements have been made to make the payment.

Industrial Development Bond Program

The Public Finance Authority's Industrial Development Bond Program provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. This program has been assigned an "AA" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates. Bonds issued under this Program will be moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2005 Legislature passed the legislation allowing the Public Finance Authority to issue industrial revenue bonds. Current Program limits are $2,000,000 per project. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits. The Public Finance Authority has made three loans under this program in the amount of $4,860,000.

Annual Report

The Public Finance Authority submits its Annual Report to the Legislative Council each year. The Annual Report provides a complete list of all loans made and bonds issued by the Public Finance Authority since its inception in 1975.

If you have any questions, feel free to contact me at 701.426.5723 or dament@nd.gov.

HB 1014
3-16-15
#9

North Dakota Public Finance Authority

2014
Annual Report

9.1

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Jack Dalrymple
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Robert Frantsvog
Minot

Wade Williams
Jamestown

Keith Lund
Grand Forks

Staff

DeAnn Ament
Executive Director

Kylee Merkel
Business Manager

NORTH DAKOTA
PUBLIC FINANCE AUTHORITY

2014 Annual Report

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- Part I: Industrial Development Bond Program.....2-4

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

The North Dakota Public Finance Authority (PFA) was established for the purpose of making loans to political subdivisions of the State through the purchase of municipal securities which, in the opinion of the Attorney General of North Dakota, are properly eligible for purchase by the PFA. Subject to credit and program requirements, a loan can be made by the PFA to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money through the issuance of municipal securities. Certain types of municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may also be purchased by the PFA.

The PFA, which is under the operation, control and management of the Industrial Commission of North Dakota, is a self-supporting state agency. The costs and expenses of operation of the PFA are financed with earnings on program assets and fees paid by participating political subdivisions.

Obligations of the PFA which are issued to provide funds to purchase municipal securities do not constitute a debt or liability of the State or a pledge of the faith or credit of the State. All obligations of the PFA are payable solely from revenues or program assets pledged or available for their payment as authorized by law. The PFA has no authority to incur any indebtedness or liability on behalf of or payable by the State.

The PFA is authorized by statute (N.D.C.C. § 6-09.4-10(1)) to establish and maintain a reserve fund for its bonds. The Legislative Assembly has made a non-binding pledge to the PFA to replenish the reserve fund if it is depleted by the default of a political subdivision. Section 6-09.4-10(4) provides that "there shall be appropriated by the legislative assembly and paid to the PFA for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the fund to an amount equal to the required debt service reserve." Because future Legislative Assemblies are not legally obligated or required to appropriate moneys certified as necessary by the Industrial Commission, this statutory provision is referred to as a "moral obligation." There has never been the need to request an appropriation for the reserve fund.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

Vision Statement

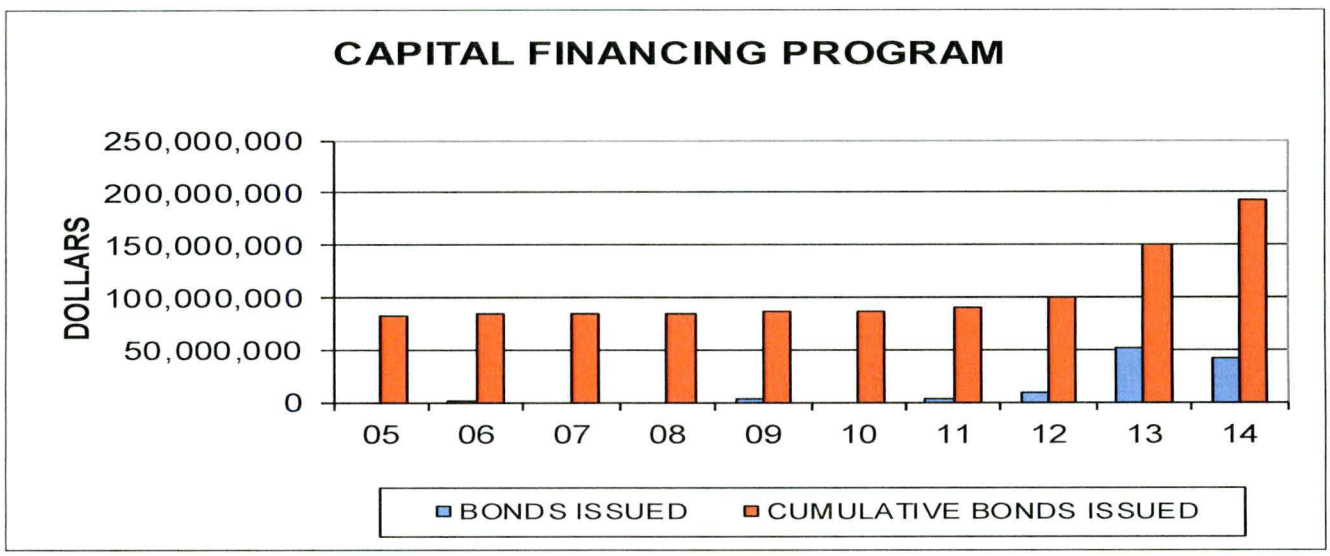
A municipal bond market that realizes the competitive advantage of utilizing the North Dakota Public Finance Authority's (PFA) superior bond rating to issue municipal securities, resulting in lower interest rates to fund local projects. A PFA that enables customers to utilize on-line services, such as accessing account information or applying for additional financing. A PFA that leads a cooperative effort with other state agencies to combine available resources into programs that finance infrastructure and improvements for political subdivisions and other qualifying organizations. A State that recognizes the PFA as the leader in providing municipal financing for local projects.

9.14

CAPITAL FINANCING PROGRAM

Under its Capital Financing Program (CFP), the PFA makes loans for the purpose of financing projects or improvements for which political subdivisions are legally authorized to borrow money through the issuance of municipal securities. Subject to credit requirements and certain program requirements, financing is available in any dollar amount.

The interest rates payable by a political subdivision are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a political subdivision will pay on its municipal securities sold to the PFA.



On December 13, 2013 the Capital Financing Program was upgraded to a rating of "AA" by Standard & Poor's Ratings Group.

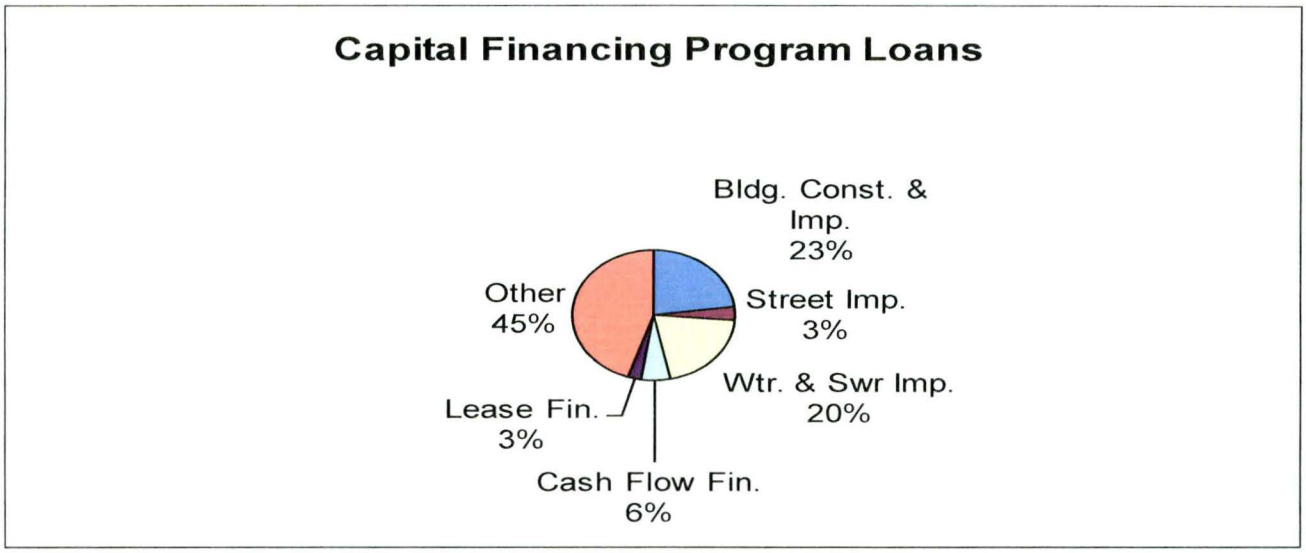
The PFA issued $41,840,000 of CFP Bonds in 2014. The proceeds of the 2014 CFP Bonds were used to fund loans to the City of Fargo, the City of Noonan, and Stutsman Rural Water District.

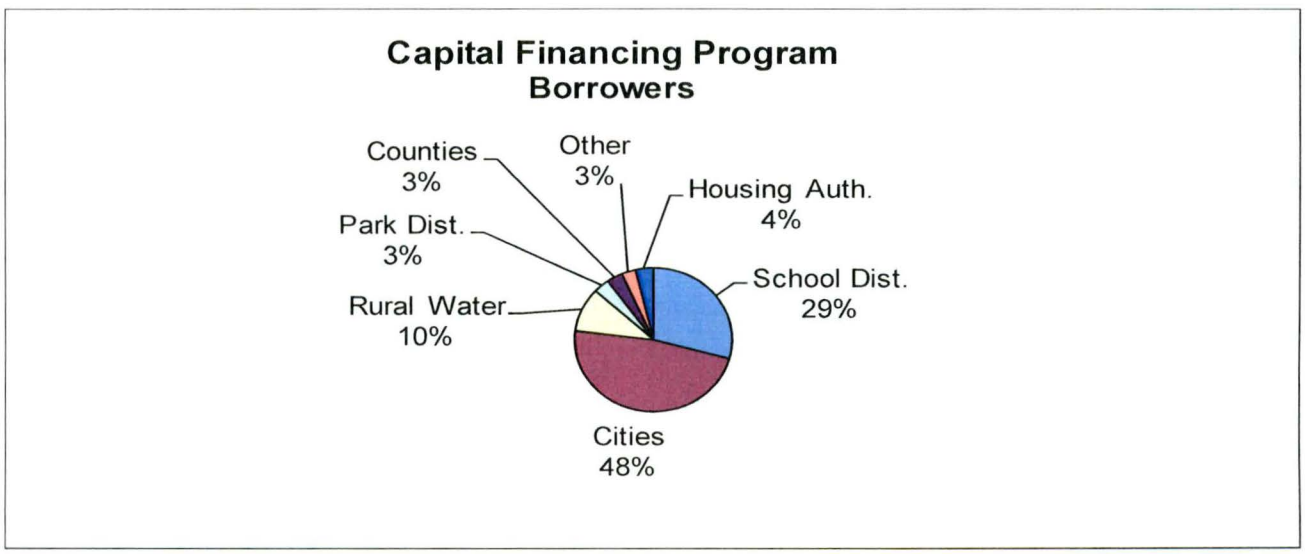
The total outstanding amount of CFP Reserve Fund Letters of Credit at December 31, 2014, was $17,222,173. The CFP Reserve Fund Letters of Credit are issued to meet the requirement of the CFP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month period. The CFP Reserve Fund Letters of Credit are issued by Bank of North Dakota (BND).

As of December 31, 2014, the total cumulative amount of bonds issued under the CFP General Bond Resolution was $192,275,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was $106,625,000.

Part E of Attachment 1 beginning on page 1-4 of this Report contains a complete list, as of December 31, 2014, of all loans made by the PFA with proceeds of CFP Bonds issued under the CFP General Bond Resolution, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

Part F of Attachment 2 on page 2-1 of this Report contains a complete list, as of December 31, 2014, of all series of Capital Financing Bonds issued under the CFP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of CFP Bonds.





9.6

CAPITAL FINANCING DISASTER LOAN PROGRAM

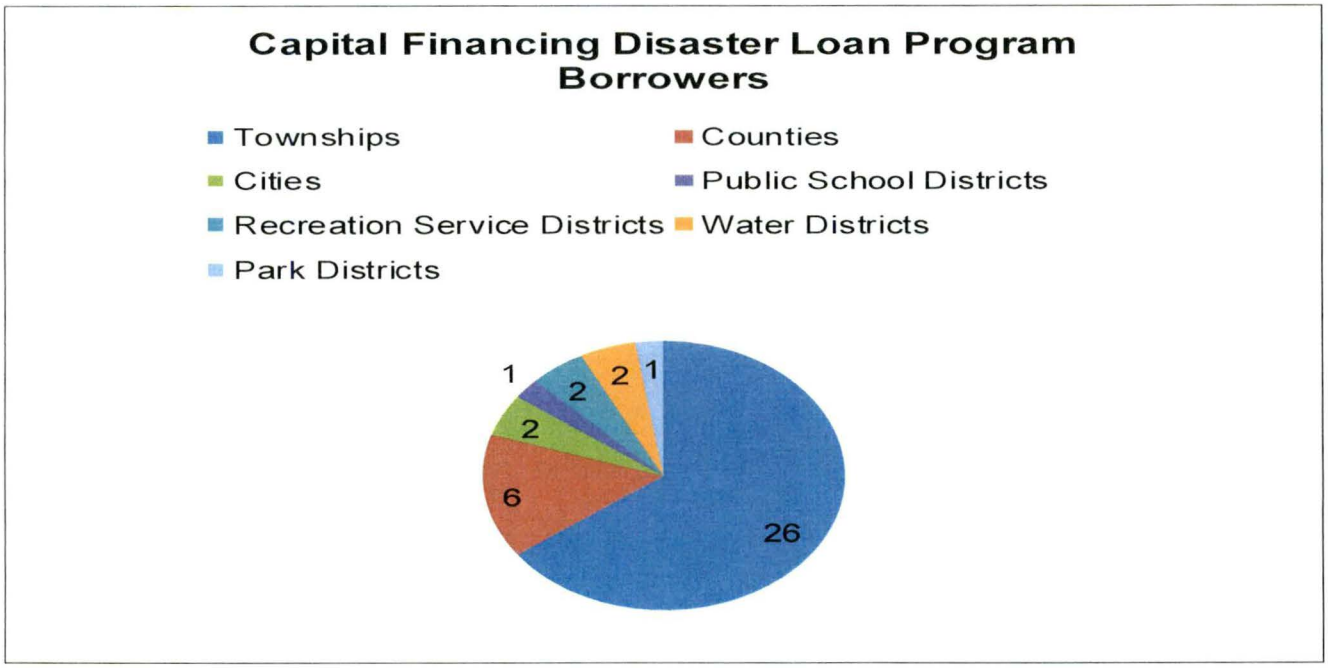
On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events. Under its Capital Financing Disaster Loan Program, the PFA makes loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money is available and/or to assist in cash flowing local match requirements.

Any North Dakota political subdivision that is within a county that has received a Presidential Public Disaster Declaration or a gubernatorial executive order or proclamation of a state disaster or emergency was eligible to apply. The political subdivision must show ability to repay the financing either from Federal or State government disaster payments or from tax receipts. The interest rate payable by a political subdivision is the 3 month LIBOR plus 1.25% adjusted monthly with a floor of 2.25%.

The PFA did not approve any Disaster Financing loans to in 2014. Loans approved under this program total $71,531,546 and $7,111,418 were outstanding as of December 31, 2014. Part F of Attachment 1 beginning on page 1-9 of this Report contains a complete list, as of December 31, 2014, of all loans made by the PFA under the Disaster Loan Program, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

The PFA issued $675,000 of CFP Disaster Bonds to Bank of North Dakota in 2014. The proceeds of the 2014 CFP Disaster Bonds were used to make loans to political subdivisions approved for financing under the Disaster Loan Program. As of December 31, 2014, the total cumulative amount of bonds issued under the Disaster Loan Program was $14,405,612 and the total outstanding amount of bonds under the Disaster Loan Program was $5,020,000.

Part G of Attachment 2 on page 2-3 of this Report contains a complete list, as of December 31, 2014, of all series of Capital Financing Disaster Loan Bonds issued, including the original dollar amount and the outstanding principal amount of each series of Disaster Loan Bonds.



9.7

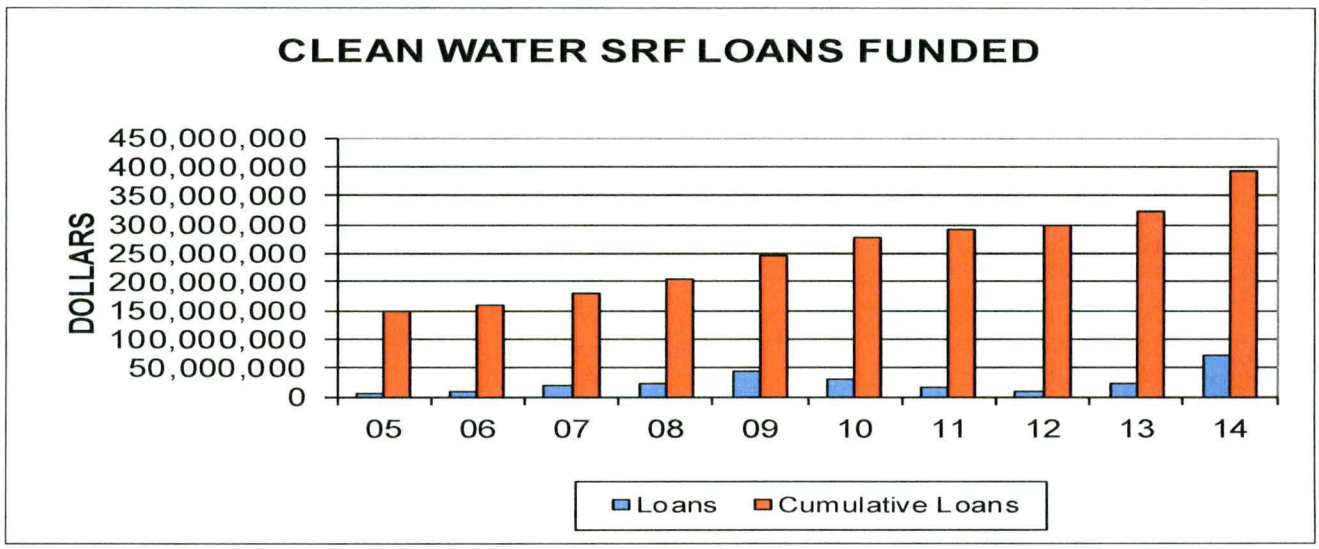
STATE REVOLVING FUND PROGRAM

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects. Authorized projects under the Safe Drinking Water Act include public water systems. The SRF Program is administered jointly by the North Dakota Department of Health and the PFA.

In 2001, Moody's Investors Service, Inc. upgraded the North Dakota SRF Program from "Aa2" to "Aaa", Moody's highest rating,

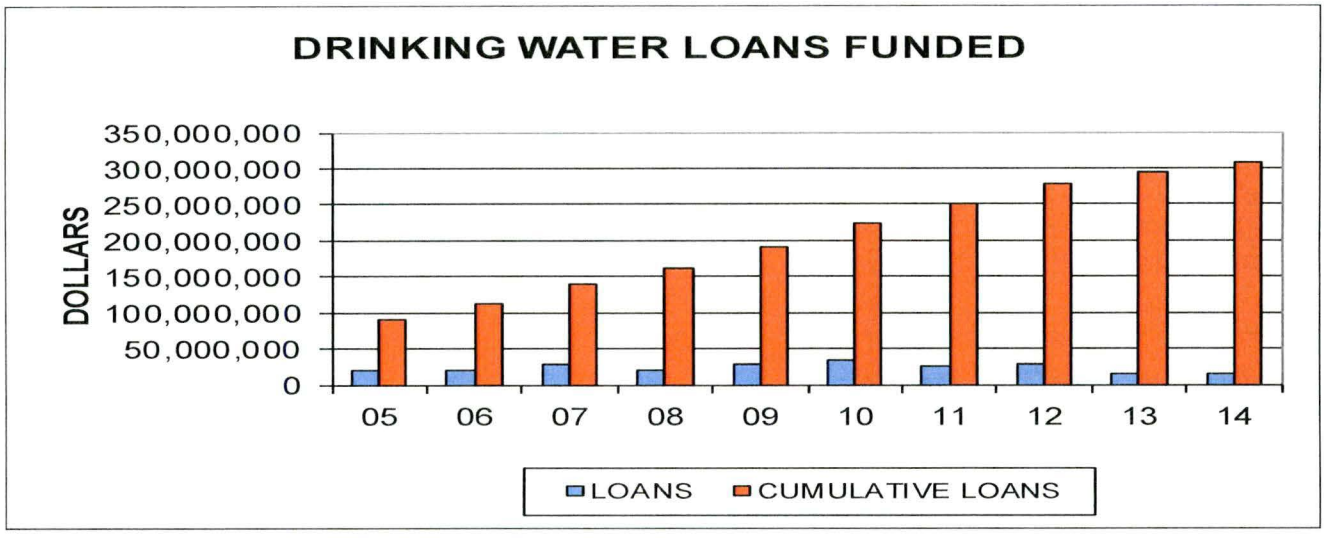
The interest rates on SRF Program loans are set by the Health Department in consultation with the PFA. The interest rates are fixed for the term of a loan. The interest rate for tax-exempt SRF Program loans is 2.0%. The interest rate for taxable SRF loans is 3.0%. Loans made with American Recovery and Reinvestment Act (ARRA) funds are at .5% and/or have a loan forgiveness component.

The PFA approved $189,743,931 of Clean Water SRF Program loans to 14 political subdivisions in 2014. Subpart 23 of Part G of Attachment 1 on page 1-18 of this Report contains a list of all approved Clean Water SRF Program loans for 2014, including the approved amount, the funded amount, and the outstanding principal amount of each loan as of December 31, 2014.

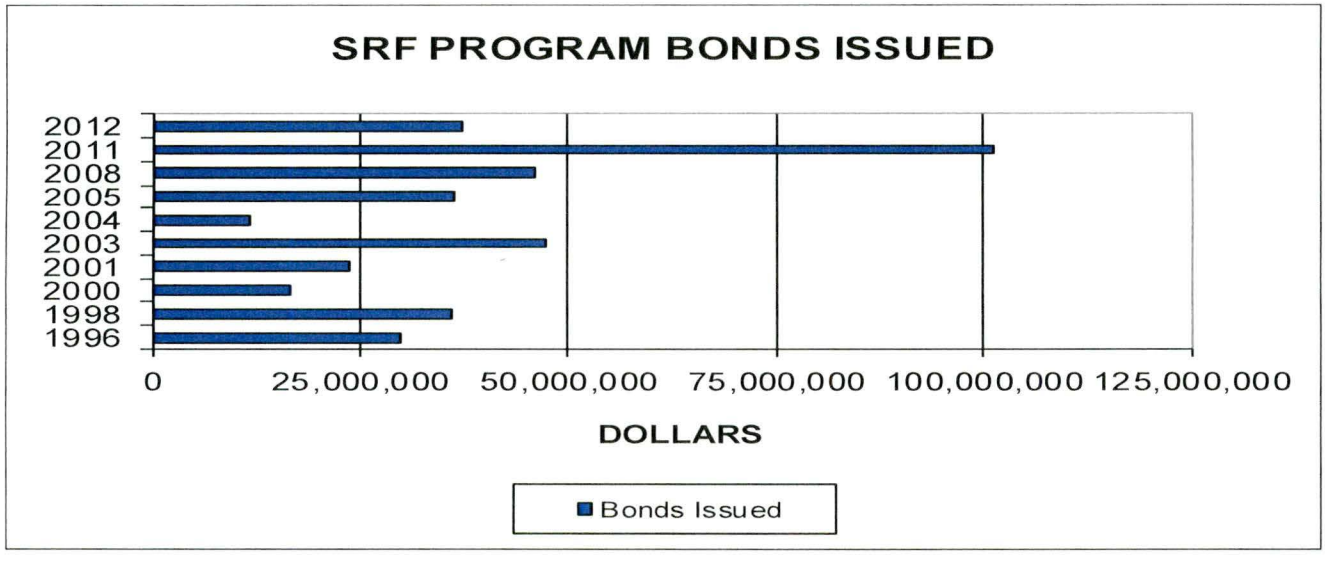


9.8

The PFA approved $27,062,622 of Drinking Water SRF Program loans to 16 political subdivisions in 2014. Subpart 16 of Part H of Attachment 1 on page 1-24 of this Report contains a list of loans made under the Drinking Water SRF Program during 2014, including the approved amount, the funded amount and the outstanding principal amount of each loan as of December 31, 2014.



The total amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is $419,140,000. This total includes $129,390,000 of the 1990, 1993, 1995, 1996, 1998, 2000, 2001, 2003A, 2003B, 2004 and 2005 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding.



As of December 31, 2014, the total amount of SRF Program Bonds outstanding was $166,390,000, and the total outstanding amount of SRF Program loans was $406,950,902. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2014, was $9,685,450, which represents the Total Reserve Requirement under the Master Trust Indenture.

Part H of attachment 2 on page 2-4 of this Report contains a complete list of the SRF Program Bonds issued by the PFA under the Master Trust Indenture, including the original dollar amount and the outstanding principal amount of each series of SRF Program Bond.

9.9

INDUSTRIAL DEVELOPMENT BOND PROGRAM

The Public Finance Authority's Industrial Development Bond Program (IDBP) provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. Bonds issued under this Program are moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. Public Finance Authority limits the program to $2,000,000 per project and $20,000,000 for the entire program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits.

The interest rates payable by a borrower are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a borrower will pay on its bonds sold to the PFA.

On December 13, 2013 the Industrial Development Bond Program was upgraded to a rating of "AA" by Standard & Poor's Ratings Group, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates.

The PFA did not issue IDBP Bonds in 2014.

Part I of Attachment 1 beginning on page 1-25 of this Report contains a complete list, as of December 31, 2014, of all loans made by the PFA with proceeds of IDBP Bonds issued under the IDBP General Bond Resolution, including the name of each borrower and the original amount of each loan.

Part I of Attachment 2 on page 2-4 of this Report contains a complete list, as of December 31, 2014, of all series of Industrial Development Program Bonds issued under the IDBP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of IDBP Bonds.

The outstanding amount of Reserve Fund Letters of Credit at December 31, 2014 was $772,575. The IDBP Reserve Fund Letters of Credit are issued to meet the requirement of the IDBP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month periods. The IDBP Reserve Fund Letters of Credit are issued by BND.

OTHER BONDS

1977 General Bond Resolution. The PFA, pursuant to a 1977 General Bond Resolution, issued $15,000,000 in 1977, $16,590,000 of bonds in 1979, and $11,600,000 of bonds in 1983, for a total principal amount of $43,190,000. The 1977, 1979 and 1983 bonds have been retired.

1985 Local Governmental Assistance Program. In 1985, the PFA issued $35,290,000 of bonds under a Local Governmental Assistance Program. These bonds were retired in 1986.

1990 Government Assistance Program. In 1990, pursuant to its Government Assistance Program, the PFA issued two series of bonds in the total amount of $2,006,704. These bonds were retired in 1991.

1989 Insured Water System Revenue Bonds and 1999 Taxable Insured Water System Refunding Revenue Bonds. Pursuant to a Trust Indenture adopted in 1989, the PFA issued two series of Water System Revenue Bonds. The 1989 Series A Bonds were issued in the amount of $11,650,000, and the 1989 Series B Bonds were issued in the amount of $1,410,000 (the 1989 Series A Bonds and the 1989 Series B Bonds are referred to as the "1989 Bonds"). The Series B Bonds were issued to fund a reserve fund for the Series A Bonds. On December 21, 1995, the PFA entered into a Purchase Contract for the forward refunding of the 1989 Bonds. Under the terms of the Purchase Contract, the PFA issued and delivered $8,875,000 of its Taxable Insured Water System Refunding Revenue Bonds, on April 1, 1999, for the purpose of refunding the 1989 Bonds. These bonds were retired in 2014.

BIENNIAL DEBT SERVICE REQUIREMENTS

The debt service requirement for the outstanding CFP Bonds for the 2015-2017 biennium is $16,533,613, and the debt service requirement for the outstanding SRF Program Bonds for the 2015-2017 biennium is $41,078,891. The outstanding IDBP debt service requirement for 2015-2017 is $753,515.

The aggregate debt service requirement for all outstanding PFA Bonds for the 2015-2017 biennium is $58,366,019.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
LOANS MADE 1977 THROUGH 2014

Part A

Subpart 1 $15,000,000 1977 Series A Bonds

Borrower

Alexander PSD
Alexander
Almont
Ashley
Barney
Bell PSD
Beulah
Bismarck
Bismarck Park District
Butte PSD
Buxton
Carrington PSD
Cass County
Casselton
Center
Courtenay Special PSD
Drake
Edinburg PSD
Edmore PSD
Elgin
Ellendale PSD
Emerado
Enderlin
Esmond
Esmond PSD
Fingal PSD
Finley
Fordville
Gackle PSD
Galt PSD
Garrison
Glen Ullin PSD
Gwinner
Halliday
Hampden PSD
Hazelton Moffitt PSD
Hazen
Jamestown
Juzeler PSD
Kathryn PSD
Kensal PSD
Kinloss PSD
Kinyon PSD
Kulm
LaMoure PSD
LaMoure
Lawton
Leeds
Lehr
Leonard PSD
Leonard
Lidgerwood
Lignite
Lincoln PSD
Linton
Linton PSD
Maddock
Mandan
Mayville
McVille
Michigan
Minnewauken PSD
Napoleon
Nedrose PSD
Nesson PSD
New Salem
New Leipzig Fire District
New Rockford
New Leipzig PSD
New Leipzig
New Rockford
North Sargent PSD
Park River
Parshall
Pembina
Portland
Reeder PSD
Regent PSD
Reynolds
Robinson PSD
Rock Lake PSD
Rolla
Rutland
Sawyer PSD
Scotia PSD
Scranton
Sharon
Sharon PSD
Sherwood
Sheyenne PSD
Solen PSD
South Heart PSD
South Bend PSD
Southern PSD
Southwest Fargo
Stanley
Stanton
Steele
Streeter PSD
Sutton PSD
Thompson
Tioga PSD
Tolna
Traill County District
Turtle Lake
Valley City
Velva
Verona
Walcott
Walhalla
Washburn
Watford City
Westhope
Wildrose PSD
Wilton
Wishek PSD
Wishek
Woodworth PSD
Yellowstone Irrigation District
Zeeland PSD

9.12

Subpart 2 **$16,590,000 1979 Series A Bonds**

Borrower

Anita Fire Protection District
Ashley PSD
Beulah
Beulah PSD
Center PSD
Edgeley
Edinburg
Edmore
Enderlin
Finley
Gackle
Garrison
Glen Ullin
Grand Forks Park District
Halliday
Harwood
Hazelton
Hazen
Hazen PSD
Hebron
Hettinger
Hope
Hunter
Linton
Lisbon
Mandan
Mayville
Medina
Mott
Napoleon
New Rockford
New Rockford Park District
Park River
Portland
Richardson PSD
Rock Lake
Rolla
Scranton
Sherwood Fire Protection District
Stanley
Stanton
Strasburg
Streeter
Thompson
West Fargo PSD
Wilton
Wishek
Zap

Subpart 3 **$11,600,000 1983 Series A Bonds**

Borrower

Anamoose
Antler
Binford
Bismarck Rural Fire District
Bowbells PSD
Carrington
Cass Richland Drainage District
Casselton
Crosby
Dodge
Edgeley PSD
Elgin PSD
Enderlin
Finley
Flasher PSD
Gladstone
Grafton PSD
Gwinner
Hankinson Rural Fire District
Horace
Killdeer
Lakota PSD
Larimore
Leonard
Linton
Mandan
Manning PSD
Mapleton
Medina
Michigan PSD
Milnor
New England
New Leipzig
Osnabrock
Pembina
Pingree PSD
Rhame
Richardton
Rolette
Stanley
Strasburg
Towner
Velva
Westhope
Wildrose
Zap PSD

9.13

Part B

Local Government Assistance Program
$35,290,000 1985 Series A Bonds

Borrower

Barnes County
Bismarck PSD
Border Central PSD
Burleigh County
Cass Valley North PSD
Cass County
Crary PSD
Dakota PSD
Dickey County
Dickinson PSD
Drayton PSD
Edgeley PSD
Epping PSD
Fargo PSD
Fessenden
Fordville
Grace City PSD
Grand Forks County
Grand Forks PSD
Killdeer PSD
LaMoure PSD
Mandan PSD
Mandan
McIntosh County
Michigan PSD
Minot PSD
Morton County
Powers Lake PSD
Ramsey County
Richland County
Solen PSD
Stanton PSD
Stark County
Steele County
Stutsman County
Tolley PSD
Walsh County
West Fargo PSD

Part C

Government Assistance Program
$765,000 1990 Series A Bonds

Borrower

Cavalier
Edgely PSD
Eight Mile PSD
Marion PSD
Pembina PSD
Sherwood PSD

Part D

Insured Water System Revenue Bonds
$8,875,000 1999 Series A Bonds
$1,410,000 1999 Series B Bonds

Borrower

All Season Water Users
Cass Rural Water
Dakota Water Users
Lidgerwood
North Valley Water Users Association
Richland Rural Water
Traill County Rural Water Users, Inc.
Tri-County Water Users Association

9.14

Capital Financing Program

Part E

Borrower	Original Loan Amount
Subpart 1 1990	
Morton County	$ 400,000
Linton	185,000
Mandan	95,000
Hankinson	155,000
Fargo Park District	680,000
Traill County Water Resource Dist	100,000
Dickinson Recreation Building Auth.	250,000
Rolla	220,000
Morton County Water Resource Brd.	230,000
North Valley Rural Water Assoc.	140,000
Milnor	85,000
Bismarck Parks & Recreation Dist.	770,000
Twin Buttes School District	70,000
Hettinger Park District	35,000
Mandan Parks & Recreation Dist.	335,000
	3,750,000
Subpart 2 1991	
Burleigh County Housing Auth.	225,000
Bismarck Parks & Recreation Dist.	1,300,000
Bismarck Parks & Recreation Dist.	410,000
Mandan Parks & Recreation Dist.	560,000
Richardton	165,000
Kindred	25,000
Montefiore PSD	75,000
Pembina PSD	195,000
Eight Mile PSD	150,000
Lake Agassiz Regional Council	180,000
North Valley Water Association	200,000
Finley	875,000
Wyndmere	65,000
Ward County	85,000
Oakes Municipal Airport Authority	45,000
Devils Lake PSD	1,810,000
Greater Richland Ed. Comm. Cons.	250,000
Cass County	400,000
	7,015,000

Borrower	Original Loan Amount
Subpart 3 1992	
Mandan PSD	$ 2,500,000
New England	75,000
Cavalier	75,000
Lidgerwood	75,000
Kindred PSD	1,545,000
Edinburg	120,000
Milnor	205,000
West Fargo PSD	2,500,000
Lisbon PSD	800,000
Emerado PSD	100,000
Milnor	190,000
Pembina PSD	195,000
Eight Mile PSD	200,000
Briarwood	40,000
Buxton	40,000
Missouri Hills Interactive Cons.	455,000
Grand Forks PSD	2,500,000
Mercer County Housing Auth.	435,000
Nelson County	100,000
	12,150,000
Subpart 4 1993	
Lake Metigoshe RSD	150,000
Glenburn PSD	880,000
Fargo PSD	1,975,000
Fargo PSD	525,000
Thompson PSD	900,000
Souris	40,000
Marion PSD	115,000
Pembina PSD	180,000
Eight Mile PSD	150,000
Sims PSD	60,000
Oakes	120,000
McVille	230,000
Milnor	195,000
Emerado PSD	60,000
Grand Forks PSD	2,000,000
Burleigh County Housing Auth.	325,000
	7,905,000

9.15

Borrower	Original Loan Amount
Subpart 5 1994	
Mandan Airport Authority	$ 180,000
Fairmount PSD	305,500
Grafton PSD	2,000,000
Sawyer PSD	450,000
Glenburn PSD	592,500
Lincoln PSD	274,000
Finley-Sharon PSD	499,500
Oakes PSD	1,650,000
North Sargent-Gwinner PSD	538,300
Rolette PSD	461,900
Zap PSD	250,000
Stanley PSD	1,185,000
Clifford-Galesburg PSD	532,669
Rhame PSD	180,000
West Fargo PSD	3,000,000
Manvel PSD	228,000
United-Des Lacs PSD	942,647
Surrey PSD	413,000
Cando PSD	50,000
Surrey PSD	325,000
Sawyer	150,000
Marion PSD	105,000
Pembina PSD	90,000
Eight Mile PSD	200,000
Sims PSD	50,000
	14,653,016
Subpart 6 1995	
Burleigh County Housing Auth.	1,600,000
Traill County WRD	100,000
Mooreton	170,000
Milnor	160,000
Ward County	95,000
Marion PSD	105,000
Eight Mile PSD	200,000
Sims PSD	75.000
	2,505,000
Subpart 7 1996	
Minot	500,000
Rolette County Housing	500,000
Dunseith	100,000
Garrison	120,000
Hazelton	140,000
Walcott-Colfax District	70,000
Burleigh Water Users	1,585,000
Marion PSD	120,000
Garrison PSD	230,000
	3,365,000

Borrower	Original Loan Amount
Subpart 8 1997	
Cavalier	$ 540,000
Burleigh Rural Water Users	3,350,000
New Town PSD	300,000
North Valley Water Association	1,400,000
South Central Water Users Dist.	350,000
Grafton PSD	4,500,000
Richardton	205,000
Aggasiz Water Users	375,000
Sims PSD	50,000
West Fargo PSD	1,000,000
Wahpeton	1,600,000
Garrison	125,000
McVille	1,550,000
	15,345,000

9.16

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 9	**1998**		
Gackle		$ 295,000	$ 0
Lidgerwood		120,000	0
Prairie Rose		175,000	0
Surrey		100,000	0
Hettinger Park District		200,000	0
Maple River Water Resource District		55,000	0
Milnor		400,000	0
Grandin		165,000	45,000
West Fargo PSD		1,000,000	0
Sims PSD		50,000	0
Park River		450,000	160,000
		3,010,000	205,000
Subpart 10	**1999**		
Lidgerwood		1,075,000	0
Drayton		140,000	0
Drayton		70,000	0
Max		50,000	0
Surrey		100,000	0
West Fargo PSD		1,000,000	0
Sims PSD		100,000	0
Tri-County Water District		1,710,000	0
Tri-County Water District		285,000	160,000
		4,530,000	160,000
Subpart 11	**2000**		
Lisbon		765,000	0
Enderlin		195,000	0
Amenia		155,000	0
West Fargo PSD		3,000,000	0
Sims PSD		100,000	0
		4,215,000	0
Subpart 12	**2001**		
Frontier		735,000	0
Subpart 13	**2002**		
McVille		215,000	0
Southeast Water Users District		700,000	0
Bismarck Rural Fire District		185,000	0
Kulm		150,000	0
Fessenden-Bowdon PSD		350,000	0
		1,600,000	0

9.17

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 14	**2003**		
Langdon Rural Water District		$ 1,495,000	$ 0
Subpart 15	**2004**		
Traill Rural Water		300,000	180,000
Surrey		500,000	0
Mercer County Housing		80,000	0
		880,000	180,000
Subpart 16	**2006**		
Rolette County Housing Authority		235,000	195,000
Belcourt Public School District		1,045,000	245,000
Enderlin		105,000	25,000
		1,385,000	465,000
	2009		
West Fargo		530,000	480,000
Tri-County Water District		1,415,000	1,155,000
Emerado		180,000	155,000
		2,125,000	1,790,000
Subpart 18	**2011**		
Drayton		405,000	360,000
Drayton		350,000	312,000
McVille		2,357,000	2,204,000
McVille		618,000	469,000
		3,730,000	3,345,000
Subpart 19	**2012**		
McVille		150,000	135,000
Kulm		85,000	70,000
All Seasons Water Users District		820,000	755,000
Forman Housing Authority		935,000	880,000
Forman		505,000	485,000
Forman		1,090,000	980,000
Hankinson		1,930,000	1,830,000
Mayville		1,430,000	1,330,000
Tri-County Water District		1,405,000	1,345,000
Gackle		1,285,000	1,200,000
		9,635,000	9,010,000
Subpart 20	**2013**		
Fargo		51,375,000	49,630,000

9.18

Borrower Subpart 21	2014	Original Loan Amount	Outstanding Loan Amount
Fargo		$ 32,512,000	$ 32,512,000
Noonan		328,000	328,000
Stutsman Rural Water District		9,000,000	9,000,000
		41,840,000	41,840,000
Total Capital Financing Program Loans		$ 193,243,016	$ 106,625,000

9.19

Capital Financing Disaster Loan Program

Part F

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 1	**2011**		
Orlien Township, Ward County		$ 400,000	$ 0
Lund Township, Ward County		70,000	0
Ramsey County		2,000,000	0
Anna Township, Ward County		800,000	113,988
Logan County		6,000,000	1,202,200
Dickey County		5,000,000	1,017,875
Rolling Green Township, Ward County		460,742	64,585
Cameron Township, Ward County		495,000	11,084
Otis Township, McLean County		35,000	12,000
Normanna Township, Cass County		40,000	0
Casselton Township, Cass County		83,000	52,000
Ward County		10,000,000	3,478,235
Sargent County		10,000,000	0
Stutsman County		2,739,859	0
Weld Township, Stutsman County		1,321,733	0
Stirton Township, Stutsman County		1,295,017	70,000
Valley Springs Township, Stutsman County		904,483	0
Lowery Township, Stutsman County		600,000	50,000
Wadsworth Township, Stutsman County		26,000	0
St Paul Township, Stutsman County		278,500	107,176
Ashland Township, Stutsman County		5,741	0
Woodbury Township, Stutsman County		150,000	6,200
Sinclair Township, Stutsman County		193,000	0
Meadow Lake Township, Barnes County		101,000	0
Sharlow Township, Stutsman County		50,000	0
Streeter Township, Stutsman County		400,000	0
Griffin Township, Stutsman County		61,832	0
Mandan		8,000,000	0
Rice Lake Recreation Service District		400,000	15,000
North Prairie Rural Water District		700,000	0
North Prairie Rural Water District		450,000	0
Minnewaukan Public School District		2,500,000	0
		55,560,907	6,200,343
Subpart 2	**2012**		
Newman Township, Ward County		$ 40,000	$ 0
Griffin Township, Stutsman County		1,030,530	108,120
Minot Park District		7,000,000	0
Rice Lake Recreation Service District		672,600	466,344
		8,743,130	574,464

9.20

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 3	**2013**		
Gray Township, Stutsman County		30,000	0
Minnewaukan		6,637,509	91,523
German Township, Dickey County		360,000	245,088
Chicago Township, Stutsman County		200,000	0
		7,227,509	336,611
Total Capital Financing Disaster Program Loans		$ 71,531,546	$ 7,111,418

9.21

Clean Water State Revolving Fund Program

Part G

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1990**			
Enderlin		$ 490,000	$ 490,000	$ 0
Fargo		3,561,559	3,561,559	0
Minot		879,386	879,386	0
		4,930,945	4,930,945	0
Subpart 2	**1993**			
Fargo		7,770,000	7,770,000	0
Jamestown		1,581,406	1,581,406	20,000
Minot		665,000	665,000	0
Northwood		1,150,000	1,150,000	0
Wahpeton		1,062,366	1,062,366	0
West Fargo		175,000	175,000	0
Lake Metigoshe		296,263	296,263	0
New Town		132,050	132,050	0
Jamestown		1,289,702	1,289,702	60,000
Williston		252,835	252,835	0
		14,374,622	14,374,622	80,000
Subpart 3	**1994**			
Minot		443,522	443,522	0
Burlington		165,037	165,037	0
Devils Lake		1,076,423	1,076,423	0
Grafton		410,000	410,000	0
Casselton		112,000	112,000	0
		2,206,982	2,206,982	0
Subpart 4	**1995**			
Fargo		2,850,429	2,850,429	0
Max		74,912	74,912	3,750
Cooperstown		55,000	55,000	0
Northwood		225,837	225,837	0
Colfax		36,297	36,297	0
Edmore		62,256	62,256	3,119
Ellendale		196,826	196,826	0
Minot		400,000	400,000	0
Williston		291,881	291,881	0

9.22

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 4 Cont.	**1995**			
Lisbon		$ 100,000	$ 100,000	$ 0
Napoleon		133,851	133,851	0
Park River		498,279	498,279	35,000
Carrington		835,000	835,000	65,000
Mott		211,157	211,157	15,000
Harvey		478,556	478,556	60,000
Beach		226,241	226,241	0
Williston		328,581	328,581	0
Buffalo		38,248	38,248	0
Hettinger		156,001	156,001	20,000
Davenport		176,339	176,339	10,000
Ellendale		220,990	220,990	0
Cando		113,006	113,006	0
Cooperstown		300,000	300,000	0
		8,009,687	8,009,687	211,869
Subpart 5	**1996**			
Jamestown		16,300,000	16,300,000	2,020,000
Cooperstown		1,174,952	1,174,952	145,000
Park River		72,312	72,312	0
Portland		82,368	82,368	8,238
Medina		67,255	67,255	0
Mayville		105,433	105,433	0
Manvel		478,416	478,416	60,000
Oriska		21,531	21,531	0
Bottineau		100,000	100,000	0
Arthur		132,963	132,963	0
Cando		254,052	254,052	30,000
Kindred		124,498	124,498	19,498
Page		47,738	47,738	4,774
Argusville		213,061	213,061	0
Bottineau		104,500	104,500	0
Grand Forks		13,700,000	13,700,000	3,305,000
Bank of North Dakota		1,101,444	1,101,444	0
		34,080,523	34,080,523	5,592,510
Subpart 6	**1997**			
Grand Forks		3,940,000	3,940,000	950,000
Casselton		1,589,652	1,589,652	0
Christine		385,273	385,273	85,000
Mapleton		152,864	152,864	0

9.23

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 6 Cont.	**1997**			
Horace		$ 225,330	$ 225,330	$ 45,000
Carrington		805,000	805,000	150,000
Mandan		5,191,929	5,191,929	1,545,000
Berthold		82,875	82,875	13,175
Cooperstown		123,067	123,067	30,000
Jamestown		2,277,487	2,277,487	415,000
Lakota		1,933,969	1,933,969	365,000
Minnewauken		218,000	218,000	2,000
		16,925,446	16,925,446	3,600,175
Subpart 7	**1998**			
Granville		42,000	42,000	0
Enderlin		342,373	342,373	0
Wishek		140,704	140,704	0
Fargo		1,482,337	1,482,337	0
Gwinner		258,711	258,711	75,000
Southeast Cass		214,000	214,000	54,000
Casselton		108,261	108,261	0
Sanborn		76,195	76,195	0
Frontier		98,603	98,603	20,000
Abercrombie		300,875	300,875	75,875
Grandin		97,042	97,042	20,000
Taylor		59,872	59,872	0
Fargo		10,723,277	10,723,277	3,325,000
Grand Forks		2,650,804	2,650,804	580,000
		16,595,054	16,595,054	4,149,875
Subpart 8	**1999**			
Fargo		210,000	210,000	58,000
Gackle		118,020	118,020	0
Hillsboro		360,000	360,000	0
Kindred		1,113,522	1,113,522	335,000
Wimbledon		74,738	74,738	25,000
Jamestown		747,990	747,990	0
Lisbon		87,025	87,025	27,000
Stanley		102,413	102,413	0
Buffalo		213,667	213,667	63,000
Buxton		77,000	77,000	0
Hankinson		88,000	88,000	28,000
Jamestown		454,641	454,641	0
		3,647,016	3,647,016	536,000

9.24

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 9	**2000**			
Abercrombie		$ 20,064	$ 20,064	$ 0
Hankinson		84,999	84,999	30,000
Fargo		1,816,295	1,816,295	640,000
Lidgerwood		89,405	89,405	32,000
Enderlin		1,189,549	1,189,549	415,000
Hunter		158,395	158,395	48,000
Cogswell		81,960	81,960	25,000
Mayville		1,075,000	1,075,000	435,000
Ward County Water Resource District		797,375	797,375	285,000
Emerado		406,207	406,207	90,000
		5,719,249	5,719,249	2,000,000
Subpart 10	**2001**			
Jamestown		370,120	370,120	60,000
Mayville		1,169,393	1,169,393	480,000
Forman		135,172	135,172	50,000
Lisbon		716,436	716,436	255,000
Amenia		141,489	141,489	50,000
Grand Forks		13,781,500	13,781,500	5,615,000
Kulm		678,640	678,640	290,000
Tower City		503,123	503,123	200,000
Lake Metigoshe		485,400	485,400	145,000
Williston		1,124,000	1,124,000	455,000
Rolette		102,000	102,000	41,500
Hebron		122,890	122,890	51,000
Hankinson		1,457,760	1,457,760	590,000
Harvey		69,281	69,281	28,600
Oakes		106,076	106,076	24,000
		20,963,280	20,963,280	8,335,100
Subpart 11	**2002**			
Sanborn		30,694	30,694	13,400
Williston		1,190,559	1,190,559	555,000
Grand Forks		1,580,755	1,580,755	674,000
Grand Forks		2,274,164	2,274,164	880,000
Grand Forks		6,546,560	6,546,560	2,820,000
Linton		95,770	95,770	45,000
Mayville		3,073,811	3,073,811	1,416,000
Morton County Water Resource District		258,000	258,000	119,000

9.25

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 11 Cont.	**2002**			
Wildrose		$ 86,405	$ 86,405	$ 0
Mapleton		80,790	80,790	0
Wahpeton		374,065	374,065	190,000
		15,591,573	15,591,573	6,712,400
Subpart 12	**2003**			
Hunter		41,930	41,930	21,500
Oakes		746,350	746,350	356,000
Harvey		244,615	244,615	127,000
Hankinson		133,790	133,790	68,800
Mantador		50,000	50,000	25,700
Litchville		236,381	236,381	123,000
Courtenay		49,444	49,444	23,700
Jamestown		1,309,568	1,309,568	765,000
		2,812,078	2,812,078	1,510,700
Subpart 13	**2004**			
Oakes		601,500	601,500	330,000
Portland		291,164	291,164	150,000
Lidgerwood		84,416	84,416	46,000
Lincoln		397,944	397,944	0
Hillsboro		186,336	186,336	0
Warwick		32,775	32,775	20,000
West River Water and Sewer		338,007	338,007	187,000
		1,932,142	1,932,142	733,000
Subpart 14	**2005**			
Mapleton		335,000	335,000	194,000
Hazen		276,120	276,120	161,000
Enderlin		184,307	184,307	103,000
Rutland		180,841	180,841	109,000
Grand Forks		4,500,000	4,500,000	2,745,000
		5,476,268	5,476,268	3,312,000
Subpart 15	**2006**			
Jamestown		1,475,346	1,475,346	970,000
Rice Lake Recreation Service District		2,813,537	2,813,537	1,835,000
Fargo		2,631,739	2,631,739	1,610,000
Gackle		77,824	77,824	0
Tower City		121,502	121,502	80,000
BND		2,398,556	1,722,501	552,283
Portland		30,236	30,236	20,500
Wyndmere		188,146	188,146	0
Oakes		950,000	950,000	635,000
		10,686,886	10,010,831	5,702,783

9.26

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 16	**2007**			
Bismarck		$ 20,000,000	$ 20,000,000	$ 14,225,000
Southeast Cass Water Resource District		738,299	738,299	443,299
Lakota		414,948	414,948	167,000
Leonard		255,000	255,000	179,000
Argusville		634,606	634,606	455,000
Mayville		345,725	345,725	228,000
McVille		81,677	81,677	56,000
Jamestown		1,467,998	1,467,998	931,000
Hope		757,963	757,963	502,000
Portland		46,937	46,937	33,000
Cass Rural Water District		15,326,652	15,326,652	12,625,652
Willow City		148,174	148,174	104,000
Oakes		258,747	258,747	174,000
Nome		16,011	16,011	0
		40,492,737	40,492,737	30,122,951
Subpart 17	**2008**			
Lisbon		1,174,092	1,174,092	870,000
Harvey		210,952	210,952	111,000
Hunter		138,580	138,580	105,000
Fargo		63,725,000	50,171,565	41,406,565
Flasher		121,414	121,414	71,000
Hankinson		100,000	100,000	76,000
Ellendale		734,842	734,842	554,000
Fargo		1,640,000	1,640,000	1,340,000
Watford City		808,588	808,588	600,000
		68,653,468	55,100,033	45,133,565
Subpart 18	**2009**			
Tappen		179,761	179,761	135,000
Casselton		1,931,688	1,931,688	1,585,000
Mandan		1,679,763	1,679,763	1,270,000
Mandan		1,000,000	1,000,000	755,000
Stutsman Rural Water District		4,603,386	4,603,386	3,395,000
Lisbon		1,247,424	1,247,424	405,000
Cavalier		487,315	487,315	360,000
Lake Metigoshe Recreation Service District		517,400	517,400	210,000
Velva		346,601	346,601	0
Hazen		246,919	246,919	115,000
Enderlin		799,172	799,172	250,000
Glenburn		784,378	784,378	325,000
Davenport		389,832	389,832	130,000
Munich		1,200,120	1,200,120	0
Edgeley		1,644,845	1,644,845	295,000
Valley City		345,241	345,241	245,000
Strasburg		1,404,743	1,404,743	275,000
		18,808,588	18,808,588	9,750,000

9.27

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 19	**2010**			
Hillsboro		$ 127,849	$ 127,849	$ 100,000
Drayton		1,677,066	1,677,066	110,000
Michigan		1,606,506	1,606,506	415,000
Northwood		2,306,303	2,306,303	800,000
Fargo		822,348	822,348	615,000
Wishek		185,547	185,547	148,000
Mapleton		825,800	591,924	452,124
Hankinson		569,833	569,833	465,000
Fargo		4,061,075	4,061,075	3,486,075
Hunter		143,032	143,032	120,000
Dickinson		853,958	569,354	408,354
Langdon		157,454	157,454	133,000
Kulm		54,409	54,409	46,000
		13,391,180	12,872,700	7,298,553
Subpart 20	**2011**			
Jamestown		1,140,023	1,140,023	955,000
Pembina		217,329	215,156	197,156
Wyndmere		1,664,897	1,664,897	1,470,000
Devils Lake		2,500,000	2,500,000	2,190,000
Minto		1,229,000	1,042,093	908,093
Fingal		519,245	519,245	335,000
Southeast Cass WRD		591,777	591,777	375,000
Forman		750,935	750,935	395,000
Hazen		178,494	178,494	157,000
		8,791,700	8,602,620	6,982,249
Subpart 21	**2012**			
Velva		210,408	210,408	180,000
Kathryn		68,006	68,006	62,000
Maddock		1,284,300	1,284,300	400,000
Casselton		765,923	765,923	680,000
Dunn Center		200,000	186,040	170,040
Des Lacs		97,403	97,403	89,000
Clifford		46,228	46,228	42,000
Medina		238,028	238,028	200,000
		2,910,296	2,896,336	1,823,040

9.28

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 22	**2013**			
Burleigh County WRD		$ 244,653	$ 244,653	$ 225,000
Rolla		1,809,750	1,667,824	1,572,824
Lisbon		469,752	469,752	448,752
Ray		2,533,536	1,759,920	929,718
Wyndmere		265,000	204,939	154,939
Jamestown		822,306	822,306	790,000
Dickinson		40,500,000	32,550,160	30,925,160
Casselton		3,455,000	1,693,771	1,558,771
Lehr		219,482	219,482	97,000
Mandan		2,230,000	1,272,529	1,187,529
		52,549,479	40,905,336	37,889,693
Subpart 23	**2014**			
Douglas		67,866	67,866	64,000
Jamestown		11,350,000	10,745,196	10,745,196
Berthold		2,471,000	838,421	586,894
Bowbells		692,000	654,791	467,806
Noonan		237,000	136,597	136,597
Enderlin		365,500	347,225	347,225
Page		200,618	65,650	65,650
Beulah		586,800	509,507	509,507
Washburn		3,084,000	1,283,952	1,283,952
Mandan		2,400,000	1,146,487	1,146,487
Dickinson		42,108,000	17,577,024	17,577,024
Grenora		416,147	216,724	216,724
Williston		125,600,000	16,660,615	16,660,615
Ryder		165,000	164,329	164,329
		189,743,931	50,414,384	49,972,006
Total		$ 559,293,130	$ 393,368,430	$ 231,448,469

9.29

Drinking Water State Revolving Fund Program

Part H

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1999**			
Wahpeton		$ 345,715	$ 345,715	$ 80,000
Park River		261,000	261,000	0
New Rockford		281,102	281,102	65,000
Sawyer		136,000	136,000	0
Walsh Rural Water District		3,000,000	3,000,000	0
Tioga		44,004	44,004	0
Williston		3,901,331	3,901,331	1,595,000
St. John		399,388	399,388	141,000
		8,368,540	8,368,540	1,881,000
Subpart 2	**2000**			
Grand Forks		11,542,236	11,542,236	4,040,000
Lisbon		912,115	912,115	310,000
Stutsman Rural Water Users		666,168	666,168	235,000
State Water Commission		1,500,000	1,500,000	0
Cooperstown		300,000	300,000	108,000
Harwood		866,514	866,514	355,000
Mayville		1,025,000	1,025,000	410,000
		16,812,033	16,812,033	5,458,000
Subpart 3	**2001**			
Hankinson		405,000	405,000	150,000
Finley		2,479,994	2,479,994	1,004,400
Enderlin		195,000	195,000	60,000
Valley City		1,444,139	1,444,139	590,000
Grand Forks		10,050,000	10,050,000	0
Oxbow		475,657	475,657	190,000
Lisbon		460,381	460,381	190,000
Nome		22,465	22,465	0
Southeast Water Users		60,000	60,000	24,000
		15,592,636	15,592,636	2,208,400

9, 30

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 4	**2002**			
Lisbon		$ 413,522	$ 413,522	$ 185,000
Harvey		427,076	427,076	200,000
Grafton		285,616	285,616	130,000
Mandan		4,197,565	4,197,565	1,796,000
Ramsey County WRD		3,482,000	3,482,000	1,662,000
Enderlin		87,500	87,500	42,000
Linton		563,063	563,063	260,000
Cleveland		206,406	206,406	86,000
Langdon		522,796	522,796	238,000
Drayton		132,362	132,362	0
Larimore		1,991,805	1,991,805	900,000
Wahpeton		1,890,000	1,890,000	1,031,000
Grafton		1,130,229	1,130,229	602,000
		15,329,940	15,329,940	7,132,000
Subpart 5	**2003**			
Southeast Water District		1,446,906	1,446,906	0
Grand Forks - Traill Water District		3,991,780	3,991,780	1,840,000
North Valley Water District		4,138,000	4,138,000	0
Williston		3,693,344	3,693,344	1,890,000
Barnes Rural Water District		816,000	816,000	420,000
Argusville		360,718	360,718	190,000
Casselton		1,272,000	1,272,000	675,000
Aneta		171,340	171,340	90,800
Stutsman Rural Water District		201,651	201,651	113,000
		16,091,739	16,091,739	5,218,800
Subpart 6	**2004**			
Oakes		147,652	147,652	79,000
Cass Rural Water District		1,890,923	1,890,923	1,105,000
Leeds		179,000	179,000	90,000
Hazen		1,000,000	1,000,000	560,000
Tioga		418,727	418,727	196,000
Lincoln		307,681	307,681	177,000
Lincoln		447,000	447,000	0
Abercrombie		244,002	244,002	138,000
Lisbon		410,000	410,000	232,000
Williston		5,000,000	5,000,000	0
Harvey		676,556	676,556	380,000
Noonan		39,602	39,602	24,000
Williams County Rural Water		1,500,000	1,500,000	890,000
Williston		17,593,143	17,593,143	11,620,000
Jamestown		2,534,604	2,534,604	1,530,000
		32,388,890	32,388,890	17,021,000

9.31

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 7	**2005**			
Argusville		$ 217,304	$ 217,304	$ 126,000
Park River		746,100	746,100	472,000
Mapleton		83,754	83,754	0
Bottineau		750,000	750,000	451,000
Southeast Water Users District		808,411	808,411	500,000
		2,605,569	2,605,569	1,549,000
Subpart 8	**2006**			
Walcott		159,112	159,112	103,000
Stutsman Rural Water District		1,164,020	1,164,020	708,000
Wildrose		52,291	52,291	31,500
Velva		1,616,123	1,616,123	585,000
Cooperstown		309,634	309,634	180,000
Riverdale		762,138	762,138	416,000
Pick City		223,328	223,328	144,000
Braddock		16,610	16,610	0
Center		358,800	358,800	230,000
Page		95,975	95,975	64,000
Harvey		91,581	91,581	59,000
Hillsboro		1,151,563	1,151,563	623,000
Washburn		1,870,633	1,870,633	1,185,000
Southeast Water Users District		4,655,000	4,655,000	3,064,000
Portal		50,000	50,000	0
Park River		517,600	517,600	360,000
Central Plains Water District		1,661,967	1,661,967	1,092,000
Columbus		57,000	57,000	13,000
Southeast Water Users District		186,902	186,902	121,000
		15,000,277	15,000,277	8,978,500
Subpart 9	**2007**			
McLean-Sheridan Rural Water		519,104	519,104	365,000
Walsh Rural Water District		1,796,902	1,796,902	0
North Prairie Water District		5,700,000	5,700,000	4,095,000
Mayville		324,341	324,341	210,000
Southeast Water Users District		5,418,000	5,418,000	2,085,000
South Central Regional Water		8,000,000	8,000,000	5,631,000
Jamestown		2,076,816	2,076,816	1,410,000
Devils Lake		3,800,000	3,800,000	2,685,000
North Valley Water District		2,617,000	2,617,000	0
Christine		219,015	219,015	160,000
Grand Forks Traill Water District		1,200,000	1,200,000	825,000
All Seasons Water Users District		211,950	211,950	148,000
		31,883,128	31,883,128	17,614,000

9.32

Borrower	Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 10 2008			
Southeast Water Users District	$ 595,000	$ 595,000	$ 419,000
Hazelton	245,120	245,120	129,000
Lisbon	757,220	757,220	510,000
Mapleton	1,149,088	1,149,088	867,000
Mandan	4,511,900	4,511,900	3,395,000
Fargo	2,500,000	2,500,000	1,835,000
Cass Rural Water District	1,376,605	1,376,605	1,015,000
Fargo	29,240,000	14,110,422	10,180,422
Tri-County Water District	363,289	363,289	275,000
Lakota	199,802	199,802	0
Crosby	2,361,275	551,488	5,000
Hankinson	95,000	95,000	71,000
Hannaford	53,748	53,748	41,000
South Central Regional Water	4,000,000	4,000,000	3,030,000
Ray	1,452,760	1,452,760	415,000
Parshall	2,887,500	2,767,864	2,215,364
Mandan	7,972,283	7,972,283	6,035,000
Leeds	37,076	37,076	28,000
	59,797,666	42,738,665	30,465,786
Subpart 11 2009			
Traill Rural Water District	3,396,880	3,396,880	3,215,000
Carrington	240,117	240,117	181,000
Lisbon	305,787	305,787	230,000
Watford City	347,464	347,464	263,000
Bismarck	16,320,000	15,757,434	12,412,434
Lisbon	1,613,726	1,613,726	1,255,000
Ray	864,000	864,000	0
Southeast Water Users District	1,128,358	1,128,358	910,000
Southeast Water Users District	841,774	841,774	705,000
Barnes Rural Water District	2,050,000	2,050,000	1,545,000
Velva	373,579	373,579	285,000
All Seasons Water Users District	206,675	154,433	110,433
Wimbledon	258,353	258,353	198,000
Hope	175,000	175,000	135,000
Enderlin	2,196,790	2,196,790	1,665,000
Garrison	158,222	158,222	0
Wildrose	1,503,094	1,503,094	0
Karlsruhe	791,415	791,415	113,000
Strasburg	2,060,678	2,060,678	285,000
	34,831,912	34,217,104	23,507,867

9.33

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 12	**2010**			
Hillsboro		$ 289,376	$ 289,376	$ 230,000
Washburn		4,023,646	4,023,646	1,520,000
South Central Regional WD		4,600,000	4,600,000	3,870,000
BDW Water Systems		2,309,158	2,309,158	0
State Line Water Coop		147,781	147,781	37,000
Valley City		4,646,000	4,646,000	1,560,000
Hillsboro		1,310,679	1,310,679	865,000
Mandan		6,923,867	6,923,867	5,840,000
Kenmare		403,579	403,579	315,000
Buffalo		98,922	98,922	82,000
Jamestown		5,525,008	5,525,008	4,295,000
Kulm		25,300	25,300	21,000
		30,303,316	30,303,316	18,635,000
Subpart 13	**2011**			
Pembina		1,563,654	1,549,443	1,424,443
Linton		224,800	224,800	198,000
Page		90,597	90,597	80,000
Cooperstown		700,235	700,235	594,235
Sawyer		308,708	308,708	275,000
Bowbells		2,145,000	2,145,000	1,033,100
McKenzie County WRD		8,200,000	7,778,566	5,155,825
Kenmare		1,200,000	727,656	603,656
		14,432,994	13,525,005	9,364,259
Subpart 14	**2012**			
Ray		2,500,000	2,434,306	854,306
Minnewaukan		1,850,000	929,293	0
R & T Water Supply Commerce		10,000,000	9,349,789	7,559,789
Garrison Rural Water District		720,000	720,000	660,000
Southeast Water Users District		1,500,000	807,396	0
Sherwood		82,475	82,475	76,000
Granville		209,990	209,990	185,000
		16,862,465	14,533,249	9,335,095
Subpart 15	**2013**			
Hillsboro		3,000,000	2,609,722	2,364,722
Ross		1,890,000	1,637,628	637,628
Max		292,062	292,062	280,000
Fargo		66,352,000	3,906,341	3,906,341
Cooperstown		314,393	314,393	299,393
		71,848,455	8,760,146	7,488,084

9.34

Borrower Subpart 16	2014	Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Westhope		$ 1,002,000	$ 686,524	$ 257,860
Grafton		3,000,000	405,624	405,624
Cooperstown		210,000	152,256	89,256
Stutsman Rural Water District		7,800,000	2,771,186	2,004,752
McLean-Sheridan Rural Water		1,200,000	905,003	905,003
Mandan		1,200,000	180,776	180,776
Fairmount		200,000	103,179	103,179
Noonan		282,130	72,985	72,985
Leeds		410,000	178,928	178,928
Columbus		387,828	41,075	16,430
Washburn		1,439,640	847,684	847,684
Jamestown		3,812,000	2,938,661	2,938,661
Grenora		383,853	189,348	189,348
Carrington		1,460,000	1,076,784	1,076,784
Ray		1,670,000	210,900	84,360
Barnes Rural Water District		2,605,171	294,012	294,012
		27,062,622	11,054,925	9,645,642
Total		$ 409,212,182	$ 309,205,162	$ 175,502,433

9.35

Industrial Development Bond Program Loans

Part I

Borrower			Funded Loan Amount
Subpart 1	**2006**		
Prairie Gold Real Estate, LLC		$	1,360,000
Subpart 2	**2008**		
ND Natural Beef, LLC			2,000,000
Subpart 3	**2009**		
Giant Snacks Inc.			1,500,000
ND Natural Beef, LLC			65,269
			1,565,269
Total		$	4,925,269

9.36

Direct Loans

Part J

Borrower		Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1992**		
Ft. Clark Irrigation		$ 20,750	$ 0
Subpart 2	**1993**		
Solen		9,000	0
Subpart 3	**1995**		
Plaza PSD		16,000	0
Mooreton		30,000	0
Garrsion PSD		110,000	0
Beulah Airport Authority		35,000	0
		191,000	0
Subpart 4	**1996**		
Christine		27,000	0
McHenry		24,000	0
Sims PSD		17,000	0
		68,000	0
Subpart 5	**1997**		
Ward County		80,000	0
Traill County Rural Water Users		40,000	0
Christine		17,500	3,500
Manvel		28,000	0
		165,500	3,500
Subpart 6	**1998**		
Berthold		45,000	0
Page		60,000	0
Ransom Sargent Water Users Inc.		87,000	0
Upper Souris Water Users Association		75,000	0
Hannaford		20,000	0
		287,000	0
Subpart 7	**1999**		
Forest River		50,000	0

9.37

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 8	**2000**		
New Town PSD		$ 500,000	$ 0
Sanborn		13,500	0
Havana		120,000	0
		633,500	0
Subpart 9	**2001**		
Fort Pembina Airport Authority		117,000	9,000
Sims PSD		100,000	0
		217,000	9,000
Subpart 10	**2002**		
Kulm		21,360	0
Southeast Water Users		640,000	0
Solen PSD		200,000	0
		861,360	0
Subpart 11	**2003**		
Solen PSD		200,000	0
Traill County Rural Water Users		50,000	0
St. John		85,000	0
		335,000	0
Subpart 12	**2004**		
Solen PSD		200,000	0
New Town PSD		60,000	0
		260,000	0
Subpart 13	**2005**		
Enderlin		92,000	0
Columbus		57,000	0
Solen PSD		200,000	0
Gackle		75,000	0
Portal		185,000	0
Surrey Township		42,500	0
		651,500	0
Subpart 14	**2006**		
Solen PSD		200,000	0
Subpart 15	**2007**		
Emerado		186,288	0

9.38

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 16	**2008**		
Sterling PSD		$ 100,000	$ 0
Cass Rural Water District		330,000	0
Watford City		405,000	0
Casselton		685,000	0
		1,520,000	0
Subpart 17	**2009**		
Northood PSD		1,500,000	0
Hazen		215,000	0
Solen PSD		390,000	0
		2,105,000	0
Subpart 18	**2010**		
Drayton		405,000	0
Drayton		278,000	0
		683,000	0
Subpart 19	**2012**		
Fessenden		44,000	0
Rolla		265,000	156,723
Sheldon		63,413	40,000
		372,413	196,723
Subpart 20	**2013**		
Noonan		115,290	0
Noonan		400,000	0
Rolla		190,000	154,000
Benedict		126,500	113,534
McHenry County		1,777,500	0
		2,609,290	267,534
Subpart 21	**2014**		
Traill Rural Water District		200,500	200,500
Berthold		450,000	450,000
Leeds		70,000	47,451
Colfax		40,000	40,000
		760,500	737,951
Total Direct Loans		$ 12,186,101	$ 1,214,708

9.39

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
BONDS ISSUED 1977 THROUGH 2014

Part A 1977 General Bond Resolution

		Initial Bond Amount	Outstanding Bond Amount
1977 Series A		$ 15,000,000	$ 0
1979 Series A		16,590,000	0
1983 Series A		11,680,000	0
	Subtotal	43,270,000	0

Part B Local Governmental Assistance Program

1985 Series A		35,290,000	0

Part C Insured Water System Revenue Bonds

1989 Series A		11,650,000	0
1989 Series B		1,410,000	0
	Subtotal	13,060,000	0

Part D Government Assistance Program

1990 Series A		765,000	0
1990 Series B		1,241,704	0
	Subtotal	2,006,704	0

Part E Taxable Insured Water System Refunding Bonds

1999 Series A		8,875,000	0
1999 Series B		1,410,000	0
	Subtotal	10,285,000	0

Part F Capital Financing Program

1990 Series A	400,000	0
1990 Series B	185,000	0
1990 Series C	95,000	0
1990 Series D	155,000	0
1990 Series E	680,000	0
1990 Series F	100,000	0
1990 Series G	250,000	0

9.40

Part F Cont.	Initial Bond Amount	Outstanding Bond Amount
1990 Series H	$ 220,000	$ 0
1990 Series I	230,000	0
1990 Series J	140,000	0
1990 Series K	85,000	0
1990 Series L	770,000	0
1990 Series M	70,000	0
1990 Series N	35,000	0
1990 Serues O	335,000	0
1991 Series A	225,000	0
1991 Series B	1,300,000	0
1991 Series C	410,000	0
1991Series D	560,000	0
1991 Series E	265,000	0
1991 Series F	345,000	0
1991 Series G	380,000	0
1991 Series H	280,000	0
1991 Series I	2,460,000	0
1992 Series A	565,000	0
1992 Series B	820,000	0
1992 Series C	2,650,000	0
1992 Series D	115,000	0
1992 Series E	1,870,000	0
1992 Series F	3,260,000	0
1992 Series G	290,000	0
1992 Series H	395,000	0
1992 Series I	535,000	0
1992 Series J	2,500,000	0
1992 Series K	535,000	0
1993 Series A	150,000	0
1993 Series B	880,000	0
1993 Series C	1,975,000	0
1993 Series D	1,465,000	0
1993 Series E	505,000	0
1993 Series F	2,930,000	0
1994 Series A	5,335,000	0
1994 Series B	525,000	0
1994 Series C	445,000	0
1995 Series A	1,700,000	0
1995 Series B	425,000	0
1995 Series C	380,000	0
1996 Series A	500,000	0
1996 Series B	930,000	0
1996 Series C	1,585,000	0
1996 Series D	350,000	0
1997 Series A	540,000	0

9.41

		Initial Bond Amount	Outstanding Bond Amount
1997 Series B		$ 3,350,000	$ 0
1997 Series C		300,000	0
1997 Series D		1,750,000	0
1997 Series E		4,705,000	0
1997 Series F		375,000	0
1997 Series G		1,050,000	0
1997 Series H		3,275,000	0
1998 Series A		945,000	0
1998 Series B		6,685,000	0
1998 Series C		565,000	45,000
1998 Series D		1,050,000	0
1998 Series E		450,000	160,000
1999 Series A		1,075,000	0
1999 Series B		260,000	0
1999 Series C		100,000	0
1999 Series D		1,100,000	0
1999 Series E		1,710,000	0
1999 Series F		285,000	160,000
2000 Series A		1,115,000	0
2000 Series B		3,100,000	0
2001 Series A		735,000	0
2002 Series A		1,700,000	0
2003 Series A		1,495,000	0
2004 Series A		880,000	180,000
2006 Series A		1,385,000	465,000
2009 Series A		2,125,000	1,790,000
2011 Series A		3,730,000	3,345,000
2012 Series A		9,635,000	9,010,000
2013 Series A		51,375,000	49,630,000
2014 Series A		32,840,000	32,840,000
2014 Series B		9,000,000	9,000,000
	Subtotal	192,275,000	106,625,000

Part G **Capital Financing Disaster Loan Program**

2011 Series A		9,141,832	4,200,000
2012 Series A		2,892,780	220,000
2013 Series A		1,696,000	0
2014 Series A		675,000	600,000
	Subtotal	14,405,612	5,020,000

9.42

		Initial Bond Amount	Outstanding Bond Amount
Part H	**State Revolving Fund Program**		
1990 Series A	[1]	5,520,000	0
1993 Series A	[2, 5]	20,220,000	0
1995 Series A	[3]	6,975,000	0
1996 Series A	[3]	29,845,000	200,000
1998 Series A	[5, 6]	35,965,000	5,425,000
2000 Series A	[4]	16,725,000	0
2001 Series A	[7]	23,725,000	0
2003 Series A	[7, 8]	26,795,000	0
2003 Series B	[9]	20,455,000	0
2004 Series A	[9]	11,790,000	0
2005 Series A	[8]	36,210,000	2,375,000
2008 Series A		46,100,000	34,085,000
2011 Series A		101,210,000	91,035,000
2012 Series A		19,705,000	18,470,000
2012 Series B		17,900,000	14,800,000
	Subtotal	419,140,000	166,390,000

[1] A portion of the proceeds of the 1993 Series A SRF Bonds was used to defease and refund the 1990 Series A SRF Bonds.
[2] A portion of the proceeds of the 2001 Series A SRF Bonds was used to defease and refund the 1993 and 1995 Series A SRF Bonds.
[3] The proceeds of the 2003 Series B SRF Bonds was used to defease and refund the 1996 Series A SRF Bonds.
[4] The proceeds of the 2004 Series A SRF Bonds was used to defease and refund the 2000 Series A SRF Bonds.
[5] A portion of the proceeds of the 2005 Series A SRF Bonds was used to defease and refund the 1993 and 1998 Series A SRF Bonds.
[6] A portion of the proceeds of the 2008 Series A SRF Bonds was used to defease and refund 1998 Series A SRF Bonds.
[7] A portion of the proceeds of the 2011 Series A SRF Bonds was used to defease and refund the 2001Series A and 2003 Series A SRF Bonds.
[8] A portion of the proceeds of the 2012 Series A SRF Bonds was used to defease and refund the 2003Series A and 2005 Series A SRF Bonds.
[9] A portion of the proceeds of the 2012 Series B SRF Bonds was used to defease and refund the 2003 Series B and 2004 Series A SRF Bonds.

Part I	**Industrial Development Bond Program**		
2006 Series A		1,360,000	1,090,000
2008 Series A		2,000,000	1,760,000
2009 Series A		1,500,000	1,325,000
	Subtotal	4,860,000	4,175,000
Total All Bonds		$ 734,592,316	$ 284,155,000

9.43

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

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Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

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9.44

HB 1014
3-16-15
#10

Lignite R&D Program Funding
Testimony of Mike Jones, Jason Bohrer & Tyler Hamman
Before the
Senate Appropriations Committee
March 16, 2015

I. Overview of the Lignite Research Council

A. Roles of Industrial Commission & Lignite Research Council

Industrial Commission

- Administers research, development, and marketing program
- Approves or disapproves research and development projects and activities
- Accepts and distributes funds and enters into contracts

Lignite Research Council is an advisory group to the Industrial Commission

- Appointed by the Governor
- Provides advice on policy and guidelines
- Provides recommendations on project funding
- Members are representatives from both the private and public sectors

B. What are Funding Sources of R&D Program?

The R&D Program is funded through the ND Coal Severance Tax of 37.5 cents* on every ton of coal mined in the state. Assuming 30 million tons of annual production, the severance tax produces $11.25 million in revenues, split 70/30 between coal counties and the Coal Trust Fund. Of the Coal Trust Fund, 50 percent is dedicated to Lignite R&D and 20 percent is dedicated to Clean Coal Projects.

Summary of Lignite R&D Funding

Summary of Annual Revenue	
Lignite R&D (50% of Coal Trust Fund)	$1,687,500
Clean Coal Projects (20% of Coal Trust Fund)	675,000
2 Cents per ton R&D Tax	600,000*
Coal Conversion Tax	1,250,000**
Total Annual R&D Revenue	$4,212,500
	x2
Total Estimated Biennium Revenue	$8,425,000

Additional revenues are also received from investments made in the Dakota Gasification Plant.
***Note:** In addition to the funding from the Coal Trust Fund, the Lignite R&D Program receives revenue from a two-cents-per-ton R&D tax.
****Note:** The legislature has authorized that a portion of the Coal Conversion Tax be transferred to the Lignite Research Fund through July 31, 2018.

II. Summary of 2013-2015 Activities

A. Research for Existing Plants

The Lignite Research program is designed to work with industry to address a number of the issues facing the North Dakota lignite industry. The activities can be either small research projects or demonstration projects. Small research projects usually are completed in a laboratory setting where demonstration projects are at a larger scale and dollar amount. Both must demonstrate significant cost share, a minimum of 50%, and show value to the state of North Dakota. Topics that have been addressed and may be included in the activities this biennium include; options for control of criteria pollutants, processes that result in value added products from ND lignite, options to capture carbon dioxide from existing lignite facilities, and reuse of coal combustion residuals.

B. Demonstration Projects - Lignite Vision 21 Program (LV21) – Primary purpose is to assist with developing new projects with cost-effective clean coal technologies to meet additional energy demands.

The Lignite Research program is designed to allow for State support of work to develop significant new facilities that make use of North Dakota lignite. Activities in this area can include support of new projects under the Lignite Vision 21 program (LV21), as well as work at a demonstration level on promising "new" options like the Allam Cycle that position North Dakota lignite to successfully compete in today's market with known and proposed regulatory constraints. This benefits the citizens of North Dakota by providing low cost options for current and future energy needs as well as significant new economic activity.

C. Non-matching Activities

The funding for the Lignite Research Program supports a number of activities that require no matching funds. These activities generally are ones that mutually benefit the State of North Dakota and the lignite industry as a whole. This may include legal support to challenge EPA or other state actions that attempt to usurp North Dakota's rights, coordination with state regulatory groups like the State Health Department or Public Service Commission, attempts to develop sound information on public health challenges from energy development, etc.

ANALYSIS OF THE LIGNITE RESEARCH FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS INCLUDING ANY PROPOSED CHANGES AS OF JANUARY 27, 2015

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$15,249.207		$16,157,867
Add estimated revenues				
Separate two-cent coal severance tax	$1,100,000		$1,100,000	
Fifty percent of coal severance taxes deposited in the coal development trust fund (result of passage of measure No. 3 in June 1990)	3,075,000		3,075,000	
Twenty percent of coal severance taxes deposited in the coal development trust fund (committed to clean coal projects) (result of passage of constitutional amendment passed by voters in June 1994)	1,250,000		1,250,000	
Investment income on Dakota Gasification Company ammonia plant and Red Trail	450,000		500,000	
Five percent of the general fund share of coal conversion tax (2007 HB 1093)	2,000,000		2,000,000	
Revenue bonds/short-term loan	0[1]		0[1]	
Interest income and return of funds	483,660		325,000	
Total estimated revenues		8,358,660		8,250,000
Total available		$23,607,867		$24,407,867
Less estimated expenditures and transfers[2,3]				
Administration	$750,000		$750,000	
Lignite feasibility studies (nonmatching grants)	2,100,000		3,000,000	
Small research grants	1,225,000		1,500,000	
Lignite marketing	1,800,000		1,200,000	
Lignite litigation	1,500,000[4]		1,500,000[4]	
Demonstration projects	75,000		2,604,000	
Total estimated expenditures and transfers		7,450,000[5]		10,554,000[5]
Estimated ending balance		$16,157,867		$13,853,867

[1]Pursuant to North Dakota Century Code Section 54-17.5-04, the Industrial Commission may issue revenue bonds or borrow short-term funds from the Bank of North Dakota.

[2]The Industrial Commission has a policy stating that 18 percent of lignite research fund income will be used for small research projects, 56 percent for large demonstration research projects, 21 percent for marketing projects, and 5 percent for administration. The commission has further directed that no single large demonstration research project can receive more than 37.5 percent of available funds.

[3]The Industrial Commission has waived the fund allocation policy. The Commission has committed $22,000,000 through the 2011-13 biennium to three projects. On January 9, 2015 one of the projects indicated they are not proceeding with their project and released their commitment of $8,732,503. Expenditures for Lignite Vision 21 have been $1,360,750 during the 2003-05 biennium, $2,243,391 during the 2005-07 biennium, $2,200,000 during the 2007-09 biennium, $3,972,090 during the 2009-11 biennium, $678,851 during the 2011-13 biennium and anticipated expenditures of $2,812,415 in subsequent bienniums, The objective of the Lignite Vision 21 Project is to construct new lignite-fired power plants in North Dakota. (These amounts are net of funds expended and then subsequently returned when projects did not proceed.)

[4]Lignite litigation - House Bill No. 1093 (2007) provides that $500,000 of the amount allocated to the lignite research fund in Section 1 of the bill is to be used to pay for fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources. Activities associated with the litigation have been initiated with $83,379 spent during the 2007-09 biennium, $153,907 spent during the 2009-11 biennium, $652,519 spent during the 2011-13 biennium, and $1,500,000 anticipated to be spent during the 2013-15 biennium. The original $500,000 will have been spent by the end of the 2011-13 biennium with additional funding being provided from nonmatching program funds. The state's portion of the litigation costs during the 2013-15 and 2015-17 bienniums will be from the nonmatching program funds. In addition, the lignite industry has agreed to pay a portion of the litigation costs.

[5]The Industrial Commission has continuing appropriation authority for all money deposited in the lignite research fund pursuant to Section 57-61-01.6.

FUND HISTORY

Section 57-61-01.5(2) and Article X, Section 21, of the Constitution of North Dakota, provide for 70 percent of the taxes collected and deposited in the coal development trust fund to be deposited in the lignite research fund. The remaining 30 percent of the funds deposited in the coal development trust fund are to be held in trust and administered by the Board of University and School Lands, which has the authority to invest the funds, and may, as provided by law, lend money from the fund to political subdivisions.

10.4

CHAPTER 44-03
DEPUTY OFFICERS

44-03-01. Deputies may be appointed by certain officers.

The secretary of state, state auditor, state treasurer, insurance commissioner, agriculture commissioner, commissioner of labor, district assessor, and city assessor each may appoint a deputy. The appointment must be in writing and is revocable in writing at the pleasure of the principal, and the appointment and revocation must be filed as the oath of the principal is filed.

44-03-02. Persons ineligible as deputy.

No state officer can appoint as deputy any other state or district officer. A state treasurer may not appoint as deputy any county treasurer, recorder, sheriff, or county commissioner.

44-03-03. Oath of deputy.

Each deputy shall take and subscribe the same oath as the deputy's principal, naming the deputyship, which must be endorsed upon and filed with the deputy's certificate of appointment.

44-03-04. Officials to be residents and citizens.

No person may be appointed as deputy in any state office nor as a member or officer upon any official board of the state, or of any county or municipality of the state, who is not a citizen of the United States and who is not a bona fide resident of the state.

10.5

HB 1014
3-16-15
11

BNI Coal, LTD Testimony on House Bill 1014
March 16, 2015, 9:00 A.M.
Senate Appropriations Committee
Senator Ray Holmberg, Chairman

Wade Boeshans – President & General Manager of BNI Coal, LTD an ALLETE Company

SUPPORT of HB 1014

Good morning Chairman Holmberg and members of the committee. My name is Wade Boeshans. I am the President and General Manager of BNI Coal which is headquartered in Bismarck, ND. I am a fourth generation North Dakotan and graduate of North Dakota State University in Civil Engineering. I grew up on the land that my great grandfather homesteaded; in what is now the heart of coal country in Mercer County. I have personal experience with the many benefits of lignite mining including the affordable electricity it provides and the economic prosperity it affords our communities. I am here today to ask for your support of House Bill 1014 with the included five million dollar appropriation for development and demonstration of CO2 capture and sequestration technologies.

BNI Coal is a subsidiary of ALLETE, an Energy Company Headquartered in Duluth MN. ALLETE subsidiaries, BNI Coal and Minnesota Power, collectively own and operate over one billion dollars of assets in North Dakota. A native ND mining company, BNI Coal started mining in northwestern North Dakota in 1930 and has been mining coal for the Milton R Young Station since 1970 at its Center Mine location. BNI Coal supplies 4 to 4.5 million tons of lignite coal annually to the Young Station and employs 170 people with an annual local spend of $60 million.

The EPA's proposed rules to regulate carbon dioxide, also known as the EPA's Clean Power Plan, threatens to shutdown North Dakotas Lignite Industry. To survive in this carbon-constrained future and secure the future of the lignite industry long-term, the lignite industry will need new, advanced generation technologies that include carbon dioxide capture and sequestration. To this end, research, development, and demonstration of next generation technologies that include the capture of carbon dioxide emissions from lignite based facilities as well as research, development, and demonstration of carbon dioxide sequestration for enhanced oil recovery in the Bakken are essential.

BNI Coal and the ALLETE companies have made significant research and development investments in carbon capture and sequestration technologies. We

11.1

have invested over one million dollars in coal-based research over the last six years. We have frequently partnered with other lignite industry companies and the state of North Dakota through the Lignite Research Council on research projects. One such example of our R&D partnerships this past year is our research partnership with Dakota Gasification Company on a next generation coal technology called the Allam Cycle. This research also received funding from the State of North Dakota through the Lignite Research Council and leveraged other research completed in the UK. Our Allam Cycle research concluded that the technology is very promising both technically and economically. Essentially this next generation technology could enable near-zero emission coal utilization including carbon dioxide emissions while providing lower electric costs than all other commercially available technologies. Simply stated, this is a very promising game-changing technology that should be advanced through additional research and demonstration.

However, moving a game changing technology like the Allam Cycle from the lab to commercialization is a time consuming and costly endeavor. (See attached Exhibit 1). Current state research funding mechanisms include Lignite Research funding for lab scale research and Vision 21 funds which support commercialization. What is needed is a source of funding to advance technologies through detailed design and demonstration. The five million dollar funding request through the Lignite Research Council proposes to meet this need and enable technologies such as the Allam Cycle to advance through the demonstration phase.

I see a convergence of energy production in North Dakota and a next generation energy solution enabled by technological advancements. In this vision for the future, coal will provide fuel for electric generation, carbon dioxide for enhanced oil recovery (unlocking billions of additional barrels of oil), and heat and electricity for bio-fuels production all in an environmentally sustainable manner that includes a carbon dioxide solution. North Dakota can and should lead the way in advancing the technologies that enable this vision. Within North Dakota, we have the commercial expertise within our industries, the research expertise within the EERC and universities, and the natural resources to make this vision a reality and propel our economy for generations.

Chairman Holmberg and members of the committee, I respectfully ask for your support of additional funding for lignite research in House Bill 1014. This concludes my testimony and I would be pleased to respond to any questions.

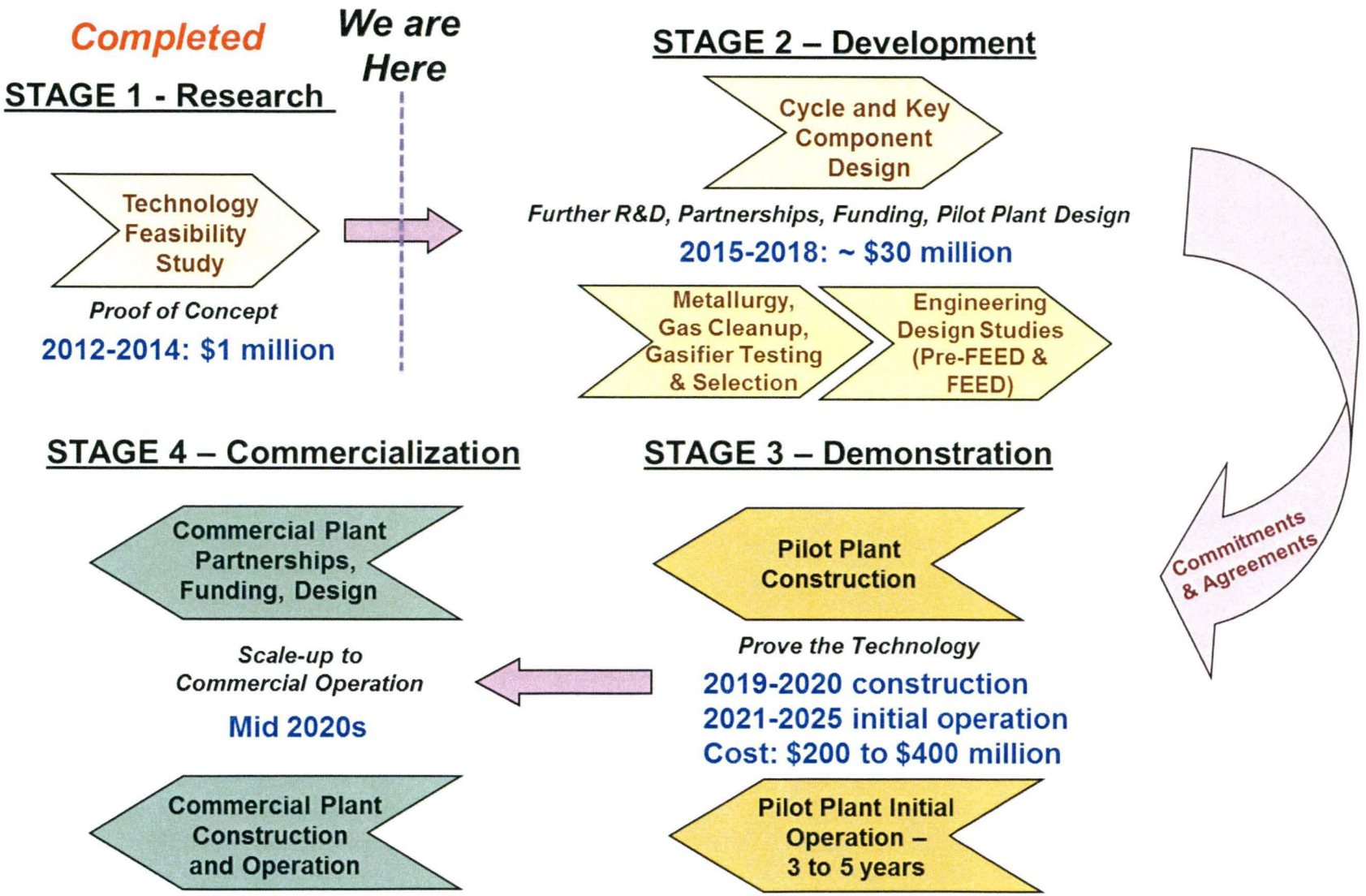
Thank you.

11.2

11.3

Exhibit 1

North Dakota Lignite Allam Cycle Development Pathway



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HB 1014
3-16-15
#12

HB 1014
Senate Appropriations

Chairman Holmberg and members of the Senate Appropriations, my name is Jaclyn Hall and I am before you to talk about my experiences as a Housing Incentive Fund recipient in 2013.

During the last biennium, 35.4 million dollars was appropriated to support affordable housing. These projects awarded spread all across North Dakota and supported seniors, the disabled, families, and like our organization individuals and families experiencing Homelessness.

As an agency, we have invested over 10 million dollars to create 85 affordable housing units in Bismarck. With the support of 2.85 million from the Housing Incentive Fund, our project continues on. Currently, over 50 of these units are occupied and another 32 will be completed this year.

As I recipient, I would ask the committee to consider the following as you recertify this fund for affordable housing during the next biennium:

1. **A reduction or removal of the 5% origination fee** – NDHFA reduces each award by 5% to market the housing incentive fund. For agencies like mine, being able to receive the full 30% of our project can be the difference between making the project work or failure.
2. **Looking at incentives to increase 30% LMI units.** When we create extremely low income units, we pair these units with

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HUD Housing Choice Vouchers. In Burleigh County, the wait for these units is very long and the waiting list is currently closed.

a. **Vouchers through NDHFA**
b. **Annual grants to current HIF projects**

As a recipient of these funds and a champion for affordable housing, I ask you to take this concern under advisement as you consider funding this project once more. By trying to keep our rents as low as possible, receiving the entire grant amount will go a long way in our efforts.

I truly believe the Housing Incentive Fund is a worthwhile program and addresses the concern of a lack in affordable housing. I ask you to consider this testimony when you consider the reauthorization of this fund.

Thank you for your time and I will take any questions if you have them.

12.2

HB 1014
3-16-15
#13

NORTH DAKOTA Outdoor HERITAGE FUND

Background - The Outdoor Heritage Fund (OHF) was created by the legislature in 2013. The fund, capped at $30 million per biennium, is governed by the Industrial Commission consisting of Governor Jack Dalrymple, Chairman, Attorney General Wayne Stenehjem and Agriculture Commissioner Doug Goehring. A 16-member advisory board (12 voting members) reviews applications from eligible organizations: nonprofits, state agencies, political subdivisions, and tribes; and makes grant funding recommendations.

Governor Dalrymple's Executive Budget proposes an increase in the funding level to $50 million per biennium.

Directive A - Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;

Directive B - Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems and to support other practices of stewardship to enhance farming and ranching;

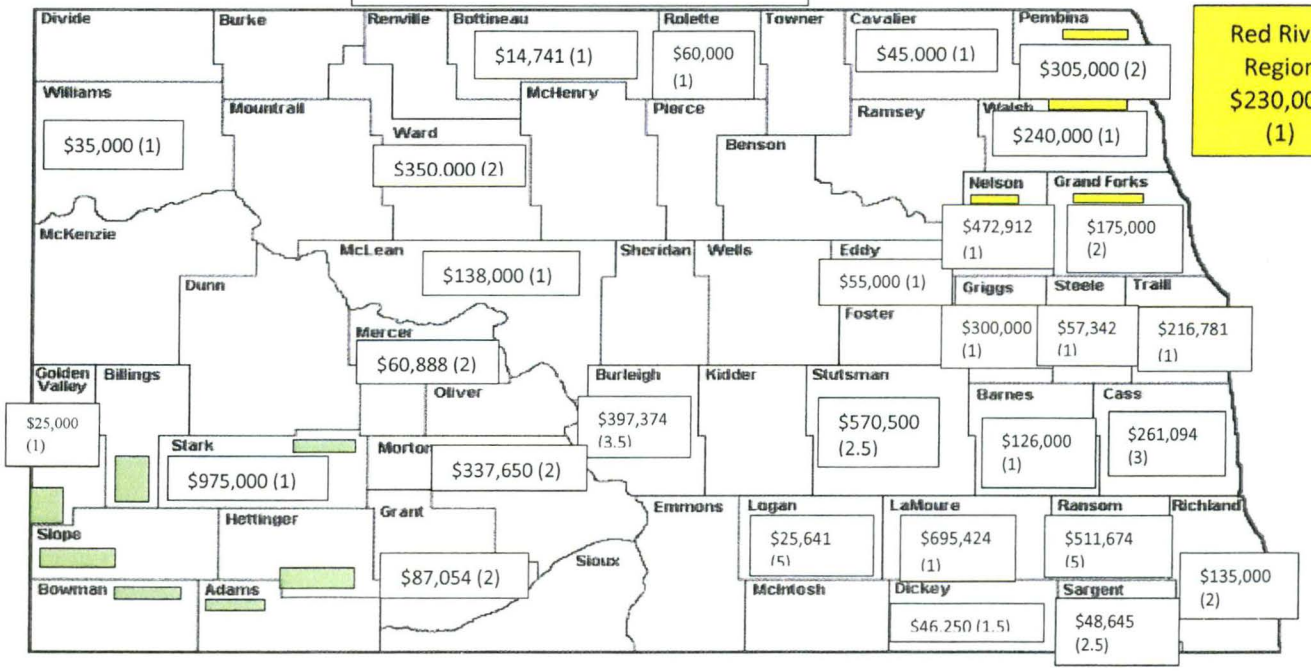
Directive C - Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and

Directive D - Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Funding Guidelines

After the first grant round in January, 2014 and after consultation with legislators, the Industrial Commission based on a recommendation from the OHF Advisory Board stated that except for extenuating circumstances the Commission would not consider funding for projects already completed; projects that are on-going (phased projects would be considered); staffing; feasibility studies; annual maintenance; paving projects for roads and parking lots; swimming pools; non-permanent equipment (such as tractors, snowmobiles); research; and projects where the applicant is not directly involved in the project. A 25% match from the applicant was also strongly encouraged.

Approved Projects Grant Rounds 1 - 4



Red River Region $230,000 (1)

Southwest/Western Region $510,222 (2)

Statewide Projects $11,592,750 (11)

Total Project Funding Grant Rounds 1-4 $19,100,942

13.1

Directive	Title	Total Project Cost	IC Approved Funding
A	Blacktail Dam Association	$105,100	$35,000
A	Fingal Wildlife Club Dam Restoration	$52,600	$35,500
A	Fox Island Boat Ramp Bank Stabilization	$299,122	$215,374
A	Handicap Accessible Fishing Pier at Sheep Creek Dam	$28,632	$20,902
A	ND Game & Fish Department Outdoor Heritage Habitat Initiative	$2,733,000	$1,900,000
A	North Dakota Pheasant Habitat Initiative	$38,000,000	$3,000,000
A	Pheasant Lake Fishing access/Shoreline Restoration Project	$42,500	$21,250
A	Prairie Project	$842,300	$300,000
A	TMBCI Sky Chief Park Fishing Pier Project	$70,000	$60,000
A	Western ND Habitat Enhancement Projects	$719,900	$480,900
	Directive A Totals	**$42,893,154**	**$6,068,926**
B	Antelope Creek Wild Rice Corridor Watershed Restoration Project	$977,000	$105,000
B	Bald Hill Creek Watershed Project	$880,665	$300,000
B	Enhanced Grazing Lands & Wildlife Habitat (Phase 1)	$3,665,820	$828,000
B	ND Statewide Conservation Tree Planting Initiative	$4,875,033	$1,878,000
B	North Dakota Pollinator Partnership	$292,879	$173,750
B	Ransom County Water Quality Improvement Project	$1,600,000	$115,000
B	Red River Riparian Project	$568,394	$230,000
B	Riparian Grazing Systems Project	$422,500	$253,500
B	Sheyenne River Sedimentation Reduction Project	$957,000	$126,000
B	Stutsman County Manure Management Project	$2,900,000	$300,000
B	The Marcus Friskop Nature Center	$378,960	$30,000
B	Turtle Creek Watershed Project Water & Habitat Initiative	$1,263,072	$138,000
B	Wild Rice River Restoration & Riparian Project Phase II	$33,125	$9,937
	Directive B Totals	**$18,814,448**	**$4,487,187**
C	Aquatic Habitat Infrastructure Enhancement	$934,218	$322,000
C	Bismarck PF Habitat Enhancement	$100,000	$60,000
C	Brown Ranch Habitat Enhancement through Prescribed Grazing	$24,255	$16,000
C	Conservation of Grasslands and Long-billed Curlews on Private Lands in SW ND	$213,930	$29,322
C	Lake Tschida's Wildlife Conservation Planting, Recreation Project Walking Trail, Bird Observatory and Playground Rest Area	$92,969	$66,152
C	LSC 20,000 Trees by 2020	$181,000	$50,000
C	Natural Resource Stewardship in North Dakota's Parks, Preserves & Natural Areas	$645,987	$129,000
C	ND Hen House Project I	$65,030	$34,000
C	North Dakota Waterbank Program	$1,600,000	$1,200,000
C	South Golden Lake Inlet Beautification Project	$74,342	$57,342
C	Urban Woods and Prairies Initiative	$148,789	$82,218
C	Warwick Dam - Modification & Rehabilitation (Water Commission Project # 0240)	$272,152	$55,000
C	Water Storage Piggyback	$400,000	$300,000
C	Working Wetlands in North Dakota	$4,950,000	$1,750,000
	Directive C Totals	**$9,702,672**	**$4,151,034**
D	Beach City Park Northside Playground	$60,000	$25,000
D	Beulah Bay Campground Expansion & Conservation Project	$74,212	$42,120
D	Centennial Park Woodland Trail and Souris River Recreational Access Plan	$634,000	$305,000
D	City of Munich Playground Equipment Fund	$109,329	$45,000
D	Community Outdoor Fitness Park	$466,492	$45,000
D	Crooked Crane Trail Exercise & Fitness Loop	$1,300,000	$975,000
D	Dead Colt Creek Recreational Playground Project	$60,232	$45,174
D	Downtown River Access for Grand Forks Greenway	$100,000	$75,000
D	Drayton Campground	$453,033	$125,000
D	Drayton Campground	$463,378	$180,000
D	Graner Park Bank Stabilization	$250,200	$187,650
D	Harmon Lake Campground Expansion	$200,000	$150,000
D	LaMoure County Memorial Park Streambank Restoration Project	$971,946	$695,424
D	Norsemen Outdoor Education Center	$303,281	$216,781
D	North Dakota 4-H Camp	$23,673	$18,768
D	Northern Cass Pass	$185,171	$138,876
D	Park River Parks & Recreation - Phase 1 Campground	$1,460,027	$240,000
D	Public Use Fishing Docks at Lake Metigoshe and Beaver Lake State Parks	$53,842	$40,382
D	Ryan Lake Fishing and Recreation Development Project	$290,005	$100,000
D	Sandhills Archery Club Landscaping	$82,550	$40,000
D	Sargent County Silver Lake Park "Playplaces & Gathering Spaces" Renovations Project	$54,832	$13,708
D	Stump Lake Park Bank Restoration	$630,550	$472,912
D	Trail Restoration & Improvement Program	$242,629	$112,000
D	Trailhead / Neighborhood Park	$627,920	$105,000
	Directive D Totals	**$9,097,302**	**$4,393,795**
	Grand Total	**$80,507,576**	**$19,100,942**

Prepared by Industrial Commission Staff

Revised 3-11-15

ANALYSIS OF THE NORTH DAKOTA OUTDOOR HERITAGE FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS (REFLECTING THE 2015-17 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		$0		$7,003,663
Add estimated revenues				
Oil and gas gross production tax collections	$21,207,063[1]		$50,000,000[1]	
Interest income	7,000		20,000	
Total estimated revenues		21,214,063		50,020,000
Total available		$21,214,063		$57,023,663
Less estimated expenditures and transfers				
Grants	$14,110,400[2]		$50,000,000[3]	
Administrative expenses	100,000		300,000	
Total estimated expenditures and transfers		14,210,400		50,300,000
Estimated ending balance		$7,003,663		$6,723,663

[1]Pursuant to North Dakota Century Code Section 57-51-15, the amount of oil and gas gross production tax collections deposited in the fund may not exceed $15 million per fiscal year or $30 million per biennium. The December 2014 forecast for oil and gas taxes estimates $21.2 million of oil and gas gross production tax collections will be deposited in the fund during the 2013-15 biennium. The executive budget for the 2015-17 biennium proposes increasing the allocation to $50 million per biennium.

[2]The Industrial Commission established five rounds of grant awards during the 2013-15 biennium and has approved contract awards of $14,110,400 through November 2014. The board awarded grants of $5,848,133 on December 2, 2013, $2,509,428 on April 1, 2014, and $5,752,839 on August 1, 2014. The board anticipates two more rounds of grant awards during the 2013-15 biennium which are scheduled for January 2015 and May 2015. The North Dakota Outdoor Heritage Advisory Board is recommending the Industrial Commission approve projects up to the amount of anticipated collections this biennium; however, not all of those funds will be expended in the 2013-15 biennium as many of the grants are for multiyear projects. The Industrial Commission has expended $870,791 from the fund through September 2014 and anticipates $6 million of the funds will be expended during the 2013-15 biennium.

[3]The 2015-17 executive budget recommends commitments of $80.4 million for new conservation and outdoor recreation projects, including $30.4 million from general fund and $50 million from grants from the North Dakota outdoor heritage fund.

FUND HISTORY

The North Dakota outdoor heritage fund was established in 2013 House Bill No. 1278 (Chapter 54-17.8) to provide, pursuant to a continuing appropriation, grants to state agencies, tribal governments, political subdivisions, and nonprofit organizations to:

- Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;
- Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems, and to support other practices of stewardship to enhance farming and ranching;
- Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and
- Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Four percent of the first 1 percent of oil and gas gross production tax collections is deposited in the North Dakota outdoor heritage fund. A maximum of $15 million of oil and gas gross production tax collections may be deposited in the fund each year. The Industrial Commission has oversight of the North Dakota outdoor heritage fund. The North Dakota Outdoor Heritage Advisory Board (consisting of 12 voting and 4 ex officio members) makes recommendations to the commission on the funding of grants.

13,3

HB 1014
3-16-15
#14

North Dakota LEGENDARY

DEPARTMENT OF COMMERCE TESTIMONY ON HOUSE BILL 1014
MARCH 16, 2015, 2:00 P.M.
SENATE APPROPRIATIONS COMMITTEE
SENATOR RAY HOLMBERG, CHAIRMAN

ALAN ANDERSON – COMMISSION, 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 Department of Commerce. As Commerce Commissioner I also have the pleasure of serving as the chairman of the Renewable Energy Council.

On behalf of the Renewable Energy Council, I am here today to speak in favor of House Bill 1014.

Last session, the legislature enacted a permanent funding mechanism for the Renewable Energy Program, similar to the Oil & Gas Research and Lignite Research programs. The program is being utilized and in all cases projects had strong partnerships between private entities and ND universities and research. The most recent projects have also had a clear roadmap to commercialization and crossed several of our state industries.

Examples of projects funded from the Renewable Energy Program include:

- Commercial Application of Soybean Stalk as a New Alternative Fiber in Particle Boards ($198,300). This project studies the feasibility of using soy stalk-wheat straw blends for low density fiber boards at a commercial scale, and optimization of the manufacturing process. The 50% match comes from Masonite, which has a manufacturing facility in Wahpeton.
- Distributed Geothermal Power ($100,230). This project will demonstrate the technical and economic feasibility of electrical power generation using the heat contained in oil field fluids. A geothermal system that has been designed and build through the combined efforts of UND & Access Energy will be installed at a Continental Resources water supply well site near Marmarth. The system will generate a continuous 250 kW of electricity from non-conventional low temperature geothermal water.
- Solar Soaring Power Manager ($500,000). This project will create a solar soaring power management system for Unmanned Aerial Systems to initially double fly times and ultimately provide unlimited endurance powered by solar energy. Packet Digital will create an advanced solar power management integrated circuit (PMIC) combining flexible, high efficiency power conversion circuitry with a microprocessor to make the first PMIC targeted for dramatically extended flight times in unmanned aircraft.
- Application of Agricultural Byproducts for Energy Systems ($237,093). Woodshed Renewables owns a currently idle manufacturing facility in Finley. This project would define the market opportunity, optimize the production of solid fuels using standard equipment, and estimate the costs and returns to being producing biomass/wood blend pellets at the facility.

Mr. Chairman and members of the Appropriations Committee, I respectfully request your favorable consideration of House Bill 1014. That concludes my testimony and I am happy to entertain any questions.

14.2

INDUSTRIAL COMMISSION OF NORTH DAKOTA
RENEWABLE ENERGY PROGRAM

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Renewable Energy Program
North Dakota Century Code 54-63

History of the Renewable Energy Program

North Dakota's Renewable Energy Program was established by the Legislature in 2007 under the control of the North Dakota Industrial Commission. The law provides that the Industrial Commission shall consult with the Renewable Energy Council. The Program's responsibilities include providing financial assistance as appropriate to foster the development of renewable energy and related industrial use technologies including, but not limited to, wind, biofuels, advanced biofuels, biomass, biomaterials, solar, hydroelectric, geothermal and renewable hydrogen through research, development, demonstration and commercialization. In addition the Program shall promote research and utilization of renewable energy co-product utilization for livestock feed, human food products and industrial use technologies. The Commission has adopted policies to implement this Program.

The Legislature further provided that the Commission shall contract with the Department of Commerce to provide technical assistance to the Renewable Energy Council and the Industrial Commission to carry out the law, including pursuit of aid, grants or contributions of money and other things of value from any source for any purpose consistent with the law.

The 2013 Legislature approved a continuing source of funding for the program—5% of the monies credited to the Resources Trust Fund with a $3,000,000 cap.

Mission Statement

The Mission of the Renewable Energy Program is to promote the growth of North Dakota's renewable energy industries through research, development, marketing and education.

Grant Round Timelines

By policy grant round application deadline dates were established to be January 1, May 1 and September 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission of North Dakota.

Grant Round Process & Procedures

A group of Technical Reviewers are identified by the Department of Commerce staff to analyze and critique the applications. Based on the analysis of the Technical Reviewers the Dept. of Commerce staff makes a recommendation to the Renewable Energy Council. The Council then makes a recommendation to the Industrial Commission. If the Commission approves funding the Industrial Commission Executive Director negotiates a contract and payments are made based upon work completed.

Grants may not exceed the legislative appropriation. By policy all projects must generate matching funds from industry or other sources (e.g., various federal government agencies, non-profit organizations) of cash or in-kind services (contributed equipment, materials or services). In-kind

services may not exceed fifty percent of the total Commission funding amount. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. The Commission has established that the maximum amount of any one grant is $500,000.

Funded Projects

The Commission has approved the funding of 35 projects including 2 projects that were funded from the Biomass Incentive Research Fund. The total amount of Renewable Energy Program funding committed to the 33 approved projects as of March 1, 2015 is $8,670,748. Each of these projects has match funding which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over $26 million. Some of the ongoing projects are:

- Biocomposites Development for Industrial & Consumer Products
- Commercial Application of Soybean Stalk as a New Alternative Fiber
- Distributed Geothermal Power
- Solar Soaring Power Manager
- Application of Agricultural Byproducts for Energy Systems

Renewable Energy Council

The Renewable Energy Council is appointed by the Governor. Current members are as follows:

Al Anderson, Commerce Commissioner - by law the Commissioner serves as Chairman
Kyle Bahls, ADM – represents biodiesel industry
Al Christianson, Great River Energy – represents biomass industry
Terry Goerger – represents the agriculture industry
Rod Holth, Green Vision – represents advanced biofuels and sugar-based biofuel
Mark Nisbet, Excel Energy – represents wind industry
Randy Schneider – represents ethanol industry

ANALYSIS OF THE RENEWABLE ENERGY DEVELOPMENT FUND

N.D.C.C. 54-63-04

Continuing Appropriation

	2013-2015 Biennium		2015-2017 Biennium	
Beginning Balance		$2,757,612[1]		$2,762,112
Add estimated revenues[2]				
Resources Trust Fund	$3,000,000		$3,000,000	
Interest Income (estimated)	$ 3,500		$ 4,000	
Applicant contribution (estimated)	$ 1,500		$ 1,000	
Total Available		$5,762,112		$5,767,112
Less estimated project expenditures and commitments				
Project Expenditures & Commitments[3]	$2,890,000		$4,880,000	
Administrative Costs	$ 110,000		$ 120,000	
Total estimated expenditures		$3,000,000		$5,000,000
Estimated ending balance		$2,762,112		$ 767,112

(1) The Renewable Energy Program/Fund was authorized in 2007 and received $3,000,000 General Fund appropriations in each of the 2007-2009, 2009-2011 biennia & $1,500,000 in the 2011-2013 biennium. In addition some special funds were transferred from the Biomass Incentive Fund prior to 2013. In the 2013-2015 biennium a continuing appropriation was established with 5% of the Resources Trust Fund not to exceed three million dollars per biennium.

(2) Revenues under the 2013-15 biennium reflect the continuing appropriation of $3,000,000. Other estimated revenues include actual interest income of $2,943 and application contribution income of $600 through November, 2014 with estimated revenues for the remainder of the biennium.

(3) Actual project expenditures through November, 2014 totaled $1,699,126 and outstanding commitments of $1,391,154 for 10 projects and one additional grant round scheduled for May 1, 2015. Actual administrative and technical costs through November, 2014 total $68,952 with an estimate for the remainder of the biennium.

14.5

HB 1014
3-16-15
#15

INDUSTRIAL COMMISSION OF NORTH DAKOTA

OIL AND GAS RESEARCH COUNCIL

Brent Brannan, Director
E-Mail: brentbrannan@gmail.com

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Oil and Gas Research Program
North Dakota Century Code 54-17.6

History of the Oil and Gas Research Program
North Dakota's Oil and Gas Research Program ("Program"), established by the Legislature in 2003, is a state/industry program designed to demonstrate to the general public the importance of the State oil and gas exploration and production industry, to promote efficient, economic and environmentally sound exploration and production methods and technologies, to preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources, to develop the State's oil and gas resources, and to support research and educational activities concerning the oil and natural gas exploration and production industry. The Program is funded from two percent of the State's share of the oil and gas gross production tax and oil extraction tax revenues, **up to $10 million**, each biennium.

Mission Statement
The Mission of the Oil and Gas Research Council/Program is to promote the growth of the oil and gas industry through research and education.

General Criteria
Priority areas of the Program that promote the growth of the oil and gas industry through research and education in no particular order include, but are not limited to, the following:

- Generate information and knowledge that will have the highest probability of bringing new oil and gas companies and industry investment to North Dakota.
- Have the highest potential for preserving and creating oil and gas jobs, wealth, and tax revenues for North Dakota.
- Most effectively educate the general public about the benefits and opportunities provided by the North Dakota oil and gas industry.
- Positively affect ultimate recovery from North Dakota's existing oil and gas pools.
- Preserve existing production levels.
- Identify oil and gas exploration and production technologies presently not used in North Dakota.
- Identify oil and gas potential in non-producing counties.
- Maximize the market potential for oil, natural gas, and the associated byproducts.
- Improve the overall suitability of the oil and gas industry in North Dakota through the development of new environmental practices that will help to reduce the footprint of oil and gas activities
- Develop baseline information that will lead to other projects, processes, ideas, and activities.

Grant Round Timelines
Grant round deadline dates are June 1 and November 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission ("Commission").

Ron Anderson Chairman
Ron Ness
Ryan Kopseng, Vice Chairman
Jeff Kummer
John Berger
Lynn Helms
Steve McNally
Ed Murphy
Anthony Duletski

15.1

Oil and Gas Research Council (OGRC)
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: kfine@nd.gov PHONE: 701-328-3722 FAX: 701-328-2820
"Your Gateway to North Dakota":www.nd.gov

Grant Round Process & Procedures

Since the Program was implemented the Commission has approved funding of 69 projects totaling $16,378,213. The dollars invested by the State in these projects is also matched so that every dollar provided by the Program is leveraged. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. As with the other Commission administered research programs the Commission believes having a partner in the project leads to projects being conducted that have a value to the industry and State and is not just research for research sake. The Program during the current biennium has been set up to direct 92% of its funds for research and 3% for education with the remaining funds used for the Pipeline Authority (2%) and for administration (3%).

Current Projects of Interest

Program to Determine the Uniqueness of Three Forks Bench Reserves, Determine Optimal Well Density in the Bakken Pool, and Optimize Bakken Production - Energy & Environmental Research Center and Continental Resources

This project is to simultaneously improve Bakken system oil recovery and reduce the environmental footprint of production activities. The anticipated outcomes are to increase well productivity and economic output of North Dakota's oil and gas resources, decrease environmental impacts of wellsite operations, and reduce demand for infrastructure construction and maintenance. Specific results will likely include:

a) a greater understanding of Bakken-Three Forks reservoirs and subsequent significant increases to estimates of recoverable hydrocarbons;
b) less truck traffic, resulting in decreased diesel emissions, road cost and spills;
c) reduced road maintenance costs, wastewater production, disposal costs, and freshwater use;
d) reduced land use impacts;
e) increased revenue for the state, royalty owners, and operators from added product streams captured earlier in the well life cycle.

Energy: Powered by North Dakota Curriculum - Bismarck State College and EmPower North Dakota Commission members.

This project is to develop relevant energy curriculum for 4th and 8th grade North Dakota Studies courses. The expected results are that 4th and 8th grade students and their teachers learn about energy through delivery of current curriculum. Curriculum will be developed including online modules with two weeks of content related to all of North Dakota's energy resources.

On January 9, 2015 the Commission awarded funding for five projects with the following two projects focused on the reduction of gas flaring:

Reduction of Flares and Capture of Natural Gas Liquids with Vortex Tools. Submitted by Bakken Frontier, LLC.

This project is to demonstrate through the use of the Vortex Tool the capture of NGL's which in turn will reduce the amount of flaring. This will be especially beneficial to more remote locations.

The Mini-GTL Zero Flare Solution that Captures 100% of Associated Gas Flaring at the Wellhead and Converts it to Biodegradable and Environmentally Safe Liquid Fuels and Chemicals. Submitted by GeoTechno Energy and Fuels (USA) LLC

This project will utilize a process for converting natural gas to liquids thus eliminating associated gas flaring via conversion to commercially saleable liquid chemicals at the wellhead.

During the current biennium the Program began to distribute a quarterly newsletter. A copy of the most recent newsletter is attached. Information on the projects funded by the Program is available on the Commission website at: https://www.dmr.nd.gov/ogr/ .

Oil and Gas Research Council Members

The Oil and Gas Research Council is a volunteer, citizen, industry, and government group which provides advice to the Commission on policies and recommends research for funding under the Program. The Governor appoints the members of the Oil and Gas Research Council.

Ron Anderson (county commissioner from an oil-producing county)
Anthony Duletski (representing oil and gas producing counties)
John Berger (North Dakota Petroleum Council)
Ryan Kopseng (North Dakota Petroleum Council)
Steve McNally (North Dakota Petroleum Council)
Jeff Kummer (North Dakota Petroleum Council)
Ron Ness (President, North Dakota Petroleum Council)
Lynn Helms (ND Oil and Gas Division Director - non-voting member)
Ed Murphy (State Geologist - non-voting member)

Technical Advisors

Kent Ellis (Education expertise)
Monte Besler (Petroleum Engineering expertise)
Rory Nelson (Operation Engineering expertise)

The Commission Administrative Office provides the administrative support for the Program and maintains the financial records of the Program. Brent Brannan has been retained on a part-time basis to serve as the Program Director.

ANALYSIS OF THE OIL AND GAS RESEARCH FUND

N.D.C.C. 57-51.1

Continuing Appropriation

	2013-2015 Biennium		2015-2017 Biennium	
Beginning Balance		$3,875,671[1]		$2,074,031
Add transfers and estimated revenues[2]				
Transfer from State Treasurer from oil and gas taxes	$10,000,000		$10,000,000	
Estimated applicant contributions	$ 3,000		$ 3,000	
Estimated Interest Income	$ 7,000		$ 7,000	
Total Available		$13,885,671		$12,084,031
Less estimated expenditures and commitments[3]				
Estimated Project Expenditures & Commitments	$11,278,534		$ 10,495,000	
Administrative and Technical Services Costs	$ 332,706		$ 200,000	
Transfer to the North Dakota Pipeline Authority	$ 200,400		$ 305,000[5]	
Total estimated expenditures		$11,811,640		$11,000,000
Estimated ending balance		$ 2,074,031[4]		$ 1,084,031

(1) The Oil and Gas Research Program/Fund was authorized by the 2003 Legislature. During the 2003-2005 biennium $50,000 was made available for the Program. That amount was increased in the 2005 Legislature to $1,300,000 and then it was again increased in 2007 to $3,000,000 and in 2009 it was increased to $4,000,000. In 2013 it was increased to $10,000,000. The source of funding for the Oil and Gas Research Fund is two percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues.

(2) Revenues under the 2013-2015 biennium reflect the transfer of $10,000,000 from the State Treasurer. Estimated interest income includes actual interest income of $339 through November, 2014 and an estimate of the interest income through June 30, 2015. Estimated applicant contributions reflect actual applicant contributions of $2,000 through November, 2014 with an estimate for the remainder of the biennium.

(3) Since 2003 through 2014 the Commission has committed funding for 64 projects totaling $21,943,669 of OGRP funding. Total project costs are $350,764,284. This includes four projects approved so far during the 2013-2015 biennium with funding to be provided during the 2013-2015 and subsequent biennia. On January 9, 2015 the Industrial Commission approved five additional projects totaling $2,047,532. Actual project payments through November, 2014 total $6,867,940 with an estimate for the remainder of the biennium. Actual administrative and technical services costs through November, 2014 total $138,136 (excluding the Pipeline Authority) with an estimate for the remainder of the biennium. Within the administrative and technical services costs is payment for a study on workforce that was directed by the 2013 Legislature to be completed.

(4) This funding is needed for payments of approved projects that will be completed in subsequent biennia. Outstanding commitments as of November, 2014 are approximately $7.6 million.

(5) This amount is determined by the Industrial Commission based on a recommendation from the Oil and Gas Research Council. It is estimated that approximately $305,000 will be needed during the next biennium for the Pipeline Authority.

15.4

The Oil and Gas Research Program

OGRP Quarterly NEWSLETTER

SUMMER 2014 Vol. 1, No. 2

This quarterly newsletter is produced by the Oil and Gas Research Program to provide periodic information and updates on Program activities to the citizens of North Dakota. It is the objective of this newsletter to report on the use of ND tax dollars to further promote ND resources for the economic benefit of the state.

From the Director's Desk

This quarter, we decided to put a special focus on select, current Oil & Gas Research Program (OGRP) projects to give the reader a flavor of the advancements being made to more effectively produce North Dakota's oil and gas resources. We are currently supporting several projects that are tackling the key challenges facing production growth. The Williston Basin continues to provide an era of economic success. The following summaries of a few highlighted OGRP projects underscore what makes this Bakken machine run so well. These are indeed exciting times to be a North Dakotan!

OGRP Director

Brent Brannan

INDUSTRIAL COMMISSION OF NORTH DAKOTA OIL & GAS RESEARCH PROGRAM

Governor
Jack Dalrymple

Attorney General
Wayne Stenehjem

Agriculture Commissioner
Doug Goehring

Director
Brent Brannan

Mission Statement

The mission of the Oil and Gas Research Council is to promote the growth of the oil and gas industry through research and education.

Few Highlighted Programs

Energy Curriculum Project

Bismarck State College *$250,000 Project Cost*

The EmPower North Dakota Commission regularly heard from energy companies that "workforce" was one of the top issues spanning all industry sectors. Despite work with Job Service North Dakota and an energy career awareness program for high school students, there were still issues of North Dakota's youth leaving the state to find jobs. To find a way to keep young talent in the state and interested in energy careers, an EmPower subcommittee was formed. Conversations held with stakeholders ultimately led to the decision that energy education needed to happen early in a child's school career, and students are currently receiving very little state-specific information. The North Dakota Studies curriculum is required for all North Dakota schools, so that vehicle was one way to ensure that the energy message is delivered.

Energy curriculum is being created and inserted into the North Dakota Studies courses for students in 4th grade and 8th grade, including online modules, with 2 weeks of content related to North Dakota's energy resources. The updated curriculum will have relevant information about North Dakota's robust energy resources in North Dakota Studies courses in 4th and 8th grade. Students and teachers will have the opportunity to learn about energy and its relevance to North Dakota. Teachers will be trained content and delivery of new curriculum and technology. Workforce needs will be mitigated because of an increased interest and understanding of the energy industry and the abundance of career options in North Dakota.

Program to Determine the Uniqueness of Three Forks Bench Reserves, Determine Optimal Well Density in the Bakken Pool, and Optimize Bakken Production

EERC and Continental Resources *$115,230,000 Project Cost*

The goal of this project being conducted by the Energy & Environmental Research Center (EERC) in close coordination with Continental Resources, Inc., and several of the Williston Basin's premier operating companies is to simultaneously improve Bakken system oil recovery and reduce the environmental footprint of production activities. The anticipated outcomes of this project are to increase well productivity and economic output of North Dakota's oil and gas resources, decrease environmental impacts of wellsite operations, and reduce demand for infrastructure construction and maintenance. Specific results will likely include:

a) A greater understanding of Bakken–Three Forks reservoirs and subsequent significant increases to estimates of recoverable hydrocarbons.
b) Less truck traffic, resulting in decreased diesel emissions, road dust, and spills.
c) Reduced road maintenance costs, wastewater production, disposal costs, and freshwater use.
d) Reduced land use impacts.
e) Increased revenue for the state, royalty owners, and operators from added product streams captured earlier in the well life cycle.

15.5

Effects of Oil and Gas Development on Mule Deer Populations in Western North Dakota

North Dakota Game and Fish Department (NDGF)
$659,000 Project Cost

2013 was the first year of a 3-year field study on the effects of energy development on mule deer in western North Dakota. The field work for this study began on February 17, 2013, when the NDGF Department captured and radio-collared 90 female mule deer. A second capture took place in December 2013 when 46 additional deer were captured and collared. Currently, NDGF has 112 radio-collared deer: 65 mule deer does, 17 mule deer yearlings (collared as fawns), and 30 mule deer fawns. A final capture is expected to take place in December 2014.

To date, NDGF has collected over 115,000 GPS fixes from radio-collars on 106 mule deer does and 60 female mule deer fawns. The spatial data from the GPS fixes provide the primary data NDGF will assess for this study. NDGF will analyze survival of radio-collared deer, abundance data, age and sex structures of the mule deer population, and stress levels and pregnancy rates of captured does.

Enhanced Bakken Recovery Research Program

EERC *$1,350,000 Project Cost*

The EERC is conducting a research program to evaluate the use of carbon dioxide (CO_2) to increase the ultimate recovery of Bakken oil while simultaneously storing CO_2. The objective is to use new and existing reservoir characterization and laboratory data integrated with reservoir modeling to determine whether CO_2-based enhanced oil recovery (EOR) will result in greater production in the Bakken Formation. The ultimate goals of the project are to generate previously unavailable knowledge regarding the CO_2 storage capacity of North Dakota shale and to determine the potential to increase oil recovery from such shale. The results of this work will provide insight regarding relationships between Bakken oil, key reservoir attributes, and CO_2 under reservoir conditions in order to better understand the efficient use of CO_2 for EOR.

THE NEXT
GRANT ROUND APPLICATION DEADLINE IS NOVEMBER 1.

How Can You Learn More about Us?

Scan the QR code, or visit our Web site at
www.dmr.nd.gov/ogr

A Look Ahead . . .

Future quarterly OGRP newsletters will focus on project updates, emerging priorities for OGRP, and key insights from leaders of our Program council. The goal of these newsletters, as always, will be to translate how OGRP projects are impacting oil and gas exploration and recovery in our state and why that matters to the reader. Look for the next issue at the end of our fall season!

If you would like to receive an electronic copy of this newsletter on a regular basis, please send your e-mail address to **brentbrannan@gmail.gov**. We would be happy to include you on the mailing list.

OGRP Quarterly

North Dakota oil & gas research program

North Dakota Oil and Gas Research Program
State Capitol, 14th Floor
600 East Boulevard Avenue
Department 405
Bismarck, ND 58505-0840

HB 1014
3-16-15 #16

INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PIPELINE AUTHORITY

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

North Dakota Pipeline Authority
North Dakota Century Code 54-17.7

The North Dakota Pipeline Authority (Pipeline Authority) was created by the North Dakota Legislature in 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy." As established by the Legislature the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed pipeline infrastructure. The Industrial Commission acting as the Pipeline Authority has issued no bonds under this statutory authority.

By law the Pipeline Authority membership is comprised of the members of the Industrial Commission. The Industrial Commission transferred $200,400 during the 2013-2015 biennium from the Oil and Gas Research Fund to the Pipeline Authority Fund. The Industrial Commission has named Justin Kringstad, a consultant, as Director of the Pipeline Authority. He works closely with the Director of the Department of Mineral Resources, the President of the North Dakota Petroleum Council and the Executive Director of the Industrial Commission. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Pipeline Authority Director reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

The Pipeline Authority issues a quarterly newsletter in addition to making numerous presentations to the Legislative interim committees and the public. These newsletters and presentations are available on the Pipeline Authority website at www.northdakotapipelines.com In addition Mr. Kringstad participates in monthly webinars providing regular updates on the transportation issues related to oil and gas.

This past year the Pipeline Authority continued to work closely with the midstream industry in North Dakota to quantify future pipeline and processing needs for the region. Evolving technology and dynamic pricing make the Pipeline Authority's production forecasting efforts an ongoing process. Mr. Kringstad also chaired the Governor's Pipeline Technology Working Group which began meeting in early 2014. The working group provided a final written report to the Governor in early December, 2014.

The Pipeline Authority website is updated on a regular basis so you should add this website to your "favorites". We are hopeful that this website will be a good tool for keeping policy makers, citizens and industry informed of what is happening with the development of pipelines in North Dakota.

Pipeline Authority
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: Justin Kringstad PHONE: 701-220-6227 FAX: 701-328-2820
"Your Gateway to North Dakota":www.nd.gov

ANALYSIS OF THE PIPELINE AUTHORITY FUND
N.D.C.C. 54-17.7-11
Continuing Appropriation

	2013-2015 Biennium		2015-2017 Biennium	
Beginning Balance		$166,066		$ 76,766
Add transfers and estimated revenues[1]				
Transfer from Oil and Gas Research Fund	$ 200,400		$ 305,000[3]	
Estimated Interest Income	$ 300		$ 300	
Total Available		$366,766		$382,066
Less estimated expenditures and commitments[2]				
Study Expenditures	$ 75,000		$ 130,000	
Administrative Costs	$ 20,000		$ 25,000	
Consultant Costs	$ 195,000		$ 215,000	
Total estimated expenditures		$290,000		$370,000
Estimated ending balance		$ 76,766		$ 12,066

(1) Revenues reflect a transfer of $200,400 from the Oil and Gas Research Fund for the 2013-15 biennium. Estimated interest income includes actual interest income of $153 through November, 2014 and an estimate of the interest income through June 30, 2015.

(2) Actual administrative costs through November, 2014 total $9,584 with an estimate for the remainder of the biennium. Actual consultant costs through November, 2014 total $120,943 with an estimate for the remainder of the biennium.

(3) The amount to be transferred from the Oil and Gas Research Fund for the Pipeline Authority is at the discretion of the Industrial Commission utilizing the funding available in the Oil and Gas Research Fund.

16.2

HB 1014
3-16-15 #17

INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA TRANSMISSION AUTHORITY

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

NORTH DAKOTA TRANSMISSION AUTHORITY
Chapter 17-05 North Dakota Century Code

The North Dakota Transmission Authority ("Authority") was created by the North Dakota Legislature in 2005. Since its inception the Authority's mission has been to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed transmission.

By statute the Authority membership is comprised of the members of the Industrial Commission. The Director of the Authority works closely with the Executive Director of the Commission. The Authority has no other staff and receives no direct General Fund appropriation. Funding for the Authority comes from the Lignite Research, Development and Marketing Program.

The powers of the Authority include: 1) make grants or loans or borrow money; 2) to issue up to $800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, lease, rent and dispose of transmission facilities; 5) enter into contracts to construct, maintain and operate transmission facilities; 6) investigate, plan prioritize and propose transmission corridors; and 7) participate in regional transmission organizations. In 2009 the Legislature provided the Authority with the power to attach the moral obligation of the State on up to 30% of any revenue bonds sold in conjunction with the financing of a transmission line project.

The Authority's work has focused on electric demand projections, such as the joint Montana-Dakota Utilities Co. - Basin Electric Power Cooperative "Power Forecast 2012" study, and interaction with members of Midwest Independent System Operator ("MISO"), the Organization of MISO and other regional and state planning and permitting authorities to ensure transmission policies developed will be favorable to any new North Dakota projects (coal, natural gas, wind or other renewable) that may come before these groups.

The Authority has continued to be engaged in MISO transmission line development work that seeks to identify lines that have value to transmission across the MISO footprint. Such lines with regional benefit will be eligible for cost allocation across the MISO footprint. Of particular importance to North Dakota are the Ellendale to Big Stone, Big Stone to Brookings and Brookings to Twin Cities lines identified by MISO as having regional benefits.

Recently Basin Electric and Western Area Power Administration ("Western") indicated their intent to join the Southwest Power Pool ("SPP"), another regional transmission organization similar to MISO but with a different footprint. Similar planning and transmission line development will be supported by their power pool as is done by MISO for its members. Once Basin Electric and Western are part of the SPP, regional transmission planning and cost allocation will cover almost the entire State of North Dakota.

ND Transmission Authority
North Dakota Transmission Authority
Andrea Stomberg, Director
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The Transmission Authority coordinates its activities with the Public Service Commission and the Department of Commerce and regularly reports to the Industrial Commission.

A copy of the Transmission Authority's annual report is available on the Industrial Commission website at http://www.nd.gov/ndic/ under publications.

HB 1014 Subcommittee
3-26-15
#1

Bank of North Dakota
BND Investment in ND Financial Center
March 2015

Attached to the Engrossed House Bill No. 1014 is a proposed amendment entitled: "Section 11. Appropriation - Bank of North Dakota - North Dakota Financial Center". The language in that amendment reads as follows: "The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of The Bank of North Dakota which the Bank shall use for the purpose of the construction of the North Dakota financial center on a site adjacent to the existing Bank of North Dakota location. The Bank shall lease space in the center to other state agencies and institutions."

To illustrate the flow of funds in the proposed amendment, please see the diagram below. The starting point is a condensed version of the Bank's balance sheet as of March, 24, 2015.

Option 1 Illustrates the proposed amendment in which BND will construct/purchase the ND Financial Center out of Bank assets, or Cash.

	(a) Bank Balance Sheet as of 3/24/15	(b) Legislative Impact on BND Capital, Net of 2015 BND Earnings	(c) BND's Purchase of Building for ND Fin. Ctr. Out of Cash Residing On-Balance Sheet	(a) + (b) + (c) Resulting Balance Sheet
Cash & Short-term Investments	1,158,552	(5,000) *	(17,000) **	1,136,552
Investment Porfolio	2,834,221			2,834,221
Loans, net	3,883,908			3,883,908
Bank Property & Equipment	11,692		17,000 **	28,692
Other Assets	76,437			76,437
Total Assets	7,964,810	(5,000)	-	7,959,810
Deposits	6,414,144			6,414,144
Bank Borrowings	848,813			848,813
Other Liabilities	12,620			12,620
	7,275,577	-	-	7,275,577
Capital	689,233	(5,000) *		684,233
Total Liabilities & Capital	7,964,810	(5,000)	-	7,959,810
Tier 1 Leverage Ratio (approx.)	8.72% ***	→		8.65% ***
BND Self-imposed Minimum Tier 1 Leverage Ratio	8.50%			8.50%
Capital Margin	0.22%			0.15%

Impact to the Bank of North Dakota:

* The 2015 Legislative Impact on BND Capital, Net of BND Earnings is calculated as follows:

House Bill No. 1443	(100,000,000)	- Infrastructure Revolving Loan Fund (anticipate full disbursement in 2015)
House Bill No. 1014	(20,000,000)	- Pace Buy-down Programs (anticipated 2015 disbursement of the $40M total)
Budgeted BND Earnings	115,000,000	
	(5,000,000)	

** This illustrates the Bank constructing/purchasing the ND Financial Center with the use of existing Cash on the balance sheet. This is simply the use of one asset to acquire another asset; it has no impact on Bank capital.

*** Noted: after the stated transactions, the Bank remains slightly above it's self-imposed regulatory capital limit.

1.1

Option 2 Illustrates a hypothecial situation in which the Bank would contribute the same $17M in funds to the State out of the Bank's Capital for other State-defined needs.

	(a) Bank Balance Sheet as of 3/24/15	(b) Legislative Impact on BND Capital, Net of 2015 BND Earnings	(c) Impact of Hypothetical $17M BND Contribution to the State for Other State-defined Needs	(a) + (b) + (c) Resulting Balance Sheet
Cash & Short-term Investments	1,158,552	(5,000) *	(17,000) **	1,136,552
Investment Porfolio	2,834,221			2,834,221
Loans, net	3,883,908			3,883,908
Bank Property & Equipment	11,692			11,692
Other Assets	76,437			76,437
Total Assets	7,964,810	(5,000)	(17,000)	7,942,810
Deposits	6,414,144			6,414,144
Bank Borrowings	848,813			848,813
Other Liabilities	12,620			12,620
	7,275,577	-	-	7,275,577
Capital	689,233	(5,000) *	(17,000) **	667,233
Total Liabilities & Capital	7,964,810	(5,000)	(17,000)	7,942,810
Tier 1 Leverage Ratio	8.72% ***	→		8.43% ***
BND Self-imposed Minimum Tier 1 Leverage Ratio	8.50%			8.50%
Capital Margin	0.22%			-0.07%

Impact to the Bank of North Dakota:

* The 2015 Legislative Impact on BND Capital, Net of BND Earnings is calculated as follows:

House Bill No. 1443	(100,000,000)	- Infrastructure Revolving Loan Fund (anticipate full disbursement in 2015)
House Bill No. 1014	(20,000,000)	- BND Pace Buy-down Programs (anticipated 2015 disbursement of the $40M total)
Budgeted BND Earnings	115,000,000	
	(5,000,000)	

** This illustrates the Bank contributing the same $17M to the State for other State-defined needs. This *does* have an impact on Bank capital.

*** Noted: after the stated transactions, the Bank falls below it's self-imposed regulatory capital limit.

1.2

North Dakota Financial Center
Financial Campus Analysis

Agency	# Employees	Square Ft	Current Cost/Sq Ft	Projected Cost/Sq Ft	Type of Lease
Dept. Commerce	72	16,800	$ 13.70	$ 16.00	Full Service
Housing Finance Agency	40	13,760	$ 15.50	$ 16.25	Full Service
Department of Financial Institutions	19	4,480	$ 15.25	$ 19.00	Full Service
Total (Wtd Ave Cost)	**131**	**35,040**	**$ 14.61**	**$ 16.48**	

Assumptions:		
Cost per Square Foot	$ 269.00	
Total Square Feet	51,936	
Total Construction Cost	$ 13,970,784	
Parking Lot	$ 1,600,000	
Miscellaneous Improvements/Furnishings	$ 1,429,216	
Total Construction Cost	$ 17,000,000	
Monthly Rental Income (82% of total sq ft = 42,587)	**$ 60,332**	**($17.00/Sq Ft)**
Expenses:		
Building Maintenance	$ 23,500	
Payment in Lieu of Taxes	$ 17,708	
Monthly Expenses	**$ 41,208**	
Net Monthly Return on Investment	**$ 19,123**	
Rate of Return	1.35%	

Current Building:	
Total Square Footage	62,064
Office Space	46,253
Meeting Rooms/Breakroom	4,890
Common Space	10,921
Percent Usable Space	82%

Bond Comparison:	
20 Year Bond	$ 17,000,000
Rate	2.25%
Monthly Income	**$ 31,875**

67

HB 1014 Subcommittee
3-26-15 #2

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 6, after line 5, insert:

"SECTION 12. MED PACE PROGRAM USE. The Bank of North Dakota shall utilize the medical partnership in assisting community expansion program to assist in the financing of critical access medical infrastructure projects, for the period beginning with the effective date of this Act and ending June 30, 2017. The Bank shall adopt policies and procedures implementing this program. Notwithstanding section 6-09.14-03, the Bank may originate loans made under this program or participate with a lead financial institution. Eligible projects receiving moneys for an interest rate buydown under the medical partnership in assisting community expansion program are not subject to the community commitment requirement in section 6-09.14-02, the maximum interest rate buydown limitation in subsection 4 of section 6-09.14-04, or the state grantor recipient reporting requirement in section 54-60.1-05."

Renumber accordingly

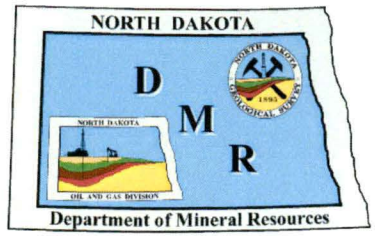
2013-2015 Biennium Buydown Transfers

As of 3/24/15

2/28/2015 month end:	PACE	Flex	Affordable Housing	Biofuels	Ag PACE	Beginning Farmer	Total
Total available buydown at month end	$3,109,569.34	$9,429,756.66	$8,000,000.00	$2,466,179.63	$2,390,993.41	$ 1,304,538.40	$ 26,701,037.44
Buydown Funded/Committed	$2,495,635.00	$9,138,889.00	$7,360,543.71	$2,405,723.27	$2,088,374.59	$ 846,064.24	$ 24,335,229.81
Remaining buydown at month end	$ 613,934.34	$ 290,867.66	$ 639,456.29	$ 60,456.36	$ 302,618.82	$ 458,474.16	$ 2,365,807.63

(2013-2015 Biennium)	PACE	Flex	Affordable Housing	Biofuels	Ag PACE	Beginning Farmer	Total
Total Funds Available:	$ 6,000,000.00	$ 10,000,000.00	$ 12,000,000.00	$ 2,000,000.00	$ 2,000,000.00	$ 6,000,000.00	$ 38,000,000.00
Remaining buydown as of 3/24/15:	$ 613,934.34	$ 134,668.66	$ 359,457.29	$ 60,088.85	$ 207,390.22	$ 308,779.32	$ 1,684,318.68
Monthly Transfers:							
Jul-13	$ 200,000.00	$ 700,000.00	$ 600,000.00	$ -	$ 100,000.00	$ 200,000.00	$ 1,800,000.00
Aug-13	$ 300,000.00	$ 800,000.00	$ 400,000.00	$ -	$ 100,000.00	$ 100,000.00	$ 1,700,000.00
Sep-13	$ 300,000.00	$ 500,000.00	$ 900,000.00	$ -	$ 100,000.00	$ 300,000.00	$ 2,100,000.00
Oct-13	$ -	$ 600,000.00	$ 100,000.00	$ -	$ 100,000.00	$ 100,000.00	$ 900,000.00
Nov-13	$ 100,000.00	$ 500,000.00	$ 400,000.00	$ -	$ 200,000.00	$ 200,000.00	$ 1,400,000.00
Dec-13	$ 100,000.00	$ 100,000.00	$ 200,000.00	$ 100,000.00	$ 100,000.00	$ 300,000.00	$ 900,000.00
Jan-14	$ -	$ 300,000.00	$ 1,500,000.00	$ -	$ -	$ 100,000.00	$ 1,900,000.00
Feb-14	$ 200,000.00	$ 300,000.00	$ 800,000.00	$ 300,000.00	$ 100,000.00	$ 300,000.00	$ 2,000,000.00
Mar-14	$ 500,000.00	$ 300,000.00	$ 500,000.00	$ 100,000.00	$ 100,000.00	$ 300,000.00	$ 1,800,000.00
Apr-14	$ -	$ 300,000.00	$ -	$ -	$ 100,000.00	$ 500,000.00	$ 900,000.00
May-14	$ -	$ 100,000.00	$ 400,000.00	$ -	$ 100,000.00	$ 300,000.00	$ 900,000.00
Jun-14	$ -	$ 300,000.00	$ 900,000.00	$ 500,000.00	$ 100,000.00	$ 400,000.00	$ 2,200,000.00
Jul-14	$ 300,000.00	$ 1,500,000.00	$ -	$ -	$ 100,000.00	$ 100,000.00	$ 2,000,000.00
Aug-14	$ -	$ -	$ 500,000.00	$ -	$ -	$ 200,000.00	$ 700,000.00
Sep-14	$ -	$ 200,000.00	$ 400,000.00	$ 400,000.00	$ 200,000.00	$ 300,000.00	$ 1,500,000.00
Oct-14	$ -	$ 600,000.00	$ -	$ 300,000.00	$ 200,000.00	$ 200,000.00	$ 1,300,000.00
Nov-14	$ -	$ 700,000.00	$ 400,000.00	$ 300,000.00	$ 100,000.00	$ 100,000.00	$ 1,600,000.00
Dec-14	$ -	$ -	$ -	$ -	$ 100,000.00	$ 400,000.00	$ 500,000.00
Jan-15	$ -	$ 500,000.00	$ -	$ -	$ -	$ 500,000.00	$ 1,000,000.00
Feb-15	$ 300,000.00	$ -	$ -	$ -	$ 100,000.00	$ -	$ 400,000.00
Transfer of $300,000 from PACE to BioFuels and Ag PACE				$ 200,000.00	$ 100,000.00		$ -
Mar-15	$ 200,000.00	$ 200,000.00	$ 300,000.00		$ -	$ -	$ 700,000.00
Transfer of $200,000 from PACE to BioFuels				$ 200,000.00			$ -
Apr-15							
May-15							
Jun-15							
Total Transfers to Date:	$ 2,500,000.00	$ 8,500,000.00	$ 8,300,000.00	$ 2,400,000.00	$ 2,100,000.00	$ 4,900,000.00	$ 28,200,000.00
*Remaining Funds:	**$ 3,500,000.00**	**$ 1,500,000.00**	**$ 3,700,000.00**	**$ (400,000.00)**	**$ (100,000.00)**	**$ 1,100,000.00**	**$ 9,800,000.00**

*Negative numbers indicate transfers from the PACE fund that exceed the maximum legislatively approved amounts.



Senate Appropriations Subcommittee
HB-1014

March 30, 2015

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission

HB 1014 Sub.com
3-30-15
#1

1.1

2013-2015 Requested & Approved

Permanent Staff Model

17	Petroleum Engineer - Field Inspectors		8	Engineering Technician - Field Inspectors	
45	hours per week		45	hours per week	
5	hours office time		5	hours office time	
10	hours Spills, Pluggings, other Engineering		2	hours Spills	
10333	producing wells	0 visits per year	10333	producing wells	4 visits per year
1073	injection wells	0 visits per year	1073	injection wells	12 visits per year
0	hours for well inspections		38	hours for well inspections	
30	hours for rig inspection		0	hours for rig inspection	

525 hours per week for rig inspection

3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)

170-180 Rig Count

Rigs	Petroleum Engineer - Field Inspectors		6/30/2015 Wells	Engineering Technician - Field Inspectors	
170	17		14,413	10	
175	17		14,533	10	
180	18		14,653	10	
185 current	18 ideal	17-current authorized	14,773	11 ideal	8-current authorized
190	19		14,893	11	
195	19		15,013	14	
200 expected	20		15,133	14	
205	20		15,253	14	
210	21		15,373	14	
215	21		15,493	15	
218	21		15,565	15	

2015-2017 Request

Permanent Staff Model

21	Petroleum Engineer - Field Inspectors Current			13	Engineering Technician - Field Inspectors Current		
22	Petroleum Engineer - Field Inspectors Needed			22	Engineering Technician - Field Inspectors Needed		
	45	hours per week			45	hours per week	
	5	hours office time			5	hours office time	
	15	hours Spills, Pluggings, other Engineering			10	hours Spills and Pipelines	
18,247	producing wells	0	visits per year	18,247	producing wells	4	visits per year
1,408	injection wells	0	visits per year	1,408	injection wells	12	visits per year
	0	hours for well inspections			29	hours for well inspections	
	25	hours for rig inspection			0	hours for rig inspection	

544 hours per week for rig inspection

3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)

	Rigs	Petroleum Engineer - Field Inspectors	6/30/2017 Wells	Engineering Technician - Field Inspectors	
Min	100	13	18,132	20	
	110	14	18,350	20	
	120	15	18,567	20	HB1014 1st Engrossment
	130	17	18,784	20	
	140	18	19,002	21	
	150	19	19,220	21	
	160	20	19,437	22	
YE 2016	170	22	19,655	22	WTI Trigger Contingency
	180	23	19,872	24	
	190	24	20,089	25	>20,000 well Contingency
Max	200	26	20,307	26	

1.3

2013 legislature approved staffing level of 20 PE Field Inspectors and 14 ET Field Inspectors

Based on rig count of 200 and 15,000 wells capable of production & injection at 2013 rig efficiency
Current rig count is 96 with 16,565 wells capable of production & injection

Industrial Commission hired 21 PE Field Inspectors plus 13 ET Field Inspectors due to quality of applicants

Drilling rig efficiency has increased requiring more inspections per week

Current staff of 21 PE Field Inspectors is sized for 165 rigs at current rig efficiency
Current rig count of 96 rigs requires 13 PE Field Inspectors
8 PE Field Inspectors can be re-assigned to well/facility inspections during low rig count period

Drilling rig count is expected to return to 170 by Q2 of 2017

22 PE Field Inspectors are needed for rig count of 170
1 PE Field Inspector needs to be re-assigned from well/facility inspections back to drilling rigs for each 10 additional drilling rigs starting at rig count of 110

Contingency: add 1 ET Field Inspector for Well/Facility Inspection and re-assign 1 PE Field Inspector back to Drilling Rig Inspection for each 10 drilling rigs added starting at 110 drilling rigs up to a maximum of 10 additional FTE

1.4

2013 legislature approved staffing level of 20 PE Field Inspectors and 14 ET Field Inspectors

Based on rig count of 200 and 15,000 wells capable of production & injection at 2013 rig efficiency
Current rig count is 96 with 16,565 wells capable of production & injection

Industrial Commission hired 21 PE Field Inspectors plus 13 ET Field Inspectors due to quality of applicants

Industrial Commission re-assigned 3 ET Field Inspectors to industry self certification gathering pipeline program specified in NDCC 38-08-26 and NDAC 43-02-03-29 through HB1333

These 3 ET Field Pipeline Inspectors respond to pipeline failures, pipeline MIT pressure tests, and leak detection/monitoring system inspections on the 20,000 miles of existing gathering pipelines.
Current staff of 10 ET Field Inspectors for well/facility inspections is sized for 14,000 to 14,500 wells capable of production & injection

Current rig count of 96 rigs plus wells waiting on fracturing could add 1,200 wells capable of production & injection by June 30, 2015

17 ET well/facility Field Inspectors are needed for the current 16,600 wells capable of production & injection
Current staff of 10 ET Well/Facility Field Inspectors is 7 short and could be 11 short by June 30, 2015
Well/Facility Field Inspector needs through June 30, 2015 can be filled:
+8 PE Field Inspectors re-assigned from Drilling Rig Inspections to Well/Facility Inspections
+3 ET Field Inspector out of 7 in HB1014 First Engrossment

Average rig count of 135 rigs during biennium will yield 19,000 wells capable of production & injection by 6/30/17

21 Well/Facility Field Inspectors will be needed for 19,000 wells capable of production & injection

3 additional ET Field Pipeline Inspectors and 1 ET for database enhancements are needed to expand program as required in HB1358/SB2374

3 ET Field Pipeline Inspectors are for industry pipeline inspector certification program on the 2,000-3,000 miles per year of gathering pipelines expected to be built, and 1 ET for database enhancements and pipeline/inspector record maintenance
4 ET Field Inspectors out of 7 in HB1014 First Engrossment can be re-assigned

Contingency: add 1 ET Field Inspector for Well/Facility Inspection and re-assign 1 PE Field Inspector back to Drilling Rig Inspection for each 10 drilling rigs added starting at 110 drilling rigs up to a maximum of 10 additional FTE

1.5

HB 1014 First Engrossment

House Version (15) for regulatory oversight at current activity levels:

7 FTE Engineering Techs Field Inspection - focusing on wells and facilities. ⟷

1 FTE Petroleum Engineer Reclamation Specialist – Increased spill response and reclamation requirements. ←

3 FTE Safety Officer, Acct\Budget Specialist, Human Resources Tech. – Increased Department office support functions (safety, fiscal fraud risk assessment, recruiting and retention increases).

1 FTE Engineering Tech GIS Pipelines – Increased gas capture GIS requirements. ←

1 FTE Surface Geologist – Increased mapping needs in northwestern and eastern North Dakota.

2 FTE Engineering Technicians – Well log and directional survey compliance and QC.

2 ATV's w/Trailers – ONE TIME FUNDING

SB 2374 and HB 1358 also require:

✔ 3 FTE Engineering Technician

✔ 1 FTE ET RBDMS Technician

✔ **1 FTE Petroleum Engineer (Reclamation)**

+ 1 FTE Petroleum Engineer (Program Supervisor)

+ 1 FTE Administrative Assistant

✔ **1 FTE Engineering Technician (GIS Pipelines)**

Contingent Funding Priority List:

+ Expansion of the Wilson M. Laird Core and Sample Library (Emergency Clause Requested)

✔ 2 FTE Engineering Techs Field Inspection - focusing on wells and facilities

✔ 1 FTE Petroleum Engineer Field Inspector – Increasing field activity in the Spearfish play in Bottineau Co.

1 FTE Surface Geologist – Increased mapping needs in northwestern and eastern North Dakota.

1 FTE PE Geology Analyst – focusing on well construction compliance and QC and geophysical well log reviews.

1 FTE Engineering Technician – Treating Plant Inspection

✔ 3 FTE Engineering Technicians if well count exceeds 20,000 OGD field inspection – focusing on wells and facilities

Wilson M. Laird Core and Sample Library

Built in 1980

13,000 ft^2 warehouse

2,000 ft^2 lab and office area

Expected to be full to capacity in 2017

2.1

HB 1014 Sub Com. #2
3-30-15

> 75 miles of core
400,000 feet of core

132,000 core boxes
40,000 sample boxes

Types of Cores and Samples

1) **Oil and gas cores/samples**
2) Potash cores
3) Salt (NaCl) cores
4) Coal cores/samples
5) Uranium samples
6) Cement rock cores
7) Precambrian cores
   Diamond exploration
8) Others

Each aisle contains about 260 tons of rock.
2,200 short tons of rock in core library
4.4 million pounds of rock

CORE

whole core

slabbed core

Standard Core Box **Two-Inch Box** **One-Inch Box**

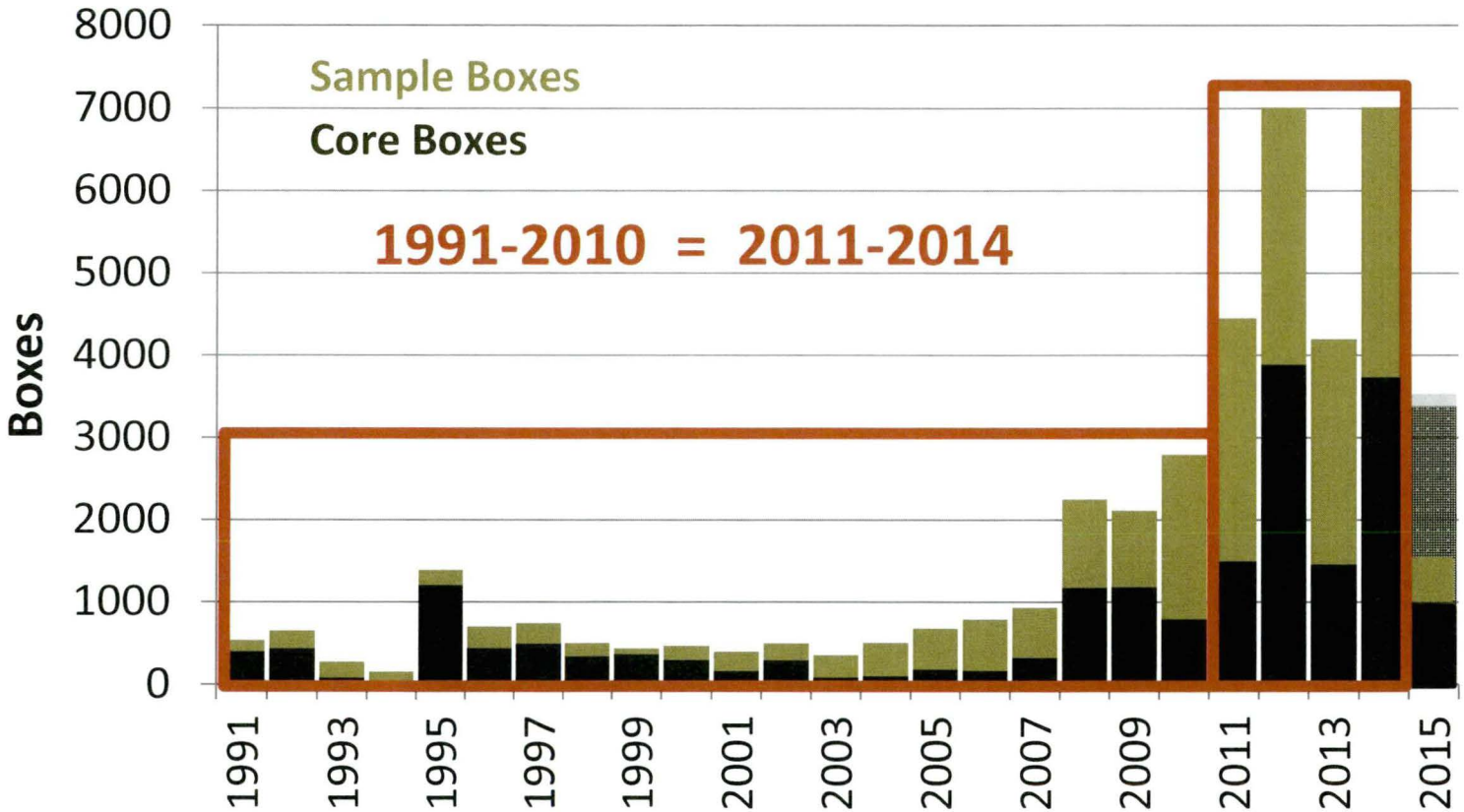
SAMPLE BOXES

Core boxes can not be stored on the top two rows.

Where top two rows of shelving were added.

CORE AND SAMPLE LIBRARY

Boxes Received

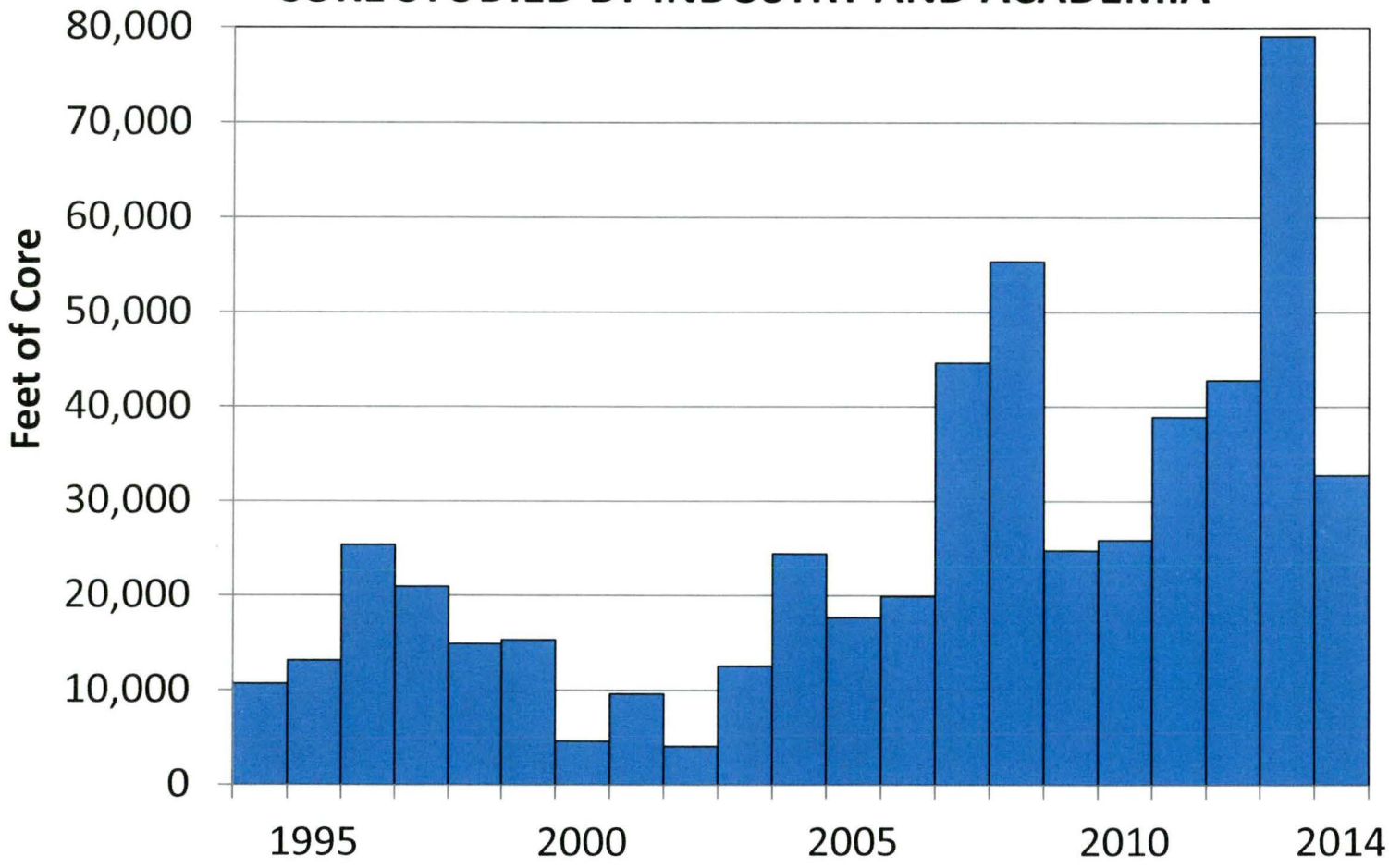


7498-01
90202
d1Bx2
7496-98
d1Bx1
90201
7503-02
d1Bx4
90204
7506-09
d1Bx5
90205
7509-11
d1Bx6
90206
7551-54
d1Bx23
90823
7593-95
d1-Bx20
7595-97
d1Bx21

#25
#44

CORE LIBRARY

CORE STUDIED BY INDUSTRY AND ACADEMIA



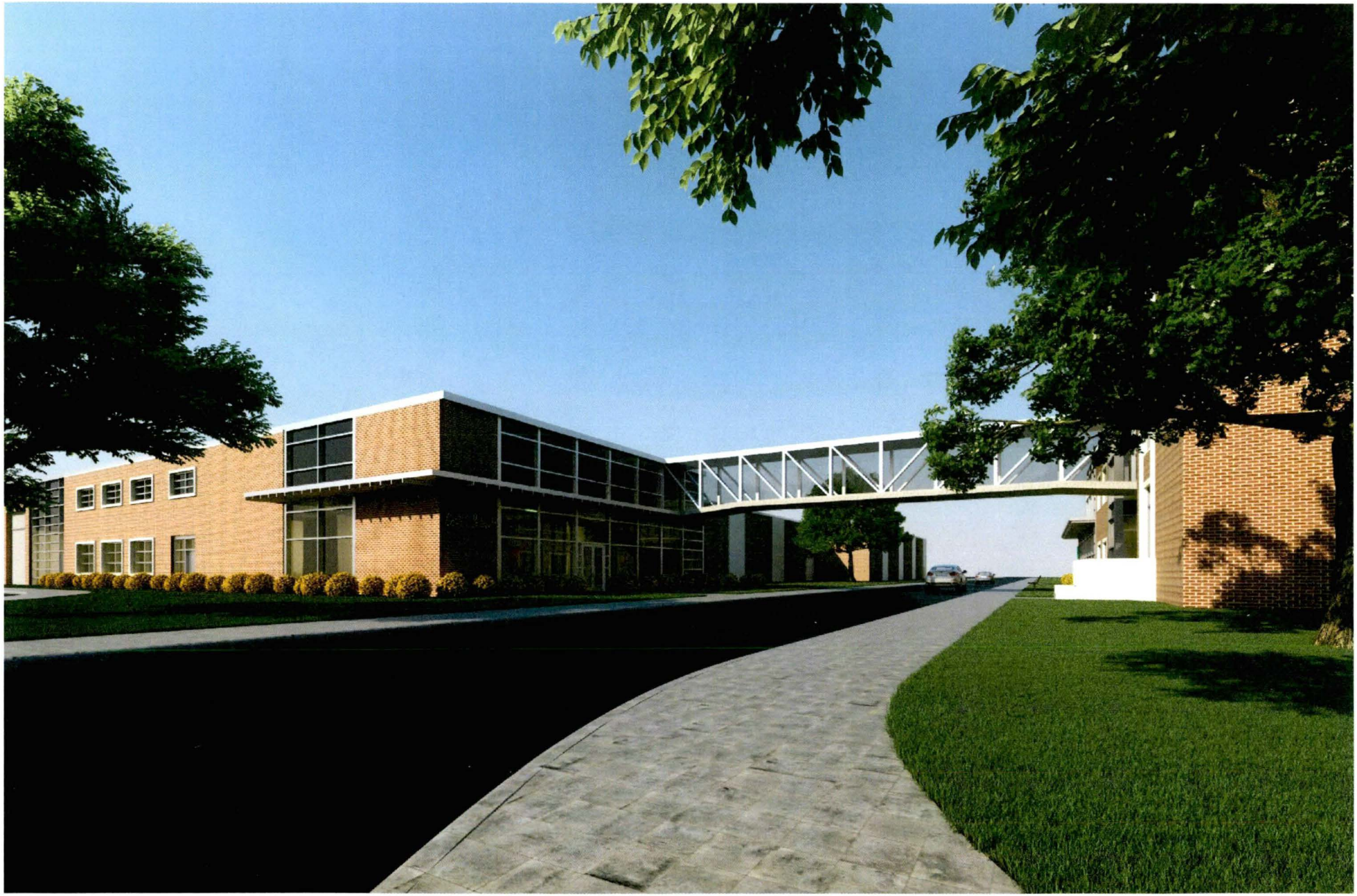
2013

139 Scientists, Professors, and Graduate Students

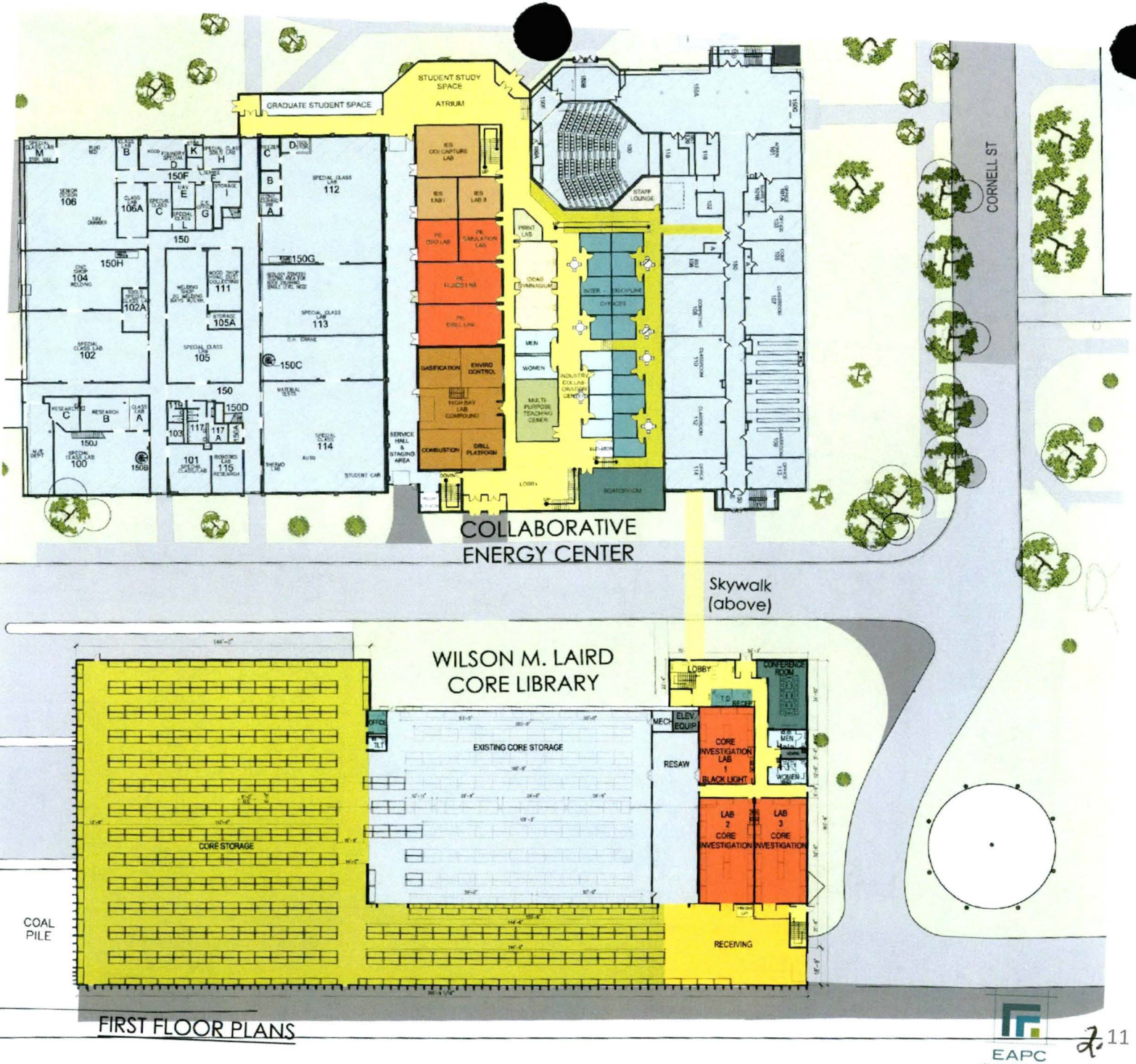
28 Oil and Gas Companies

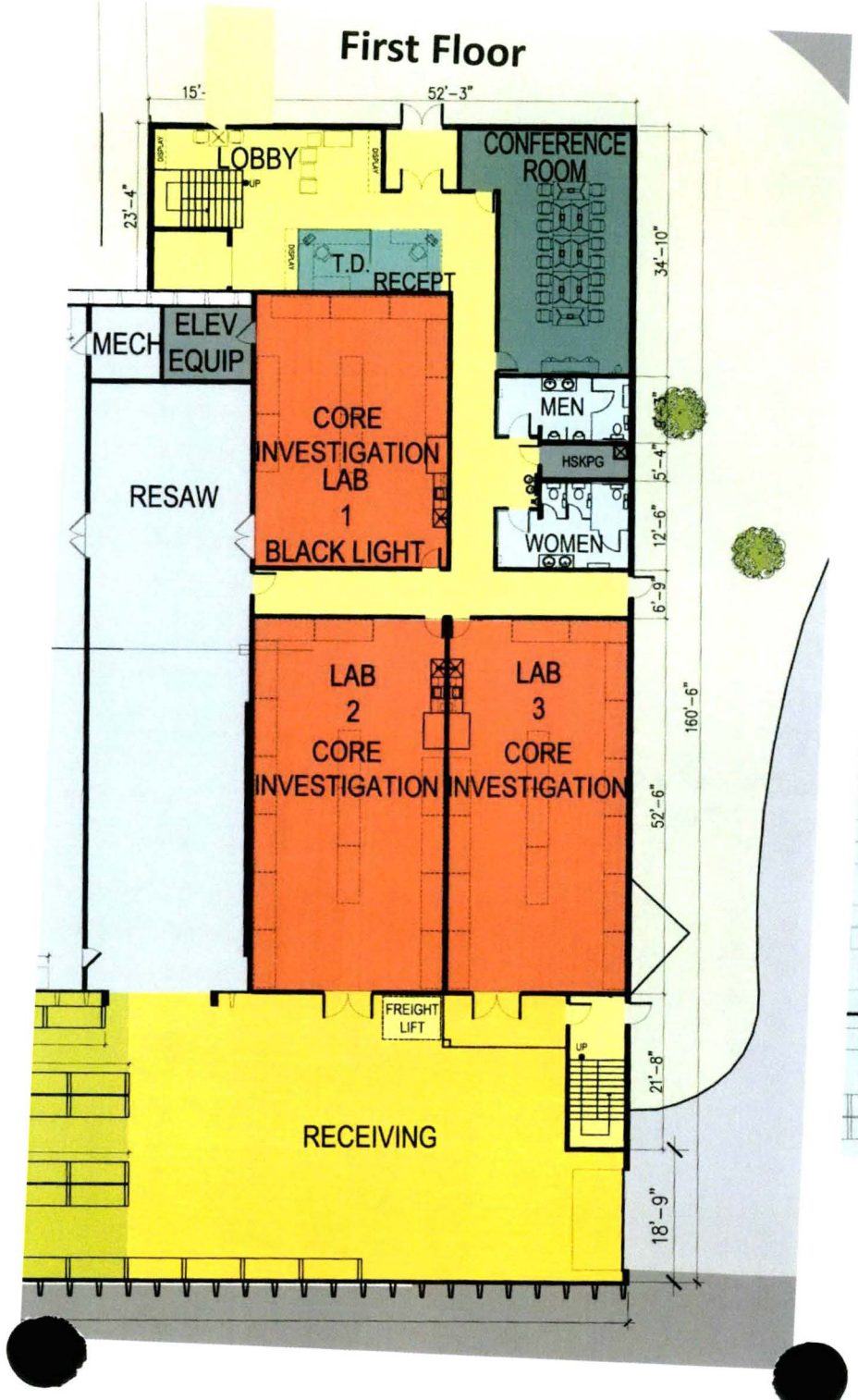
8 Universities

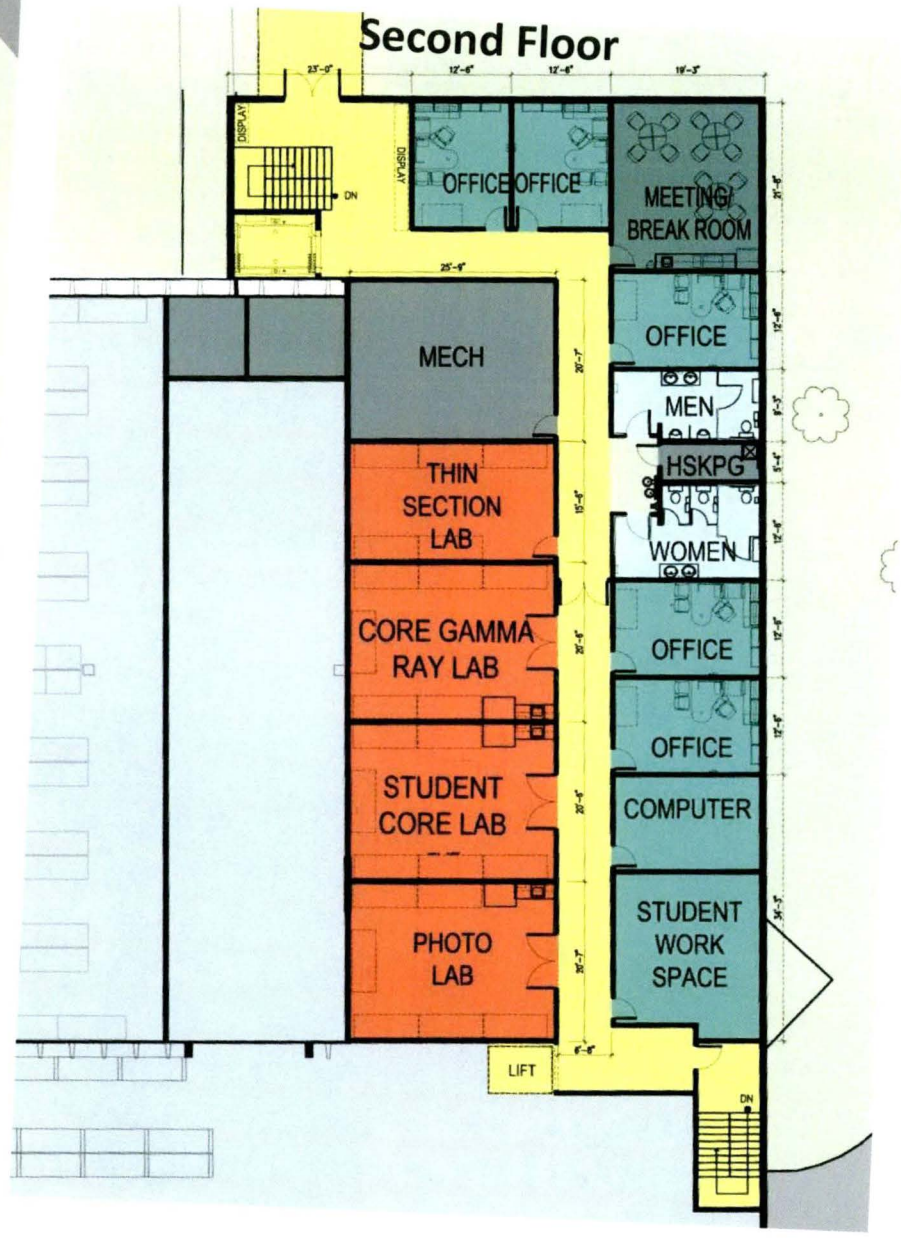
25 Graduate Students



Computer generated drawing of core library expansion.

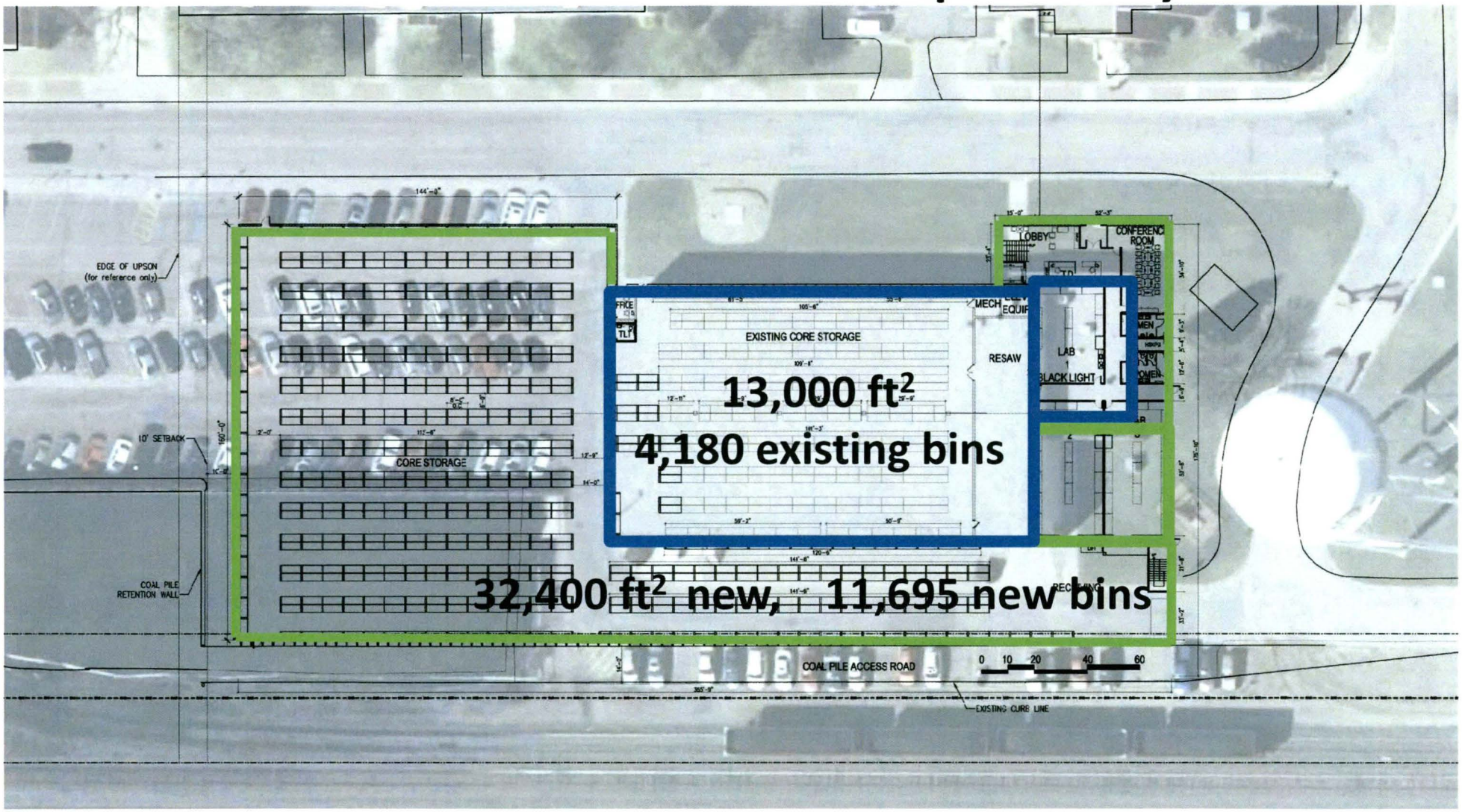

STUDENT STUDY SPACE
GRADUATE STUDENT SPACE
ATRIUM
CORNELL ST
COLLABORATIVE ENERGY CENTER
Skywalk (above)
WILSON M. LAIRD CORE LIBRARY
EXISTING CORE STORAGE
CORE STORAGE
RESAW
CORE INVESTIGATION LAB 1 BLACK LIGHT
LAB 2 CORE INVESTIGATION
LAB 3 CORE INVESTIGATION
RECEIVING
LOBBY
CONFERENCE ROOM
COAL PILE
FIRST FLOOR PLANS
EAPC





CORE LIBRARY

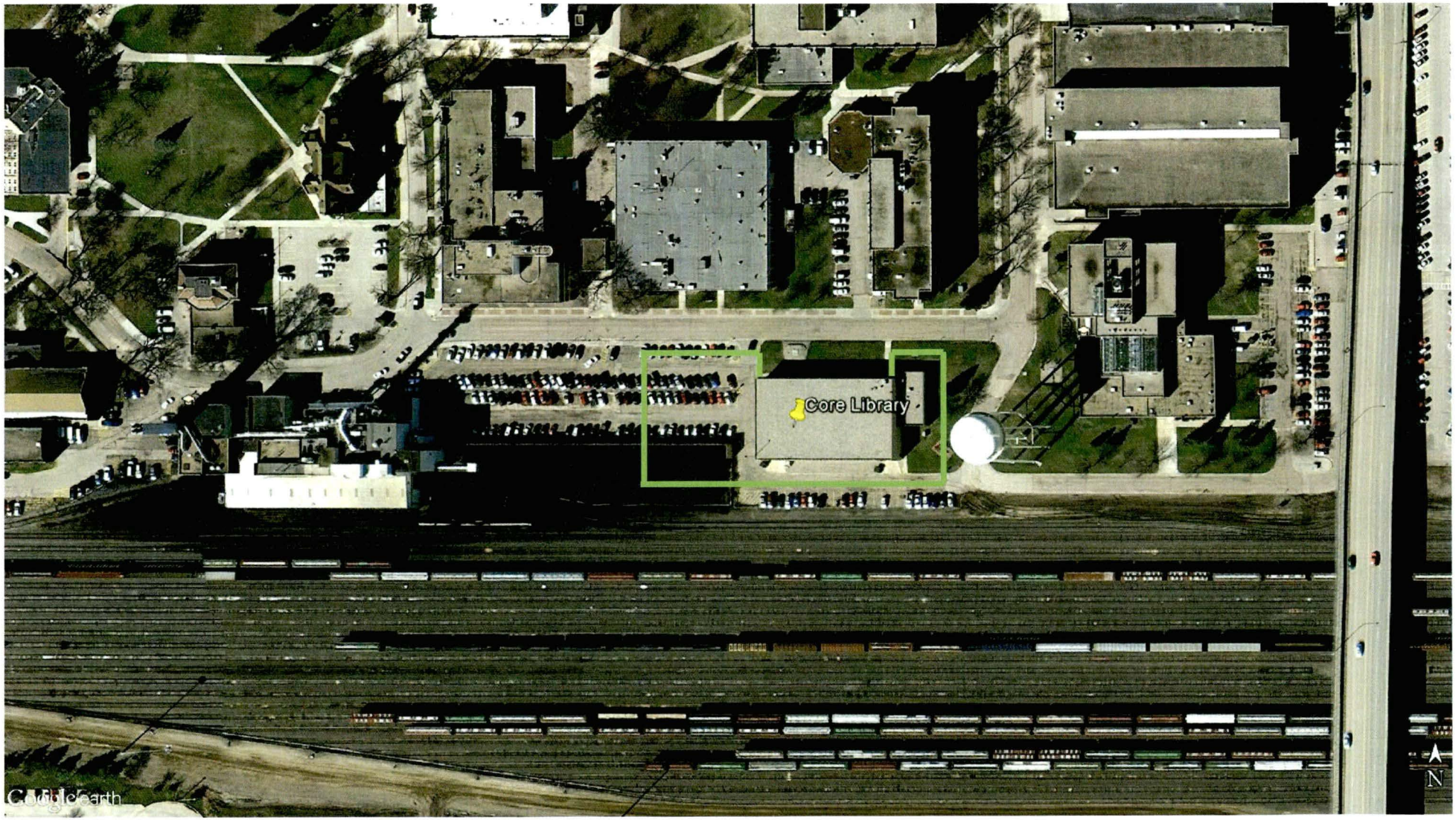
Wilson M. Laird Core and Sample Library



$15,475,322 expansion costs

74 parking spots

65⁺ year capacity


Core Library
Google Earth
N

Wilson M. Laird Co[illegible]ary Expansion NDGS					
Cost Estimate					
28-Jan-15					
Estimate Contingency (%) =	6.0%			EAPC Project No.	20132560
BASIC CONSTRUCTION COSTS					
System/Component	Quantity	Unit	cost/unit		System cost
Lab and Office Areas - Basic MEP + Fire Suppression incl.	13,500	100	$ 200.00		$ 2,700,000.00
Core Storage Areas Addition - Basic MEP + Fire Suppression incl.	32,400	SF	$ 140.00		$ 4,536,000.00
				Subtotal	$ 7,236,000.00
				Construction Contingency @ 3%	$ 217,080.00
				Early Phase Est. Contingency	$ 434,160.00
				Basic Constructon Subtotal	**$ 7,887,240.00**
SITE IMPROVEMENTS NOT INCLUDED IN BASIC COSTS					
System/Component	Quantity	Unit	cost/unit		System cost
Demolish Existing Office- MEP incl.	1	LS	$ 75,000.00		$ 75,000.00
Site Work Demo & Improvements	1	LS	$ 35,000.00		$ 35,000.00
Curb Remove & Replace	1104	LF	$ 38.00		$ 41,952.00
Roadway Pavement	1200	SF	$ 12.75		$ 15,300.00
Parking Lot Remove & Repair	16000	SF	$ 5.50		$ 88,000.00
Soil Remove & Replace @ Addition	5000	CY	$ 32.00		$ 160,000.00
Coal Wall Move, Include Ftgs	1	LS	$ 125,000.00		$ 125,000.00
Oil Pump Model Remove and Relocate	1	LS	$ 40,000.00		$ 40,000.00
Sky Walk Complete Structure, incl. MEP, interiors, Exterior envelope	1	LS	$ 425,000.00		$ 425,000.00
				Subtotal	$ 1,005,252.00
				Construction Contingency @ 3%	$ 30,157.56
				Early Phase Est. Contingency	$ 60,315.12
				Site Improvements Subtotal	**$ 1,095,724.68**
SITE UTILITY COSTS NOT INCLUDED IN BASIC COSTS					
System/Component	Quantity	Unit	cost/unit		System cost
Steam Line Vault & Steam Line rerouting	1	LS	$ 10,000.00		$ 10,000.00
Steam Line Modifications	1	LS	$ 125,000.00		$ 125,000.00
New Fire Suppression water service	1	LS	$ 20,000.00		$ 20,000.00
				Subtotal	$ 155,000.00
				Construction Contingency @ 3%	$ 4,650.00
				Early Phase Est. Contingency	$ 9,300.00
				Site Utility Subtotal	**$ 168,950.00**

Wilson M. Laird Core and Sample Library
Expansion Plan Costs

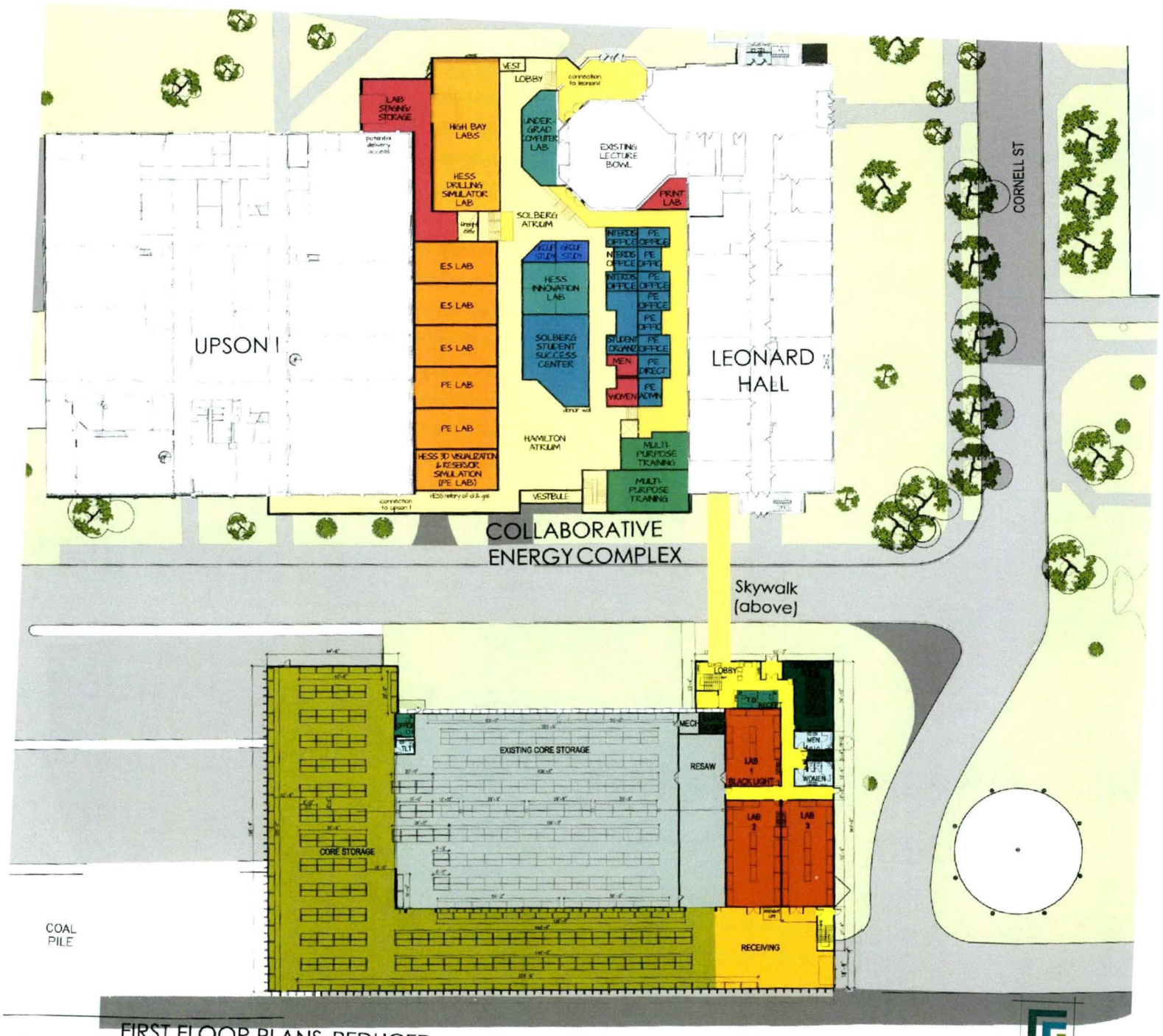
SPECIALTIES NOT INCLUDED IN BASIC COSTS						
System/Component	Quantity	Unit	cost/unit		System cost	
Core Freight & Passenger Elevator	1	EA	$160,000.00		$ 160,000.00	
Labs: Fume Hoods (Equipment)	6	Ea.	$ 9,000.00		$ 54,000.00	
Labs: Fume Hoods (Exhaust)	6	Ea.	$ 6,000.00		$ 36,000.00	
Laboratory Dust Collection + Arms	1	Ea.	$124,000.00		$ 124,000.00	
New Bathroom in Existing	1	Ea.	$ 20,000.00		$ 20,000.00	
Upgrade HVAC in Existing Core Storage	15360	SF	$ 12.00		$ 184,320.00	
Upgrade Lighting and Basic 120V in Existing	15360	SF	$ 10.00		$ 153,600.00	
ADD Fire Suppression into Existing Core Storage	15360	SF	$ 3.00		$ 46,080.00	
Façade Improvements	7880	SF	$ 30.00		$ 236,400.00	
Remove West Shear Wall, Reinforce	1	LS	$175,000.00		$ 175,000.00	
				Subtotal	$ 1,189,400.00	
				Construction Contingency @ 3%	$ 35,682.00	
				Early Phase Est. Contingency	$ 71,364.00	
				Specialties Subtotal	**$ 1,296,446.00**	
FURNITURE, FIXTURES, & EQUIPMENT						
System/Component	Quantity	Unit	cost/unit		System cost	
Core Storage Shelving	3562	LF	$ 186.00		$ 662,532.00	
Lab Tables	62	Ea.	$ 1,200.00		$ 74,400.00	
Systems Furniture Offices	1	LS	$ 44,300.00		$ 44,300.00	
Conference & Meeting Room Furniture	1	LS	$ 18,365.00		$ 18,365.00	
Other FFE @ 3.5% of BLDG	1	LS	$253,300.00		$ 253,300.00	
				Subtotal	$ 1,052,897.00	
				Construction Contingency @ 3%	$ 31,586.91	
				Early Phase Est. Contingency	$ 63,173.82	
				Specialties Subtotal	**$ 1,147,657.73**	
				Project Construction Subtotal	$ 11,596,018.41	
				FEES AND PERMITS		
				Contract Bond(5%)	$ 579,800.92	
				A/E Fees @ 6.5%	$ 753,741.20	
				UND PM Fee @ 2%	$ 231,920.37	
				CM at Risk Fee @ 4%	$ 463,840.74	
				Fees/Permit Subtotal	$ 2,029,303.22	
					F&P = 17.5% of Construction Cost	
				Total Construction Costs	**$ 13,625,321.63**	
UND- Parking Replacement	74	Ea.	$25,000.00	**UND- Parking Replacement**	**$ 1,850,000.00**	
				Total Project	**$ 15,475,321.63**	

Wilson M. Laird Core and Sample Library

The House Appropriations Government Operations Committee requested we look at several ways to reduce core library expansion costs.

These included:

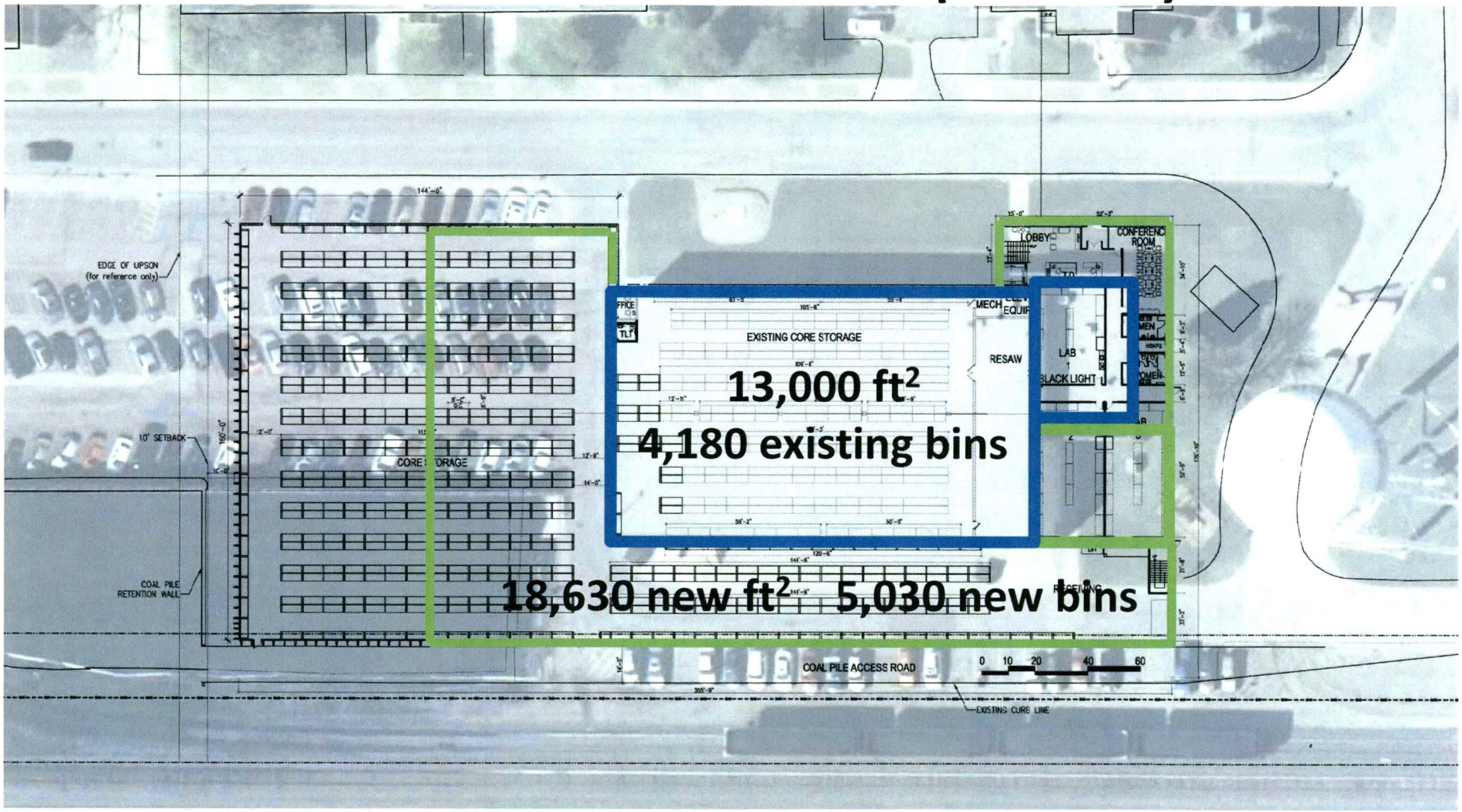
1) **A reduced warehouse footprint.**
2) **Phasing costs over two bienniums.**
3) **Bonding.**
4) **Offsite storage.**



FIRST FLOOR PLANS REDUCED

EAPC
ARCHITECTS ENGINEERS

Wilson M. Laird Core and Sample Library



$12,031,575 expansion costs

55 parking spots

30⁺ year capacity

2.

Wilson M. Laird Core Library Expansion NDGS					
Cost Estimate - Reduced Core Storage Area					
28-Jan-15					
Estimate Contingency (%) =	6.0%			**EAPC Project No.**	20132560
BASIC CONSTRUCTION COSTS					
System/Component	Quantity	Unit	cost/unit		System cost
Lab and Office Areas - Basic MEP + Fire Suppression incl.	13,500	SF	$ 200.00		$ 2,700,000.00
Core Storage Areas Addition - Basic MEP + Fire Suppression incl.	18,630	SF	$ 140.00		$ 2,608,200.00
				Subtotal	$ 5,308,200.00
			Construction Contingency @ 3%		$ 159,246.00
			Early Phase Est. Contingency		$ 318,492.00
			Basic Constructon Subtotal		**$ 5,785,938.00**
SITE IMPROVEMENTS NOT INCLUDED IN BASIC COSTS					
System/Component	Quantity	Unit	cost/unit		System cost
Demolish Existing Office- MEP incl.	1	LS	$ 75,000.00		$ 75,000.00
Site Work Demo & Improvements	1	LS	$ 35,000.00		$ 35,000.00
Curb Remove & Replace	1104	LF	$ 38.00		$ 41,952.00
Roadway Pavement	1200	SF	$ 12.75		$ 15,300.00
Parking Lot Remove & Repair	8150	SF	$ 5.50		$ 44,825.00
Soil Remove & Replace @ Addition	2875	CY	$ 32.00		$ 92,000.00
Coal Wall Move, Include Ftgs	1	LS	$ 125,000.00		$ 125,000.00
Oil Pump Model Remove and Relocate	1	LS	$ 40,000.00		$ 40,000.00
Sky Walk Complete Structure, incl. MEP, interiors, Exterior envelope	1	LS	$ 425,000.00		$ 425,000.00
				Subtotal	$ 894,077.00
			Construction Contingency @ 3%		$ 26,822.31
			Early Phase Est. Contingency		$ 53,644.62
			Site Improvements Subtotal		**$ 974,543.93**
SITE UTILITY COSTS NOT INCLUDED IN BASIC COSTS					
System/Component	Quantity	Unit	cost/unit		System cost
Steam Line Vault & Steam Line rerouting	1	LS	$ 10,000.00		$ 10,000.00
Steam Line Modifications	1	LS	$ 125,000.00		$ 125,000.00
New Fire Suppression water service	1	LS	$ 20,000.00		$ 20,000.00
				Subtotal	$ 155,000.00
			Construction Contingency @ 3%		$ 4,650.00
			Early Phase Est. Contingency		$ 9,300.00
			Site Utility Subtotal		**$ 168,950.00**

Full Expansion

$ 4,536,000.00

$ 7,887,240.00

$ 1,095,724.68

2,120

$ 168,950.00

Wilson M. Laird C[redacted]and Sample Library
Reduced Expansion Plan Costs

Full Expansion

SPECIALTIES NOT INCLUDED IN BASIC COSTS						
System/Component	Quantity	Unit	cost/unit		System cost	
Core Freight & Passenger Elevator	1	EA	$160,000.00		$160,000.00	
Labs: Fume Hoods (Equipment)	6	Ea.	$9,000.00		$54,000.00	
Labs: Fume Hoods (Exhaust)	6	Ea.	$6,000.00		$36,000.00	
Laboratory Dust Collection + Arms	1	Ea.	$124,000.00		$124,000.00	
New Bathroom in Existing	1	Ea.	$20,000.00		$20,000.00	
Upgrade HVAC in Existing Core Storage	15360	SF	$12.00		$184,320.00	
Upgrade Lighting and Basic 120V in Existing	15360	SF	$10.00		$153,600.00	
ADD Fire Suppression into Existing Core Storage	15360	SF	$3.00		$46,080.00	
Façade Improvements	7880	SF	$30.00		$236,400.00	
Remove West Shear Wall, Reinforce	1	LS	$175,000.00		$175,000.00	
				Subtotal	$1,189,400.00	
				Construction Contingency @ 3%	$35,682.00	
				Early Phase Est. Contingency	$71,364.00	
				Specialties Subtotal	**$1,296,446.00**	**$ 1,296,446.00**
FURNITURE, FIXTURES, & EQUIPMENT						
System/Component	Quantity	Unit	cost/unit		System cost	
Core Storage Shelving	2062	LF	$186.00		$383,532.00	$ 662,532.00
Lab Tables	62	Ea.	$1,200.00		$74,400.00	
Systems Furniture Offices	1	LS	$44,300.00		$44,300.00	
Conference & Meeting Room Furniture	1	LS	$18,365.00		$18,365.00	
Other FFE @ 3.5% of BLDG	1	LS	$253,300.00		$253,300.00	
				Subtotal	$773,897.00	
				Construction Contingency @ 3%	$23,216.91	
				Early Phase Est. Contingency	$46,433.82	
				Specialties Subtotal	$843,547.73	
				Project Construction Subtotal	**$9,069,425.66**	**$ 11,596,018.41**
				FEES AND PERMITS		
				Contract Bond(5%)	$453,471.28	
				A/E Fees @ 6.5%	$589,512.67	
				UND PM Fee @ 2%	$181,388.51	
				CM at Risk Fee @ 4%	$362,777.03	
				Fees/Permit Subtotal	**$1,587,149.49**	**$ 2,029,303.22**
					F&P = 17.5% of Construction Cost	
				Total Construction Costs	**$10,656,575.15**	**$ 13,625,321.63**
UND- Parking Replacement	55	Ea.	$25,000.00	**UND- Parking Replacement**	**$1,375,000.00**	**$ 1,850,000.00**
				Total Project	**$12,031,575.15**	**$ 15,475,321.63**

WILSON M. LAIRD CORE AND SAMPLE LIBRARY

32,400 additional square feet warehouse area
13,500 square feet lab and office area

		FULL-SIZE PROJECT	
		CONSTRUCTION COSTS	
	1)	Total Construction Costs	$13,625,321.63
		UND Parking Replacement (74 parking spots)	$1,850,000.00
		Inc for 12 months janitorial and insurance	$20,500.00
		TOTAL	**$15,495,821.63**
		PHASED CONSTRUCTION COSTS	
	2)	Phase 1 Total Construction Costs	**$8,611,284.52**
		Phase 2 Total Construction Costs	$5,796,381.09
		UND Parking Replacement (74 parking spots)	$1,850,000.00
		Inc for 12 months janitorial and insurance	$20,500.00
		TOTAL	**$16,278,165.61**

WILSON M. LAIRD CORE AND SAMPLE LIBRARY

18,630 additional square feet warehouse area
13,500 square feet lab and office area

		MID-SIZED PROJECT	
		CONSTRUCTION COSTS	
	1)	Total Construction Costs	$10,656,575.15
		UND Parking Replacement (55 parking spots)	$1,375,000.00
		Inc for 12 months janitorial and insurance	$20,500.00
		TOTAL	**$12,052,075.15**
		PHASED CONSTRUCTION COSTS	
	2)	Phase 1 Total Construction Costs	**$5,670,921.98**
		Phase 2 Total Construction Costs	$5,796,381.09
		UND Parking Replacement (55 parking spots)	$1,375,000.00
		Inc for 12 months janitorial and insurance	$20,500.00
		TOTAL	**$12,862,803.07**

CORE LIBRARY BONDING

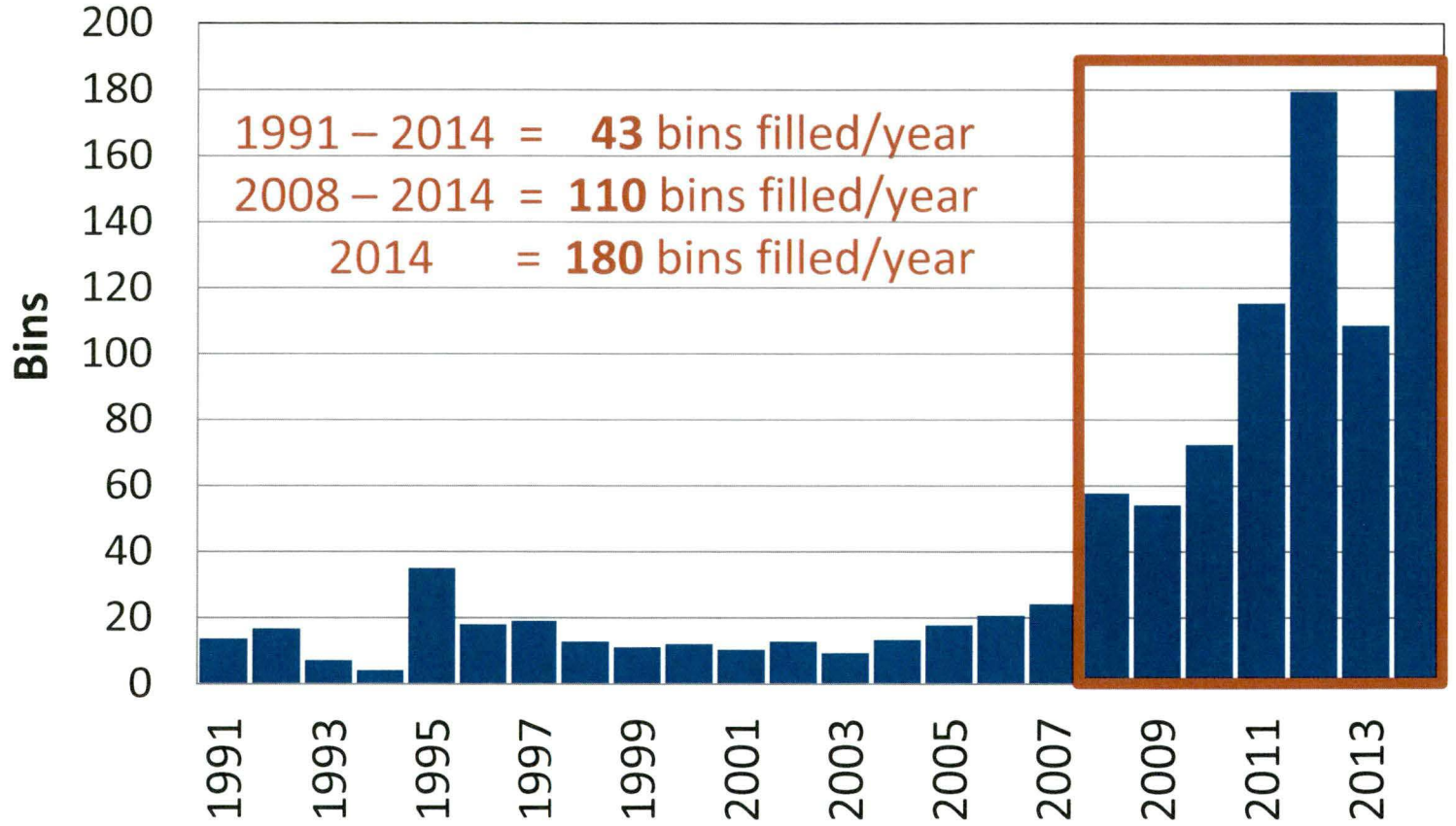
10 year repayment – 2.14% interest rate

FULL EXPANSION PLAN	Building Costs	/	*	Total	Biennial Costs over Four Biennia
Project with parking replacement	**$15,475,321**	100,000	$115,000	**$17,796,619**	$4,449,155
Project without parking replacement	**$13,625,322**	100,000	$115,000	**$15,669,120**	$3,917,280
Project without parking replacement and without skywalk	**$13,400,322**	100,000	$115,000	**$15,410,370**	$3,852,593
REDUCED EXPANSION PLAN					
Project with parking replacement	**$12,032,000**	100,000	$115,000	**$13,836,800**	$3,459,200
Project without parking replacement	**$10,657,000**	100,000	$115,000	**$12,255,550**	$3,063,888
Project without parking replacement and without skywalk	**$10,230,000**	100,000	$115,000	**$11,764,500**	$2,941,125

20 year repayment – 3.3% interest rate

FULL EXPANSION PLAN	Building Costs	/	*	Total	Biennial Costs over Nine Biennia
Project with parking replacement	**$15,475,321**	100,000	$143,000	**$22,129,709**	$2,458,857
Project without parking replacement	**$13,625,322**	100,000	$143,000	**$19,484,210**	$2,164,912
Project without parking replacement and without skywalk	**$13,400,322**	100,000	$143,000	**$19,162,460**	$2,129,162
REDUCED EXPANSION PLAN					
Project with parking replacement	**$12,032,000**	100,000	$143,000	**$17,205,760**	$1,911,751
Project without parking replacement	**$10,657,000**	100,000	$143,000	**$15,239,510**	$1,693,279
Project without parking replacement and without skywalk	**$10,230,000**	100,000	$143,000	**$14,628,900**	$1,625,433

BINS FILLED IN THE CORE LIBRARY



4924 GATEWAY DRIVE

21,778 ft^2
$1.6 million
2.5 miles from Core Library
Floor slab thickness ???
Air handling system ??

#3

HB1014
3-30-15

HB1014
Testimony to Senate Appropriations Subcommittee
Wilson Laird Core Library Project
March 30, 2015

Testimony prepared by Alice Brekke, Vice President for Finance and Operations, University of North Dakota (UND)

Programmatically, the Core Library expansion project is important for both UND and the State of North Dakota.

From a campus infrastructure standpoint, parking is an ongoing need and location of parking is important for access. We are in the process of reviewing both parking and transportation for the campus as a whole. The need to move to parking hubs with shuttles to move around campus must be considered. We are running out of land for surface parking and new EPA requirements for storm water runoff/retention proportional to impervious surface are pushing us to look to stacked parking (ramps) for the future. Unfortunately ramp construction is very expensive.

Over time, we will need to replace the parking capacity that is being removed to accommodate the Core Library expansion. The question becomes how does the replacement parking get paid for? Historically, the parking enterprise has been funded through user fees. In this instance, we struggled with the fairness of that solution as it impacts the rates that would be paid by our students, faculty and staff. That is what motivated the request for funding as part of the Core Library Project. Although we will not be constructing the replacement parking in the 15-17 biennium, we are requesting that the funding be provided. Thank you for your consideration.

HB1014 # 1
4-2-15

Subcommittee Meeting April 2, 2015

Second Engrossment with Senate Amendments Reengrossed House Bill No.1358 (15.0460.04000) -
Relating to the operation of underground gathering pipelines and the sharing of information by a surface owner; to amend and reenact subsection 18 of section 38-08-02, subdivisions d and l of subsection 1 of section 38-08-04, subsection 6 of section 38-08-04, and section 38-08-04.5 of the North Dakota Century Code, relating to an exception to confidentiality of well data, to underground gathering pipelines, to temporarily abandoned status, and the uses of the abandoned oil and gas well plugging and site reclamation fund; to provide a report to the legislative management; to provide a transfer; to provide an appropriation; and to declare an emergency.

Fiscal Impact - Includes funding of $3,500,000 from the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund

Fiscal Note - Does not refer to the $3,500,000 from the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund but refers to the General Fund funding of $379,980 needed to administer the additional responsibilities being given to the Industrial Commission/Department of Mineral Resources. **The Industrial Commission is requesting that the $379,980 in General Fund dollars to be amended into House Bill 1014.**

Second Engrossment with Senate Amendments Reengrossed House Bill No. 1432 (15.0961.05000) -
Relating to federal environmental legislation and regulations that detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors; to provide for a transfer; to provide for a continuing appropriation; and to provide an appropriation.

At the Senate Appropriations hearing Senator Wanzek proposed Amendment 15.0961.04007 which replaced the entire bill.

Fiscal Impact - As the bill came to the Senate it included $4,000,000 of General Fund dollars to be transferred to the Federal Environmental Law Impact Review Fund. (The Governor's Executive Budget had included $3,000,000 for litigation in House Bill 1014. That amount was removed by the House and the discussion was that this $3,000,000 would be in the Federal Environmental Law Impact Review Fund.) Amendment 15.0961.04007 reduces the amount to go into the Federal Environmental Law Impact Review Fund to $1,500,000. **The Industrial Commission is requesting that the remaining $2,500,000 be reinstated in House Bill 1014.**

First Engrossment Engrossed House Bill No. 1443 (15.0867.02000) -
Relating to creation of the infrastructure revolving loan fund; to provide a statement of legislative intent; to provide for transfers; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

Amendment 15.0867.02001 was previously presented to the subcommittee by Senator Carlisle which removes references to:

- hospitals being able to access loans from the infrastructure revolving loan fund (**that is being handled by the MedPACE amendments being proposed for House Bill 1014)** and
- political subdivisions being able to access loans for the purpose of installing new conduit for telecommunications infrastructure (broadband).....

These proposed amendments remove most of the amendments that were made by the House. See statement of purpose of amendment.

Fiscal Impact - As the bill came to the Senate it included $150,000,000 for the Infrastructure Revolving Loan Fund. $100,000,000 of the $150,000,000 would come from Bank of North Dakota

profits and $50,000,000 from the Strategic Investment and Improvements Fund. Amendment 15.0867.02001 does not change the total fiscal amount or the source of the funding.

First Engrossment Engrossed House Bill No. 1014 (15.8122.02000) -
Appropriation bill for the Industrial Commission agencies and relates to the housing incentive fund credits, the lignite research council, and the use of the flex PACE program; and to provide an expiration date.

Proposed amendments include:
BND - Med PACE Program - Attachment 1
BND - Construction of North Dakota Financial Center - Attachment 2

HFA - Kresbach/Streyle amendment - already presented to full Senate Appropriations Committee - Attachment 3
HFA - Amendment to cap origination fees at no more than 5% of project award - Attachment 4

MILL - Transfers to the General Fund set at 50% level with $8 million cap - Attachment 5
MILL - Funding for retention/recruiting at $410,000 as proposed in Executive Budget

DMR (Department of Mineral Resources)
DMR - Funding for expansion of Core Library - $13,625,321.63 (one-time), $1,850,000 (one-time) for parking replacement and $20,500 (annual on-going) for operating costs for a total of $15,495,821.63. An emergency clause is requested for at least a portion of this project.
DMR - Amendment that would allow any of the $1,000,000 currently in the 2013-2015 budget for litigation that is unused be carried over to the 2015-2017 biennium and not returned to the General Fund
DMR - Amendment for a one-time spending line of $2,500,000 for litigation (similar to what was in the original bill - see discussion on HB 1432)
DMR - Amendment to add funding and 2 FTE positions for the additional duties as a result of passage of House Bill 1358. - Attachment 6
DMR - Contingency amendment with trigger for the 10 positions -- 1 position for every 10 additional rigs with the first trigger being when the number of rigs averages110 for one month. - Attachment 7
DMR - Correction on one-time ATV's w/Trailers funding

Open Issues:
HFA - Additional funding of $20 million for Housing Incentive Fund in General Fund dollars for this bill or for Senate Bill No. 2257
Section 18 - Legislative Intent regarding funding that may be triggered.

15.0460.04000

Sixty-fourth
Legislative Assembly
of North Dakota

SECOND ENGROSSMENT
with Senate Amendments
REENGROSSED HOUSE BILL NO. 1358

Introduced by

Representatives D. Anderson, Hatlestad, J. Nelson, Porter, Weisz

Senators Bekkedahl, O'Connell

A BILL for an Act to create and enact a new section to chapter 38-08 and a new subsection to section 38-08-26 of the North Dakota Century Code, relating to the operation of underground gathering pipelines and the sharing of information by a surface owner; to amend and reenact subsection 18 of section 38-08-02, subdivisions d and l of subsection 1 of section 38-08-04, subsection 6 of section 38-08-04, and section 38-08-04.5 of the North Dakota Century Code, relating to an exception to confidentiality of well data, to underground gathering pipelines, to temporarily abandoned status, and the uses of the abandoned oil and gas well plugging and site reclamation fund; to provide a report to the legislative management; to provide a transfer; to provide an appropriation; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 18 of section 38-08-02 of the North Dakota Century Code is amended and reenacted as follows:

18. "Underground gathering pipeline" means an underground gas or liquid pipeline ~~that~~with associated above ground equipment which is designed for or capable of transporting crude oil, natural gas, carbon dioxide, or water produced in association with oil and gas which is not subject to chapter 49-22. As used in this subsection, "associated above ground equipment" means equipment and property located above ground level which is incidental to and necessary for or useful for transporting crude oil, natural gas, carbon dioxide, or water produced in association with oil and gas from a production facility. As used in this subsection, "equipment and property" includes a pump, a compressor, storage, leak detection or monitoring equipment, and any other facility or structure.

SECTION 2. A new section to chapter 38-08 of the North Dakota Century Code is created and enacted as follows:

Controls, inspections, and engineering design on crude oil and produced water underground gathering pipelines.

The application of this section is limited to an underground gathering pipeline that is designed or intended to transfer oil or produced water from a production facility for disposal, storage, or sale purposes and which was placed into service after August 1, 2015. Within sixty days of an underground gathering pipeline being placed into service, the operator of that pipeline shall file with the commission the underground gathering pipeline engineering final construction design drawings and specifications, an independent inspector's certificate of hydrostatic or pneumatic testing of the underground gathering pipeline, and a plan for leak detection and monitoring for the underground gathering pipeline.

SECTION 3. AMENDMENT. Section 38-08-04.5 of the North Dakota Century Code is amended and reenacted as follows:

38-08-04.5. Abandoned oil and gas well plugging and site reclamation fund - Budget section report.

There is hereby created an abandoned oil and gas well plugging and site reclamation fund.

1. Revenue to the fund must include:
   a. Fees collected by the oil and gas division of the industrial commission for permits or other services.
   b. Moneys received from the forfeiture of drilling and reclamation bonds.
   c. Moneys received from any federal agency for the purpose of this section.
   d. Moneys donated to the commission for the purposes of this section.
   e. Moneys received from the state's oil and gas impact fund.
   f. Moneys recovered under the provisions of section 38-08-04.8.
   g. Moneys recovered from the sale of equipment and oil confiscated under section 38-08-04.9.
   h. Moneys transferred from the cash bond fund under section 38-08-04.11.
   i. Such other moneys as may be deposited in the fund for use in carrying out the purposes of plugging or replugging of wells or the restoration of well sites.
   j. Civil penalties assessed under section 38-08-16.
2. Moneys in the fund may be used for the following purposes:
   a. Contracting for the plugging of abandoned wells.

b. Contracting for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and access roads.

c. To pay mineral owners their royalty share in confiscated oil.

d. Defraying costs incurred under section 38-08-04.4 in reclamation of oil and gas-related pipelines and associated facilities.

e. Reclamation and restoration of land and water resources impacted by oil and gas development, including related pipelines and facilities that were abandoned or were left in an inadequate reclamation status before August 1, 1983, and for which there is not any continuing reclamation responsibility under state law. Land and water degraded by any willful act of the current or any former surface owner are not eligible for reclamation or restoration. The commission may expend up to one million five hundred thousand dollars per biennium from the fund in the following priority:

(1) For the restoration of eligible land and water that are degraded by the adverse effects of oil and gas development including related pipelines and facilities.

(2) For the development of publicly owned land adversely affected by oil and gas development including related pipelines and facilities.

(3) For administrative expenses and cost in developing an abandoned site reclamation plan and the program.

(4) Demonstration projects for the development of reclamation and water quality control program methods and techniques for oil and gas development, including related pipelines and facilities.

3. All moneys collected under this section must be deposited in the abandoned oil and gas well plugging and site reclamation fund. This fund must be maintained as a special fund and all moneys transferred into the fund are appropriated and must be used and disbursed solely for the purpose of defraying the costs incurred in carrying out the plugging or replugging of wells, the reclamation of well sites, and all other related activities.

4. The commission shall report to the budget section of the legislative management on the balance of the fund and expenditures from the fund each biennium.

SECTION 4. AMENDMENT. Subdivision d of subsection 1 of section 38-08-04 of the North Dakota Century Code is amended and reenacted as follows:

d. The furnishing of a reasonable bond with good and sufficient surety, conditioned upon the full compliance with this chapter, and the rules and orders of the industrial commission, including without limitation a bond covering the operation of any underground gathering pipeline transferring oil or produced water from a production facility for disposal, storage, or sale purposes, except that if the commission requires a bond to be furnished, the person required to furnish the bond may elect to deposit under such terms and conditions as the industrial commission may prescribe a collateral bond, self-bond, cash, or any alternative form of security approved by the commission, or combination thereof, by which an operator assures faithful performance of all requirements of this chapter and the rules and orders of the industrial commission.

SECTION 5. AMENDMENT. Subdivision l of subsection 1 of section 38-08-04 of the North Dakota Century Code is amended and reenacted as follows:

l. The placing of wells in abandoned-well status which have not produced oil or natural gas in paying quantities for one year. A well in abandoned-well status must be promptly returned to production in paying quantities, approved by the commission for temporarily abandoned status, or plugged and reclaimed within six months. If none of the three preceding conditions are met, the industrial commission may require the well to be placed immediately on a single-well bond in an amount equal to the cost of plugging the well and reclaiming the well site. In setting the bond amount, the commission shall use information from recent plugging and reclamation operations. After a well has been in abandoned-well status for one year, the well's equipment, all well-related equipment at the well site, and salable oil at the well site are subject to forfeiture by the commission. If the commission exercises this authority, section 38-08-04.9 applies. After a well has been in abandoned-well status for one year, the single-well bond referred to above, or any other bond covering the well if the single-well bond has not been obtained, is subject to forfeiture by the commission. A surface owner may request a review of the temporarily abandoned status of a well that has been on

temporarily abandoned status for at least seven years. The commission shall require notice and hearing to review the temporarily abandoned status. After notice and hearing, the surface owner may request a review of the temporarily abandoned status every two years.

SECTION 6. AMENDMENT. Subsection 6 of section 38-08-04 of the North Dakota Century Code is amended and reenacted as follows:

6. To provide for the confidentiality of well data reported to the commission if requested in writing by those reporting the data for a period not to exceed six months. However, the commission may release:

   a. Volumes injected into a saltwater injection well.

   b. Information from the spill report on a well on a site at which more than ten barrels of fluid, not contained on the well site, was released for which an oilfield environmental incident report is required by law.

SECTION 7. A new subsection to section 38-08-26 of the North Dakota Century Code is created and enacted as follows:

The surface owner may share information contained in the geographic information system database.

SECTION 8. TRANSFER - ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND TO OIL AND GAS RESEARCH FUND - PRODUCED WATER PIPELINE STUDY - REPORT TO LEGISLATIVE MANAGEMENT. The director of the office of management and budget shall transfer the sum of $1,500,000 from the abandoned oil and gas well plugging and site reclamation fund to the oil and gas research fund for the purpose of funding a special project through the energy and environmental research center at the university of North Dakota during the biennium beginning July 1, 2015, and ending June 30, 2017. The special project must focus on conducting an analysis of crude oil and produced water pipelines including the construction standards, depths, pressures, monitoring systems, maintenance, types of materials used in the pipeline including backfill, and an analysis of the ratio of spills and leaks occurring in this state in comparison to other large oil and gas-producing states with substantial volumes of produced water. The industrial commission shall contract with the energy and environmental research center to compile the information and the center shall work with the department of mineral resources to analyze the existing regulations on

construction and monitoring of crude oil and produced water pipelines, determine the feasibility and cost effectiveness of requiring leak detection and monitoring technology on expansion of existing pipeline systems, and provide a report with recommendations to the industrial commission and the energy development and transmission committee by December 1, 2015. The industrial commission shall adopt the necessary administrative rules necessary to improve produced water pipeline safety and integrity. In addition, the industrial commission shall contract for a pilot project to evaluate a pipeline leak detection and monitoring system.

SECTION 9. APPROPRIATION. Notwithstanding section 38-08-04.5, there is appropriated out of any moneys in the abandoned oil and gas well plugging and site reclamation fund in the state treasury, not otherwise appropriated, the sum of $500,000, or so much of the sum as may be necessary, to the industrial commission for the purpose of conducting a pilot program involving the oil and gas research council in conjunction with research facilities in this state to determine the best techniques for remediating salt and any other contamination from the soil surrounding waste pits reclaimed by trenching between 1951 and 1984 in the north central portion of this state, for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 10. EMERGENCY. This Act is declared to be an emergency measure.

15.0460.04000

FISCAL NOTE

Requested by Legislative Council
03/30/2015

Amendment to: HB 1358

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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			$379,980		$379,980	
Appropriations			$379,980		$379,980	

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

This measure requires controls, inspection oversight, and bonding for underground gathering pipelines; expands reclamation for pre 08/01/1983 damages; changes temporarily abandoned statuses and confidentiality of well data; and provides transfers for pipeline and salt removing technique studies.

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.*

Section 2 requires the Oil & Gas division to oversee the proper filing of construction drawings, specifications, pressure tests, and leak detection/monitoring plans, and verify independent inspections are properly completed. Section 3 adds the use of AWPSRF funds for reclamation and restoration of pre 08/01/1983 oil and gas development damages. Section 4 requires the Oil & Gas division to administer a new category of bonds for gathering pipelines. Sections 5, 6, and 7 require substantial increases in processing of temporary abandoned well cases, confidential well status and spill reports, and pipeline information requests. Section 8 requires the Industrial Commission to analyze pipeline regulations, provide a report, adopt and enforce rules to improve pipeline safety and integrity.

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.*

No revenue is anticipated at this time.

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.*

Expenditures per biennium include:

$240,340 for one petroleum engineer to develop standards of inspections and technological devices as well as

supervise the pipeline program;

$139,640 for one administration assistant to administer bonds;

Three engineering technicians (one per district) for pipeline inspection programs are included in HB1014 budget request approved by House;

One RBDMS technician to update and maintain the database and gather pipeline records is included in HB1014 budget request approved by House;

One petroleum engineer for reclamation and restoration of pre 08/01/1983 oil and gas development damages is included in HB1014 budget request approved by House; and

One GIS Engineering technician FTE (100% of time) is included in HB1014 budget request approved by House.

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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The Oil & Gas Division expenditures for the increased costs in FTE expenses mentioned in 3B total $379,980. The FTE costs are general fund expenses, and are not included in the executive budget.

Name: Robyn Loumer

Agency: Industrial Commission

Telephone: 701-328-8011

Date Prepared: 03/05/2015

15.0961.05000

Sixty-fourth
Legislative Assembly
of North Dakota

SECOND ENGROSSMENT
with Senate Amendments
REENGROSSED HOUSE BILL NO. 1432

Introduced by

Representatives Brandenburg, Belter, Boe, Headland, D. Johnson, Kasper, Kempenich, Thoreson

Senators Dotzenrod, Erbele, Schaible, Wanzek

A BILL for an Act to create and enact four new sections to chapter 4-01 of the North Dakota Century Code, relating to federal environmental legislation and regulations that detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors; to provide for a transfer; to provide for a continuing appropriation; and to provide an appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Federal environmental law impact review committee.

1. The federal environmental law impact review committee consists of:
   a. The agriculture commissioner, who shall serve as the chairman;
   b. The governor or the governor's designee;
   c. The majority leader of the house of representatives, or the leader's designee;
   d. The majority leader of the senate, or the leader's designee;
   e. One member of the legislative assembly from the minority party, selected by the chairman of the legislative management;
   f. One individual appointed by the lignite energy council;
   g. One individual appointed by the North Dakota corn growers association;
   h. One individual appointed by the North Dakota grain growers association;
   i. One individual appointed by the North Dakota petroleum council;
   j. One individual appointed by the North Dakota soybean growers association; and
   k. One individual appointed by the North Dakota stockmen's association.

2. The committee shall review federal environmental legislation and regulations that detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors and advise the attorney general with respect to participation in administrative or judicial processes pertaining to such legislation or regulations.

SECTION 2. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Environmental impact - Cost of participation.

1. If the attorney general elects to participate in an administrative or judicial process, as recommended by the review committee under section 1 of this Act, any expenses incurred by the attorney general in the participation must be paid by the agriculture commissioner from the federal environmental law impact review fund.
2. For purposes of this section, "expenses" include consulting fees, research costs, expert witness fees, attorney fees, and travel costs.

SECTION 3. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Gifts - Grants - Donations.

The agriculture commissioner may accept gifts, grants, and donations for the purposes set forth in section 2 of this Act, provided the commissioner posts the amount and source of any gifts, grants, and donations on the department of agriculture's website. Any moneys received in accordance with this section must be deposited in the federal environmental law impact review fund.

SECTION 4. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Federal environmental law impact review fund - Continuing appropriation.

1. The federal environmental law impact review fund consists of:
   a. Any moneys appropriated or transferred for the purposes set forth in section 2 of this Act; and
   b. Any gifts, grants, and donations forwarded to the agriculture commissioner for the purposes set forth in section 2 of this Act.

2. All moneys in the federal environmental law impact review fund are appropriated to the commissioner on a continuing basis for the purposes set forth in section 2 of this Act.

SECTION 5. APPROPRIATION - TRANSFER - FEDERAL ENVIRONMENTAL LAW IMPACT REVIEW FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $4,000,000, or so much of the sum as may be necessary, which sum the office of management and budget shall transfer to the federal environmental law impact review fund, for the purpose of funding the state's participation in administrative or judicial processes based on federal environmental legislation or regulations that detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors, for the biennium beginning July 1, 2015, and ending June 30, 2017. The office of management and budget shall transfer sums under this section at the time and in the amount directed by the agriculture commissioner.

15.0961.04007
Title.

Prepared by the Legislative Council staff for
Senator Wanzek
March 30, 2015

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1432

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact four new sections to chapter 4-01 of the North Dakota Century Code, relating to federal environmental legislation and regulations that detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors; to provide for a transfer; to provide for a continuing appropriation; and to provide an appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Federal environmental law impact review committee.

1. The federal environmental law impact review committee consists of:
   a. The agriculture commissioner, who shall serve as the chairman;
   b. The governor or the governor's designee;
   c. The majority leader of the house of representatives, or the leader's designee;
   d. The majority leader of the senate, or the leader's designee;
   e. One member of the legislative assembly from the minority party, selected by the chairman of the legislative management;
   f. One individual appointed by the lignite energy council;
   g. One individual appointed by the North Dakota corn growers association;
   h. One individual appointed by the North Dakota grain growers association;
   i. One individual appointed by the North Dakota petroleum council;
   j. One individual appointed by the North Dakota soybean growers association; and
   k. One individual appointed by the North Dakota stockmen's association.
2. The committee shall review federal environmental legislation and regulations that detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors and advise the attorney general with respect to participation in administrative or judicial processes pertaining to such legislation or regulations.

3. a. Any member of the legislative assembly serving on the committee is entitled to compensation at the rate provided for attendance at interim committee meetings and reimbursement for expenses, as provided by law for state officers, if the member is attending meetings of the committee or performing duties directed by the committee.

b. The compensation and reimbursement of expenses, as provided for in this subsection, is payable by the legislative council.

SECTION 2. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Environmental impact - Cost of participation.

1. If the attorney general elects to participate in an administrative or judicial process, pertaining to federal environmental legislation or regulations, which detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors, any expenses incurred by the attorney general in the participation must be paid by the agriculture commissioner from the federal environmental law impact review fund.

2. For purposes of this section, "expenses" include consulting fees, research costs, expert witness fees, attorney fees, and travel costs.

SECTION 3. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Gifts - Grants - Donations.

The agriculture commissioner may accept gifts, grants, and donations for the purposes set forth in section 2 of this Act, provided the commissioner posts the amount and source of any gifts, grants, and donations on the department of agriculture's website. Any moneys received in accordance with this section must be deposited in the federal environmental law impact review fund.

SECTION 4. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Federal environmental law impact review fund - Continuing appropriation.

1. The federal environmental law impact review fund consists of:

a. Any moneys appropriated or transferred for the purposes set forth in section 2 of this Act; and

b. Any gifts, grants, and donations forwarded to the agriculture commissioner for the purposes set forth in section 2 of this Act.

2. All moneys in the federal environmental law impact review fund are appropriated to the commissioner on a continuing basis for the purposes set forth in section 2 of this Act.

SECTION 5. APPROPRIATION - TRANSFER - FEDERAL ENVIRONMENTAL LAW IMPACT REVIEW FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $1,500,000, or so

much of the sum as may be necessary, which the office of management and budget shall transfer to the federal environmental law impact review fund, for the purpose of funding the state's participation in administrative or judicial processes based on federal environmental legislation or regulations that detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors, for the biennium beginning July 1, 2015, and ending June 30, 2017. The office of management and budget shall transfer sums under this section at the time and in the amount directed by the agriculture commissioner."

Renumber accordingly

15.0867.02000

Sixty-fourth
Legislative Assembly
of North Dakota

FIRST ENGROSSMENT

ENGROSSED HOUSE BILL NO. 1443

Introduced by

Representatives Carlson, Belter, Delzer

Senators Cook, Schaible

A BILL for an Act to create and enact section 6-09-49 of the North Dakota Century Code, relating to creation of the infrastructure revolving loan fund; to provide a statement of legislative intent; to provide for transfers; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 6-09-49 of the North Dakota Century Code is created and enacted as follows:

6-09-49. (Effective through June 30, 2017) Infrastructure revolving loan fund - Continuing appropriation.

1. The infrastructure revolving loan fund is a special fund in the state treasury from which the Bank of North Dakota shall provide loans to political subdivisions for essential infrastructure projects. The Bank shall administer the infrastructure revolving loan fund. The maximum term of a loan made under this section is thirty years. A loan made from the fund under this section must have an interest rate that does not exceed one and one-half percent per year.
2. The Bank shall establish priorities for making loans from the infrastructure revolving loan fund. Loan funds must be used to address the needs of the community by providing critical infrastructure funding. Except as expressly provided under this section, a political subdivision may not use infrastructure revolving loan funds for capital construction. In addition to eligible infrastructure needs established by the Bank, eligible infrastructure needs may include new water treatment plants; new wastewater treatment plants; new sewer lines and water lines; new construction and renovation of critical access hospitals; and new storm water and transportation infrastructure, including curb and gutter construction.

3. In processing political subdivision loan applications under this section, the Bank shall calculate the maximum loan amount for which a qualified applicant may qualify, not to exceed seven million dollars for an eligible critical access hospital loan and not to exceed fifteen million dollars each for all other eligible loans. The total amount of loans issued for critical access hospitals may not exceed thirty-five million dollars. The Bank shall consider the applicant's ability to repay the loan when processing the application and shall issue loans only to applicants that provide reasonable assurance of sufficient future income to repay the loan. The Bank may adopt policies establishing priorities for issuance of loans, setting additional qualifications for applicants, and establishing timelines addressing when a participating political subdivision may be required to make loan draws and the consequences of not meeting these timelines, and setting other guidelines relating to the loan program under this section.

4. The Bank shall deposit in the infrastructure revolving loan fund all payments of interest and principal paid under loans made from the infrastructure revolving loan fund. The Bank may use a portion of the interest paid on the outstanding loans as a servicing fee to pay for administrative costs which may not exceed one-half of one percent of the amount of the interest payment. All moneys transferred to the fund, interest upon moneys in the fund, and payments to the fund of principal and interest are appropriated to the Bank on a continuing basis for administrative costs and for loan disbursement according to this section.

5. The Bank may adopt policies and establish guidelines to supplement and leverage the funds in the infrastructure revolving loan fun. Additionally, the Bank may adopt policies allowing participation by local financial institutions.

(Effective after June 30, 2017) Infrastructure revolving loan fund - Continuing appropriation.

1. The infrastructure revolving loan fund is a special fund in the state treasury from which the Bank of North Dakota shall provide loans to political subdivisions for essential infrastructure projects. The Bank shall administer the infrastructure revolving loan fund. The maximum term of a loan made under this section is thirty years. A loan made from the fund under this section must have an interest rate that does not exceed one and one-half percent per year.

2. The Bank shall establish priorities for making loans from the infrastructure revolving loan fund. Loan funds must be used to address the needs of the community by providing critical infrastructure funding. Except as expressly provided under this section, a political subdivision may not use infrastructure revolving loan funds for capital construction. In addition to eligible infrastructure needs established by the Bank, eligible infrastructure needs may include new water treatment plants; new wastewater treatment plants; new sewer lines and water lines; new conduit for telecommunications infrastructure; new construction and renovation of critical access hospitals; and new storm water and transportation infrastructure, including curb and gutter construction.

3. In processing political subdivision loan applications under this section, the Bank shall calculate the maximum loan amount for which a qualified applicant may qualify, not to exceed seven million dollars for an eligible critical access hospital loan and not to exceed fifteen million dollars each for all other eligible loans. The total amount of loans issued for critical access hospitals may not exceed thirty-five million dollars. The Bank shall consider the applicant's ability to repay the loan when processing the application and shall issue loans only to applicants that provide reasonable assurance of sufficient future income to repay the loan. The Bank may adopt policies establishing priorities for issuance of loans, setting additional qualifications for applicants, and establishing timelines addressing when a participating political subdivision may be required to make loan draws and the consequences of not meeting these timelines, and setting other guidelines relating to the loan program under this section.

4. The Bank shall deposit in the infrastructure revolving loan fund all payments of interest and principal paid under loans made from the infrastructure revolving loan fund. The Bank may use a portion of the interest paid on the outstanding loans as a servicing fee to pay for administrative costs which may not exceed one-half of one percent of the amount of the interest payment. All moneys transferred to the fund, interest upon moneys in the fund, and payments to the fund of principal and interest are appropriated to the Bank on a continuing basis for administrative costs and for loan disbursement according to this section.

5. The Bank may adopt policies and establish guidelines to supplement and leverage the funds in the infrastructure revolving loan fund. Additionally, the Bank may adopt policies allowing participation by local financial institutions.

SECTION 2. LEGISLATIVE INTENT - ELIGIBLE BORROWERS UNDER INFRASTRUCTURE REVOLVING LOAN FUND. If a political subdivision receives funds distributed by the state treasurer under subsection 1 or 4 of section 1 or by the department of transportation under subsection 1 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly, it is the intent of the sixty-fourth legislative assembly that political subdivision be ineligible to receive a loan under the infrastructure revolving loan fund until July 1, 2017. However, this section does not apply to loans for critical access hospitals.

SECTION 3. LEGISLATIVE INTENT - CRITICAL ACCESS HOSPITAL LOAN LIMITATION. It is the intent of the sixty-fourth legislative assembly that the total amount of loans associated with a critical access hospital issued from the medical facility infrastructure fund and the infrastructure revolving loan fund for the period beginning July 1, 2013, and ending June 30, 2017, not exceed fifteen million dollars.

SECTION 4. TRANSFER - BANK OF NORTH DAKOTA - INFRASTRUCTURE REVOLVING LOAN FUND. During the biennium beginning July 1, 2015, and ending June 30, 2017, the Bank of North Dakota shall transfer the sum of $100,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the infrastructure revolving loan fund.

SECTION 5. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - INFRASTRUCTURE REVOLVING LOAN FUND. During the biennium beginning July 1, 2015, and ending June 30, 2017, the office of management and budget shall transfer the sum of $50,000,000 from the strategic investment and improvements fund to the infrastructure revolving loan fund. The office of management and budget shall transfer the funds provided under this section to the infrastructure revolving loan fund as requested by the Bank of North Dakota.

15.0867.02001
Title.

Prepared by the Legislative Council staff for
Senator Carlisle
March 12, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1443

Page 1, line 2, remove "to provide a statement of legislative"

Page 1, line 3, remove "intent;"

Page 1, line 3, after the second semicolon insert "and"

Page 1, line 3, remove "; to provide an effective"

Page 1, line 4, remove "date; and to provide an expiration date"

Page 1, line 8, remove "**(Effective through June 30, 2017)**"

Page 1, line 15, replace "one and one-half" with "two"

Page 1, line 22, remove "new construction and"

Page 1, line 23, remove "renovation of critical access hospitals;"

Page 2, line 2, remove ", not to"

Page 2, remove lines 3 and 4

Page 2, line 5, remove "issued for critical access hospitals may not exceed thirty-five million dollars"

Page 2, remove lines 24 through 31

Page 3, remove lines 1 through 30

Page 4, remove lines 1 through 15

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Changes the interest rate on loans from 1.5 to 2 percent, which is the same as the bill as introduced, but .5 percent more than the House version.
- Removes critical access hospitals from eligible projects, which was added by the House.
- Removes telecommunications conduit infrastructure from eligible projects effective July 1, 2017, which was added by the House version.
- Removes the limitations on loan funding for each political subdivision, which were added by the House version.
- Removes two sections of legislative intent added by the House version related to eligible projects and critical access hospital loan limitations.

15.8122.02000

Sixty-fourth
Legislative Assembly
of North Dakota

FIRST ENGROSSMENT

ENGROSSED HOUSE BILL NO. 1014

Introduced by

Appropriations Committee

(At the request of the Governor)

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to authorize transfers; to provide legislative intent; to amend and reenact sections 54-17-40, 54-17-41, 54-17.5-02, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits, the lignite research council, and the use of the flex PACE program; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the state industrial commission and agencies under its control for the purpose of defraying the expenses of the state industrial commission and agencies under its control, for the biennium beginning July 1, 2015, and ending June 30, 2017, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	$17,873,876	$4,345,078	$22,218,954
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	1,552,846	6,328,422
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	($13,718,912)	$48,588,205

Less estimated income	40,973,792	(23,974,385)	16,999,407
Total general fund	$21,333,325	$10,255,473	$31,588,798
Full-time equivalent positions	98.75	16.00	114.75

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

	Base Level	Adjustments or Enhancements	Appropriation
Bank of North Dakota operations	$51,523,916	$7,156,915	$58,680,831
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	0	745,000
Total special funds	$53,150,147	$6,275,684	$59,425,831
Full-time equivalent positions	179.50	2.00	181.50

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	$29,141,750	$6,837,821	$35,979,571
Accrued leave payments	575,807	(575,807)	0
Operating expenses	21,796,000	5,531,000	27,327,000
Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000	0	210,000
Total from mill and elevator fund	$52,123,557	$11,893,014	$64,016,571
Full-time equivalent positions	135.00	12.00	147.00

Subdivision 4.

HOUSING FINANCE AGENCY

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	$7,434,877	$343,660	$7,778,537
Accrued leave payments	147,806	(147,806)	0
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780

Housing finance agency contingencies	100,000	0	100,000
Total special funds	$41,007,491	($3,453,899)	$37,553,592
Full-time equivalent positions	46.00	0.00	46.00

Subdivision 5.

	BILL TOTAL		
		Adjustments or	
	Base Level	Enhancements	Appropriation
Grand total general fund	$21,333,325	$10,255,473	$31,588,798
Grand total special funds	187,254,987	(9,259,586)	177,995,401
Grand total all funds	$208,588,312	$995,887	$209,584,199

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-FIFTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-third legislative assembly for the 2013-15 biennium and the 2015-17 one-time funding items included in the grand total appropriation in section 1 of this Act:

One-Time Funding Description	2013-15	2015-17
Oil-bearing rock study	$80,000	$0
Possible litigation	1,000,000	0
Core library - architect services	25,000	0
Temperature profiles study	50,000	0
Wide-bed plotter	5,800	0
Lignite research council grants	0	5,000,000
All-terrain vehicles	0	41,500
Aerial photography	0	104,143
Contract analysis	0	125,000
Digital conversion	0	100,000
Migration to RBDMS.net	0	250,000
Medical loan program	50,000,000	0
Housing incentive fund	15,400,000	0
Flood housing grants	1,500,000	0
Total all funds	$68,060,800	$5,620,643

Total special fund	51,500,000	0
Total general fund	$16,560,800	$5,620,643

The 2015-17 one-time funding amounts are not a part of the entity's base budget for the 2017-19 biennium. The industrial commission shall report to the appropriations committees of the sixty-fifth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of $15,040,829 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be paid from the following funding sources during the biennium beginning July 1, 2015, and ending June 30, 2017:

North Dakota university system	$8,368,836
North Dakota university system - energy conservation projects	491,161
Department of corrections and rehabilitation	1,279,524
Department of corrections and rehabilitation - energy conservation projects	16,206
State department of health	637,940
Job service North Dakota	427,131
Office of management and budget	664,952
Office of attorney general	765,483
State historical society	1,391,668
Parks and recreation department	73,592
Research and extension service	571,126
Veterans' home	353,210
Total	$15,040,829

SECTION 4. APPROPRIATION. In addition to the amount appropriated to the housing finance agency in subdivision 4 of section 1 of this Act, there is appropriated any additional income or unanticipated income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 5. APPROPRIATION - EMERGENCY COMMISSION APPROVAL. In addition to the amount appropriated to the state industrial commission in subdivision 1 of section 1 of this Act, there is appropriated, with the approval of the emergency commission, funds that may

become available to the commission from bonds authorized by law to be issued by the state industrial commission for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 6. TRANSFER. The sum of $930,000, or so much of the sum as may be necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of this Act, may be transferred from the entities within the control of the state industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers shall be made during the biennium beginning July 1, 2015, and ending June 30, 2017, upon order of the commission. Transfers from the student loan trust must be made to the extent permitted by sections 54-17-24 and 54-17-25.

SECTION 7. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $28,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 8. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $3,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of $7,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 11. MILL AND ELEVATOR PROFITS - TRANSFER TO THE GENERAL FUND. Notwithstanding any other provision of law, the industrial commission shall transfer to the state

general fund seventy-five percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs during the biennium beginning July 1, 2015, and ending June 30, 2017. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

SECTION 12. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM - LIGNITE MARKETING FEASIBILITY STUDY. The amount of $4,500,000 from the lignite research fund, or so much of the amount as may be necessary, may be used for the purpose of contracting for an independent, nonmatching lignite marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or processes will generate matching private industry investment and have the most potential of preserving existing lignite production and industry jobs or that will lead to increased development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. Moneys appropriated under this section also may be used for the purpose of contracting for nonmatching studies and activities in support of the lignite vision 21 program; for litigation that may be necessary to protect and promote the continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for the purposes stated in this section are available to the commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

SECTION 13. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. (Effective through June 30, ~~2015~~2017) Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.
2. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate

a housing shortage. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients.

The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:
   a. New construction, rehabilitation, or acquisition of a multifamily housing project;
   b. Gap assistance, matching funds, and accessibility improvements;
   c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and

d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.

5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

SECTION 14. AMENDMENT. Section 54-17-41 of the North Dakota Century Code is amended and reenacted as follows:

54-17-41. (Effective through June 30, ~~2015~~2017) Report.

Upon request, the housing finance agency shall report to the industrial commission on the activities of the housing incentive fund.

SECTION 15. AMENDMENT. Section 54-17.5-02 of the North Dakota Century Code is amended and reenacted as follows:

54-17.5-02. Lignite research council - Compensation - Appointment of members.

The industrial commission shall consult with the lignite research council established by executive order in matters of policy affecting the administration of the lignite research fund. Section 44-03-04 does not apply to members of the council appointed by the governor.

SECTION 16. AMENDMENT. Section 57-38-01.32 of the North Dakota Century Code is amended and reenacted as follows:

57-38-01.32. (Effective for the first two taxable years beginning after December 31, ~~2012~~2014) Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.

2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
5. The aggregate amount of tax credits allowed to all eligible contributors is limited to ~~twenty~~thirty million dollars.
6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
   b. The dollar amount paid for the contribution by the taxpayer.
   c. The date the payment was received by the fund.
7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.
9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 17. AMENDMENT. Section 22 of chapter 579 of the 2011 Session Laws is amended and reenacted as follows:

SECTION 22. FLEX PACE PROGRAM USE. The Bank of North Dakota shall utilize the flex partnership in assisting community expansion program to assist in financing of affordable multifamily housing units for individuals in ~~areas of~~ North Dakota ~~affected by oil and gas development,~~ for the period beginning with the effective date of this Act and ending June 30, ~~2013~~2019.

SECTION 18. LEGISLATIVE INTENT - CONTINGENT FUNDING PRIORITY LIST. It is the intent of the sixty-fourth legislative assembly that a list of funding priorities be developed for contingent funding if the actual general fund revenues exceed the legislative forecast during the 2015-17 biennium. The priorities may include a core library project, additional full-time equivalent positions for the industrial commission, transfers to the housing incentive fund, and grants for the lignite research council.

HB 1014 1A
4-2-15 Attachment 1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 6, after line 5, insert:

"SECTION 12. MED PACE PROGRAM USE. The Bank of North Dakota shall utilize the medical partnership in assisting community expansion program to assist in the financing of critical access medical infrastructure projects, for the period beginning with the effective date of this Act and ending June 30, 2017. The Bank shall adopt policies and procedures implementing this program. Notwithstanding section 6-09.14-03, the Bank may originate loans made under this program or participate with a lead financial institution. Eligible projects receiving moneys for an interest rate buydown under the medical partnership in assisting community expansion program are not subject to the community commitment requirement in section 6-09.14-02, the maximum interest rate buydown limitation in subsection 4 of section 6-09.14-04, or the state grantor recipient reporting requirement in section 54-60.1-05." 3

Renumber accordingly

1A.1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 2, line 10, replace the "0" with "17,000,000"

Page 2, line 10, replace the second "745,000" with "17,745,000"

Page 2, line 11, replace "$6,275,684" with "$23,275,684"

Page 2, line 11, replace "$59,425,831" with "$76,425,831"

Page 5, after line 2, insert:

"SECTION 11. APPROPRIATION – BANK OF NORTH DAKOTA – NORTH DAKOTA FINANCIAL CENTER. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of The Bank of North Dakota which the Bank shall use for the purpose of the construction of the North Dakota financial center on a site adjacent to the existing Bank of North Dakota location. The Bank shall lease space for the purpose of housing financially related state agencies."

Renumber accordingly

Attachment 4

PROPOSED AMENDMENT TO HB 1014

Page 7, at the end of line 2 insert "The origination fee assessed to grant recipients may not exceed five percent of the project award."

1A.3

SECTION 11. MILL AND ELEVATOR PROFITS - TRANSFER TO THE GENERAL FUND. Notwithstanding any other provision of law, the industrial commission shall transfer to the state general fund ~~seventy-five~~ fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs or the sum of $8,000,000, whichever is less, during the biennium beginning July 1, 2015, and ending June 30, 2017. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

SECTION ?? DEPARTMENT OF MINERAL RESOURCES FUNDING - PIPELINE REGULATORY PROGRAM

Of the funds appropriated in subdivision 1 of section 1 of this Act, $360,700 in the salaries and wages line and $19,278 in the operating line are from the general fund. Due to the passage of the Pipeline Regulatory Program (HB 1358), the oil and gas division may hire one full-time equivalent positon at the rate of $240,339 for a pipeline regulatory program supervisor, and one full-time equivalent positon at the rate of $139,639 for an administrative assistant.

SECTION ?? DEPARTMENT OF MINERAL RESOURCES FUNDING - CONTINGENCY TRIGGER

Of the funds appropriated in subdivision 1 of section 1 of this Act, $1,681,050 in the salaries and wages line and $544,030 in the operating line are from the general fund. If funds are required due to an increase in the drilling rig count, the oil and gas division may hire one full-time equivalent positon at the rate of $222,508 upon notification to the office of management and budget, for each ten drilling rigs exceeding one hundred drilling rigs are operating for at last thirty consecutive days up to a maximum of ten additional full-time equivalent positons and a maximum of $2,225,080 of funds.

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4-2-15
2

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1358

Page 2, line 10, after the underscored period insert: "The director of the oil and gas division shall review the plan, the construction drawings, and pressure testing within thirty days of receipt and shall notify the pipeline operator that the they are either approved or inform the operator of any improvements to the monitoring system that are required."

Renumber accordingly

HB 1014 #3
4-2-15

15.0961.04008
Title.

Prepared by the Legislative Council staff for
Senator Wanzek
March 31, 2015

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1432

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact four new sections to chapter 4-01 of the North Dakota Century Code, relating to federal environmental legislation and regulations that detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors; to provide for a transfer; to provide for a continuing appropriation; and to provide an appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Federal environmental law impact review committee.

1. The federal environmental law impact review committee consists of:
   a. The agriculture commissioner, who shall serve as the chairman;
   b. The governor or the governor's designee;
   c. The majority leader of the house of representatives, or the leader's designee;
   d. The majority leader of the senate, or the leader's designee;
   e. One member of the legislative assembly from the minority party, selected by the chairman of the legislative management;
   f. One individual appointed by the lignite energy council;
   g. One individual appointed by the North Dakota corn growers association;
   h. One individual appointed by the North Dakota grain growers association;
   i. One individual appointed by the North Dakota petroleum council;
   j. One individual appointed by the North Dakota soybean growers association; and
   k. One individual appointed by the North Dakota stockmen's association.
2. The committee shall review federal environmental legislation and regulations that detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors and advise the attorney general with respect to participation in administrative or judicial processes pertaining to such legislation or regulations.

3.1

3. a. Any member of the legislative assembly serving on the committee is entitled to compensation at the rate provided for attendance at interim committee meetings and reimbursement for expenses, as provided by law for state officers, if the member is attending meetings of the committee or performing duties directed by the committee.

b. The compensation and reimbursement of expenses, as provided for in this subsection, are payable by the legislative council.

SECTION 2. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Environmental impact - Cost of participation.

1. Any expenses incurred by the agriculture commissioner or by the federal environmental law impact review committee in meeting the requirements of section 1 of this Act must be paid by the agriculture commissioner from the federal environmental law impact fund.

2. If the attorney general elects to participate in an administrative or judicial process, pertaining to federal environmental legislation or regulations, which detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors, any expenses incurred by the attorney general in the participation must be paid by the agriculture commissioner from the federal environmental law impact review fund.

3. For purposes of this section, "expenses" include administrative costs, consulting fees, research costs, expert witness fees, attorney fees, and travel costs.

SECTION 3. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Gifts - Grants - Donations.

The agriculture commissioner may accept gifts, grants, and donations for the purposes set forth in section 2 of this Act, provided the commissioner posts the amount and source of any gifts, grants, and donations on the department of agriculture's website. Any moneys received in accordance with this section must be deposited in the federal environmental law impact review fund.

SECTION 4. A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Federal environmental law impact review fund - Continuing appropriation.

1. The federal environmental law impact review fund consists of:

a. Any moneys appropriated or transferred for the purposes set forth in section 2 of this Act; and

b. Any gifts, grants, and donations forwarded to the agriculture commissioner for the purposes set forth in section 2 of this Act.

3.2

2. All moneys in the federal environmental law impact review fund are appropriated to the commissioner on a continuing basis for the purposes set forth in section 2 of this Act.

SECTION 5. APPROPRIATION - TRANSFER - FEDERAL ENVIRONMENTAL LAW IMPACT REVIEW FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $1,500,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the federal environmental law impact review fund, for the purpose of funding the state's participation in administrative or judicial processes based on federal environmental legislation or regulations that detrimentally impact or have the potential to detrimentally impact the state's agricultural, energy, or oil production sectors, for the biennium beginning July 1, 2015, and ending June 30, 2017. The office of management and budget shall transfer sums under this section at the time and in the amount directed by the agriculture commissioner."

Renumber accordingly

HB 1014
4-2-15
#4

15.0867.02003
Title.

Prepared by the Legislative Council staff for
Senator Carlisle
April 1, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1443

Page 1, line 3, after the second semicolon insert "and"

Page 1, line 3, remove "; to provide an effective"

Page 1, line 4, remove "date; and to provide an expiration date"

Page 1, line 8, remove "**(Effective through June 30, 2017)**"

Page 1, line 15, replace "one and one-half" with "two"

Page 1, line 22, remove "new construction and"

Page 1, line 23, remove "renovation of critical access hospitals;"

Page 2, line 2, remove ", not to"

Page 2, remove lines 3 and 4

Page 2, line 5, remove "issued for critical access hospitals may not exceed thirty-five million dollars"

Page 2, remove lines 24 through 31

Page 3, remove lines 1 through 30

Page 4, remove lines 1 through 3

Page 4, line 6, remove "by the state treasurer under subsection 1 or 4 of section 1 or by the department of"

Page 4, line 7, remove "transportation"

Page 4, line 7, remove "subsection 1 of section 2 of"

Page 4, line 8, after the comma insert "or is anticipated to receive funds distributed from the oil and gas impact grant fund or under section 57-51-15,"

Page 4, line 10, remove "However, this section does not apply to loans for critical access hospitals."

Page 4, remove lines 11 through 15

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Changes the interest rate on loans from 1.5 to 2 percent, which is the same as the bill as introduced, but .5 percent more than the House version.
- Removes critical access hospitals from eligible projects, which was added by the House.

4.1

- Removes telecommunications conduit infrastructure from eligible projects effective July 1, 2017, which was added by the House version.
- Removes the limitations on loan funding for each political subdivision, which were added by the House version.
- Removes a section of legislative intent added by the House related to critical access hospital loan limitations.
- Changes the eligible borrows by precluding political subdivisions that received funds under Senate Bill No. 2103 or are anticipated to receive funds from the oil and gas impact grant fund or the oil and gas gross production tax formula from receiving a loan. The House version provided that certain political subdivisions that received funds under Senate Bill No. 2103 are ineligible.

4.2

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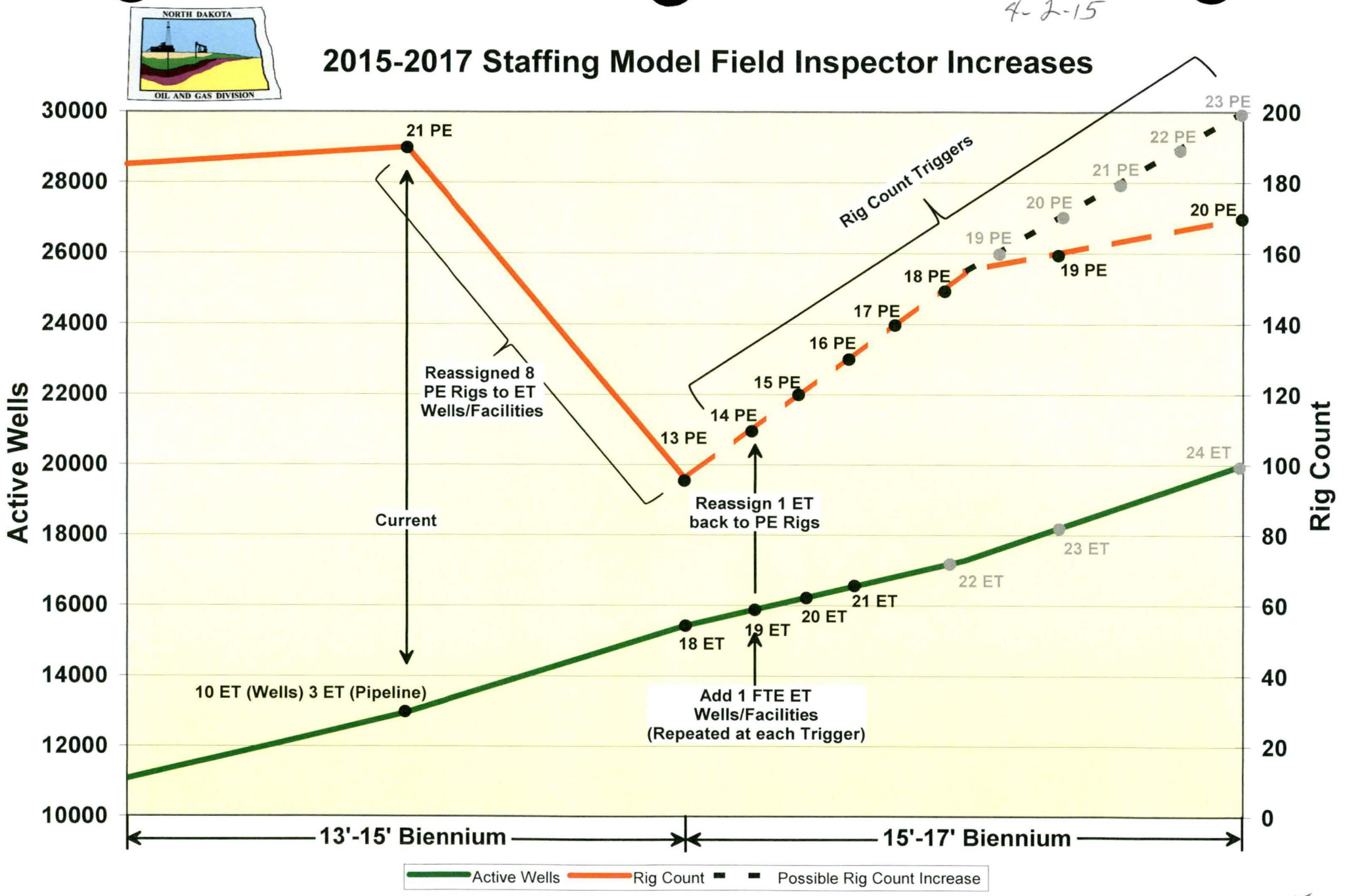
4-2-15
#5



HB 1014
4-7-15

15.8122.02004
Title.
Fiscal No. 2

Prepared by the Legislative Council staff for
Senator Carlisle
April 7, 2015

#1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 3, after the first semicolon insert "to provide a contingent appropriation;"

Page 1, line 3, replace "to provide legislative intent;" with "to create and enact a new section to chapter 6-09;"

Page 1, line 6, replace the second "and" with "to provide exemptions; to provide legislative intent; to provide for reports to legislative management;"

Page 1, line 7, after "date" insert "; and to declare an emergency"

Page 1, remove lines 19 through 24

Page 2, replace lines 1 through 3 with:

"Salaries and wages	$17,873,876	$6,302,505	$24,176,381
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	4,595,154	9,370,730
Capital assets	0	13,666,822	13,666,822
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	$4,947,645	$67,254,762
Less estimated income	40,973,792	(23,979,345)	16,994,447
Total general fund	$21,333,325	$28,926,990	$50,260,315
Full-time equivalent positions	98.75	28.00	126.75"

Page 2, replace lines 8 through 11 with:

"Bank of North Dakota operations	$51,523,916	$7,018,385	$58,542,301
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	17,000,000	17,745,000
Total special funds	$53,150,147	$23,137,154	$76,287,301"

Page 2, replace line 17 with:

"Salaries and wages	$29,141,750	$7,137,148	$36,278,898"

Page 2, replace line 22 with:

"Total from mill and elevator fund	$52,123,557	$12,192,341	$64,315,898"

Page 2, replace line 28 with:

"Salaries and wages	$7,434,877	$310,157	$7,745,034"

Page 3, replace line 2 with:

"Total special funds	$41,007,491	($3,487,402)	$37,520,089"

Page 3, replace lines 8 through 10 with:

1.1

"Grand total general fund	$21,333,325	$38,926,990	$60,260,315
Grand total special funds	187,254,987	7,862,748	195,117,735
Grand total all funds	$208,588,312	$46,789,738	$255,378,050"

Page 3, replace line 17 with:

"Possible litigation	1,000,000	2,500,000"

Page 3, after line 26, insert:

"Financial center project	0	17,000,000
Core library expansion project	0	13,625,322"

Page 3, remove line 30

Page 4, replace lines 1 and 2 with:

"Total all funds	$68,060,800	$38,745,965
Total special fund	51,500,000	17,000,000
Total general fund	$16,560,800	$21,745,965"

Page 5, after line 2, insert:

"**SECTION 6. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $10,000,000, which the office of management and budget shall transfer to the housing incentive fund for the period beginning with the effective date of this Act and ending June 30, 2017. The funding provided in this section is considered a one-time funding item."

Page 6, line 1, replace "seventy-five" with "fifty"

Page 6, line 3, after "programs" insert "or the sum of $8,000,000, whichever is less,"

Page 6, after line 5, insert:

"**SECTION 13. BANK OF NORTH DAKOTA - MEDICAL PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION PROGRAM.** The Bank of North Dakota shall develop a medical partnership in assisting community expansion program to assist in the financing of critical access hospital medical infrastructure projects, for the period beginning with the effective date of this Act and ending June 30, 2017. The Bank shall adopt policies and procedures to implement this program. Notwithstanding section 6-09.14-03, the Bank may originate loans under this program or participate with a lead financial institution. Eligible projects that receive funding for an interest rate buydown under this program are not subject to the community commitment requirement in section 6-09.14-03, the maximum interest rate buydown limitation in subsection 4 of section 6-09.14-04, or the state grantor recipient reporting requirement in section 54-60.1-05."

Page 6, after line 21, insert:

"**SECTION 15. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING.** The amount of $2,225,080 from the general fund and 10 full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only if the monthly average drilling rig count exceeds 110 drilling rigs. The industrial commission shall notify the office of management and budget and the legislative council each time one or more full-time equivalent positions are authorized

to be hired. For purposes of this section, the "monthly average drilling rig count" means the amount, rounded to the nearest whole drilling rig, calculated by dividing the sum of the daily drilling rig counts for a calendar month by the number of days in the month. Of the $2,225,080 and the 10 full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 110 drilling rigs.

2. In addition to the funding and full-time equivalent positions authorized in subsection 1, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 120 drilling rigs.

3. In addition to the funding and full-time equivalent positions authorized in subsections 1 and 2, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 130 drilling rigs.

4. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 3, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 140 drilling rigs.

5. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 4, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 150 drilling rigs.

6. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 5, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 160 drilling rigs.

7. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 6, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 170 drilling rigs.

8. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 7, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 180 drilling rigs.

9. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 8, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 190 drilling rigs.

10. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 9, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 200 drilling rigs.

SECTION 16. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

North Dakota financial center - Lease rates - Payments in lieu of taxes.

The North Dakota financial center is a building that is owned by the Bank of North Dakota and is adjacent to the building in which the Bank of North Dakota is housed. The Bank of North Dakota shall lease the space in the North Dakota financial center to other state agencies based on market rate lease prices. The Bank of North Dakota shall make payments in lieu of property taxes in the manner and according to the conditions and procedures that would apply if the building were privately owned."

Page 7, line 2, after the period insert "The origination fee assessed to grant recipients may not exceed five percent of the project award."

Page 10, replace lines 8 through 13 with:

"**SECTION 22. HOUSING FINANCE AGENCY - FLOOD-IMPACTED HOUSING ASSISTANCE - EXEMPTION.** The amount appropriated for flood-impacted housing assistance in section 4 of chapter 16 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 23. INDUSTRIAL COMMISSION - POSSIBLE FEDERAL AGENCY LITIGATION - EXEMPTION. The amount appropriated for possible federal agency litigation in subdivision 1 of section 1 of chapter 45 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 24. INDUSTRIAL COMMISSION - CORE LIBRARY EXPANSION PROJECT - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 1 of section 1 of this Act includes $13,625,322 from the general fund for the purpose of expanding the core library. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The industrial commission shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the core library project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 25. BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital

assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 26. EMERGENCY. The amount of $13,625,322 from the general fund in the capital assets line item in subdivision 1 of section 1 of this Act for the core library expansion project and sections 6 and 13 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Industrial Commission				
Total all funds	$62,307,117	$48,588,205	$18,666,557	$67,254,762
Less estimated income	40,973,792	16,999,407	(4,960)	16,994,447
General fund	$21,333,325	$31,588,798	$18,671,517	$50,260,315
Bank of North Dakota				
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301
General fund	$0	$0	$0	$0
Housing Finance Agency				
Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089
Less estimated income	41,007,491	37,553,592	(33,503)	37,520,089
General fund	$0	$0	$10,000,000	$10,000,000
Mill and Elevator				
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898
Less estimated income	52,123,557	64,016,571	299,327	64,315,898
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$208,588,312	$209,584,199	$45,793,851	$255,378,050
Less estimated income	187,254,987	177,995,401	17,122,334	195,117,735
General fund	$21,333,325	$31,588,798	$28,671,517	$60,260,315

House Bill No. 1014 - Industrial Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$17,873,876	$22,218,954	$1,957,427	$24,176,381
Operating expenses	4,775,576	6,328,422	3,042,308	9,370,730
Capital assets			13,666,822	13,666,822
Grants	19,500,000	5,000,000		5,000,000
Grants - bond payments	19,809,969	15,040,829		15,040,829
Accrued leave payments	347,696			
Total all funds	$62,307,117	$48,588,205	$18,666,557	$67,254,762
Less estimated income	40,973,792	16,999,407	(4,960)	16,994,447
General fund	$21,333,325	$31,588,798	$18,671,517	$50,260,315
FTE	98.75	114.75	12.00	126.75

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for FTE Positions[2]	Adds Funding for Contingent FTE Positions[3]	Adds Funding for Increased Core Library Operating Expenses[4]	Adds One-Time Funding for Possible Litigation[5]	Adds One-Time Funding for Core Library Expansion Project[6]
Salaries and wages	($84,323)	$360,700	$1,681,050			
Operating expenses		19,278	544,030	20,500	2,500,000	
Capital assets						13,625,322
Grants						
Grants - bond payments						
Accrued leave payments						
Total all funds	($84,323)	$379,978	$2,225,080	$20,500	$2,500,000	$13,625,322
Less estimated income	(4,960)	0	0	0	0	0
General fund	($79,363)	$379,978	$2,225,080	$20,500	$2,500,000	$13,625,322
FTE	0.00	2.00	10.00	0.00	0.00	0.00

	Corrects Funding for ATV's and Trailers[7]	Total Senate Changes
Salaries and wages		$1,957,427
Operating expenses	(41,500)	3,042,308
Capital assets	41,500	13,666,822
Grants		
Grants - bond payments		
Accrued leave payments		
Total all funds	$0	$18,666,557
Less estimated income	0	(4,960)
General fund	$0	$18,671,517
FTE	0.00	12.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] The following funding from the general fund and FTE positions are added:

	FTE Positions	Salaries and Wages	Operating Expenses	Total General Fund
Pipeline regulatory supervisor position	1.00	$230,700	$9,639	$240,339
Administrative assistant position	1.00	130,000	9,639	139,639
Total	2.00	$360,700	$19,278	$379,978

Reengrossed House Bill No. 1358 provides for a pipeline regulatory program. Of the funding from the general fund and the FTE positions included in this amendment, the Industrial Commission anticipates using the following for the implementation of a pipeline regulatory program:

	FTE Positions	Total General Fund
Engineering technician position (Included in House version)	4.00	$864,683
Reclamation specialist position (Included in House version)	1.00	230,911
Pipeline engineering technician position (Included in House version)	1.00	162,018
Pipeline regulatory supervisor position (Added by Senate above)	1.00	240,339
Administrative assistant (Added by Senate above)	1.00	139,639
Total	8.00	$1,637,590

[3] Funding is added for 10 petroleum engineering contingency FTE positions. One position is added for every 10 drilling rigs when the monthly average drilling rig count exceeds 110 drilling rigs as identified in Section 14 of the bill. Each position includes $168,105 for salaries and wages and $54,403 for operating expenses for total funding of $222,508.

[4] This amendment adds funding for increased operating expenses related to the core library expansion project.

[5] One-time funding is added for possible litigation costs related to hydraulic fracturing and other regulatory disputes.

[6] One-time funding is added for a core library expansion project.

[7] This amendment changes the funding for ATV's and trailers from the operating expenses line item to the capital assets line item.

This amendment also:

- Adds a section to identify the criteria for the 10 petroleum engineering contingency FTE positions;
- Provides an exemption for 2013-15 biennium litigation funding from the general fund; and
- Provides an emergency clause for the core library expansion project funding, requires the Industrial Commission to report to the Legislative Management on the progress of the project, and provides carryover authority for the funding into the 2017-19 biennium.

House Bill No. 1014 - Bank of North Dakota - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Capital assets	$745,000	$745,000	$17,000,000	$17,745,000
Bank of North Dakota operations	51,523,916	58,680,831	(138,530)	58,542,301
Accrued leave payments	881,231			
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301
General fund	$0	$0	$0	$0
FTE	179.50	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds One-Time Funding For Financial Center Project[2]	Total Senate Changes
Capital assets		$17,000,000	$17,000,000
Bank of North Dakota operations	(138,530)		(138,530)
Accrued leave payments			
Total all funds	($138,530)	$17,000,000	$16,861,470
Less estimated income	(138,530)	17,000,000	16,861,470
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

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[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] One-time funding from the Bank of North Dakota's assets is added for a financial center construction project.

This amendment also:

- Provides for a medical partnership in assisting community expansion program to provide interest rate buydowns for medical infrastructure loans for the 2015-17 biennium and provides an emergency clause for the program.
- Requires the Bank of North Dakota to make payments in lieu of property taxes on a financial center building constructed on the Bank's property.
- Provides an exemption for funding for the construction of a financial center and requires the Industrial Commission to report to the Legislative Management on the progress of the project.

House Bill No. 1014 - Housing Finance Agency - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$7,434,877	$7,778,537	($33,503)	$7,745,034
Operating expenses	3,791,758	3,744,275		3,744,275
Grants	29,533,050	25,930,780		25,930,780
HFA contingencies	100,000	100,000		100,000
Accrued leave payments	147,806			
Housing incentive fund			10,000,000	10,000,000
Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089
Less estimated income	41,007,491	37,553,592	(33,503)	37,520,089
General fund	$0	$0	$10,000,000	$10,000,000
FTE	46.00	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	General Fund Transfer to Housing Incentive Fund[2]	Total Senate Changes
Salaries and wages	($33,503)		($33,503)
Operating expenses			
Grants			
HFA contingencies			
Accrued leave payments			
Housing incentive fund		10,000,000	10,000,000
Total all funds	($33,503)	$10,000,000	$9,966,497
Less estimated income	(33,503)	0	(33,503)
General fund	$0	$10,000,000	$10,000,000
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] This amendment adds a section to provide for a transfer of $10 million from the general fund to the housing incentive fund and provides an emergency clause for the transfer.

This amendment provides an exemption for 2013-15 biennium flood-impacted housing assistance funding from the state disaster relief fund.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$29,141,750	$35,979,571	$299,327	$36,278,898
Operating expenses	21,796,000	27,327,000		27,327,000
Contingencies	400,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Accrued leave payments	575,807			
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898
Less estimated income	52,123,557	64,016,571	299,327	64,315,898
General fund	$0	$0	$0	$0
FTE	135.00	147.00	0.00	147.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for Market Equity[2]	Total Senate Changes
Salaries and wages	($110,673)	$410,000	$299,327
Operating expenses			
Contingencies			
Agriculture promotion			
Accrued leave payments			
Total all funds	($110,673)	$410,000	$299,327
Less estimated income	(110,673)	410,000	299,327
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] Funding is added for market equity adjustments.

This amendment also provides for a transfer of 50 percent of Mill and Elevator profits to the general fund up to $8 million for the 2015-17 biennium. The House version provided for a transfer of 75 percent of the Mill's profits without any limitation for the 2015-17 biennium.

15.8122.02004

Sixty-fourth
Legislative Assembly
of North Dakota

FIRST ENGROSSMENT

ENGROSSED HOUSE BILL NO. 1014

HB 1014
4-7-15
#2

Introduced by

Appropriations Committee

(At the request of the Governor)

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; ~~to provide legislative intent;~~to create and enact a new section to chapter 6-09; to amend and reenact sections 54-17-40, 54-17-41, 54-17.5-02, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits, the lignite research council, and the use of the flex PACE program; ~~and~~to provide exemptions; to provide legislative intent; to provide for reports to legislative management; to provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the state industrial commission and agencies under its control for the purpose of defraying the expenses of the state industrial commission and agencies under its control, for the biennium beginning July 1, 2015, and ending June 30, 2017, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$17,873,876~~	~~$4,345,078~~	~~$22,218,954~~
~~Accrued leave payments~~	~~347,696~~	~~(347,696)~~	~~0~~
~~Operating expenses~~	~~4,775,576~~	~~1,552,846~~	~~6,328,422~~
~~Grants~~	~~19,500,000~~	~~(14,500,000)~~	~~5,000,000~~

2.1

~~Grants - bond payments~~	~~19,809,969~~	~~(4,769,140)~~	~~15,040,829~~
~~Total all funds~~	~~$62,307,117~~	~~($13,718,912)~~	~~$48,588,205~~
~~Less estimated income~~	~~40,973,792~~	~~(23,974,385)~~	~~16,999,407~~
~~Total general fund~~	~~$21,333,325~~	~~$10,255,473~~	~~$31,588,798~~
~~Full-time equivalent positions~~	~~98.75~~	~~16.00~~	~~114.75~~
Salaries and wages	$17,873,876	$6,302,505	$24,176,381
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	4,595,154	9,370,730
Capital assets	0	13,666,822	13,666,822
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	$4,947,645	$67,254,762
Less estimated income	40,973,792	(23,979,345)	16,994,447
Total general fund	$21,333,325	$28,926,990	$50,260,315
Full-time equivalent positions	98.75	28.00	126.75

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

	Base Level	Adjustments or Enhancements	Appropriation
~~Bank of North Dakota operations~~	~~$51,523,916~~	~~$7,156,915~~	~~$58,680,831~~
~~Accrued leave payments~~	~~881,231~~	~~(881,231)~~	~~0~~
~~Capital assets~~	~~745,000~~	~~0~~	~~745,000~~
~~Total special funds~~	~~$53,150,147~~	~~$6,275,684~~	~~$59,425,831~~
Bank of North Dakota operations	$51,523,916	$7,018,385	$58,542,301
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	17,000,000	17,745,000
Total special funds	$53,150,147	$23,137,154	$76,287,301
Full-time equivalent positions	179.50	2.00	181.50

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

2.2

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$29,141,750~~	~~$6,837,821~~	~~$35,979,571~~
Salaries and wages	$29,141,750	$7,137,148	$36,278,898
Accrued leave payments	575,807	(575,807)	0
Operating expenses	21,796,000	5,531,000	27,327,000
Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000	0	210,000
~~Total from mill and elevator fund~~	~~$52,123,557~~	~~$11,893,014~~	~~$64,016,571~~
Total from mill and elevator fund	$52,123,557	$12,192,341	$64,315,898
Full-time equivalent positions	135.00	12.00	147.00

Subdivision 4.

HOUSING FINANCE AGENCY

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$7,434,877~~	~~$343,660~~	~~$7,778,537~~
Salaries and wages	$7,434,877	$310,157	$7,745,034
Accrued leave payments	147,806	(147,806)	0
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780
Housing finance agency contingencies	100,000	0	100,000
~~Total special funds~~	~~$41,007,491~~	~~($3,453,899)~~	~~$37,553,592~~
Total special funds	$41,007,491	($3,487,402)	$37,520,089
Full-time equivalent positions	46.00	0.00	46.00

Subdivision 5.

BILL TOTAL

	Base Level	Adjustments or Enhancements	Appropriation
~~Grand total general fund~~	~~$21,333,325~~	~~$10,255,473~~	~~$31,588,798~~
~~Grand total special funds~~	~~187,254,987~~	~~(9,259,586)~~	~~177,995,401~~
~~Grand total all funds~~	~~$208,588,312~~	~~$995,887~~	~~$209,584,199~~

Grand total general fund	$21,333,325	$38,926,990	$60,260,315
Grand total special funds	187,254,987	7,862,748	195,117,735
Grand total all funds	$208,588,312	$46,789,738	$255,378,050

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-FIFTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-third legislative assembly for the 2013-15 biennium and the 2015-17 one-time funding items included in the grand total appropriation in section 1 of this Act:

One-Time Funding Description	2013-15	2015-17
Oil-bearing rock study	$80,000	$0
~~Possible litigation~~	~~1,000,000~~	~~0~~
Possible litigation	1,000,000	2,500,000
Core library - architect services	25,000	0
Temperature profiles study	50,000	0
Wide-bed plotter	5,800	0
Lignite research council grants	0	5,000,000
All-terrain vehicles	0	41,500
Aerial photography	0	104,143
Contract analysis	0	125,000
Digital conversion	0	100,000
Migration to RBDMS.net	0	250,000
Financial center project	0	17,000,000
Core library expansion project	0	13,625,322
Medical loan program	50,000,000	0
Housing incentive fund	15,400,000	0
Flood housing grants	1,500,000	0
~~Total all funds~~	~~$68,060,800~~	~~$5,620,643~~
~~Total special fund~~	~~51,500,000~~	~~0~~
~~Total general fund~~	~~$16,560,800~~	~~$5,620,643~~
Total all funds	$68,060,800	$38,745,965
Total special fund	51,500,000	17,000,000
Total general fund	$16,560,800	$21,745,965

2.4

The 2015-17 one-time funding amounts are not a part of the entity's base budget for the 2017-19 biennium. The industrial commission shall report to the appropriations committees of the sixty-fifth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of $15,040,829 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be paid from the following funding sources during the biennium beginning July 1, 2015, and ending June 30, 2017:

North Dakota university system	$8,368,836
North Dakota university system - energy conservation projects	491,161
Department of corrections and rehabilitation	1,279,524
Department of corrections and rehabilitation - energy conservation projects	16,206
State department of health	637,940
Job service North Dakota	427,131
Office of management and budget	664,952
Office of attorney general	765,483
State historical society	1,391,668
Parks and recreation department	73,592
Research and extension service	571,126
Veterans' home	353,210
Total	$15,040,829

SECTION 4. APPROPRIATION. In addition to the amount appropriated to the housing finance agency in subdivision 4 of section 1 of this Act, there is appropriated any additional income or unanticipated income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 5. APPROPRIATION - EMERGENCY COMMISSION APPROVAL. In addition to the amount appropriated to the state industrial commission in subdivision 1 of section 1 of this Act, there is appropriated, with the approval of the emergency commission, funds that may become available to the commission from bonds authorized by law to be issued by the state industrial commission for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 6. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $10,000,000, which the office of management and budget shall transfer to the housing incentive fund for the period beginning with the effective date of this Act and ending June 30, 2017. The funding provided in this section is considered a one-time funding item.

SECTION 7. TRANSFER. The sum of $930,000, or so much of the sum as may be necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of this Act, may be transferred from the entities within the control of the state industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers shall be made during the biennium beginning July 1, 2015, and ending June 30, 2017, upon order of the commission. Transfers from the student loan trust must be made to the extent permitted by sections 54-17-24 and 54-17-25.

SECTION 8. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $28,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $3,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 11. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of $7,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided

2.6

profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 12. MILL AND ELEVATOR PROFITS - TRANSFER TO THE GENERAL FUND. Notwithstanding any other provision of law, the industrial commission shall transfer to the state general fund ~~seventy-five~~fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs or the sum of $8,000,000, whichever is less, during the biennium beginning July 1, 2015, and ending June 30, 2017. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

SECTION 13. BANK OF NORTH DAKOTA - MEDICAL PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION PROGRAM. The Bank of North Dakota shall develop a medical partnership in assisting community expansion program to assist in the financing of critical access hospital medical infrastructure projects, for the period beginning with the effective date of this Act and ending June 30, 2017. The Bank shall adopt policies and procedures to implement this program. Notwithstanding section 6-09.14-03, the Bank may originate loans under this program or participate with a lead financial institution. Eligible projects that receive funding for an interest rate buydown under this program are not subject to the community commitment requirement in section 6-09.14-03, the maximum interest rate buydown limitation in subsection 4 of section 6-09.14-04, or the state grantor recipient reporting requirement in section 54-60.1-05.

SECTION 14. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM - LIGNITE MARKETING FEASIBILITY STUDY. The amount of $4,500,000 from the lignite research fund, or so much of the amount as may be necessary, may be used for the purpose of contracting for an independent, nonmatching lignite marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or processes will generate matching private industry investment and have the most potential of preserving existing lignite production and industry jobs or that will lead to increased development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. Moneys appropriated under this section also may be used for the purpose of contracting for nonmatching studies and activities in support of the lignite vision 21 program; for litigation that may be necessary to protect and promote the

continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for the purposes stated in this section are available to the commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

SECTION 15. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING. The amount of $2,225,080 from the general fund and 10 full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only if the monthly average drilling rig count exceeds 110 drilling rigs. The industrial commission shall notify the office of management and budget and the legislative council each time one or more full-time equivalent positions is authorized to be hired. For purposes of this section, the "monthly average drilling rig count" means the number, rounded to the nearest whole number, calculated by dividing the sum of the daily drilling rig counts for a calendar month by the number of days in the month. Of the $2,225,080 and the 10 full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 110 drilling rigs.
2. In addition to the funding and full-time equivalent positions authorized in subsection 1, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 120 drilling rigs.
3. In addition to the funding and full-time equivalent positions authorized in subsections 1 and 2, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 130 drilling rigs.
4. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 3, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 140 drilling rigs.

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5. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 4, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 150 drilling rigs.
6. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 5, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 160 drilling rigs.
7. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 6, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 170 drilling rigs.
8. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 7, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 180 drilling rigs.
9. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 8, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 190 drilling rigs.
10. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 9, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 200 drilling rigs.

SECTION 16. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

North Dakota financial center - Lease rates - Payments in lieu of taxes.

The North Dakota financial center is a building that is owned by the Bank of North Dakota and is adjacent to the building in which the Bank of North Dakota is housed. The Bank of North Dakota shall lease the space in the North Dakota financial center to other state agencies based on market rate lease prices. The Bank of North Dakota shall make payments in lieu of property

taxes in the manner and according to the conditions and procedures that would apply if the building were privately owned.

SECTION 17. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. (Effective through June 30, ~~2015~~2017) Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.
2. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award.

   The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

   The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

   The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities

2.10

that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:
   a. New construction, rehabilitation, or acquisition of a multifamily housing project;
   b. Gap assistance, matching funds, and accessibility improvements;
   c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
   d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

SECTION 18. AMENDMENT. Section 54-17-41 of the North Dakota Century Code is amended and reenacted as follows:

54-17-41. (Effective through June 30, ~~2015~~2017) Report.

Upon request, the housing finance agency shall report to the industrial commission on the activities of the housing incentive fund.

SECTION 19. AMENDMENT. Section 54-17.5-02 of the North Dakota Century Code is amended and reenacted as follows:

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54-17.5-02. Lignite research council - Compensation - Appointment of members.

The industrial commission shall consult with the lignite research council established by executive order in matters of policy affecting the administration of the lignite research fund. Section 44-03-04 does not apply to members of the council appointed by the governor.

SECTION 20. AMENDMENT. Section 57-38-01.32 of the North Dakota Century Code is amended and reenacted as follows:

57-38-01.32. (Effective for the first two taxable years beginning after December 31, ~~2012~~2014) Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.
2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
5. The aggregate amount of tax credits allowed to all eligible contributors is limited to ~~twenty~~thirty million dollars.
6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
   b. The dollar amount paid for the contribution by the taxpayer.
   c. The date the payment was received by the fund.
7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax

commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 21. AMENDMENT. Section 22 of chapter 579 of the 2011 Session Laws is amended and reenacted as follows:

SECTION 22. FLEX PACE PROGRAM USE. The Bank of North Dakota shall utilize the flex partnership in assisting community expansion program to assist in financing of affordable multifamily housing units for individuals in ~~areas of~~ North Dakota ~~affected by oil and gas development,~~ for the period beginning with the effective date of this Act and ending June 30, ~~2013~~2019.

~~**SECTION 20. LEGISLATIVE INTENT - CONTINGENT FUNDING PRIORITY LIST.** It is the intent of the sixty-fourth legislative assembly that a list of funding priorities be developed for contingent funding if the actual general fund revenues exceed the legislative forecast during the 2015-17 biennium. The priorities may include a core library project, additional full-time equivalent positions for the industrial commission, transfers to the housing incentive fund, and grants for the lignite research council.~~

SECTION 22. HOUSING FINANCE AGENCY - FLOOD-IMPACTED HOUSING ASSISTANCE - EXEMPTION. The amount appropriated for flood-impacted housing assistance in section 4 of chapter 16 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 23. INDUSTRIAL COMMISSION - POSSIBLE FEDERAL AGENCY LITIGATION - EXEMPTION. The amount appropriated for possible federal agency litigation in subdivision 1

2.13

of section 1 of chapter 45 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 24. INDUSTRIAL COMMISSION - CORE LIBRARY EXPANSION PROJECT - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 1 of section 1 of this Act includes $13,625,322 from the general fund for the purpose of expanding the core library. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The industrial commission shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the core library project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 25. BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 26. EMERGENCY. The amount of $13,625,322 from the general fund in the capital assets line item in subdivision 1 of section 1 of this Act for the core library expansion project and sections 6 and 13 of this Act are declared to be an emergency measure.

2.14

HB 1014
4-8-15
#1

15.8122.02004
Title.
Fiscal No. 2

Prepared by the Legislative Council staff for
Senator Carlisle
April 7, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 3, after the first semicolon insert "to provide a contingent appropriation;"

Page 1, line 3, replace "to provide legislative intent;" with "to create and enact a new section to chapter 6-09;"

Page 1, line 6, replace the second "and" with "to provide exemptions; to provide legislative intent; to provide for reports to legislative management;"

Page 1, line 7, after "date" insert "; and to declare an emergency"

Page 1, remove lines 19 through 24

Page 2, replace lines 1 through 3 with:

"Salaries and wages	$17,873,876	$6,302,505	$24,176,381
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	4,595,154	9,370,730
Capital assets	0	13,666,822	13,666,822
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	$4,947,645	$67,254,762
Less estimated income	40,973,792	(23,979,345)	16,994,447
Total general fund	$21,333,325	$28,926,990	$50,260,315
Full-time equivalent positions	98.75	28.00	126.75"

Page 2, replace lines 8 through 11 with:

"Bank of North Dakota operations	$51,523,916	$7,018,385	$58,542,301
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	17,000,000	17,745,000
Total special funds	$53,150,147	$23,137,154	$76,287,301"

Page 2, replace line 17 with:

"Salaries and wages	$29,141,750	$7,137,148	$36,278,898"

Page 2, replace line 22 with:

"Total from mill and elevator fund	$52,123,557	$12,192,341	$64,315,898"

Page 2, replace line 28 with:

"Salaries and wages	$7,434,877	$310,157	$7,745,034"

Page 3, replace line 2 with:

"Total special funds	$41,007,491	($3,487,402)	$37,520,089"

Page 3, replace lines 8 through 10 with:

1.1

"Grand total general fund	$21,333,325	$38,926,990	$60,260,315
Grand total special funds	187,254,987	7,862,748	195,117,735
Grand total all funds	$208,588,312	$46,789,738	$255,378,050"

Page 3, replace line 17 with:

"Possible litigation	1,000,000	2,500,000"

Page 3, after line 26, insert:

"Financial center project	0	17,000,000
Core library expansion project	0	13,625,322"

Page 3, remove line 30

Page 4, replace lines 1 and 2 with:

"Total all funds	$68,060,800	$38,745,965
Total special fund	51,500,000	17,000,000
Total general fund	$16,560,800	$21,745,965"

Page 5, after line 2, insert:

"**SECTION 6. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $10,000,000, which the office of management and budget shall transfer to the housing incentive fund for the period beginning with the effective date of this Act and ending June 30, 2017. The funding provided in this section is considered a one-time funding item."

Page 6, line 1, replace "seventy-five" with "fifty"

Page 6, line 3, after "programs" insert "or the sum of $8,000,000, whichever is less,"

Page 6, after line 5, insert:

"**SECTION 13. BANK OF NORTH DAKOTA - MEDICAL PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION PROGRAM.** The Bank of North Dakota shall develop a medical partnership in assisting community expansion program to assist in the financing of critical access hospital medical infrastructure projects, for the period beginning with the effective date of this Act and ending June 30, 2017. The Bank shall adopt policies and procedures to implement this program. Notwithstanding section 6-09.14-03, the Bank may originate loans under this program or participate with a lead financial institution. Eligible projects that receive funding for an interest rate buydown under this program are not subject to the community commitment requirement in section 6-09.14-03, the maximum interest rate buydown limitation in subsection 4 of section 6-09.14-04, or the state grantor recipient reporting requirement in section 54-60.1-05."

Page 6, after line 21, insert:

"**SECTION 15. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING.** The amount of $2,225,080 from the general fund and 10 full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only if the monthly average drilling rig count exceeds 110 drilling rigs. The industrial commission shall notify the office of management and budget and the legislative council each time one or more full-time equivalent positions are authorized

to be hired. For purposes of this section, the "monthly average drilling rig count" means the amount, rounded to the nearest whole drilling rig, calculated by dividing the sum of the daily drilling rig counts for a calendar month by the number of days in the month. Of the $2,225,080 and the 10 full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 110 drilling rigs.

2. In addition to the funding and full-time equivalent positions authorized in subsection 1, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 120 drilling rigs.

3. In addition to the funding and full-time equivalent positions authorized in subsections 1 and 2, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 130 drilling rigs.

4. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 3, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 140 drilling rigs.

5. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 4, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 150 drilling rigs.

6. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 5, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 160 drilling rigs.

7. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 6, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 170 drilling rigs.

8. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 7, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 180 drilling rigs.

9. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 8, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 190 drilling rigs.

10. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 9, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 200 drilling rigs.

SECTION 16. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

North Dakota financial center - Lease rates - Payments in lieu of taxes.

The North Dakota financial center is a building that is owned by the Bank of North Dakota and is adjacent to the building in which the Bank of North Dakota is housed. The Bank of North Dakota shall lease the space in the North Dakota financial center to other state agencies based on market rate lease prices. The Bank of North Dakota shall make payments in lieu of property taxes in the manner and according to the conditions and procedures that would apply if the building were privately owned."

Page 7, line 2, after the period insert "The origination fee assessed to grant recipients may not exceed five percent of the project award."

Page 10, replace lines 8 through 13 with:

"**SECTION 22. HOUSING FINANCE AGENCY - FLOOD-IMPACTED HOUSING ASSISTANCE - EXEMPTION.** The amount appropriated for flood-impacted housing assistance in section 4 of chapter 16 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 23. INDUSTRIAL COMMISSION - POSSIBLE FEDERAL AGENCY LITIGATION - EXEMPTION. The amount appropriated for possible federal agency litigation in subdivision 1 of section 1 of chapter 45 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 24. INDUSTRIAL COMMISSION - CORE LIBRARY EXPANSION PROJECT - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 1 of section 1 of this Act includes $13,625,322 from the general fund for the purpose of expanding the core library. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The industrial commission shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the core library project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 25. BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital

assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 26. EMERGENCY. The amount of $13,625,322 from the general fund in the capital assets line item in subdivision 1 of section 1 of this Act for the core library expansion project and sections 6 and 13 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Industrial Commission				
Total all funds	$62,307,117	$48,588,205	$18,666,557	$67,254,762
Less estimated income	40,973,792	16,999,407	(4,960)	16,994,447
General fund	$21,333,325	$31,588,798	$18,671,517	$50,260,315
Bank of North Dakota				
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301
General fund	$0	$0	$0	$0
Housing Finance Agency				
Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089
Less estimated income	41,007,491	37,553,592	(33,503)	37,520,089
General fund	$0	$0	$10,000,000	$10,000,000
Mill and Elevator				
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898
Less estimated income	52,123,557	64,016,571	299,327	64,315,898
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$208,588,312	$209,584,199	$45,793,851	$255,378,050
Less estimated income	187,254,987	177,995,401	17,122,334	195,117,735
General fund	$21,333,325	$31,588,798	$28,671,517	$60,260,315

House Bill No. 1014 - Industrial Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$17,873,876	$22,218,954	$1,957,427	$24,176,381
Operating expenses	4,775,576	6,328,422	3,042,308	9,370,730
Capital assets			13,666,822	13,666,822
Grants	19,500,000	5,000,000		5,000,000
Grants - bond payments	19,809,969	15,040,829		15,040,829
Accrued leave payments	347,696			
Total all funds	$62,307,117	$48,588,205	$18,666,557	$67,254,762
Less estimated income	40,973,792	16,999,407	(4,960)	16,994,447
General fund	$21,333,325	$31,588,798	$18,671,517	$50,260,315
FTE	98.75	114.75	12.00	126.75

1.5

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for FTE Positions[2]	Adds Funding for Contingent FTE Positions[3]	Adds Funding for Increased Core Library Operating Expenses[4]	Adds One-Time Funding for Possible Litigation[5]	Adds One-Time Funding for Core Library Expansion Project[6]
Salaries and wages	($84,323)	$360,700	$1,681,050			
Operating expenses		19,278	544,030	20,500	2,500,000	
Capital assets						13,625,322
Grants						
Grants - bond payments						
Accrued leave payments						
Total all funds	($84,323)	$379,978	$2,225,080	$20,500	$2,500,000	$13,625,322
Less estimated income	(4,960)	0	0	0	0	0
General fund	($79,363)	$379,978	$2,225,080	$20,500	$2,500,000	$13,625,322
FTE	0.00	2.00	10.00	0.00	0.00	0.00

	Corrects Funding for ATV's and Trailers[7]	Total Senate Changes
Salaries and wages		$1,957,427
Operating expenses	(41,500)	3,042,308
Capital assets	41,500	13,666,822
Grants		
Grants - bond payments		
Accrued leave payments		
Total all funds	$0	$18,666,557
Less estimated income	0	(4,960)
General fund	$0	$18,671,517
FTE	0.00	12.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] The following funding from the general fund and FTE positions are added:

	FTE Positions	Salaries and Wages	Operating Expenses	Total General Fund
Pipeline regulatory supervisor position	1.00	$230,700	$9,639	$240,339
Administrative assistant position	1.00	130,000	9,639	139,639
Total	2.00	$360,700	$19,278	$379,978

Reengrossed House Bill No. 1358 provides for a pipeline regulatory program. Of the funding from the general fund and the FTE positions included in this amendment, the Industrial Commission anticipates using the following for the implementation of a pipeline regulatory program:

	FTE Positions	Total General Fund
Engineering technician position (Included in House version)	4.00	$864,683
Reclamation specialist position (Included in House version)	1.00	230,911
Pipeline engineering technician position (Included in House version)	1.00	162,018
Pipeline regulatory supervisor position (Added by Senate above)	1.00	240,339
Administrative assistant (Added by Senate above)	1.00	139,639
Total	8.00	$1,637,590

[3] Funding is added for 10 petroleum engineering contingency FTE positions. One position is added for every 10 drilling rigs when the monthly average drilling rig count exceeds 110 drilling rigs as identified in Section 14 of the bill. Each position includes $168,105 for salaries and wages and $54,403 for operating expenses for total funding of $222,508.

[4] This amendment adds funding for increased operating expenses related to the core library expansion project.

[5] One-time funding is added for possible litigation costs related to hydraulic fracturing and other regulatory disputes.

[6] One-time funding is added for a core library expansion project.

[7] This amendment changes the funding for ATV's and trailers from the operating expenses line item to the capital assets line item.

This amendment also:

- Adds a section to identify the criteria for the 10 petroleum engineering contingency FTE positions;
- Provides an exemption for 2013-15 biennium litigation funding from the general fund; and
- Provides an emergency clause for the core library expansion project funding, requires the Industrial Commission to report to the Legislative Management on the progress of the project, and provides carryover authority for the funding into the 2017-19 biennium.

House Bill No. 1014 - Bank of North Dakota - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Capital assets	$745,000	$745,000	$17,000,000	$17,745,000
Bank of North Dakota operations	51,523,916	58,680,831	(138,530)	58,542,301
Accrued leave payments	881,231			
Total all funds	$53,150,147	$59,425,831	$16,861,470	$76,287,301
Less estimated income	53,150,147	59,425,831	16,861,470	76,287,301
General fund	$0	$0	$0	$0
FTE	179.50	181.50	0.00	181.50

Department No. 471 - Bank of North Dakota - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds One-Time Funding For Financial Center Project[2]	Total Senate Changes
Capital assets		$17,000,000	$17,000,000
Bank of North Dakota operations	(138,530)		(138,530)
Accrued leave payments			
Total all funds	($138,530)	$17,000,000	$16,861,470
Less estimated income	(138,530)	17,000,000	16,861,470
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] One-time funding from the Bank of North Dakota's assets is added for a financial center construction project.

This amendment also:

- Provides for a medical partnership in assisting community expansion program to provide interest rate buydowns for medical infrastructure loans for the 2015-17 biennium and provides an emergency clause for the program.
- Requires the Bank of North Dakota to make payments in lieu of property taxes on a financial center building constructed on the Bank's property.
- Provides an exemption for funding for the construction of a financial center and requires the Industrial Commission to report to the Legislative Management on the progress of the project.

House Bill No. 1014 - Housing Finance Agency - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$7,434,877	$7,778,537	($33,503)	$7,745,034
Operating expenses	3,791,758	3,744,275		3,744,275
Grants	29,533,050	25,930,780		25,930,780
HFA contingencies	100,000	100,000		100,000
Accrued leave payments	147,806			
Housing incentive fund			10,000,000	10,000,000
Total all funds	$41,007,491	$37,553,592	$9,966,497	$47,520,089
Less estimated income	41,007,491	37,553,592	(33,503)	37,520,089
General fund	$0	$0	$10,000,000	$10,000,000
FTE	46.00	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	General Fund Transfer to Housing Incentive Fund[2]	Total Senate Changes
Salaries and wages	($33,503)		($33,503)
Operating expenses			
Grants			
HFA contingencies			
Accrued leave payments			
Housing incentive fund		10,000,000	10,000,000
Total all funds	($33,503)	$10,000,000	$9,966,497
Less estimated income	(33,503)	0	(33,503)
General fund	$0	$10,000,000	$10,000,000
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] This amendment adds a section to provide for a transfer of $10 million from the general fund to the housing incentive fund and provides an emergency clause for the transfer.

This amendment provides an exemption for 2013-15 biennium flood-impacted housing assistance funding from the state disaster relief fund.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$29,141,750	$35,979,571	$299,327	$36,278,898
Operating expenses	21,796,000	27,327,000		27,327,000
Contingencies	400,000	500,000		500,000
Agriculture promotion	210,000	210,000		210,000
Accrued leave payments	575,807			
Total all funds	$52,123,557	$64,016,571	$299,327	$64,315,898
Less estimated income	52,123,557	64,016,571	299,327	64,315,898
General fund	$0	$0	$0	$0
FTE	135.00	147.00	0.00	147.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases[1]	Adds Funding for Market Equity[2]	Total Senate Changes
Salaries and wages	($110,673)	$410,000	$299,327
Operating expenses			
Contingencies			
Agriculture promotion			
Accrued leave payments			
Total all funds	($110,673)	$410,000	$299,327
Less estimated income	(110,673)	410,000	299,327
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of $1,130.22 per month.

[2] Funding is added for market equity adjustments.

This amendment also provides for a transfer of 50 percent of Mill and Elevator profits to the general fund up to $8 million for the 2015-17 biennium. The House version provided for a transfer of 75 percent of the Mill's profits without any limitation for the 2015-17 biennium.

15.8122.02004

Sixty-fourth
Legislative Assembly
of North Dakota

FIRST ENGROSSMENT

ENGROSSED HOUSE BILL NO. 1014

HB 1014
4-8-15
#2

Introduced by

Appropriations Committee

(At the request of the Governor)

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide a continuing appropriation; to provide a contingent appropriation; to authorize transfers; ~~to provide legislative intent;~~to create and enact a new section to chapter 6-09; to amend and reenact sections 54-17-40, 54-17-41, 54-17.5-02, and 57-38-01.32 of the North Dakota Century Code and section 22 of chapter 579 of the 2011 Session Laws, relating to the housing incentive fund credits, the lignite research council, and the use of the flex PACE program; ~~and~~to provide exemptions; to provide legislative intent; to provide for reports to legislative management; to provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the state industrial commission and agencies under its control for the purpose of defraying the expenses of the state industrial commission and agencies under its control, for the biennium beginning July 1, 2015, and ending June 30, 2017, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$17,873,876~~	~~$4,345,078~~	~~$22,218,954~~
~~Accrued leave payments~~	~~347,696~~	~~(347,696)~~	~~0~~
~~Operating expenses~~	~~4,775,576~~	~~1,552,846~~	~~6,328,422~~
~~Grants~~	~~19,500,000~~	~~(14,500,000)~~	~~5,000,000~~

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~~Grants - bond payments~~	~~19,809,969~~	~~(4,769,140)~~	~~15,040,829~~
~~Total all funds~~	~~$62,307,117~~	~~($13,718,912)~~	~~$48,588,205~~
~~Less estimated income~~	~~40,973,792~~	~~(23,974,385)~~	~~16,999,407~~
~~Total general fund~~	~~$21,333,325~~	~~$10,255,473~~	~~$31,588,798~~
~~Full-time equivalent positions~~	~~98.75~~	~~16.00~~	~~114.75~~
Salaries and wages	$17,873,876	$6,302,505	$24,176,381
Accrued leave payments	347,696	(347,696)	0
Operating expenses	4,775,576	4,595,154	9,370,730
Capital assets	0	13,666,822	13,666,822
Grants	19,500,000	(14,500,000)	5,000,000
Grants - bond payments	19,809,969	(4,769,140)	15,040,829
Total all funds	$62,307,117	$4,947,645	$67,254,762
Less estimated income	40,973,792	(23,979,345)	16,994,447
Total general fund	$21,333,325	$28,926,990	$50,260,315
Full-time equivalent positions	98.75	28.00	126.75

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

	Base Level	Adjustments or Enhancements	Appropriation
~~Bank of North Dakota operations~~	~~$51,523,916~~	~~$7,156,915~~	~~$58,680,831~~
~~Accrued leave payments~~	~~881,231~~	~~(881,231)~~	~~0~~
~~Capital assets~~	~~745,000~~	~~0~~	~~745,000~~
~~Total special funds~~	~~$53,150,147~~	~~$6,275,684~~	~~$59,425,831~~
Bank of North Dakota operations	$51,523,916	$7,018,385	$58,542,301
Accrued leave payments	881,231	(881,231)	0
Capital assets	745,000	17,000,000	17,745,000
Total special funds	$53,150,147	$23,137,154	$76,287,301
Full-time equivalent positions	179.50	2.00	181.50

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

2.2

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$29,141,750~~	~~$6,837,821~~	~~$35,979,571~~
Salaries and wages	$29,141,750	$7,137,148	$36,278,898
Accrued leave payments	575,807	(575,807)	0
Operating expenses	21,796,000	5,531,000	27,327,000
Contingencies	400,000	100,000	500,000
Agriculture promotion	210,000	0	210,000
~~Total from mill and elevator fund~~	~~$52,123,557~~	~~$11,893,014~~	~~$64,016,571~~
Total from mill and elevator fund	$52,123,557	$12,192,341	$64,315,898
Full-time equivalent positions	135.00	12.00	147.00

Subdivision 4.

HOUSING FINANCE AGENCY

	Base Level	Adjustments or Enhancements	Appropriation
~~Salaries and wages~~	~~$7,434,877~~	~~$343,660~~	~~$7,778,537~~
Salaries and wages	$7,434,877	$310,157	$7,745,034
Accrued leave payments	147,806	(147,806)	0
Operating expenses	3,791,758	(47,483)	3,744,275
Grants	29,533,050	(3,602,270)	25,930,780
Housing finance agency contingencies	100,000	0	100,000
~~Total special funds~~	~~$41,007,491~~	~~($3,453,899)~~	~~$37,553,592~~
Total special funds	$41,007,491	($3,487,402)	$37,520,089
Full-time equivalent positions	46.00	0.00	46.00

Subdivision 5.

BILL TOTAL

	Base Level	Adjustments or Enhancements	Appropriation
~~Grand total general fund~~	~~$21,333,325~~	~~$10,255,473~~	~~$31,588,798~~
~~Grand total special funds~~	~~187,254,987~~	~~(9,259,586)~~	~~177,995,401~~
~~Grand total all funds~~	~~$208,588,312~~	~~$995,887~~	~~$209,584,199~~

Grand total general fund	$21,333,325	$38,926,990	$60,260,315
Grand total special funds	187,254,987	7,862,748	195,117,735
Grand total all funds	$208,588,312	$46,789,738	$255,378,050

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-FIFTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-third legislative assembly for the 2013-15 biennium and the 2015-17 one-time funding items included in the grand total appropriation in section 1 of this Act:

One-Time Funding Description	2013-15	2015-17
Oil-bearing rock study	$80,000	$0
~~Possible litigation~~	~~1,000,000~~	~~0~~
Possible litigation	1,000,000	2,500,000
Core library - architect services	25,000	0
Temperature profiles study	50,000	0
Wide-bed plotter	5,800	0
Lignite research council grants	0	5,000,000
All-terrain vehicles	0	41,500
Aerial photography	0	104,143
Contract analysis	0	125,000
Digital conversion	0	100,000
Migration to RBDMS.net	0	250,000
Financial center project	0	17,000,000
Core library expansion project	0	13,625,322
Medical loan program	50,000,000	0
Housing incentive fund	15,400,000	0
Flood housing grants	1,500,000	0
~~Total all funds~~	~~$68,060,800~~	~~$5,620,643~~
~~Total special fund~~	~~51,500,000~~	~~0~~
~~Total general fund~~	~~$16,560,800~~	~~$5,620,643~~
Total all funds	$68,060,800	$38,745,965
Total special fund	51,500,000	17,000,000
Total general fund	$16,560,800	$21,745,965

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The 2015-17 one-time funding amounts are not a part of the entity's base budget for the 2017-19 biennium. The industrial commission shall report to the appropriations committees of the sixty-fifth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of $15,040,829 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be paid from the following funding sources during the biennium beginning July 1, 2015, and ending June 30, 2017:

North Dakota university system	$8,368,836
North Dakota university system - energy conservation projects	491,161
Department of corrections and rehabilitation	1,279,524
Department of corrections and rehabilitation - energy conservation projects	16,206
State department of health	637,940
Job service North Dakota	427,131
Office of management and budget	664,952
Office of attorney general	765,483
State historical society	1,391,668
Parks and recreation department	73,592
Research and extension service	571,126
Veterans' home	353,210
Total	$15,040,829

SECTION 4. APPROPRIATION. In addition to the amount appropriated to the housing finance agency in subdivision 4 of section 1 of this Act, there is appropriated any additional income or unanticipated income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 5. APPROPRIATION - EMERGENCY COMMISSION APPROVAL. In addition to the amount appropriated to the state industrial commission in subdivision 1 of section 1 of this Act, there is appropriated, with the approval of the emergency commission, funds that may become available to the commission from bonds authorized by law to be issued by the state industrial commission for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 6. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $10,000,000, which the office of management and budget shall transfer to the housing incentive fund for the period beginning with the effective date of this Act and ending June 30, 2017. The funding provided in this section is considered a one-time funding item.

SECTION 7. TRANSFER. The sum of $930,000, or so much of the sum as may be necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of this Act, may be transferred from the entities within the control of the state industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers shall be made during the biennium beginning July 1, 2015, and ending June 30, 2017, upon order of the commission. Transfers from the student loan trust must be made to the extent permitted by sections 54-17-24 and 54-17-25.

SECTION 8. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $28,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $3,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of $2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 11. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of $7,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided

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profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 12. MILL AND ELEVATOR PROFITS - TRANSFER TO THE GENERAL FUND. Notwithstanding any other provision of law, the industrial commission shall transfer to the state general fund ~~seventy-five~~fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs or the sum of $8,000,000, whichever is less, during the biennium beginning July 1, 2015, and ending June 30, 2017. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget.

SECTION 13. BANK OF NORTH DAKOTA - MEDICAL PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION PROGRAM. The Bank of North Dakota shall develop a medical partnership in assisting community expansion program to assist in the financing of critical access hospital medical infrastructure projects, for the period beginning with the effective date of this Act and ending June 30, 2017. The Bank shall adopt policies and procedures to implement this program. Notwithstanding section 6-09.14-03, the Bank may originate loans under this program or participate with a lead financial institution. Eligible projects that receive funding for an interest rate buydown under this program are not subject to the community commitment requirement in section 6-09.14-03, the maximum interest rate buydown limitation in subsection 4 of section 6-09.14-04, or the state grantor recipient reporting requirement in section 54-60.1-05.

SECTION 14. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM - LIGNITE MARKETING FEASIBILITY STUDY. The amount of $4,500,000 from the lignite research fund, or so much of the amount as may be necessary, may be used for the purpose of contracting for an independent, nonmatching lignite marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or processes will generate matching private industry investment and have the most potential of preserving existing lignite production and industry jobs or that will lead to increased development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. Moneys appropriated under this section also may be used for the purpose of contracting for nonmatching studies and activities in support of the lignite vision 21 program; for litigation that may be necessary to protect and promote the

continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for the purposes stated in this section are available to the commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

SECTION 15. CONTINGENT APPROPRIATION - INDUSTRIAL COMMISSION FUNDING. The amount of $2,225,080 from the general fund and 10 full-time equivalent positions included in subdivision 1 of section 1 of this Act may be spent only if the monthly average drilling rig count exceeds 110 drilling rigs. The industrial commission shall notify the office of management and budget and the legislative council each time one or more full-time equivalent positions is authorized to be hired. For purposes of this section, the "monthly average drilling rig count" means the number, rounded to the nearest whole number, calculated by dividing the sum of the daily drilling rig counts for a calendar month by the number of days in the month. Of the $2,225,080 and the 10 full-time equivalent positions in this section, the industrial commission may spend funding and hire full-time equivalent positions, as follows:

1. $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 110 drilling rigs.
2. In addition to the funding and full-time equivalent positions authorized in subsection 1, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 120 drilling rigs.
3. In addition to the funding and full-time equivalent positions authorized in subsections 1 and 2, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 130 drilling rigs.
4. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 3, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 140 drilling rigs.

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5. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 4, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 150 drilling rigs.
6. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 5, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 160 drilling rigs.
7. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 6, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 170 drilling rigs.
8. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 7, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 180 drilling rigs.
9. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 8, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 190 drilling rigs.
10. In addition to the funding and full-time equivalent positions authorized in subsections 1 through 9, $222,508, of which $168,105 is from the salaries and wages line item and $54,403 is from the operating expenses line item, and one full-time equivalent position if the monthly average drilling rig count exceeds 200 drilling rigs.

SECTION 16. A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

North Dakota financial center - Lease rates - Payments in lieu of taxes.

The North Dakota financial center is a building that is owned by the Bank of North Dakota and is adjacent to the building in which the Bank of North Dakota is housed. The Bank of North Dakota shall lease the space in the North Dakota financial center to other state agencies based on market rate lease prices. The Bank of North Dakota shall make payments in lieu of property

taxes in the manner and according to the conditions and procedures that would apply if the building were privately owned.

SECTION 17. AMENDMENT. Section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

54-17-40. (Effective through June 30, ~~2015~~2017) Housing incentive fund - Continuing appropriation - Report to budget section.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.
2. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities to address an unmet housing need or alleviate a housing shortage. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients. The origination fee assessed to grant recipients may not exceed five percent of the project award.

   The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

   The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

   The housing finance agency shall maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers. This register must also reflect those entities

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that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers.

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:
   a. New construction, rehabilitation, or acquisition of a multifamily housing project;
   b. Gap assistance, matching funds, and accessibility improvements;
   c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
   d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

SECTION 18. AMENDMENT. Section 54-17-41 of the North Dakota Century Code is amended and reenacted as follows:

54-17-41. (Effective through June 30, ~~2015~~2017) Report.

Upon request, the housing finance agency shall report to the industrial commission on the activities of the housing incentive fund.

SECTION 19. AMENDMENT. Section 54-17.5-02 of the North Dakota Century Code is amended and reenacted as follows:

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54-17.5-02. Lignite research council - Compensation - Appointment of members.

The industrial commission shall consult with the lignite research council established by executive order in matters of policy affecting the administration of the lignite research fund. Section 44-03-04 does not apply to members of the council appointed by the governor.

SECTION 20. AMENDMENT. Section 57-38-01.32 of the North Dakota Century Code is amended and reenacted as follows:

57-38-01.32. (Effective for the first two taxable years beginning after December 31, ~~2012~~2014) Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.
2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
5. The aggregate amount of tax credits allowed to all eligible contributors is limited to ~~twenty~~thirty million dollars.
6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
   a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
   b. The dollar amount paid for the contribution by the taxpayer.
   c. The date the payment was received by the fund.
7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income tax return in the manner prescribed by the tax

commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.

8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 21. AMENDMENT. Section 22 of chapter 579 of the 2011 Session Laws is amended and reenacted as follows:

SECTION 22. FLEX PACE PROGRAM USE. The Bank of North Dakota shall utilize the flex partnership in assisting community expansion program to assist in financing of affordable multifamily housing units for individuals in ~~areas of~~ North Dakota ~~affected by oil and gas development,~~ for the period beginning with the effective date of this Act and ending June 30, ~~2013~~2019.

~~**SECTION 20. LEGISLATIVE INTENT - CONTINGENT FUNDING PRIORITY LIST.** It is the intent of the sixty-fourth legislative assembly that a list of funding priorities be developed for contingent funding if the actual general fund revenues exceed the legislative forecast during the 2015-17 biennium. The priorities may include a core library project, additional full-time equivalent positions for the industrial commission, transfers to the housing incentive fund, and grants for the lignite research council.~~

SECTION 22. HOUSING FINANCE AGENCY - FLOOD-IMPACTED HOUSING ASSISTANCE - EXEMPTION. The amount appropriated for flood-impacted housing assistance in section 4 of chapter 16 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 23. INDUSTRIAL COMMISSION - POSSIBLE FEDERAL AGENCY LITIGATION - EXEMPTION. The amount appropriated for possible federal agency litigation in subdivision 1

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of section 1 of chapter 45 of the 2013 Session Laws is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 24. INDUSTRIAL COMMISSION - CORE LIBRARY EXPANSION PROJECT - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 1 of section 1 of this Act includes $13,625,322 from the general fund for the purpose of expanding the core library. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The industrial commission shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the core library project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 25. BANK OF NORTH DAKOTA - NORTH DAKOTA FINANCIAL CENTER - EXEMPTION - LEGISLATIVE MANAGEMENT REPORT. The capital assets line item in subdivision 2 of section 1 of this Act includes $17,000,000 from the assets of the Bank of North Dakota for the purpose of constructing a North Dakota financial center on a site adjacent to the existing building in which the Bank is located. The funding appropriated for this purpose is not subject to section 54-44.1-11 and any unexpended funds are available during the biennium beginning July 1, 2017, and ending June 30, 2019. The Bank of North Dakota shall report to the legislative management and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided for the North Dakota financial center, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.

SECTION 26. EMERGENCY. The amount of $13,625,322 from the general fund in the capital assets line item in subdivision 1 of section 1 of this Act for the core library expansion project and sections 6 and 13 of this Act are declared to be an emergency measure.

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HB1014 April 16, 2015 Attachment A

15.8122.02002
Title.

Prepared by the Legislative Council staff for
Representative Skarphol
March 19, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 3, after the third semicolon insert "to create and enact a new section to chapter 38-08 of the North Dakota Century Code, relating to pipeline inspectors;"

Page 4, after line 23, insert:

"**SECTION 4. STATEMENT OF INTENT - PIPELINE INSPECTORS.** Funds appropriated by this Act may not be used by the industrial commission to employ or contract for pipeline inspectors to regularly and physically inspect pipelines. However, the funds may be used to inspect the performance of private inspectors."

Page 6, after line 21, insert:

"**SECTION 14.** A new section to chapter 38-08 of the North Dakota Century Code is created and enacted as follows:

Pipeline inspection.

The industrial commission shall inspect the installation and monitoring of gathering pipelines through certified third-party inspectors. The industrial commission shall certify third-party inspectors who are qualified to inspect pipelines. The industrial commission shall create rules for the qualification of third-party inspectors and adopt inspection standards to ensure the proper installation and monitoring of pipelines. The third-party inspector shall provide inspection reports to the industrial commission in the form as approved by the industrial commission. The primary duty of industrial commission inspectors must be to inspect the performance of the third-party inspectors to determine the compliance with standards created by this section."

Renumber accordingly

HB 1014 April 17, 2015 Attachment A

15.8122.02005
Title.

Prepared by the Legislative Council staff for
Representative Porter
April 14, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

That the Senate recede from its amendments as printed on pages 1507-1514 of the House Journal and pages 1294-1302 of the Senate Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, line 5, after "Code" insert ", section 9 of House Bill No. 1358, as approved by the sixty-fourth legislative assembly,"

Page 1, line 6, after "council" insert ", a transfer from the oil and gas well plugging and site reclamation fund"

Page 9, after line 30, insert:

"**SECTION 17. AMENDMENT.** Section 9 of House Bill No. 1358, as approved by the sixty-fourth legislative assembly, is amended and reenacted as follows:

SECTION 9. ~~APPROPRIATION~~TRANSFER - ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND TO THE OIL AND GAS RESEARCH FUND. ~~Notwithstanding section 38-08-04.5, there is appropriated out of any moneys in the abandoned oil and gas well plugging and site reclamation fund in the state treasury, not otherwise appropriated,~~The director of the office of management and budget shall transfer the sum of $500,000, or so much of the sum as may be ~~necessary, to~~requested, from the oil and gas well plugging and site reclamation fund to the oil and gas research fund as directed by the industrial commission during the biennium beginning July 1, 2015, and ending June 30, 2017. The industrial commission shall use the funding transferred under this section for the purpose of conducting a pilot program ~~involving the oil and gas research council~~ in conjunction with research facilities in this state to determine the best techniques for remediating salt and any other contamination from the soil surrounding waste pits reclaimed by trenching between 1951 and 1984 in the north central portion of this state~~, for the biennium beginning July 1, 2015, and ending June 30, 2017~~. The industrial commission may not require a research facility to provide matching funds to participate in the program authorized in this section."

Renumber accordingly

HB 1014 April 18, 2015 Attachment A

HB 1014
Conference Committee
April 18, 2015

	Rigs	Min. PE-FI	Wells	Min. ET-FI	Min. Contingency FTE	Cum $ Salary+Operating
Jul-Sep 2015	95-100	13	17,100-17,400	18	0	$0
Oct-Dec 2015	100-105	13	17,400-17,800	18	0	$0
Jan-Mar 2016	105-110	13	17,800-18,100	18	0	$0
Apr-Jun 2016	110-120	14	18,100-18,400	19	0	$0
Jul-Sep 2016	120-140	14	18,400-18,800	19	1	$111,600
Oct-Dec 2016	140-155	16	18,800-19,300	20	2	$279,000
Jan-Mar 2017	155-165	17	19,300-19,750	20	3	$446,400
Apr-Jun 2017	165-200	18	19,750-21,000	21	5-7	$641,700

HB1014 April 23, 2015 Attachment A

15.8122.02006
Title.

Prepared by the Legislative Council staff for
Representative Hogan
April 18, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

That the Senate recede from its amendments as printed on pages of the Senate Journal and pages of the House Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, line 3, after the first semicolon insert "to provide a contingent appropriation;"

Page 5, after line 2, insert:

"**SECTION 6. CONTINGENT APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND - HOUSING FINANCE AGENCY.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $10,000,000, which the office of management and budget shall transfer to the housing incentive fund if the monthly average drilling rig count exceeds 160 drilling rigs, for the biennium beginning July 1, 2015, and ending June 30, 2017. For purposes of this section, the "monthly average drilling rig count" means the number, rounded to the nearest whole number, calculated by dividing the sum of the daily drilling rig counts for a calendar month by the number of days in the month. The funding provided in this section is considered a one-time funding item."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides for a contingent transfer of $10 million from the general fund to the housing incentive fund if the monthly average drilling rig count exceeds 160 drilling rigs.